# OFFERING OF UP TO 810,983,860 RIGHTS TO SUBSCRIBE FOR UP TO 754,214,990 COMMON SHARES AT A SUBSCRIPTION PRICE OF $0.10 (SEK 0.68) PER COMMON SHARE

*Information to shareholders*

As a shareholder in ShaMaran Petroleum Corp., you will receive Rights (as defined herein). Please note that the Rights are expected to have an economic value.
In order not to lose the value of the Rights, the holder must either:

- exercise the Right to subscribe for new Common Shares no later than at 15.00 (CET) February 4, 2015; or
- sell the Right which is not intended to be exercised no later than February 2, 2015.

Please note that shareholders with nominee-registered shareholdings shall subscribe for new Common Shares through the respective nominee and that the deadline for subscription may vary.

## Important information to investors

This prospectus (the "**Prospectus**") has been prepared for holders of Common Shares in Euroclear Sweden in connection with the distribution of a transferable right that permits the holder thereof to subscribe for common shares (the "**Common Shares**") of ShaMaran Petroleum Corp. (the "**Corporation**") on the terms set forth herein (the "**Right**"), to the holders of Common Shares of record on January 12, 2015. In this Prospectus, "**Pareto**" refers to Pareto Securities AB, Pareto has been appointed by the Corporation to act as the manager for the offering. Pareto is not registered as a dealer in any Canadian jurisdiction and, accordingly, will not, directly or indirectly, solicit offers to purchase or sell Common Shares or Rights in Canada. See section "Definitions" for the definitions of these and other terms in this Prospectus.

The Common Shares are traded on Nasdaq First North in Sweden and on TSX Venture Exchange in Canada.

Nasdaq First North is an alternative marketplace operated by an exchange within the Nasdaq group. Companies on Nasdaq 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 Nasdaq First North may therefore be higher than investing in a company on the main market. All companies with shares traded on Nasdaq First North have a Certified Adviser who monitors that the rules are followed. The Nasdaq First North approves applications for admission to trading.

This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The Rights and the Common Shares issuable upon exercise of the Rights offered under this Prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or any securities laws of any state of the United States and, subject to certain exceptions, may not be offered or sold to, or for the account or benefit of, a person in the "United States" or a "U.S. person" (as such terms are defined in Regulation S under the 1933 Act). The securities offering under this Prospectus has not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**") or any state securities commission nor has the SEC or any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

This Prospectus qualifies the distribution of the Rights as well as the Common Shares issuable upon exercise of the Rights in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia. The Rights are also qualified to be distributed to Holders in Sweden (together with British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia, the "**Eligible Jurisdictions**") as a result of the filing of this Prospectus with the Swedish Financial Supervisory Authority. The Prospectus also qualifies the distribution of the Standby Shares to the Standby Purchasers. The Rights as well as the Common Shares issuable upon the exercise of the Rights are not being distributed or offered to holders of record of Common Shares as of the Record Date who are resident in the United States (the "**U.S. Holders**") (other than in certain limited circumstances in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws) or in any jurisdiction where the exercise of rights would not be in compliance with the applicable securities laws of that jurisdiction (collectively, the "Ineligible Jurisdictions") and, except under the circumstances described herein, Rights may not be exercised by or on behalf of a Holder of Rights resident in an Ineligible Jurisdiction (an "**Ineligible Holder**"). This Prospectus is not, and under no circumstances is to be construed as, an offering of any Rights or Common Shares for sale, or a solicitation of an offer to buy any securities, in any Ineligible Jurisdiction or to any Ineligible Holder. No action has been or will be taken by ShaMaran or Pareto to permit the possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the offering) in any Ineligible Jurisdictions, where such distribution may otherwise lead to a breach of any law or regulatory requirement. Accordingly, the Prospectus may not be distributed or published in any country or any jurisdiction where the distribution or publishing of the Prospectus or the Offering requires such measures or would conflict with regulations in such country or jurisdiction. Persons into whose possession this prospectus may come are required to inform themselves about and abide by such restrictions, in particular not to publish or distribute the Prospectus in violation of applicable securities regulations. Any failure to abide by such restrictions may result in a violation of applicable securities regulations. Furthermore, acquisitions of securities in violation of the restrictions described above may be void.

The Corporation is responsible for the information in this Prospectus and the documents incorporated by reference herein. ShaMaran has not authorized anyone to provide investors with different information. ShaMaran is not offering the Rights in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this Prospectus is accurate as of any date other than the date of this Prospectus. Subject to ShaMaran's obligation under applicable securities law, the information contained in this Prospectus is accurate only as at the date of this Prospectus regardless of the time of delivery of this Prospectus or of any sale of the Rights. When an investor makes an investment decision, he or she must rely on his or her own analysis of ShaMaran and the Offering, including, but not limited to, the merits and risks involved. An investment decision shall be based solely on the information in this Prospectus, the documents incorporated herein, and any possible supplements hereto.

As a condition to exercising Rights or subscribing for new Common Shares pursuant to the Offering, each exercising Holder of Rights or subscriber for new Common Shares will be deemed to have made or, in some cases, be required to make, representations and warranties that the Holder is an Eligible Holder or an Approved Eligible Holder, that will be relied upon by ShaMaran, Pareto and others.

This Prospectus has been prepared by ShaMaran, based on its own information and information from other sources that ShaMaran considers to be reliable. Neither Pareto nor any of its affiliates accepts any responsibility whatsoever for the contents of this Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Corporation or the Offering. Pareto and its affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, express or implied, is made by Pareto or its affiliates as to the accuracy, completeness or sufficiency of the information set out in this Prospectus.

This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the "**SFSA**") (Sw. *Finansinspektionen*) in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (Sw. *lagen (1991:980) om handel med finansiella instrument*). Approval and registration by the SFSA does not imply that the SFSA guarantees the factual information provided in this Prospectus is correct or complete.

Holders of Common Shares in Euroclear Sweden should read "A. Details of the Offering for Holders of Common Shares in Euroclear Sweden (Sweden)" in order to inform themselves on how to exercise their Rights (among other things). Information on how to exercise Rights to subscribe for Common Shares registered with CDS is set out in "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders". Furthermore, a short form prospectus approved by the British Columbia Securities Commission (on its own behalf and on behalf of the securities commissions of Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia) will be mailed, shortly after the Record Date, to shareholders who hold their Common Shares in registered form as of the Record Date. Such prospectus will also be available at www.sedar.com.

This Prospectus is available in paper form at ShaMaran's head office and in electronic form on ShaMaran's website, www.shamaranpetroleum.com, as well as on the website of the Swedish Financial Supervisory Authority, www.fi.se

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## SUMMARY

For the purposes of filing this Prospectus with the Swedish Financial Supervisory Authority, it is necessary to provide a summary prepared in accordance with the European Directive 2003/71/EC as amended. Summaries are made up of disclosure requirements (hereinafter referred to as "**Elements**"). The Elements are numbered in Sections A - E (A.1 - E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of not applicable ("N/A").

Certain terms used in this summary are defined elsewhere in this Prospectus.

### Section A - Introduction and warnings

| | | |
|---|---|---|
| **A.1** | *Introduction and warnings* | **This summary should be read as an introduction to the Prospectus.**<br><br>**Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.**<br><br>**Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.**<br><br>**Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.** |
| **A.2** | *Financial intermediaries* | N/A; the Offering does not include any financial intermediaries. |

### Section B – Issuer

| | | |
|---|---|---|
| **B.1** | *Legal and commercial name* | The legal and commercial name of the Corporation is ShaMaran Petroleum Corp. |
| **B.2** | *Legal context* | The Corporation is registered and continued into British Columbia, Canada under the British Columbia Business Corporations Act ("**BCBCA**") as a public company, with corporation number C0778647. |

| | | |
|---|---|---|
| **B.3** | *Operations* | The Corporation is an independent oil and gas exploration company whose head office is in Canada, with a services office in Switzerland. ShaMaran is focused on oil exploration and development in the Kurdistan Region of Iraq. ShaMaran's principal asset is a 20.1% direct working interest in the Atrush Block located in the north east of Kurdistan.<br><br>ShaMaran's mission is to build a leading oil and gas exploration and production company focused on opportunities in the Middle East and North Africa region while creating positive economic and social impacts on the local communities and growing shareholder value. ShaMaran has pursued and will continue to pursue a growth strategy with active exploration and development activities, together with focused acquisitions and joint venture arrangements. ShaMaran will continue to target areas and prospects that it believes could result in meaningful resource and/or reserve additions.<br><br>ShaMaran will continue the identification of exploration projects that have a medium risk and multi-zone potential in prospective, geologically favourable settings. ShaMaran intends to maintain a balance between exploration, exploitation, and development activities with and without joint venture partners.<br><br>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 Corporation. ShaMaran's ability to increase reserves in the future will depend on its ability to develop its present property, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have an impact on the demand for oil and gas and could lead to reduction in oil prices which may have a negative impact on the Corporation's cash flow and profitability. |
| **B.4a** | *Trends influencing the issuer and the industries in which it is active* | There has been no material adverse change in the prospects of the Corporation since the date of its last published audited financial statements other than uncertainties regarding the operating environment in the Kurdistan Region of Iraq which may impact the Corporation's prospects in the future.<br><br>Kurdistan continues to see a rapid development in infrastructure and a significant increase in the availability of oil and gas services in the country. A number of major international oil companies, including ExxonMobil, Chevron, Marathon, Repsol, Total and Gazprom, have |

| | | |
|---|---|---|
| | | acquired properties in Kurdistan. A number of significant discoveries in this region continue to be reported and many are now undergoing appraisal and development. |
| **B.5** | *Description of the Group and the issuer's position within the Group* | ShaMaran is the Canadian parent of a group of eleven companies (including the Corporation) comprised of companies incorporated in Canada, Netherlands, Switzerland, United States and Cayman Islands. |
| **B.6** | *Major shareholders, control over the Corporation and notifiable individuals* | To the knowledge of the Corporation, shareholders carrying 10% or more of the voting rights attached to all outstanding Common Shares as of the date hereof were:<br><br>i. Lorito[(1)], 49,141,300 Common Shares and 6.06% of the votes; and<br>ii. Zebra[(1)], 111,300,000 Common Shares and 13.72% of the votes.<br><br>(1) Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor is the Estate of the late Adolf H. Lundin. Together, Lorito and Zebra hold a total of 160,441,300 Common Shares, which represents 19.78% of the current outstanding Common Shares.<br><br>To the knowledge of the Corporation, ShaMaran is not directly or indirectly controlled by any person. |
| **B.7** | *Financial Summary* | ***Consolidated Statement of Comprehensive Income***<br>*(Expressed in thousands of United States Dollars)* |

| | Nine months ended September 30, | | Year ended December 31, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2013** | **2012** |
| **Expenses from continuing operations** | | | | |
| General and administrative expense | (1,172) | (1,377) | (2,393) | (2,852) |
| Share based payments expense | (259) | (725) | (882) | (8) |
| Impairment (loss) / recovery | - | (84) | (84) | 1,814 |
| Depreciation and amortisation expense | (38) | (54) | (65) | (183) |
| Share of income of associate | - | - | - | 129,000 |
| Gain on fair valuation of net assets of subsidiary | - | - | - | 102,735 |
| Gain on sale of asset | - | - | - | 1,100 |
| Relinquishment costs | - | - | - | (25,732) |
| **(Loss) / income before finance items and income tax expense** | **(1,469)** | **(2,240)** | **(3,424)** | **205,874** |
| Finance cost | (3,978) | (47) | (740) | (719) |
| Finance income | 71 | 26 | 28 | 359 |
| **Net finance cost** | **(3,907)** | **(21)** | **(712)** | **(360)** |
| **(Loss) / income before income tax expense** | **(5,376)** | **(2,261)** | **(4,136)** | **205,514** |
| Income tax expense | (84) | (63) | (87) | (89) |
| **Net (loss) / income from continuing operations** | **(5,460)** | **(2,324)** | **(4,223)** | **205,425** |
| **Discontinued operations** | | | | |
| Net income / (loss) from discontinued operations | (17) | (40) | 935 | (61) |
| **Net (loss) / income for the period** | **(5,477)** | **(2,364)** | **(3,288)** | **205,364** |
| **Other comprehensive income:** | | | | |
| Currency translation differences | (66) | 18 | 19 | 26 |
| **Total other comprehensive income** | **(66)** | **18** | **19** | **26** |
| **Total comprehensive (loss) / income for the period** | **(5,543)** | **(2,346)** | **(3,269)** | **205,390** |

## *Consolidated Balance Sheet*

*(Expressed in thousands of United States Dollars)*

| | September 30, 2014 | December 31, 2013 | 2012 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 406,069 | 344,990 | 303,549 |
| Property, plant and equipment | 160 | 179 | 257 |
| | **406,229** | **345,169** | **303,806** |
| **Current assets** | | | |
| Cash and cash equivalents | 78,640 | 142,588 | 41,216 |
| Other current assets | 172 | 194 | 331 |
| Inventories | - | - | 198 |
| | **78,812** | **142,782** | **41,745** |
| **Assets associated with discontinued operations** | **-** | **3** | **3** |
| **Total assets** | **485,041** | **487,954** | **345,554** |
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued expenses | 5,191 | 7,458 | 7,027 |
| Accrued interest expense on bonds | 6,565 | 2,252 | - |
| Current tax liabilities | 29 | 92 | 90 |
| Deferred liability | - | - | 5,000 |
| | **11,785** | **9,802** | **12,117** |
| **Non-current liabilities** | | | |
| Borrowings | 147,505 | 147,050 | - |
| Provisions | 1,764 | 1,185 | 120 |
| | **149,269** | **148,235** | **120** |
| **Liabilities associated with discontinued operations** | **282** | **928** | **1,941** |
| **Total liabilities** | **161,336** | **158,965** | **14,178** |
| **Equity** | | | |
| Share capital | 534,068 | 534,068 | 534,068 |
| Share based payments reserve | 4,977 | 4,718 | 3,836 |
| Cumulative translation adjustment | (39) | 27 | 8 |
| Accumulated deficit | (215,301) | (209,824) | (206,536) |
| **Total equity** | **323,705** | **328,989** | **331,376** |
| **Total liabilities and equity** | **485,041** | **487,954** | **345,554** |

## *Consolidated Cash Flow Statement*

*(Expressed in thousands of United States Dollars)*

| | Nine months ended September 30, 2014 | 2013 | Year ended December 31, 2013 | 2012 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net (loss) / income from continuing operations | (5,460) | (2,324) | (4,223) | 205,425 |
| Adjustments for: | | | | |
| Share based payments expense | 259 | 725 | 882 | 8 |
| Interest expense on senior secured bonds - net | 3,964 | - | 689 | - |
| Impairment loss / (recovery) | - | 84 | 84 | (1,814) |
| Depreciation and amortisation expense | 38 | 54 | 65 | 183 |
| Foreign exchange loss / (gain) | (33) | 46 | 49 | (333) |
| Interest income | (38) | (26) | (28) | (26) |
| Interest expense on equity based finance fee | - | - | - | 719 |
| Gain on sale of asset | - | - | - | (1,100) |
| Gain on fair valuation of net assets of subsidiary | - | - | - | (102,735) |
| Share of income of associate | - | - | - | (129,000) |

| | | | | | |
|---|---|---|---|---|---|
| Changes in current tax liabilities | (63) | (22) | 2 | (32) |
| Changes in provisions | 579 | 41 | 1,065 | 120 |
| Changes in accounts payable and accrued expenses | (2,267) | 6,117 | 431 | (16,550) |
| Changes in inventories | - | 114 | 114 | 2,552 |
| Changes in other current assets | 22 | 179 | 137 | 421 |
| Cash used in discontinued operations | (660) | 13 | (78) | (715) |
| **Net cash outflows to operating activities** | **(3,659)** | **5,001** | **(811)** | **(42,877)** |
| **Investing activities** | | | | |
| Interest received on cash deposits | 38 | 26 | 28 | 26 |
| Deferred liability | - | (5,000) | (5,000) | 5,000 |
| Purchases of intangible assets | (51,624) | (26,505) | (39,788) | (8,395) |
| Net proceeds on sale of intangible assets | - | - | - | 52,671 |
| Proceeds on reimbursement of intangible costs | - | - | - | 1,250 |
| Net proceeds on sale of property, plant and equipment | - | - | - | 802 |
| Purchases of property, plant and equipment | (45) | - | - | (595) |
| Investment in associate | - | - | - | (16,110) |
| **Net cash (outflows to) / inflows from investing activities** | **(51,631)** | **(31,479)** | **(44,760)** | **34,649** |
| **Financing activities** | | | | |
| Proceeds on bond issue | - | - | 150,000 | - |
| Bond related transaction costs | - | - | (3,028) | - |
| Interest payments to bondholders | (8,625) | - | - | - |
| **Net cash inflows from financing activities** | **(8,625)** | **-** | **146,972** | **-** |
| Effect of exchange rate changes on cash and cash equivalents | (33) | (27) | (29) | 359 |
| **Change in cash and cash equivalents** | **(63,948)** | **(26,505)** | **101,372** | **(7,869)** |
| Cash and cash equivalents, beginning of the period | 142,588 | 41,216 | 41,216 | 49,085 |
| **Cash and cash equivalents, end of the period** | **78,640** | **14,711** | **142,588** | **41,216** |

***Key ratios***

| | **Nine months ended September 30,** | | **Year ended December 31,** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2013** | **2012** |
| Basic (loss)/income per share (USD): | | | | |
| Continuing operations | (0.01) | - | (0.01) | 0.25 |
| Discontinued operations | - | - | - | - |
| -Total | (0.01) | - | (0.01) | 0.25 |
| Diluted (loss)/income per share (USD): | | | | |
| Continuing operations | (0.01) | - | (0.01) | 0.25 |
| Discontinued operations | - | - | - | - |
| Total | (0.01) | - | (0.01) | 0.25 |
| Book equity ratio at end of period[1] | 67.3% | 96.3% | 67.4% | 95.9% |
| Weighted avg. basic shares outstanding x 000 | 810,984 | 810,984 | 810,984 | 810,222 |
| Weighted avg. diluted shares outstanding x 000 | 810,984 | 810,984 | 810,984 | 810,222 |
| Dividend paid per share | - | - | - | - |

[1] "Total equity of period" divided by "total assets of period"

**Important events after September 30, 2014**

There has been no significant change to the Corporation's financial position since the most recent financial report for the nine-month period ended on September 30, 2014 was made public on October 21, 2014, except for the Offering announced on October 15, 2014.

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| **B.8** | *Selected pro forma financial information* | N/A; the Prospectus does not include any pro forma information. |

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| **B.9** | *Financial forecast* | N/A; the Prospectus does not include any financial forecasts or calculations of expected profit. |
| **B.10** | *Auditor's remarks* | N/A; there are no auditor's remarks. |
| **B.11** | *Working capital of the issuer* | In the Corporation's opinion and as further described in the section "Reasons for the offer and use of proceeds" of this summary, the Corporation's working capital available at November 30, 2014 is not sufficient for its present requirements for the next twelve months. On this basis, the Corporation expects that its working capital will become insufficient during the second quarter of 2015 and that the aggregate amount of additional working capital required to fund total the Corporation's total forecasted funding requirements for the twelve months ended November 30, 2015 will amount to approximately USD 54 million (approximately USD 60 million for the 13 months ended December 31, 2015).<br><br>Following the conclusion that additional financing would be required, management undertook a comprehensive review of strategic financing alternatives available to the Corporation. The Board of Directors, based on the recommendations of management, concluded that the Offering was the most feasible financing alternative available to it. Subject to receiving net proceeds of at least USD 54 million in conjunction with the Offering, the Corporation's working capital will, in the opinion of the Corporation, be sufficient for the Corporation's forecasted funding requirements for the twelve months ended November 30, 2014 and, as the Standby Purchasers have agreed, subject to certain terms and conditions, to (i) exercise all of their Basic Subscription Rights and (ii) purchase all Common Shares not otherwise required under the Offering, the Corporation expects that it will receive net proceeds of approximately USD 63 million in conjunction with the Offering. However, in the event that the Offering cannot be completed, or the Corporation could not secure external financing in an amount required to cover the remainder of the working capital deficit, the Corporation might be required to take measures such as divestment of assets and renegotiation of its debt. Should this not be successful, there is a risk that the Corporation will be subject to a partial or complete reorganization, or that the Corporation is declared bankrupt.<br><br>The Corporation's operations are comprised of an appraisal and development program on the Atrush petroleum property located in the Kurdistan Region of Iraq which is currently in the pre-production stages and generates no revenue. Accordingly, additional funding from equity financing, joint ventures or disposition of assets may be required to fund further development and corporate expenses. Such financing may not at all times be available to the Corporation in the amount required at any time or for any period or, if available, it may not be obtained on terms which are satisfactory to the Corporation. |

**Section C – Securities**

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| **C.1** | *Securities being offered* | Up to 754,214,990 Common Shares in ShaMaran Petroleum Corp. (ISIN-code CA8193201024). |
| **C.2** | *Denomination* | The Common Shares are no par value shares. |
| **C.3** | *Total number of shares in the Corporation* | The authorized share capital is an unlimited number of Common Shares without par value. As of the date hereof, there are 810,983,860 issued and outstanding Common Shares. Upon completion of the Offering, the issued and outstanding Common Shares of the Corporation will amount to not more than 1,565,198,850 Common Shares. |
| **C.4** | *Rights pertaining to the shares* | The holders of the Common Shares have equal rights to dividends, if, as and when declared by the Board of Directors, and upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares and are entitled to receive notice of meetings of shareholders of the Corporation and one vote per share at such meetings. |
| **C.5** | *Limitations to the free transferability* | N/A; there are no limitations to the free transferability of the Common Shares other than certain restrictions under applicable Canadian securities laws applicable to Common Shares held by control persons of the Corporation. |
| **C.6** | *Trading in the shares* | The Common Shares are currently traded on the TSX-V and Nasdaq First North under the symbol "SNM"; it is anticipated that the Rights will be listed on the TSX-V under the symbol "SNM.RT" and on Nasdaq First North under the symbol "SNM TR". The first day of trading of the Rights is estimated to be January 8, 2015 on the TSX-V and January 19, 2015 on Nasdaq First North. The first day of trading in the new Common Shares is estimated to be February 13, 2015 on the TSX-V and February 16, 2015 on Nasdaq First North. |
| **C.7** | *Dividend policy* | The Corporation has not declared or paid any dividends on its securities since its incorporation. Any decision to pay dividends on the Common Shares or any other outstanding class of shares, from time to time, will be made by the Board on the basis of the Corporation's earnings, financial and legal requirements and other conditions existing at such future time. At present, the Corporation does not anticipate declaring and paying any dividends in the foreseeable future. |

**Section D – Risks**

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| **D.1** | *Risks related to ShaMaran* | The operations of ShaMaran and the sectors in which it operates are subject to a number of risks that are completely or partly outside the Corporation's control and which could materially adversely impact the Corporation's business, financial condition and results of operations and prospects. The risk factors described below are the risk factors that ShaMaran considers to be key risks to its business, financial conditions |

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| | | and results of operations and prospects.<br><br>**Political and Regional Risks**<br><br>**Political Uncertainty**: ShaMaran's assets and operations are located in Kurdistan and, therefore, subject to political uncertainty in the region and potential impact of actions of ISIS which could result in operational delays and additional costs.<br><br>**Business Risks**<br><br>**Risks associated with petroleum contracts in Iraq**: There is a risk the federal Iraq legislation necessary to govern the future organization and management of its petroleum industry will not be enacted, which would increase uncertainty in the industry in Iraq.<br><br>**Negative Operating Cash Flow**: The Corporation has incurred net losses in the past and may incur losses in the future and will continue to incur losses until and unless it can derive sufficient revenues from its projects. There is no guarantee that the Corporation will ever be profitable.<br><br>**Risk of payment of KRG obligations**: There is a risk that ShaMaran will be required to fund its pro rata share of the KRGs share of project development costs (even in the absence of a commercial agreement with the KRG), which will affect the economics of the project.<br><br>**Marketing, markets and transportation:** There is a risk that the export of oil and gas from Kurdistan will be disrupted, which will delay or interrupt payments due to ShaMaran relating to such exports.<br><br>**Dependency on Partners and the Operator:** Operations on the Atrush Block are undertaken by the Operator and ShaMaran's own operations are conducted together with one or more partners through contractual arrangements, which limits ShaMaran's ability to exercise influence over the deployment of its assets or the costs associated with the operations, which could adversely affect ShaMaran's financial performance.<br><br>**Financing Risks**<br><br>**Limited Resources**: The Corporation has limited financial resources, has no operating cash flow at the present time and there is a risk that additional funding will not be available to it for further development and expansion of operations.<br><br>To the extent that external sources of capital become limited or unavailable or available only on onerous terms, there is a risk that the Corporation's ability to invest and to maintain existing assets will be impaired which would adversely affect the Corporation's business, |

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| | | financial condition and/or results of operations.<br><br>**Risks in Estimating Resources:**<br><br>**Uncertainties in estimating quantities of reserves/resources**: There are a number of uncertainties inherent in estimating the quantities of reserves/resources including factors which are beyond the control of the Corporation. In addition, the Corporation's project is in the appraisal and development stage and additional information must be obtained to ultimately determine the economic viability of developing the contingent or prospective resources. There is a risk that the Corporation will not be able to commercially produce any portion of its contingent or prospective resources. |
| **D.3** | *Risks related to the Common Shares* | Any investment in securities involves risks. Any such risks could also result in a significant fall of the market price of the Common Shares and investors losing all or part of their investment.<br><br>**Risks relating to the Offering**<br><br>**Increase in Size of Standby Purchasers:** There is a risk that Lorito and Zebra, either alone or acting together with Lundin Petroleum, may gain the ability to control substantially all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions and that the concentration of ownership may delay or prevent a change in control of the Corporation and make some future transactions more difficult or impossible without the support of the Standby Purchasers.<br><br>**The subscription commitment under the Standby Purchase Agreement is not secured**: The Standby Purchasers' commitment to subscribe for Common Shares under the Standby Purchase Agreement is not secured, therefore there is a risk that, in the case of termination of or non-fulfilment of obligations by the Standby Purchasers of their obligations under the Standby Purchase Agreement the Offering will not be fully subscribed.<br><br>**Currency Risks**: There is a risk that, as a result of fluctuations in the exchange rate between Canadian dollars and Swedish krona after the Subscription Price is set, Holders outside of Sweden will ultimately pay more, or less, per Common Shares than Holders who hold Common Shares through Euroclear Sweden.<br><br>**Dilution to Shareholders**: There is a risk that a shareholder's current percentage of ownership of the Corporation will be diluted if the shareholder does not exercise all of its Rights pursuant to the Basic Subscription Privilege and that the consideration received on the sale of unexercised Rights will not be sufficient to fully compensate the shareholder for the dilution caused as a result of the exercise of Rights by others. |

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| | | **Market Price of Common Shares**: There is a risk that an active market for the Common Shares will not be sustained after the Offering. Factors unrelated to the performance of the Corporation may have an effect on the price of Common Shares. If an active market for the Common Shares does not continue, the liquidity of a subscriber's investment may be limited and the price of the Common Shares may decline below the price at which the Common Shares are issued pursuant to the Offering and subscribers may lose their entire investment in the Common Shares.<br><br>**Market for Trading of Rights**: There is a risk that the Rights will not be approved to be listed on the TSX-V and/or Nasdaq First North. There is also a risk that an active or any trading market in the Rights will not develop or that the Rights cannot be sold on the TSX-V and/or Nasdaq First North at any time.<br><br>**The Subscription Price does not necessarily reflect the Corporation's Value**: The Subscription Price was determined by negotiation between the Corporation and the Standby Purchasers and does not necessarily bear any relationship to the book value of the Corporation's assets, past operations, cash flows, losses, financial condition or any other established criteria for value. After the date of this Prospectus, the Common Shares will trade at prices above, below or equal to the Subscription Price.<br><br>**The Trading Price of the Common Shares may decline below the Subscription Price**: The trading price of the Common Shares in the future may decline below the Subscription Price. There is a risk that the Subscription Price will remain below any future trading price of the Common Shares. The exercise of Rights may not be revoked even if there is a decline in the price of the Common Shares prior to the Expiry Time. |

## Section E – Offer

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| **E.1** | *Rights issue amount and costs* | Assuming that all of the Rights are exercised under the Offering, the gross proceeds received by the Corporation from the completion of the Offering are estimated to be $75,421,500, and after deducting estimated expenses of the Offering of $1,618,000 (mainly relating to costs for financial, legal and other professional advice), the net proceeds are estimated to be $73,803,500. |
| **E.2a** | *Reasons for the offer and use of proceeds* | On October 7, 2013 the Corporation announced that Phase 1 of the Atrush Block Field Development Plan ("**FDP**") was approved by the KRG. The initial 20-year Development Phase (as defined in Clause 12.9 of the production sharing contract (the "**PSC"**) granted in respect of the Atrush Block (the "**Atrush Block PSC**") commenced on the October 1, 2013. Phase 1 will consist of four initial producers (AT-2, AT-4, CK-5 and CK-8) connected to a 30,000 gross bopd production |

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| | | facility. Works are currently in progress to implement the 30,000 barrels of gross liquid per day Phase 1 production facility.<br><br>Under the terms of the Atrush Block PSC, on exercise of its back-in right to acquire the Government Interest, the KRG is required to pay its pro rata share of project development costs from the date of declaration of a commercial discovery. Negotiations are currently ongoing amongst the parties to the Contractors group and the KRG to finalize a commercial agreement with the KRG and amend the Atrush Block PSC to give effect to the Government Interest. To the date of this Prospectus the process of amending the Atrush Block PSC and finalizing the commercial agreement has not been completed and the parties to the Contractors group are currently advancing cash for Atrush development costs which relate to the Government Interest.<br><br>There is a risk that, in order to maintain the Atrush project schedule, the Corporation may be required to advance its pro rata share of the project development costs relating to the Government Interest, even in the absence of a commercial agreement. The Corporation currently estimates the total amount of advances required to cover its pro rata share of project development costs relating to Government Interest, from the date of declaration of a commercial discovery until the project generates cash flows from production, to be USD 48 million, of which the Corporation has advanced USD 25 million as at November 30, 2014.<br><br>The Corporation does not currently generate revenues and corresponding cash flows from its oil and gas appraisal and development operations and has relied to date upon the issuance of common shares, proceeds from asset sales and, most recently, bonds, to finance its ongoing oil exploration, development and acquisition activities.<br><br>At the time the bonds were issued in November 2013 the Corporation had determined the issue amount based on the assumption that it would not be required to fund its pro rata share of Atrush project development costs relating to the Government Interest. That assumption, which was based on information the Corporation received from its partners in the Atrush Block, has since come into question and the Corporation, following numerous meetings and discussions with its partners in the Atrush Block, legal advisors, and through the guidance of its Board of Directors has determined it is in the best interests of its shareholders to ensure sufficient financing is in place to fully finance its participating interest share as well as its pro rata share of the Government Interest of project development costs in advance of these costs coming due for payment.<br><br>Following the conclusion that additional financing would be required, management undertook a comprehensive review of strategic financing alternatives available to the Corporation. The Board of Directors, based on the recommendations of management, concluded that an offering of |

Rights to its Holders was in the best interest of the shareholders of the Corporation.

The Corporation intends to use the net proceeds of the Offering to fund: (i) the Corporation's costs (including the additional funding required to cover the Corporation's pro-rata share of the Government Interest) related to the financing, development and operation of the Atrush Block; (ii) the Corporation's technical, management and administrative services expenses and other corporate purposes.

The table below summarizes the Corporation's total forecasted funding requirements until the Atrush field generates cash flows from sales of oil production, currently projected at end of December 2015.

| In USD millions | 13 months ended December 31, 2015 |
|---|---|
| ShaMaran's 20.1% interest in Atrush Block | 68 |
| 6.7% pro rata share of Government Interest[1] | 23 |
| Corporate administration and bond interest costs | 24 |
| Total cash requirement | 115 |
| Less: working capital at November 30, 2014 | (55) |
| Additional cash requirement | 60 |

[1]As at November 30, 2014 the Corporation has contributed USD 25 million towards advancing its 6.7% pro-rata share of Government Interest in Atrush for the period from November 7, 2012 through November 30, 2014.

**E.3** *Terms and conditions for the Offering*

This Prospectus has been approved and registered by the SFSA in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act and has been prepared for holders of Common Shares in Euroclear Sweden.

Holders of Common Shares in Euroclear Sweden should read "Holders of Common Shares registered in Euroclear Sweden (Sweden)" below in this summary in order to inform themselves on how to exercise their Rights (among other things). Information on how to exercise Rights to subscribe for Common Shares registered with CDS is set out in "Registered Holders of Common Shares, Holders of Common Shares Registered With CDS (Canada) and Approved Eligible Holders" below in this summary.

**Holders of Common Shares registered in Euroclear Sweden (Sweden)**

Holders of Common Shares in Euroclear Sweden at the close of business (Swedish time) on the Record Date will receive Rights on the basis of one Right for each Common Share held at that time. For every 100 Rights held, the holder thereof is entitled to subscribe for 93 Common Shares at the price of SEK 63.24, being the equivalent of SEK 0.68 per Common Share. Any subscription for Common Shares will be irrevocable once submitted.

Holders of Rights may subscribe for Common Shares during the period from and including January 19, 2015 up to and including 3.00 p.m. (Stockholm time) February 4, 2015. On expiry of the subscription period, the Rights which have not been exercised will expire and become null and void. Unexercised Rights will be cancelled from the securities (VP) account without any notice from Euroclear Sweden. The subscription period may be extended.

Those who elect not to participate in the Offering may have their ownership diluted by up to 48.19%, but may also have the opportunity to sell their Rights. It is expected that the Rights will be listed on Nasdaq First North during the period from and including January 19, 2015 up to and including February 2, 2015.

Subject to applicable securities laws, a printed Common Share issue statement with an accompanying bank giro slip will be sent directly to registered holders of Common Shares, or to relevant representatives of such holders, who on the Record Date are registered in the share register maintained by Euroclear Sweden. The printed Common Share issue statement will show, among other things, the number of Rights received and the number of Common Shares that may be subscribed for by way of such Rights. A securities (VP) account statement with respect to the registration of Rights in a holder's securities account will not be dispatched.

Holders of Common Shares, whose shareholding is registered with a nominee bank or another nominee, will not receive a Common Share issue statement from Euroclear Sweden. Instead, Euroclear Sweden will send the nominee a Common Share issue statement and the exercise of Subscription Rights and payment of the Subscription Price on behalf of such holders of Common Shares will be made only according to instructions from the nominee.

**Registered Holders of Common Shares, Holders of Common Shares Registered With CDS (Canada) and Approved Eligible Holders**

Holders of record at the close of business (Toronto time) on the Record Date will receive Rights on the basis of one Right for each Common Share held at that time. The Rights permit Holders (provided that such holders are in an Eligible Jurisdiction or are Approved Eligible Holders) to subscribe for and purchase from the Corporation an aggregate of up to 754,214,990 Common Shares, assuming exercise in full of the Rights issued hereunder, on the basis of 93 Common Shares for every 100 Rights held. The Rights are transferable in Canada by the holders thereof.

For Holders who hold their Common Shares in registered form, a Rights Certificate evidencing the number of Rights to which a holder is entitled as at the Record Date and the number of Common Shares

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| | | which may be obtained on exercise of those Rights will be mailed with a copy of this Prospectus to each Holder as of the close of business on the Record Date.<br><br>Holders that hold their Common Shares through a CDS Participant will not receive physical certificates evidencing their ownership of Rights. On the Record Date, a global certificate representing such Rights will be issued in registered form to, and in the name of, CDS or its nominee.<br><br>Subscription Basis:<br><br>For every 100 Rights, the holder thereof is entitled to subscribe for 93 Common Shares at a price of $9.30, being the equivalent of 0.10 per Common Share. Any subscription for Common Shares will be irrevocable once submitted.<br><br>Fractional Common Shares will not be issued on the exercise of Rights. An entitlement to a fractional Common Share will be rounded down to the next whole Common Share. CDS Participants that hold Rights for more than one beneficial holder may, upon providing evidence satisfactory to the Corporation, exercise Rights on behalf of its accounts on the same basis as if the beneficial owners of Common Shares were Holders of record on the Record Date.<br><br>Commencement Date and Expiry Date: The Rights will be eligible for exercise following the Commencement Date. The Rights will expire at the Expiry Time on the Expiry Date. Holders who exercise their Rights will become holders of Common Shares issued through the exercise of the Rights on the completion of the Offering, which is expected to occur on or before the seventh business day following the Expiry Date. RIGHTS NOT EXERCISED PRIOR TO THE EXPIRY TIME ON THE EXPIRY DATE WILL BE VOID AND OF NO VALUE.<br><br>Basic Subscription Privilege: Each Holder at the close of business on the Record Date is entitled to receive one Right for each Common Share held. For every 100 Rights held, the holder (other than an Ineligible Holder) is entitled to acquire 93 Common Shares under the Basic Subscription Privilege at a price of $9.30, being the equivalent of $0.10 per Common Share, by subscribing and making payment in the manner described herein on or before the Expiry Time on the Expiry Date. A holder of Rights that subscribed for some, but not all, of the Common Shares pursuant to the Basic Subscription Privilege will be deemed to have elected to waive the unexercised balance of such Rights and such unexercised balance of Rights will be void and of no value unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the holder. Holders of Rights who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe for Additional Common Shares, if any, that are not otherwise subscribed for under the Offering on a pro rata basis, prior to the Expiry Time on the Expiry |

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| | | Date pursuant to the Additional Subscription Privilege.<br><br>For Common Shares held in registered form, in order to exercise the Rights represented by a Rights Certificate, the holder of Rights must complete and deliver the Rights Certificate to the Subscription Agent in accordance with the terms of this Offering in the manner and upon the terms set out in this Prospectus and pay the aggregate Subscription Price. All exercises of Rights are irrevocable once submitted.<br><br>Those who elect not to participate in the Offering may have their ownership diluted by up to 48.19%, but may also have the opportunity to sell their Rights. The TSX-V has conditionally approved the listing of the Rights during the period from and including January 8, 2015 up to and including February 9, 2015. |
| **E.4** | *Conflicts of interest etc.* | N/A; no conflicts of interest or similar exist. |
| **E.5** | *Seller of the Common Shares/ Lock-up agreement* | N/A; the Offering only comprises newly issued Common Shares and no lock-up agreement or similar is in place. |
| **E.6** | *Dilution* | Assuming that all Rights are exercised under the Offering, the number of Common Shares in ShaMaran will increase from 810,983,860 to 1,565,198,850 Common Shares, corresponding to an increase of 48.19%. Shareholders who do not take up their Rights in the Offering may be subject to a dilution effect of up to 754,214,990 new Common Shares and votes, corresponding to 48.19% of the total number of Common Shares and votes. |
| **E.7** | *Costs for the investor* | N/A; ShaMaran will not impose any charges or fees on investors. |

## SAMMANFATTNING

I syfte att ansöka om godkännande och registrering av detta Prospekt av Finansinspektionen, har denna sammanfattning upprättats i enlighet med Europaparlamentets och rådets direktiv 2003/71, i dess senaste lydelse. Sammanfattningen ställs upp efter informationskrav i form av ett antal ”punkter” som ska innehålla viss information. Dessa punkter är numrerade i avsnitt A – E (A.1 – E.7).

Denna sammanfattning innehåller alla de punkter som ska ingå i en sammanfattning för denna typ av värdepapper och emittent. Eftersom vissa punkter inte behöver ingå, kan det finnas luckor i numreringen av punkterna.

Även om en viss punkt ska ingå i sammanfattningen för denna typ av värdepapper och emittent kan det förekomma att det inte finns någon relevant information att ange beträffande sådan punkt. I sådant fall innehåller sammanfattningen en kort beskrivning av aktuell punkt tillsammans med angivelsen ”ej tillämplig”.

Vissa ord som används nedan är definierade på annat ställe i detta Prospekt.

## AVSNITT A – INTRODUKTION OCH VARNINGAR

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| **A.1** | *Introduktion och varningar* | **Denna sammanfattning bör läsas som en introduktion till Prospektet.**<br><br>**Varje beslut om att investera i värdepapperen ska baseras på en bedömning av Prospektet i sin helhet från investerarens sida.**<br><br>**Om yrkande avseende information i Prospektet anförs vid domstol, kan den investerare som är kärande i enlighet med den europeiska unionens medlemsstaters nationella lagstiftning bli tvungen att svara för kostnaderna för översättning av Prospektet innan de rättsliga förfarandena inleds.**<br><br>**Civilrättsligt ansvar kan endast åläggas de personer som lagt fram sammanfattningen, inklusive översättning därav, men endast om sammanfattningen är vilseledande, felaktig eller oförenlig med de andra delarna av Prospektet, eller om den inte, läst tillsammans med andra delar av Prospektet, ger nyckelinformation för att hjälpa investerare i övervägandet att investera i de värdepapper som erbjuds.** |
| **A.2** | *Finansiella mellanhänder* | Ej tillämplig. Det finns inga finansiella mellanhänder inom ramen för erbjudandet. |

## AVSNITT B – EMITTENT OCH EVENTUELL GARANTIGIVARE

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| **B.1** | *Firma och handelsbeteckning* | Firma och handelsbeteckning är ShaMaran Petroleum Corp. (”**Bolaget**”). |
| **B.2** | *Säte, bolagsform etc.* | Bolaget är registrerat i British Columbia, Kanada som ett publikt bolag, i enlighet med British Columbia Business Corporations Act. Bolagets registreringsnummer är C0778647. |
| **B.3** | *Huvudsaklig verksamhet* | Bolaget är ett oberoende olje- och gasprospekteringsbolag med huvudkontor i Kanada och tjänstekontor i Schweiz. ShaMarans fokus är oljeprospektering och utveckling i den kurdiska regionen i Irak. ShaMarans huvudsakliga tillgång är en direkt ägarandel om 20,1% i Atrush Blocket i nordöstra Kurdistan.<br><br>ShaMaran’s mål är att bygga ett ledande olje- och gasprospekterings-bolag fokuserat på möjligheterna i Mellanöstern och Nordafrika, samtidigt som Bolaget ska inverka positivt på de lokala samhällena i både ekonomiska och sociala avseenden samt öka aktieägarvärdet. ShaMaran har följt och ska fortsätta att följa en strategi för tillväxt med aktiva prospekterings- och utvecklingsaktiviteter samt strategiska förvärv och joint venture-arrangemang. ShaMaran kommer att fortsätta att fokusera på områden och möjligheter som Bolaget tror kommer att |

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| | | resultera i meningsfulla resurs- och/eller reservtillskott.<br><br>ShaMaran kommer att fortsätta att identifiera prospekteringsprojekt som har en medelhög risknivå och potential inom flera zoner i lovande geologiskt gynnsamma omgivningar. ShaMaran avser att bibehålla balansen mellan prospekterings-, exploaterings- och utvecklingsaktiviteter med och utan joint venture-partners.<br><br>Petroleummarknaden är mycket konkurrensutsatt i alla aspekter, inklusive förvärv av olje- och gasintressen, marknadsföring av olja och naturgas, samt förvärv av eller tillgång till nödvändig borr- och annan utrustning och material. ShaMaran konkurrerar med ett antal andra bolag i sökandet efter, och förvärv av, sådana möjligheter och för att attrahera skicklig personal. ShaMarans konkurrenter inkluderar oljebolag som har större finansiella resurser, flera anställda och större möjligheter än Bolaget. ShaMarans möjligheter att öka sina reserver i framtiden kommer att vara beroende av dess förmåga att utveckla sin nuvarande tillgång, att utvälja och förvärva lämpliga producerande tillgångar eller möjligheter på vilka Bolaget i framtiden kan prospektera, och att på ett kostnadseffektivt sätt besvara ekonomiska och konkurrensfaktorer som påverkar distributionen och marknadsföringen av olja och naturgas. Olje- och naturgasproducenter möter också en ökad konkurrens från alternativa energi- och bränslekällor som kan påverka efterfrågan på olja och gas och som kan leda till en nedgång i oljepriserna, vilket skulle kunna ha en negativ inverkan på Bolagets kassaflöde och lönsamhet. |
| **B.4a** | *Tendenser avseende emittenten och branscher inom vilken denne är verksam* | Det har inte skett några väsentligt negativa förändringar i Bolagets framtidsutsikter sedan den senast offentliggjorda reviderade finansiella rapporten, med undantag för osäkerheter rörande driftsmiljön i den kurdiska regionen i Irak, som kan påverka Bolagets framtidsutsikter.<br><br>Kurdistan ser en fortsatt snabb utveckling i infrastruktur och en väsentlig ökning av tillgängligheten av olje- och gastjänster i landet. Ett antal stora internationella oljebolag, inklusive ExxonMobil, Chevron, Marathon, Repsol, Total och Gazprom, har förvärvat tillgångar i Kurdistan. Det fortsätter att rapporteras om ett antal väsentliga fyndigheter i denna region varav många blir utvärderade och utvecklade. |
| **B.5** | *Beskrivning av koncernen och emittentens ställning inom koncernen* | ShaMaran är det kanadensiska moderbolaget för en koncern som består av elva bolag (inklusive Bolaget) med säte i Kanada, Nederländerna, Schweiz, USA och Caymanöarna. |
| **B.6** | *Större aktieägare, kontroll över Bolaget och anmälningspliktiga personer* | Enligt Bolagets kännedom är de aktieägare som innehar 10% eller mer av rösterna avseende alla utestående aktier i Bolaget per dagen för detta Prospekt:<br><br>i. Lorito[(1)], 49 141 300 aktier och 6,06% av rösterna; samt<br>ii. Zebra[(1)], 111 300 000 aktier och 13,72% av rösterna. |

(1) Lorito och Zebra rapporterar sitt innehav av värdepapper som en aktör och är privata bolag som ägs av en ”trust” vars stiftare var Adolf H. Lundin. Tillsammans innehar Lorito och Zebra totalt 160 441 300 aktier, vilket representerar 19,78 procent av det totala antalet utestående aktier.

Enligt Bolagets kännedom är ShaMaran varken direkt eller indirekt kontrollerat av någon person.

**B.7** *Finansiell information i sammandrag*

***Koncernrapport över totalt resultat***
*(USD tusen)*

| | Niomånadersperioden som avslutades 30 september | | År som avslutades 31 december | |
|---|---|---|---|---|
| | **2014** | **2013** | **2013** | **2012** |
| **Kostnader från verksamheten** | | | | |
| Generella och administrativa kostnader | (1 172) | (1 377) | (2 393) | (2 852) |
| Kostnader för aktiebaserade utbetalningar | (259) | (725) | (882) | (8) |
| Nedskrivningar (förlust) / återvinning | - | (84) | (84) | 1 814 |
| Avskrivningar och amorteringskostnader | (38) | (54) | (65) | (183) |
| Andel intäkt från samarbetspartner | - | - | - | 129 000 |
| Vinst vid marknadsvärdering av nettotillgångar i dotterbolag | - | - | - | 102 735 |
| Vinst vid försäljning av tillgångar | - | - | - | 1 100 |
| Efterskänkta kostnader | - | - | - | (25 732) |
| **(Förlust) / resultat före finansiella poster och skattekostnader** | **(1 469)** | **(2 240)** | **(3 424)** | **205 874** |
| Finansiella kostnader | (3 978) | (47) | (740) | (719) |
| Finansiella intäkter | 71 | 26 | 28 | 359 |
| **Finanskostnadsnetto** | **(3 907)** | **(21)** | **(712)** | **(360)** |
| **(Förlust) / resultat före skattekostnader** | **(5 376)** | **(2 261)** | **(4 136)** | **205 514** |
| Inkomstskattekostnader | (84) | (63) | (87) | (89) |
| **Netto- (förlust) / vinst från verksamhet** | **(5 460)** | **(2 324)** | **(4 223)** | **205 425** |
| **Avvecklad verksamhet** | | | | |
| Nettoresultat / (förlust) från avvecklad verksamhet | (17) | (40) | 935 | (61) |
| **Netto- (förlust) / resultat för perioden** | **(5 477)** | **(2 364)** | **(3 288)** | **205 364** |
| **Övriga koncernintäkter** | | | | |
| Differenser i valutaomräkning | (66) | 18 | 19 | 26 |
| **Totalt övriga koncernintäkter** | **(66)** | **18** | **19** | **26** |
| **Koncern total (förlust) / resultat för perioden** | **(5 543)** | **(2 346)** | **(3 269)** | **205 390** |

***Koncernbalansräkning***
*(USD tusen)*

| | Per 30 september | Per 31 december | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| **Tillgångar** | | | |
| **Anläggningstillgångar** | | | |
| Immateriella anläggningstillgångar | 406 069 | 344 990 | 303 549 |
| Materiella anläggningstillgångar | 160 | 179 | 257 |
| | **406 229** | **345 169** | **303 806** |

| | | | |
|---|---|---|---|
| **Omsättningstillgångar** | | | |
| Likvida medel | 78 640 | 142 588 | 41 216 |
| Andra omsättningstillgångar | 172 | 194 | 331 |
| Inventarier | - | - | 198 |
| | **78 812** | **142 782** | **41 745** |
| **Tillgångar hänförliga till avvecklade verksamheter** | **-** | **3** | **3** |
| **Totala tillgångar** | **485 041** | **487 954** | **345 554** |
| **Skulder och eget kapital** | | | |
| **Kortfristiga skulder** | | | |
| Leverantörsskulder och upplupna kostnader | 5 191 | 7 458 | 7 027 |
| Upplupna räntekostnader på obligationer | 6 565 | 2 252 | - |
| Kortfristiga skatteskulder | 29 | 92 | 90 |
| Förutbetalda skulder | - | - | 5 000 |
| | **11 785** | **9 802** | **12 117** |
| **Långfristiga skulder** | | | |
| Upplåning | 147 505 | 147 050 | - |
| Avsättningar | 1 764 | 1 185 | 120 |
| | **149 269** | **148 235** | **120** |
| **Skulder hänförliga till avvecklade verksamheter** | **282** | **928** | **1 941** |
| **Totala skulder** | **161 336** | **158 965** | **14 178** |
| **Eget kapital** | | | |
| Aktiekapital | 534 068 | 534 068 | 534 068 |
| Aktiebaserad betalningsreserv | 4 977 | 4 718 | 3 836 |
| Ackumulerad omräkningsjustering | (39) | 27 | 8 |
| Ackumulerat underskott | (215 301) | (209 824) | (206 536) |
| **Totalt eget kapital** | **323 705** | **328 989** | **331 376** |
| **Totala skulder och eget kapital** | **485 041** | **487 954** | **345 554** |

## *Koncernkassaflödesanalys*
*(USD tusen)*

| | Niomånadersperioden som avslutades 30 september | | År som avslutades 31 december | |
|---|---|---|---|---|
| | **2014** | **2013** | **2013** | **2012** |
| **Löpande verksamhet** | | | | |
| Netto- (förlust) / vinst från verksamhet | (5 460) | (2 324) | (4 223) | 205 425 |
| Med justeringar för: | | | | |
| Kostnader för aktiebaserade utbetalningar | 259 | 725 | 882 | 8 |
| Räntekostnader på seniora säkerställda obligationer, netto | 3 964 | - | 689 | - |
| Nedskrivning / (återvinning) | - | 84 | 84 | (1 814) |
| Avskrivningar och amortiseringskostnader | 38 | 54 | 65 | 183 |
| Valutakursförlust / (vinst) | (33) | 46 | 49 | (333) |
| Ränteintäkter | (38) | (26) | (28) | (26) |
| Räntekostnader på aktiebaserade finansiella avgifter | - | - | - | 719 |
| Vinst på försäljning av tillgångar | - | - | - | (1 100) |
| Vinst vid verklig marknadsvärdering av nettotillgångar i dotterbolag | - | - | - | (102 735) |
| Andel intäkt från samarbetspartner | - | - | - | (129 000) |
| Förändringar i kortfristiga skatteskulder | (63) | (22) | 2 | (32) |
| Förändringar i avsättningar | 579 | 41 | 1 065 | 120 |
| Förändringar i leverantörsskulder och upplupna kostnader | (2 267) | 6 117 | 431 | (16 550) |
| Förändringar i inventarier | - | 114 | 114 | 2 552 |
| Förändringar i andra omsättningstillgångar | 22 | 179 | 137 | 421 |
| Kassa använd i avvecklade verksamheter | (660) | 13 | (78) | (715) |
| **Nettokassautflöden till den löpande verksamheten** | **(3 659)** | **5 001** | **(811)** | **(42 877)** |
| **Investeringsverksamhet** | | | | |
| Erhållen ränta på kontantinsättningar | 38 | 26 | 28 | 26 |
| Förutbetalda skulder | - | (5 000) | (5 000) | 5 000 |
| Förvärv av immateriella anläggningstillgångar | (51 624) | (26 505) | (39 788) | (8 395) |
| Nettovinst vid försäljning av immateriella | - | - | - | 52 671 |

| | | | | | |
|---|---|---|---|---|---|
| anläggningstillgångar | | | | | |
| Intäkter för ersättning för immateriella kostnader | | - | - | - | 1 250 |
| Nettovinst för försäljning av materiella anläggningstillgångar | | - | - | - | 802 |
| Förvärv av materiella anläggningstillgångar | | (45) | - | - | (595) |
| Investeringar hänförliga till samarbetspartners | | - | - | - | (16 110) |
| **Nettokassa (utflöde till) / inflöden från investeringsverksamhet** | | **(51 631)** | **(31 479)** | **(44 760)** | **34 649** |
| **Finansieringsverksamhet** | | | | | |
| Intäkter från obligationsemission | | - | - | 150 000 | - |
| Transaktionskostnader hänförliga till obligationerna | | - | - | (3 028) | - |
| Räntebetalningar till obligationsinnehavare | | (8 625) | - | - | - |
| **Netto kassainflöde från investeringsverksamhet** | | **(8 625)** | **-** | **146 972** | **-** |
| Effekt av valutakursförändringar på kassa | | (33) | (27) | (29) | 359 |
| **Förändringar i kassa** | | **(63 948)** | **(26 505)** | **101 372** | **(7 869)** |
| Kassa, början av året | | 142 588 | 41 216 | 41 216 | 49 085 |
| **Kassa, slutet av året** | | **78 640** | **14 711** | **142 588** | **41 216** |

### *Nyckeltal*

| | **Niomånadersperioden som avslutades** | | **År som avslutades** | |
|---|---|---|---|---|
| | **30 september** | | **31 december** | |
| | **2014** | **2013** | **2013** | **2012** |
| Innan utspädning (förlust) / vinst per aktie (USD): | | | | |
| Verksamhet | (0 01) | - | (0 01) | 0 25 |
| Avvecklad verksamhet | - | - | - | - |
| -Totalt | (0 01) | - | (0 01) | 0 25 |
| Efter utspädning (förlust) / vinst per aktie (USD): | | | | |
| Verksamhet | (0 01) | - | (0 01) | 0 25 |
| Avvecklad verksamhet | - | - | - | - |
| Totalt | (0 01) | - | (0 01) | 0 25 |
| Bokföringsmässig soliditet vid slutet av perioden[(1)] | 67 3% | 96 3% | 67 4% | 95 9% |
| Viktat genomsnittligt antal aktier innan utspädning x 000 | 810 984 | 810 984 | 810 984 | 810 222 |
| Viktat genomsnittligt antal aktier efter utspädning x 000 | 810 984 | 810 984 | 810 984 | 810 222 |
| Vinstutdelning betalad per aktie | - | - | - | - |

[(1)] ”Totalt eget kapital för perioden” delat med ”totala tillgångar för perioden”

### Viktiga händelser efter 30 september 2014

Det har inte skett någon väsentlig förändring i Bolagets finansiella ställning sedan den senaste finansiella rapporten för niomånadersperioden som avslutades den 30 september 2014 offentliggjordes den 21 oktober 2014, med undantag för erbjudandet enligt detta Prospekt som offentliggjordes den 15 oktober 2014.

| | | |
|---|---|---|
| **B.8** | *Utvald proforma-redovisning* | Ej tillämplig. Prospektet innehåller ingen proformaredovisning. |
| **B.9** | *Resultatprognos* | Ej tillämplig. Prospektet innehåller ingen resultatprognos eller beräkning av förväntad vinst. |
| **B.10** | *Revisions-anmärkning* | Ej tillämplig. Det finns ingen revisionsanmärkning. |
| **B.11** | *ShaMarans rörelse-kapital* | Enligt Bolagets bedömning och som beskrivs i avsnittet “Motiv och användning av emissionslikviden” i denna sammanfattning, är Bolagets |

| | | |
|---|---|---|
| | | rörelsekapital per 30 november 2014 inte tillräckligt för dess behov de kommande tolv månaderna. Bolaget bedömer att bristen på rörelsekapital kommer att uppstå under andra kvartalet 2015 och att den totala summan av ytterligare rörelsekapital som krävs för att täcka bristen de kommande tolv månaderna från 30 november 2014 förväntas uppgå till ca USD 54 miljoner (bristen beräknas till USD 60 miljoner från 30 november 2014 fram till och med 31 december 2015).<br><br>Efter att slutsatsen nåtts att ytterligare finansiering kommer att krävas, gjorde Bolagsledningen en omfattande översyn över vilka strategiska finansieringsalternativ som fanns att tillgå. Styrelsen beslutade att, efter rekommendation av Bolagsledningen, att erbjudandet som beskrivs i detta prospekt var det bästa alternativet. Förutsatt att Bolaget erhåller intäkter på USD 54 miljoner från erbjudandet, gör Bolaget bedömningen att Bolagets rörelsekapital kommer att vara tillräckligt för de tolv månaderna som slutar 30 november 2015. Eftersom Standby Purchasers har avtalat om att de under vissa villkor ska (i) utnyttja samtliga sina teckningsrätter och (ii) förvärva samtliga aktier som inte tecknas av andra teckningsrättsinnehavare, förväntar sig Bolaget att Bolaget kommer att erhålla intäkter om USD 63 miljoner i samband med erbjudandet. Om erbjudandet av någon anledning inte kan slutföras, eller om Bolaget inte kan erhålla annan extern finansiering för den återstående rörelsekapitalbristen skulle Bolaget kanske komma att behöva vidta åtgärder som att sälja tillgångar eller omförhandla lån. Skulle sådana åtgärder inte lyckas, finns det en risk att Bolaget helt eller delvis skulle behöva omorganiseras, eller att Bolaget skulle sättas i konkurs.<br><br>Bolagets verksamhet omfattar utvärdering och utveckling av oljefastigheten Atrush som är belägen i Kurdistan-regionen i Irak. Projektet är för närvarande i en pre-produktionsfas och genererar inga intäkter. Följaktligen kan ytterligare finansiering krävas från aktie-emissioner, joint-ventures eller försäljning av tillgångar för att finansiera Bolagets verksamhet. Sådan finansiering är inte alltid tillgänglig för Bolaget i det belopp som krävs vid den tidpunkten eller på tillfredställande villkor. |

## AVSNITT C – VÄRDEPAPPER

| | | |
|---|---|---|
| **C.1** | *Värdepapper som erbjuds* | Högst 754 214 990 aktier i ShaMaran Petroleum Corp. (ISIN-kod CA8193201024). |
| **C.2** | *Denominering* | Bolagets aktier har inget nominellt värde. |
| **C.3** | *Totalt antal aktier i Bolaget* | Det auktoriserade aktiekapitalet består av ett obegränsat antal aktier utan nominellt värde. Per dagen för detta Prospekt uppgår det emitterade och utestående antalet aktier i Bolaget till 810 983 860. Vid erbjudandets fullföljande kommer det emitterade och utestående antalet aktier i Bolaget att högst uppgå till 1 565 198 850. |

| | | |
|---|---|---|
| **C.4** | *Rättigheter som sammanhänger med aktierna* | Innehavare av aktier har lika rätt till utdelning om, och när, sådan tillkännagivits av styrelsen, rätt att vid likvidation få sådana tillgångar i Bolaget som är utdelningsbara till innehavarna av aktierna och rätt att bli kallad till bolagsstämma i Bolaget och en röst per aktie vid sådana stämmor. |
| **C.5** | *Inskränkningar i den fria överlåtbarheten* | Ej tillämplig. Det finns inga begränsningar i den fria överlåtbarheten av Bolagets aktier förutom vissa begräsningar som följer av kanadensisk värdepappersrätt tillämplig på aktier som innehas av kontrollerande personer av Bolaget. |
| **C.6** | *Upptagande till handel* | Aktierna handlas för närvarande på TSX Venture Exchange ("**TSX-V**") och Nasdaq First North under symbolen "SNM", det förväntas att teckningsrätterna kommer att upptas till handel på TSX-V under symbolen "SNM.RT" och på Nasdaq First North under symbolen "SNM. TR". Första dagen för handel av teckningsrätterna förväntas att bli 8 januari 2015 på TSX-V och 19 januari 2015 på Nasdaq First North. Första dagen för handel med de nya aktierna förväntas vara 13 februari 2015 på TSX-V och 16 februari 2015 på Nasdaq First North. |
| **C.7** | *Utdelningspolicy* | Bolaget har inte beslutat om eller utbetalat någon vinstutdelning på aktierna sedan Bolagets bildande. Beslut om vinstutdelning på Bolagets aktier, eller något annat utestående aktieslag, från tid till annan, kommer att tas av Bolagets styrelse på basis av Bolagets intäkter, finansiella och juridiska krav och andra omständigheter som vid den tiden föreligger. För närvarande avser inte Bolaget att tillkännage eller utbetala någon vinstutdelning inom en överskådlig framtid. |

## AVSNITT D – RISKER

| | | |
|---|---|---|
| **D.1** | *Risker relaterade till ShaMaran* | ShaMarans verksamhet och de sektorer inom vilka Bolaget är verksamt är föremål för ett antal risker som helt eller delvis är utanför Bolagets kontroll och vilka skulle kunna ha en väsentlig negativ inverkan på Bolagets verksamhet, finansiella ställning och resultat och framtidsutsikter. De riskfaktorer som beskrivs nedan de risker som ShaMaran bedömer är de största riskerna för dess verksamhet, finansiella ställning och resultat och framtidsutsikter.<br><br>**Politiska och regionala risker**<br><br>**Politisk osäkerhet:** ShaMarans tillgångar och verksamhet är placerade i Kurdistan, och verksamheten är därför utsatt för den politiska osäkerheten i regionen och potentiell påverkan av IS handlingar, vilket skulle kunna resultera i driftsförseningar och ytterligare kostnader. |

**Verksamhetsrisker**

**Risker förknippade med petroleumkontrakt i Irak:** Det finns en risk att de Irakiska federala lagarna som är nödvändiga för att styra den framtida organisationen och förvaltningen av dess petroleumindustri inte antas, vilket skulle öka osäkerheten i industrin i Irak.

**Negativt kassaflöde**: Bolaget har tidigare ådragit sig nettoförluster och kan komma att gå med förlust i framtiden, Bolaget kommer vidare att fortsätta att gå med förlust tills Bolaget får tillräckliga intäkter från sina projekt. Det finns ingen garanti för att Bolaget någonsin kommer att gå med vinst.

**Risk för betalning av KRG:s förpliktelser:** Det finns en risk att ShaMaran kommer att behöva finansiera sin *pro rata* andel av KRG:s andel av projektutvecklingskostnaderna (även utan en kommersiell överenskommelse med KRG), vilket skulle påverka de finansiella förutsättningar för projektet.

**Marknadsföring, marknad och transport:** Det finns en risk att exporten av olja och gas från Kurdistan kommer att bli avbruten, vilket skulle försena eller avbryta betalningar till ShaMaran avseende sådan export.

**Beroende av partners och TAQA Atrush B.V.:** Verksamheten på Atrush Blocket bedrivs av TAQA Atrush B.V. och ShaMarans egen verksamhet bedrivs tillsammans med en eller fler partners genom avtal, vilket begränsar ShaMarans förmåga att utöva inflytande över utnyttjandet av dess tillgångar eller kostnader hänförliga till verksamheten, vilket skulle kunna negativt påverka ShaMarans finansiella resultat.

**Finansieringsrisker**

**Begränsade resurser:** Bolaget har begränsade finansiella resurser, har för närvarande inget operativt kassaflöde och det finns en risk att ytterligare finansiering inte kommer finnas tillgänglig för Bolaget för vidareutveckling och expansion av verksamheten.

I den mån externa finansieringsformer blir begränsade eller otillgängliga eller bara finns tillgängliga på ofördelaktiga villkor, finns det en risk att Bolagets förmåga att investera och att bevara befintliga tillgångar kommer att försämras vilket skulle negativt påverka Bolagets verksamhet, finansiella ställning och/eller resultat.

**Risker vid uppskattning av resurser**

**Osäkerheter vid uppskattning av mängden reserver/resurser:** Det finns ett antal osäkerheter vid bedömningen och uppskattningen av mängden reserver/resurser, vilka inkluderar faktorer som är utanför

| | | |
|---|---|---|
| | | Bolagets kontroll. Bolagets projekt är dessutom i ett utvärderings- och utvecklingsstadium och ytterligare information måste erhållas för att slutligt kunna bestämma den ekonomiska lönsamheten för att utveckla de eventuella resurserna. Det finns en risk att Bolaget inte kommer att kunna kommersialisera någon del av sina eventuella resurser. |
| **D.3** | *Risker relaterade till aktierna* | Alla investeringar i värdepapper involverar risker. Dessa risker kan också leda till en betydande minskning av marknadspriset på aktierna samt att investeraren förlorar hela, eller del av, sin investering.<br><br>**Risker relaterade till erbjudandet**<br><br>**Ökning av storleken för Standby Purchasers:** Det finns en risk att Lorito och Zebra, själva eller tillsammans med Lundin Petroleum, kan få möjligheten att kontrollera i stort sett alla ärenden som kräver aktieägarnas godkännande, inklusive val av styrelseledamöter och godkännande av väsentliga affärsmässiga transaktioner, samt att ägarkoncentrationen kan försena eller förhindra en förändring av ägandet i Bolaget och göra vissa framtida transaktioner svårare eller omöjliga utan stöd från Standby Purchasers.<br><br>**Teckningsåtagandet i enlighet med Standby Purchase Agreement är inte säkerställt:** Standby Purchasers åtagande att teckna sig för aktier i enlighet med Standby Purchase Agreement är inte säkerställda och det finns därför en risk att, om Standby Purchase Agreement upphävs eller om skyldigheterna inte uppfylls av Standby Purchasers, erbjudandet inte fulltecknas.<br><br>**Valutarisk**: Det finns en risk att, som ett resultat av valutakursförändringar mellan kanadensiska dollar och svenska kronor efter att teckningspriset har fastställts, aktieägare utanför Sverige kommer att betala mer eller mindre för varje aktie än aktieägare som innehar aktierna genom Euroclear Sweden.<br><br>**Utspädning av aktieägare:** Det finns en risk att en aktieägares nuvarande procentandel av ägande i Bolaget kommer att bli utspädd om aktieägaren inte utnyttjar samtliga sina teckningsrätter i enlighet med den primära teckningsrätten och att den ersättning som erhålls vid försäljning av outnyttjade teckningsrätter inte kommer att vara tillräcklig för att fullt ut kompensera aktieägaren för den utspädning som sker som ett resultat av att andra utnyttjar sina teckningsrätter.<br><br>**Marknadspris på aktier:** Det finns en risk att en aktiv marknad för handel i aktierna inte kommer att bestå efter erbjudandet. Faktorer som inte är hänförliga till Bolagets resultat kan påverka aktiepriset. Om en aktiv marknad för handel i aktierna inte fortsätter, kan likviditeten av en tecknares investering vara begränsad och aktiepriset sjunka under teckningspriset och tecknare kan förlora hela sin investering i aktierna.<br><br>**Marknad för handel i teckningsrätterna:** Det finns en risk att |

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| | | teckningsrätterna inte godkänns för handel på TSX-V och/eller Nasdaq First North. Det finns också en risk att en aktiv marknad för handel i teckningsrätterna inte utvecklas eller att teckningsrätterna inte kan säljas på TSX-V och/eller Nasdaq First North vid någon tidpunkt.<br><br>**Teckningspriset motsvarar nödvändigtvis inte Bolagets värde:** Teckningspriset har bestämts genom en förhandling mellan Bolaget och Standby Purchasers och har nödvändigtvis inte någon bäring på förhållandet mellan det bokförda värdet av Bolagets tillgångar, historisk verksamhet, kassaflöde, förluster, finansiella ställning eller några andra etablerade värderingskriterier. Efter datumet för detta Prospekt kommer aktierna att handlas för ett pris som är över, under eller samma som teckningspriset.<br><br>**Aktiekursen kan sjunka under teckningspriset:** Aktiekursen för aktierna kan i framtiden sjunka under teckningspriset. Det finns en risk för att teckningspriset kommer att fortsätta ligga under den framtida aktiekursen för aktierna. Utnyttjandet av teckningsrätter får inte återkallas även om priset på aktierna sjunker före teckningsperioden löpt ut. |

## AVSNITT E – ERBJUDANDE

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| **E.1** | *Emissionsbelopp och emissionskostnader* | Under förutsättning av att alla teckningsrätter utnyttjas i erbjudandet är de beräknade bruttointäkterna till Bolaget efter erbjudandets fullföljande $75 421 500, och efter avdrag för uppskattade kostnader för erbjudandet om $1 618 000 (främst avseende kostnader för finansiell, juridisk eller annan yrkesmässig rådgivning), är nettointäkterna beräknade till $73 803 500. |
| **E.2a** | *Motiv och användning av emissionslikviden* | Den 7 oktober 2013 offentliggjorde Bolaget att första fasen av Atrush Blockets utvecklingsplan hade godkänts av KRG. Den första fasen omfattar 20-års utveckling (”20-year Development Phase” såsom definierad i klausul 12.9 i produktionsdelningskontraktet (”**PSC**”) avseende Atrush Blocket (”**Atrush Block PSC**”)), denna första fas började den 1 oktober 2013 (”**Fas 1**”). Fas 1 kommer att bestå av fyra initiala producenter (AT-2, AT-4, CK-5 och CK-8) anslutna till en produktionsanläggning som producerar drygt 30 000 fat olja per dag. Arbete pågår för närvarande med att implementera Fas 1-produktions-anläggningen som producerar 30 000 fat bruttovätska per dag.<br><br>I enlighet med villkoren i Atrush Block PSC har KRG en skyldighet att betala sin *pro rata* andel av projektutvecklingskostnaderna från dagen då det har tillkännagivits att en kommersiell upptäckt gjorts om KRG väljer att utnyttja sin option att förvärva upp till 25% av petroleum-verksamheten inklusive alla rättigheter och skyldigheter från avtalsparterna till Atrush Block PSC inom 180 dagar från ett sådant tillkännagivande (”**KRG:s Option**”). Diskussioner pågår mellan parterna för att finalisera en kommersiell överenskommelse med KRG |

och för att ändra Atrush Block PSC för att ge verkan åt KRG:s Option. Vid dagen för detta Prospekt har en kommersiell överenskommelse inte nåtts och parterna betalar för närvarande utvecklingskostnaderna för Atrush som avser KRG:s Option.

Även utan att en kommersiell överenskommelse nås finns det en risk att, för att upprätthålla Atrush projektets schema, Bolaget kan behöva betala *pro rata* andelen av projektutvecklingskostnaderna som avser KRG:s Option. Bolaget bedömer för närvarande att det totala beloppet som måste betalas i förskott för att täcka *pro rata* andelen av projekt-utvecklingskostnaderna som avser KRG:s Option är totalt USD 48 miljoner, från dagen då det deklarerats en kommersiell upptäckt till dess att projektet genererar kassaflöden från produktion. Bolaget har per 30 november 2014 betalat USD 25 miljoner (av USD 48 miljoner) i förskott.

Bolaget genererar för närvarande inga intäkter och motsvarande kassaflöden från sin olje- och gasutvärdering och utvecklingsverksamhet och har hittills förlitat sig på emission av aktier, intäkter från försäljning av tillgångar och nu senast obligationer för att finansiera sin pågående oljeprospektering och sina utvecklings- och förvärvsaktiviteter.

Vid tidpunkten då obligationerna emitterades i november 2013, hade Bolaget fastställt emissionsbeloppet baserat på antagandet att det inte skulle krävas att Bolaget skulle behöva finansiera *pro rata* andelen av KRG:s Optionens projektutvecklingskostnader för Atrush. Detta antagande baserades på information från Bolagets samarbetspartners i Atrush Blocket, antagandet har sedan dess blivit ifrågasatt och Bolaget har, efter ett stort antal möten och diskussioner med sina samarbetspartners i Atrush Blocket, juridiska rådgivare, och genom ledning av sin styrelse, fastställt att det är i aktieägarnas bästa intresse att säkerställa att tillräcklig finansiering är på plats för att fullt ut finansiera sin egen andel av kostnader för Atrush Block PSC samt dess *pro rata* andel av KRG:s Optionens projektutvecklingskostnader innan dessa förfaller till betalning.

Efter slutsatsen att ytterligare finansiering skulle krävas utförde företags-ledningen en omfattande översyn av de strategiska finansierings-alternativ som finns tillgängliga för Bolaget. Styrelsen fastställde, baserat på rekommendationer från företagsledningen, att ett erbjudande enligt detta Prospekt var i Bolagets aktieägares bästa intresse.

Bolaget avser att använda nettolikviden från erbjudandet för att finansiera: (i) Bolagets kostnader (inklusive den ytterligare nödvändiga finansiering som krävs för att täcka Bolagets *pro rata* andel av KRG:s Option) för finansiering, utveckling och drift av Atrush Blocket; (ii) Bolagets kostnader för tekniska-, förvaltnings- och administrativa tjänster och andra företagsändamål.

Tabellen nedan sammanfattar Bolagets totala bedömning av

finansieringskravet till dess att Atrush-fältet genererar kassaflöde från försäljning av oljeproduktionen, för närvarande bedöms detta ske i slutet av december 2015.

| I USD miljoner | 13 månaderna som avslutas 31 december 2015 |
|---|---|
| ShaMarans 20,1% andel i Atrush Blocket | 68 |
| 6,7% *pro rata* andel av KRG:s Option[1] | 23 |
| Bolagsadministrations- och obligationsränte-kostnader | 24 |
| Totalt likviditetsbehov | 115 |
| Minus: rörelsekapital per 30 november 2014 | (55) |
| Ytterligare likviditetsbehov | 60 |

[1] Per 30 november 2014 har Bolaget bidragit med USD 25 miljoner till finansieringen av dess 6,7% *pro rata* andel av KRG:s Option i Atrush för perioden från 7 november 2012 till 30 november 2014.

**E.3** *Erbjudandets former och villkor*

Detta prospekt har godkänts och registrerats av Finansinspektionen i enlighet med 2 kap. 25 och 26 §§ lagen (1991:980) om handel med finansiella instrument och har upprättats för innehavare av aktier i Euroclear Sweden.

Innehavare av aktier som är registrerade i Euroclear Sweden bör läsa "Innehavare av aktier som är registrerade i Euroclear Sweden (Sverige)" nedan i sammanfattning för att bli informerade om hur de kan utnyttja sina teckningsrätter (bland annat). Information om hur man kan teckna sig för aktier som är registrerade via CDS framgår i " Registrerade innehavare av aktier, innehavare av aktier som är registrerade i CDS (Kanada) och Approved Eligible Holders" nedan i denna sammanfattning.

**Innehavare av aktier som är registrerade i Euroclear Sweden (Sverige)**

De som på avstämningsdagen är registrerade som ägare av aktier i Euroclear Sweden kommer att erhålla en teckningsrätt för varje registrerad aktie. 100 teckningsrätter berättigar till teckning av 93 aktier genom betalning av teckningskursen om SEK 63,24, vilket motsvarar SEK 0,68 per aktie. Varje anmälan om teckning av aktier är bindande när den lämnats in.

Teckning av aktier ska ske under perioden från och med 19 januari 2015 till och med 15.00 (CET) 4 februari 2015. Efter teckningsperioden kommer de outnyttjade teckningsrätterna förfalla och bli ogiltiga. Outnyttjade teckningsrätter kommer att makuleras och bokas bort från VP-kontot utan avisering från Euroclear Sweden. Teckningsperioden kan komma att förlängas.

Den som väljer att inte delta i erbjudandet kan få sin ägarandel utspädd med upp till 48,19%, men kan ha möjlighet att sälja sina teckningsrätter. Bolaget har ansökt om att teckningsrätterna ska noteras för handel på

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| | | Nasdaq First North under perioden från och med 19 januari 2015 till och med 2 februari 2015.<br><br>Med iakttagande av eventuella begränsningar i tillämplig värdepappers-lagstiftning kommer förtryckt emissionsredovisning med vidhängande bankgiroavi avseende teckning av aktier att skickas till direktregistrerade aktieägare eller företrädare för aktieägare som på avstämningsdagen är registrerade i den av Euroclear Sweden för Bolagets räkning förda aktieboken. Av den förtryckta emissionsredovisningen framgår bland annat antalet erhållna teckningsrätter och det antal aktier som kan tecknas med stöd av teckningsrätter. VP-avi avseende registreringen av teckningsrätter på aktieägarens VP-konto skickas ej ut.<br><br>Aktieägare vars innehav är förvaltarregistrerat erhåller ingen emissionsredovisning från Euroclear Sweden. Teckning och betalning ska istället ske i enlighet med instruktioner från förvaltaren.<br><br>**Registrerade innehavare av aktier, innehavare av aktier som är registrerade i CDS (Kanada) och Approved Eligible Holders**<br><br>Innehavare av aktier som är registrerade vid stängning av börsen på avstämningsdagen kommer att erhålla en teckningsrätt för varje aktie som innehas. Om samtliga teckningsrätter utnyttjas enligt detta erbjudande, ger teckningsrätterna innehavare rätt att (förutsatt att sådana innehavare finns i en berättigad jurisdiktion eller är godkända berättigade innehavare) teckna sig för och köpa från Bolaget ett sammanlagt antal om upp till 754 214 990 aktier, på basis av 93 aktier för varje 100 teckningsrätter som innehas. Teckningsrätterna är fritt överlåtbara i Kanada.<br><br>För innehavare som har sina aktier i registrerad form, kommer ett teckningsrättsbevis att utfärdas och skickas tillsammans med en kopia av detta Prospekt till varje aktieinnehavare vid stängning av börsen på avstämningsdagen. Av intyget framgår antalet erhållna teckningsrätter och det antal aktier som kan tecknas med stöd av teckningsrätterna.<br><br>Innehavare som äger sina aktier genom en CDS-förvaltare kommer inte att få ett fysiskt teckningsrättsbevis. På avstämningsdagen kommer ett globalt teckningsrättsbevis att utfärdas i registrerad form som representerar sådana teckningsrätter utställt till CDS eller dess förvaltare.<br><br>Teckningsrätt:<br><br>För varje 100 teckningsrätter som innehas, har innehavaren rätt att teckna 93 aktier till en teckningskurs om $9,30 per aktie, vilket motsvarar $0,10 per aktie. Varje anmälan om teckning av aktier kommer att vara oåterkallelig när den lämnats in.<br><br>Andelar av aktier kommer inte att utfärdas vid utnyttjande av teckningsrätter. En rätt till en andel av en aktie kommer att avrundas |

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| | | nedåt till närmaste heltal. CDS-förvaltare som innehar teckningsrätter för flera ägare får, efter att ha styrkt dess rätt gentemot Bolaget, utnyttja teckningsrätter för sina konton på samma sätt som om ägarna av aktier var innehavare på avstämningsdagen.<br><br><u>Startdatum och förfallodatum:</u> Teckningsrätterna kommer att vara berättigade till utnyttjande efter startdatumet. Teckningsrätterna löper ut vid förfallotiden på förfallodatumet. Innehavare som utnyttjar sina teckningsrätter kommer att bli innehavare av aktier som emitteras genom utnyttjande av teckningsrätterna vid erbjudandets fullföljande, vilket beräknas ske senast på den sjunde bankdagen efter förfallodatumet. **TECKNINGSRÄTTER SOM INTE UTNYTTJAS FÖRE FÖRFALLOTIDEN PÅ FÖRFALLODATUMET KOMMER ATT BLI OGILTIGA OCH INTE HA NÅGOT VÄRDE.**<br><br><u>Primär teckningsrätt</u>: Varje innehavare av aktier vid stängning av börsen på avstämningsdagen har rätt att få en teckningsrätt för varje innehavd aktie. 100 teckningsrätter berättigar till (annat än en obehörig innehavare) 93 aktier genom en anmälan om teckning samt betalning av teckningskursen om $9,30, vilket motsvarar $0,10 per aktie. Anmälan och betalning ska ske på det sätt som beskrivs i detta Prospekt före eller på teckningsperiodens slut. En innehavare av teckningsrätter som endast tecknat sig för vissa av aktierna, men inte alla, enligt sin primära teckningsrätt ska anses ha valt att avstå från det outnyttjade antalet teckningsrätter. Sådana outnyttjade teckningsrätter kommer att anses vara ogiltiga och utan värde om inte Teckningsagenten uttryckligen ombeds när teckningsrättsintyget lämnas in att teckningsrätterna ska överföras till en tredje part eller ska behållas av innehavaren. Innehavare av teckningsrätter som utnyttjar samtliga sina teckningsrätter har också rätt att teckna ytterligare aktier i enlighet med den subsidiära teckningsrätten. Den subsidiära teckningsrätten är tillämplig om det finns aktier som inte har tecknats i enlighet med den primära teckningsrätten, på en *pro rata* basis, innan teckningsperiodens slut.<br><br>Innehavare av aktier i registrerad form måste, för att utnyttja teckningsrätterna som representeras av ett teckningsrättsintyg, fylla i och leverera teckningsrättsintyget till Teckningsagenten på det sätt och på de villkor som anges i detta Prospekt och betala den sammanlagda teckningskursen. Alla teckningar av aktier genom teckningsrätter är oåterkalleliga när de lämnats in.<br><br>De som väljer att inte delta i erbjudandet kan få sitt aktieinnehav utspätt med upp till 48,19%, men kan också ha möjlighet att sälja sina teckningsrätter. Bolaget har ansökt om att teckningsrätterna ska noteras för handel på TSX-V under perioden från och med 8 januari 2015 till och med 9 februari 2015. |
| **E.4** | *Intressekonflikter* | Ej tillämplig. Inga intressekonflikter eller liknande finns. |
| **E.5** | *Säljare av aktier/* | Ej tillämplig. Erbjudandet omfattar endast nyemitterade aktier och det |

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| | *lock up-avtal* | finns inget lock-up avtal eller liknande. |
| **E.6** | *Utspädningseffekt* | Under förutsättning av att alla teckningsrätter i erbjudandet utnyttjas kommer antalet aktier i ShaMaran öka från 810 983 860 till 1 565 198 850 aktier, vilket motsvarar en ökning på 48,19%. Aktieägare som inte utnyttjar sina teckningsrätter i erbjudandet kan bli föremål för en utspädningseffekt på upp till 754 214 990 nya aktier och röster, motsvarande 48,19% av det totala antalet aktier och röster. |
| **E.7** | *Kostnader som åläggs investerare* | Ej tillämplig. ShaMaran ålägger inga kostnader eller avgifter på investerare. |

## RISK FACTORS

Before making an investment decision, prospective purchasers of Common Shares should carefully read and assess the risk factors set out below. The risks presented in this Prospectus are to the Corporation's best knowledge. Additional risks and uncertainties of which the Corporation is not currently aware or currently believes to be immaterial may also materially adversely affect the Corporation's business, financial condition or operating results. The order in which the individual risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of the severity of the individual risks.

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

The business of the Corporation should be considered speculative due to the nature of the Corporation's business. Investment in the Corporation involves a high degree of risk and should only be considered by those persons who can afford a total loss of their investment.

### Risks relating to ShaMaran

#### *Political and Regional Risks*

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

During recent months there has been a growing threat from the actions of ISIS which has resulted in an increased security threat in Iraq and the Kurdistan Region of Iraq. Operations were suspended temporarily by a number of international companies including TAQA Atrush B.V. ("**TAQA**"), a subsidiary of Abu Dhabi National Energy Company and the operator (the "**Operator**") of the Atrush Block. The security situation in the region has improved recently, however if ISIS were to engage in attacks or were to occupy areas within the Kurdistan Region of Iraq, it could result in the Corporation and its joint venture partners having to stop operations in the Atrush Block. This could result in delays in operations, additional costs for increased security and difficulty in attracting/retaining qualified service companies and related personnel, which could materially adversely impact the operations and future prospects of the Corporation and could have a material adverse effect on the Corporation's business and financial condition.

#### *Business Risks*

Risks associated with petroleum contracts in Iraq: The Iraq constitution grants a role for the regions of Iraq in awarding of petroleum contracts for certain types of operations, and in regulating those petroleum operations occurring within the regions. No federal Iraq legislation has yet been agreed or enacted by the Iraq parliament to govern the future organisation and management of Iraq's petroleum industry as there

are a number of material issues which need to be resolved between the Federal Government and the Kurdistan Regional Government of Iraq (the "**KRG**"). There is a risk that the Federal legislation may not be adopted in a timely fashion, if at all. Failure to enact federal legislation could extend or increase uncertainty within Iraq's petroleum industry which may result in additional burdens being placed on the Corporation including, but not limited to, difficulty obtaining clear title to its assets or in obtaining adequate financing for its future projects.

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

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

When acquiring an interest in a PSC, there is a risk that there is an unforeseen defect in the chain of title. A defect in the title may impair ShaMaran's interest in the Atrush Block PSC.

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

Negative Operating Cash Flow: The Corporation had negative cash flow for the financial year ended December 31, 2013 and the Corporation has received no revenue to date from the exploration and development activities on the Atrush Block. The Corporation's partners are currently undertaking development activity on the Atrush Block, but there is no certainty that the Corporation will produce revenue, operate profitably or provide a return on investment in the future. The Corporation has incurred net losses in the past and may incur losses in the future and will continue to incur losses until and unless it can derive sufficient revenues from its projects. There is no guarantee that the Corporation will ever be profitable.

Risk of payment of KRG obligations: Under the terms of the Atrush Block PSC, upon the exercise of its back-in right, the KRG is required to pay its share of project development costs from the date of declaration of commerciality. Negotiations are currently ongoing to finalize a commercial agreement with the KRG which would require the partners to carry the KRG share of cost in the block. That agreement has not yet been finalised and the partners in the contractor group are currently paying their proportionate share of the KRG costs. The Corporation estimates the KRG's share of Atrush project development costs

from November 30, 2014 until the project generates cash flows from production to be USD 23 million. ShaMaran may be required to fund the KRG's share of project development costs, even in the absence of a commercial arrangement. This would affect the economics of the project.

Marketing, markets and transportation: There is a risk that the export of oil and gas from Kurdistan, and the payments relating to such exports, could be disrupted or delayed. During 2014, the KRG began to export and sell oil shipments to global markets through Turkey via oil tanker from the port at Ceyhan. The Government of Iraq opposes unilateral exports by the KRG and has made public statements that it will take action against any company that facilitates sales of exports by the KRG. The Government of Iraq also has pending arbitration against Turkey at the International Chamber of Commerce in relation to such exports. The payment mechanism for oil exported and sold directly by the KRG and the payment mechanism relating to the contractor's entitlements of such exports is not yet established. Therefore, there is uncertainty relating to the amount and timing for receipt of any proceeds in regards to contractor's entitlements under the terms of the PSCs for any oil that is delivered for export and sale by the KRG. The ultimate outcome of the uncertainties pertaining to the KRG's direct sale of oil exports and the resolution and timing and development of the related payment mechanism for such sales could have an adverse impact on the economics of the project and the Corporation's financial condition.

The Corporation's ability to export and market oil and gas may also depend upon its ability to secure transportation and delivery of its potential production to pipelines and processing facilities. Potential government regulation relating to price, quotas and other aspects of the oil and gas business could result in adverse effects to the Corporation's business including, but not limited to, impairing the Corporation's ability to export and sell oil and gas and receive full payment for all sales of oil and gas.

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

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

The Corporation's development programs in the Kurdistan Region of Iraq involve the need to obtain approvals from the relevant authorities, which may require conditions to be satisfied or the exercise of discretion by those authorities. In cases where it is not possible for such conditions to be satisfied there could be delays in conducting operations and this could affect the Corporation's financial performance.

***Financing Risk***

There is a risk that additional funding will not be available to the Corporation for further development and expansion of its operations. As future capital expenditures will be financed out of funds generated from

operations, bank borrowings if available, and possible issuances of debt or equity securities, the Corporation's ability to do so is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry generally, and the Corporation's securities in particular.

Although the Corporation has been successful in the past in obtaining financing through the sale of equity securities and placement of debt instruments, there can be no assurance that additional funding will be available, or available under terms favorable to the Corporation. The Corporation's ability to raise further equity or debt financing will vary according to a number of factors, including the growth of its business and stock market conditions. To the extent that external sources of capital become limited or unavailable or available only on onerous terms, the Corporation's ability to invest and to maintain existing assets may be impaired, and could adversely affect the Corporation's operations, business and financial condition.

***Risks in Estimating Resources***

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

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

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

The Corporation's project is in the appraisal and development stage and, as such, additional information must be obtained by further appraisal drilling and testing to ultimately determine the economic viability of developing any of the contingent or prospective resources. There is a risk that the Corporation will not be able to commercially produce any portion of its contingent or prospective resources. Any significant change, in particular, if the volumetric resource estimates were to be materially revised downwards in the future, could negatively impact investor confidence and ultimately impact the Corporation's performance, share price and total market capitalisation.

The Corporation has engaged professional geologists and engineers to evaluate reservoir and development plans; however, process implementation risk remains. The Corporation's reserves and resource estimations are based on data obtained by the Corporation which has been independently evaluated by

McDaniel & Associates Consultants Ltd ("**McDaniel**"), ShaMaran's independent qualified reserves and resource evaluator.

**The foregoing risk factors should be carefully reviewed and considered by an investor before a decision is made to invest in the Rights offered hereunder or Common Shares issuable upon the exercise of Rights. Such risks may not be the only risks facing ShaMaran. Additional risks not currently known may also negatively impact ShaMaran's business operations and results of operations.**

**Risks relating to the Offering**

Increase in Size of Standby Purchasers: To the knowledge of the Corporation, the Standby Purchasers and their affiliates currently own, in aggregate, 210,441,300 Common Shares representing 25.95% of outstanding capital of the Corporation. If only the Standby Purchasers subscribe for Rights in accordance with the Standby Purchase Agreement, and no other shareholders exercise their rights hereunder, the Standby Purchasers could hold, in aggregate, 964,656,290 Common Shares representing 61.63% of the outstanding capital of the Corporation following the Offering. As a result, the Standby Purchasers may gain the ability to control substantially all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of the Corporation and make some future transactions more difficult or impossible without the support of the Standby Purchasers. The interests of the Standby Purchasers may not coincide with the Corporation's interests or interests of other shareholders. Accordingly, the Standby Purchasers could cause the Corporation to enter into transactions or agreements that other shareholders would not approve or make decisions with which other shareholders may disagree.

Set out below is a table illustrating the holdings of the Standby Purchasers before and after the Offering assuming that only the Standby Purchasers exercise rights under the Offering.

| | **Current Holdings** | **Standby Shares** | **Holdings assuming that only the Standby Guarantors exercise rights under the Offering[(1)]** |
|---|---|---|---|
| Lorito Holdings S.a.r.l. | 49,141,300 | 138,785,692 | 12.01% |
| Zebra Holdings and Investments S.a.r.l. | 111,300,000 | 289,677,008 | 25.62% |
| Lundin Petroleum B.V. | 50,000,000 | 325,752,290 | 24.01% |
| **Total:** | **210,441,300** | 754,214,990 | 61.63% |

Note:

(1) Assumes that there will be 1,565,198,850 shares of the Corporation outstanding after the rights offering.

The subscription commitment under the Standby Purchase Agreement is not secured: The Standby Purchasers' commitment to subscribe for Common Shares under the Standby Purchase Agreement is not secured through a bank guarantee, collateral or otherwise. Against this background, there is a risk that in case of termination or non-fulfilment of obligations by the Standby Purchasers under the Standby Purchase Agreement the Offering will not be fully subscribed and the expected issue proceeds will not be raised by the Corporation in full, which would be detrimental to the Corporation's financial position and adversely affect the value of an investment in the Corporation.

Currency Risks: Prior to filing the final short form prospectus, the Subscription Price will be set in Canadian dollars in accordance with the pricing structure described in this Prospectus. The price for Holders who hold their Common Shares through Euroclear Sweden will be determined based on currency exchange rates between Canadian dollars and Swedish krona at the time the Subscription Price is set. Subsequent fluctuations in the exchange rates between Canadian dollars and Swedish krona could result in Holders outside of Sweden paying more, or less, per Common Share than Holders who hold Common Shares through Euroclear Sweden.

Dilution to Shareholders: If a shareholder of the Corporation does not exercise all of its Rights pursuant to the Basic Subscription Privilege, the shareholder's current percentage of ownership in the Corporation will be diluted by the issuance of Common Shares upon the exercise of Rights by other shareholders as well as the exercise of Rights and purchase of Standby Shares by the Standby Purchasers in accordance with the Standby Purchase Agreement. Even if a shareholder elects to sell its unexercised Rights or if its Rights are sold on its behalf, the consideration it receives may not be sufficient to compensate it fully for the dilution of its current percentage ownership in the Corporation that will be caused as a result of the exercise of Rights by other shareholders and the exercise of Rights and the purchase of Standby Shares by the Standby Purchasers in accordance with the Standby Purchase Agreement.

In addition, if additional financing is raised by the issuance of shares or other forms of convertible securities in the future, shareholders may suffer further dilution.

Market Price of Common Shares: There can be no assurance that an active market for the Common Shares will be sustained after the Offering. Securities of small and mid-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the attractiveness of certain industries. The price per Common Share is also likely to be affected by the Corporation's financial condition or results of operations as reflected in its annual and quarterly filings. Other factors unrelated to the performance of the Corporation that may have an effect on the price of Common Shares include the following: the extent of analytical coverage available to subscribers concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect a subscriber's ability to trade significant numbers of Common Shares; the size of the Corporation's public float may limit the ability of some institutions to invest in the Corporation's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation's securities, if listed on an exchange, to be de-listed from such exchange, further reducing market liquidity. If an active market for the Common Shares does not continue, the liquidity of a subscriber's investment may be limited and the price of the Common Shares may decline below the price at which the Common Shares are issued pursuant to the Offering. If such a market does not develop, subscribers may lose their entire investment in the Common Shares.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long term value of the Corporation. Securities class-action litigation has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Responsibilities of Holders of Rights: Holders of Rights will be responsible for completing their subscriptions accurately and within the prescribed time limits. Holders who wish to purchase Common Shares in this Offering must act promptly to ensure that all required forms and payments are actually received by the Subscription Agent or the CDS Participant holding the subscriber's Rights prior to the Expiry Time. If a Holder of Rights fails to complete and sign the required subscription forms, sends an

incorrect payment amount or otherwise fails to follow the subscription procedures that apply to the transaction in question, the Subscription Agent or the CDS Participant may, depending on the circumstances, reject a subscription or accept it to the extent of the payment received. None of the Corporation, the Subscription Agent or the CDS Participant undertakes to contact a Holder of Rights concerning, or attempt to correct, an incomplete or incorrect payment or subscription form. The Corporation has the sole discretion to determine whether a subscription properly follows subscription procedures.

Market for Trading of Rights: There is a risk that the Rights will not be approved to be listed on the TSX-V and/or Nasdaq First North. There is also a risk that an active or any trading market in the Rights will not develop or that the Rights cannot be sold on the TSX-V and/or Nasdaq First North at any time.

No Independent Due Diligence: This Offering is not underwritten. Thus, there has not been an independent "due diligence" review of matters covered by this Prospectus, such as might be conducted by an underwriter had one been affiliated with this Offering.

Use of Proceeds: The Corporation currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds". The failure by the Corporation to apply these funds effectively could have a material adverse effect on the Corporation's business.

The Subscription Price does not necessarily reflect the Corporation's Value: The Subscription Price was determined by negotiation between the Corporation and the Standby Purchasers and does not necessarily bear any relationship to the book value of the Corporation's assets, past operations, cash flows, losses, financial condition or any other established criteria for value. After the date of this Prospectus, the Common Shares may trade at prices above, below or equal to the Subscription Price.

The Trading Price of the Common Shares may decline below the Subscription Price: The trading price of the Common Shares in the future may decline below the Subscription Price. Future prices of the Common Shares may adjust positively or negatively depending on various factors, including those described above. The exercise of Rights may not be revoked even if there is a decline in the price of the Common Shares prior to the Expiry Time.

Anticipated Proceeds May Not Be Fully Realized: The Standby Commitment being provided by the Standby Purchasers in connection with the Offering is conditional upon, among other things, receipt of all necessary approvals from securities regulatory authorities. In the event the Corporation is unable to receive all such necessary approvals on a timely basis, the Standby Purchasers will not be obligated to comply with the Standby Commitment and the Offering may not proceed. If the conditions to the Standby Purchasers' obligation to purchase the Standby Shares are not satisfied, or the Standby Purchase Agreement is terminated in accordance with its terms and the Standby Purchasers do not purchase the Standby Shares, the Offering may not be fully subscribed and even the anticipated minimum proceeds from the Standby Commitment may not be fully realized. The receipt of net proceeds from the Offering in an amount less than the anticipated proceeds may have a material adverse effect on the Corporation's ability to fund its allocation of the upcoming work program on its existing blocks and, as a result, the Corporation may be required to raise further funds in the near term through the issuance of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. The Corporation cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Corporation's securities will have on the market price of the Common Shares.

## FEATURES OF THE OFFERING

The following is a summary of the principal features of the Offering and should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial data and statements contained elsewhere or incorporated by reference in this Prospectus. Certain terms used in this summary and in the Prospectus are defined elsewhere herein.

| | |
|---|---|
| **Issuer** | **ShaMaran Petroleum Corp.** |
| **The Offering** | The Offering consists of Rights to subscribe for up to approximately 754,214,990 Common Shares. Each Holder on the Record Date will receive one Right for each Common Share held. Every 100 Rights entitles the holder (provided that such holder is in an Eligible Jurisdiction or is an Approved Eligible Holder, as defined below) thereof to subscribe for 93 Common Shares. |
| **Record Date** | January 12, 2015 |
| **Expiry Date** | February 9, 2015 for Holders in CDS (Canada) and February 4, 2015 for Holders in Euroclear Sweden. |
| **Expiry Time** | 5:00 p.m. (Toronto time) in CDS (Canada) and 3.00 p.m. (Stockholm time) in Euroclear Sweden on the Expiry Date. Rights not exercised at or before the Expiry Time on the Expiry Date will be void and have no value. |
| **Maximum Number of Common Shares Issuable** | 754,214,990 |
| **Intention of Standby Purchasers to Exercise Rights** | The Standby Purchasers have agreed, subject to certain terms, conditions and limitations set out in the Standby Purchase Agreement, to exercise their Basic Subscription Right and Additional Subscription Right, if applicable. See "Standby Commitment") |
| **Subscription Price** | The subscription price per Common Share will be $0.10 (SEK 0.68) (the "**Subscription Price**"). |
| **Net Proceeds** | Up to $73,803,500 after deduction of estimated expenses of approximately $1,618,000 and assuming exercise in full of the Rights. |
| **Use of Proceeds** | The Corporation intends to use the net proceeds of the Offering to fund<br>(i) the Corporation's costs (including the additional funding required to cover the Corporation's pro-rata share of the Government Interest) related to the financing, development and operation of the Atrush Block;<br>(ii) the Corporation's technical, management and administrative services expenses and other corporate purposes.<br><br>See "Use of Proceeds" and "Background to and Reasons For the Offering". |

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|---|---|
| **Basic Subscription Privilege** | Every 100 Rights entitles the holder thereof to subscribe for 93 Common Shares upon payment of $9.30 (SEK 63.24). No fractional Common Shares will be issued. If a subscriber would appear to be entitled to a fractional Common Share, the subscriber's entitlement will be rounded down to the nearest whole number of Common Shares. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Basic Subscription Privilege" and "A. Details of the Offering for Holders of Common Shares in Euroclear Sweden - A. Subscription for Common Shares by way of Exercising Rights". |
| **Additional Subscription Privilege** | Holders of Rights who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe pro rata for Additional Common Shares, if any, not otherwise purchased pursuant to the Basic Subscription Privilege. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Additional Subscription Privilege" and "A. Details of the Offering for Holders of Common Shares in Euroclear Sweden (Sweden) - B. Subscription for Additional Common Shares without Exercising Rights". |
| **Exercise of Rights** | Registered Holders, Holders Registered with CDS (Canada) and Approved Eligible Holders<br>For all Holders whose Common Shares are held in registered form with an address of record in an Eligible Jurisdiction, a Rights Certificate representing the total number of Rights to which the Holder is entitled as at the Record Date will be mailed with a copy of this Prospectus to each such Holder. In order to exercise the Rights represented by the Rights Certificate, such holder of Rights must complete and deliver the Rights Certificate in accordance with the instructions set out under "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - How to Complete the Rights Certificate". For Holders whose Common Shares are held through a CDS Participant, a subscriber may exercise its Basic Subscription Privilege and subscribe for Common Shares by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common Share subscribed for in accordance with the terms of this Offering to such CDS Participant. **The Additional Subscription Privilege may not be exercised through CDS**. Any person holding Rights through CDS will be required to withdraw such Rights from CDS prior to exercise of the Additional Subscription Privilege.<br><br>Euroclear Sweden<br>Subject to applicable securities laws, a printed Common Share issue statement with an accompanying bank giro slip will be sent directly to registered holders of Common Shares (except for Ineligible Holders), or to relevant representatives of such holders, who on the Record Date are registered in the share register maintained by Euroclear Sweden on behalf ShaMaran. Subscription for Common Shares by way of exercising Rights is |

| | |
|---|---|
| | made by paying the Subscription Price of SEK 0.68 per new Common Share in cash at any Swedish bank office (subscription through payment). Holders of Common Shares, whose shareholding is registered with a nominee bank or another nominee, will not receive a Common Share issue statement from Euroclear Sweden. Instead, Euroclear Sweden will send the nominee a Common Share issue statement and the exercise of Rights and payment of the Subscription Price on behalf of such holders of Common Shares will be made only according to instructions from the nominee. |
| **Holders in Ineligible Jurisdictions** | No subscription under the Basic Subscription Privilege nor under the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or who the Corporation has reason to believe is, an Ineligible Holder, except that the Corporation may accept subscriptions in certain circumstances from Approved Eligible Holders. No Rights Certificate will be mailed to Ineligible Holders and Ineligible Holders will not be permitted to exercise their Rights. Holders of Common Shares who have not received Rights Certificates but are resident in an Eligible Jurisdiction or wish to be recognized as an Approved Eligible Holder should contact the Subscription Agent at the earliest possible time. Rights of Ineligible Holders in CDS (Canada) will be held by the Subscription Agent until 5:00 p.m. (Toronto time) on February 2, 2015 in order to provide the beneficial holders outside the Eligible Jurisdictions the opportunity to claim their Rights Certificate by satisfying to the Corporation that the exercise of their Rights will not be in violation of the laws of the applicable jurisdiction. After such time, the Subscription Agent will attempt to sell the Rights of such registered Ineligible Holders on such date or dates and at such price or prices as the Subscription Agent will determine in its sole discretion. Ineligible Holders whose shares are held through a CDS Participant or DTC Participant who wish to be recognized as Approved Eligible Holders should contact their CDS Participant or DTC Participant, respectively. See "C. Details of the Offering for Ineligible Holders". |
| **Standby Commitment** | Under the Standby Purchase Agreement, the Standby Purchasers have agreed, subject to the satisfaction of certain conditions, to (i) exercise all of their Basic Subscription Rights (the "**Basic Subscription**"); and (ii) purchase all Common Shares not otherwise acquired under the offering (the "**Standby Shares**"). The Standby Purchasers are not engaged as an underwriter in connection with the Offering and have not been involved in the preparation of, or performed any review of, this Prospectus in the capacity of an underwriter. The Standby Purchase Agreement may be terminated by the Standby Purchasers prior to the Expiry Time in certain circumstances. See "Standby Commitment". |
| **Listing and Trading** | The TSX-V has conditionally approved the listing of the Rights and the Common Shares issuable on the exercise of the Rights. The Corporation also intends to apply to Nasdaq First North to list the Rights. |
| **Risk Factors** | An investment in Common Shares is subject to a number of risk factors. See "Risk Factors". |
| **Taxes** | Holders of Rights should refer to the section "Canadian Federal Income Tax Considerations" and "Swedish Income Tax Considerations". |

## USE OF PROCEEDS

Assuming that all rights are exercised under the Offering, the estimated gross proceeds received by the Corporation from the completion of the Offering are estimated to be approximately $75,421,500 and after deducting estimated expenses of the Offering, (mainly relating to costs for financial, legal and other professional advice) of $1,618,000 the net proceeds are estimated to be $73,803,500 (USD 63,420,000). The net proceeds of the Offering together with the Corporation's working capital balance of USD 55,110,000 as at November 30, 2014 results in total available financial resources of USD 118,530,000 which the Corporation plans to use as follows:

| | **Assuming that all of the rights are exercised under the Offering** |
|---|---|
| To fund through December 31, 2015 the Corporation's costs (including the additional funding required to cover the Corporation's pro-rata share of the Government Interest) related to the financing, development and operation of the Atrush Block[(1)]; | USD 108,250,000 |
| To fund through December 31, 2015 the Corporation's technical, management and administrative services expenses and other corporate purposes[(2)]; | USD 6,750,000 |
| **Total** | USD 115,000,000 |

(1) For a discussion and details of the planned financing, development and operational activities on the Atrush block refer to sections "Background and Conditions - Background to and Reasons for the Offering" and "The Corporation - Operational History and Plans" included in this Prospectus.

(2) For a discussion and details of the Corporation's technical, management and administrative services expenses and other corporate purposes, refer to sections "Background and Conditions - Background to and Reasons for the Offering" and "The Corporation - 2013 Bond Issue" included in this Prospectus.

The Corporation has had negative operating cash flow from operations for the financial year ended December 31, 2013. The Corporation's ability to sustain positive operating cash flow will depend upon a number of factors, including, among others, the worldwide market price of oil and the commencement of commercial production at the Atrush Block. See "Risk Factors".

## DETAILS OF THE OFFERING

This Prospectus has been approved and registered by the SFSA in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act and has been prepared for holders of Common Shares in Euroclear Sweden.

Holders of Common Shares in Euroclear Sweden should read "A. Details of the Offering for Holders of Common Shares in Euroclear Sweden (Sweden)" in order to inform themselves on how to exercise their Rights (among other things). Information on how to exercise Rights to subscribe for Common Shares registered with CDS is set out in "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders". Furthermore, a prospectus approved by the British Columbia Securities Commission (on its own behalf and on behalf of the securities commissions of Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia) will be mailed, shortly after the Record Date, to shareholders who hold their Common Shares in registered form as of the Record Date. Such prospectus will also be available at www.sedar.com.

## A. DETAILS OF THE OFFERING FOR HOLDERS OF COMMON SHARES IN EUROCLEAR SWEDEN (SWEDEN)

In addition to the information set out above with respect to the Offering, the following information is applicable to Holders of Common Shares who hold their Common Shares through Euroclear Sweden.

***Rights and Subscription Price***

Holders of Common Shares in Euroclear Sweden at the close of business (Swedish time) on the Record Date will receive Rights on the basis of one Right for each Common Share held at that time. For every 100 Rights held, the holder thereof is entitled to subscribe for 93 Common Shares at a price of (SEK 63.24), being the equivalent of SEK 0.68 per new Common Share. No brokerage fees will be charged.

***Record Date***

The Record Date for determining who shall receive Rights is January 12, 2015. The Common Shares are traded on Nasdaq First North exclusive of the right to participate in the Offering from January 9, 2015 and the last day for trading in the Common Shares on Nasdaq First North with the right to participate in the Offering is January 8, 2015.

***Subscription Period***

Holders of Rights may subscribe for Common Shares during the period from and including January 19, 2015 up to and including February 4, 2015. On expiry of the subscription period, the Rights which have not been exercised will expire and become null and void. Unexercised Rights will be cancelled from the securities (VP) account without any notice from Euroclear Sweden. The subscription period may be extended.

During the subscription period, Rights issued to holders of Common Shares not entitled to participate in the Offering will be sold on behalf of such holders. The proceeds of such sale, less any withholding tax, will be distributed pro rata to the holdings of the relevant holders of Common Shares.

***Trading in Subscription Rights***

Those who elect not to participate in the Offering may have their ownership diluted of up to 48.19% but have the opportunity to sell their Rights. Rights are expected to be traded on Nasdaq First North during the period from and including January 19, 2015 up to and including February 2, 2015.

***Directly Registered Holders of Common Shares***

Subject to applicable securities laws, a printed issue statement with an accompanying bank giro slip will be sent directly to registered holders of Common Shares, or to relevant representatives of such holders, who on the Record Date are registered in the share register maintained by Euroclear Sweden on behalf ShaMaran. The printed issue statement will show, among other things, the number of Rights received and the number of Common Shares that may be subscribed for by way of such Rights. Those who are registered in Euroclear Sweden's special list of holders of pledges and similar encumbrances that accompanies the share register will receive such information separately. A securities (VP) account statement with respect to the registration of Rights in a holder's securities (VP) account will not be dispatched.

***Shares held by Nominees***

Holders of Common Shares, whose shareholding is registered with a nominee, will not receive an issue statement from Euroclear Sweden. The exercise of Rights and payment of the Subscription Price on behalf of such holders of Common Shares should be made according to instructions from the shareholders' nominee.

***Subscription and Payment for Directly Registered Holders of Common Shares***

**A. Subscription for Common Shares by way of Exercising Rights**

Subscription for Common Shares by way of exercising Rights by Holders who hold their Common Shares through Euroclear Sweden is made by paying the Subscription Price of SEK 0.68 per new Common Share in cash at any Swedish bank office (subscription through payment). Holders of Common Shares on the record date will have received the printed issue statement with an accompanying bank giro slip. Subscription should be effected using either the bank giro slip or, if applicable, the application form, as further described below. A subscription is binding and cannot be revoked.

**1. Bank Giro Slip**

If all of the Rights received as of the Record Date are exercised, only the printed bank giro slip should be used for the payment of the Subscription Price. If not resident in Sweden, contact Pareto to receive international payment details.

**2. Application Form (I)**

If Rights are acquired or sold, or if for any other reason the number of Rights exercised differs from the number set out in the issue statement, Application Form (I) shall be used for subscribing for new Common Shares. The printed bank giro slip should not be used, but payment should be made according to the instructions in the Application Form (I). The Application Form (I) will be available on Pareto's web page, www.paretosec.com, and can also be obtained by contacting Pareto (telephone number: +46 8 402 51 32; email: issueservice.se@paretosec.com). The Application Form (I) shall be sent by mail, fax or scanned and sent by email, alternatively handed in to:

Pareto Securities AB
Issuer service/ShaMaran
P.O. Box 7415
103 91 Stockholm
Sweden
Fax: +46 8 402 50 30
Email: issueservice.se@paretosec.com
Visiting address: Berzelii Park 9, Stockholm, Sweden

The completed Application Form (I) and payment must be received by Pareto no later than 3:00 pm (Swedish time) on February 4, 2015. If the Application Form (I) is sent by mail it must, therefore, be sent well in advance of February 4, 2015. The application is binding and cannot be revoked. An incomplete or incorrectly completed Application Form (I) may be rejected without any further consideration.

Subscription through payment will be registered with Euroclear Sweden as soon as possible, which normally means a number of banking days after payment. Subsequently, the exercised rights will be automatically exchanged for paid subscribed shares (BTAs) and the subscriber will receive a securities

(VP) note confirming the booking at the subscriber's securities (VP) account. The conversion of BTAs to Common Shares is expected to take place on or about February 16, 2015. Such conversion will be carried out without any notification from Euroclear.

**B. Subscription for Additional Common Shares without Exercising Rights**

Holders of Common Shares who exercise all of their Rights may subscribe for Additional Common Shares without exercising Rights. Subscriptions for Additional Common Shares will be received subject to allotment only and the number of Additional Common Shares, if any, that may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Common Shares that such subscriber has subscribed for; and (b) the product (disregarding fractions) obtained by multiplying the number of Additional Common Shares available to be issued by a fraction, the numerator of which is the number of Common Shares subscribed for by the subscriber by way of exercising Rights and the denominator of which is the aggregate number of Common Shares subscribed for by exercising Rights. If any holder of Rights has subscribed for fewer Additional Common Shares than such holder's pro rata allotment of Additional Common Shares, the excess Additional Common Shares will be allocated in a similar manner among the holders who were allocated fewer Additional Common Shares than they subscribed for.

Subscription of Additional Common Shares without exercising Rights should be effected by using the Application Form (II). The Application Form (II) is available on Pareto's web page, www.paretosec.com, and can also be obtained by contacting Pareto (telephone number: +46 8 402 51 32; email: issueservice.se@paretosec.com). The Application Form (II) shall be sent by mail, fax or scanned and sent by email, alternatively handed in to:

Pareto Securities AB
Issuer service/ShaMaran
P.O. Box 7415
103 91 Stockholm
Sweden
Fax: +46 8 402 50 30
Email: issueservice.se@paretosec.com
Visiting address: Berzelii Park 9, Stockholm, Sweden

The completed Application Form (II) and payment must be received by Pareto no later than 3:00 pm (Swedish time) on February 4, 2015. If the Application Form (II) is sent by mail it must, therefore, be sent well in advance of February 4, 2015. The application is binding and cannot be revoked. An incomplete or incorrectly completed Application Form (II) may be rejected without any further consideration. Only one Application Form (II) per each subscriber will be considered. In case more than one Application Form (II) is received from the same subscriber, only the first received will be considered. A notification of the allotment of Additional Common Shares is expected to occur on or about February 11, 2015. Any excess funds will be returned on or about February 13, 2015.

***Trading in BTA***

It will not be possible to trade in Paid Subscribed Shares (*Sw. Betald Tecknad Aktie*) ("**BTAs**").

***Manager for the Offering***

Pareto Securities AB has been appointed by the Corporation to act as the Manager for the Offering. Pareto is not registered as a dealer in any Canadian jurisdiction and, accordingly, will not, directly or indirectly, solicit offers to purchase or sell Common Shares or Rights in Canada. Pareto will receive customary compensation for its services from the Corporation.

***Dividend Rights***

The new Common Shares will entitle the holders to dividends (if any) on any record date that occurs after the registration of the Common Shares with Computershare Investor Services Inc.

***Questions***

For questions regarding the Offering please contact Pareto (telephone number: +46 8 402 51 32; email: issueservice.se@paretosec.com).

## B. DETAILS OF THE OFFERING FOR REGISTERED HOLDERS OF COMMON SHARES, HOLDERS OF COMMON SHARES REGISTERED WITH CDS (CANADA) AND APPROVED ELIGIBLE HOLDERS

### *Issue of Rights and Record Date*

Holders of record at the close of business (Toronto time) on the Record Date will receive Rights on the basis of one Right for each Common Share held at that time. The Rights permit Holders (provided that such holders are in an Eligible Jurisdiction or are Approved Eligible Holders) to subscribe for and purchase from the Corporation an aggregate of up to 754,214,990 Common Shares, assuming exercise in full of the Rights issued hereunder, on the basis of 93 Common Shares for every 100 Rights held. The Rights are transferable in Canada by the holders thereof. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Sale and Transfer of Rights".

For Holders who hold their Common Shares in registered form, a Rights Certificate evidencing the number of Rights to which a holder is entitled as at the Record Date and the number of Common Shares which may be obtained on exercise of those Rights will be mailed with a copy of this Prospectus to each Holder as of the close of business on the Record Date. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Rights Certificate - Common Shares Held in Registered Form".

Holders that hold their Common Shares through a CDS Participant will not receive physical certificates evidencing their ownership of Rights. On the Record Date, a global certificate representing such Rights will be issued in registered form to, and in the name of, CDS or its nominee. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Rights Certificate - Common Shares Held Through CDS".

Except as otherwise described herein, only Holders who hold their Common Shares in registered form and who are resident in the Eligible Jurisdictions are entitled to receive Rights Certificates. The Rights and the Common Shares issuable on the exercise of the Rights are not qualified under the securities laws of any jurisdiction other than the Eligible Jurisdictions and, except as permitted herein, Rights may not be exercised by or on behalf of a Holder resident in an Ineligible Jurisdiction. Instead, such Ineligible Holders will be sent a letter that will inform them that the Offering has occurred and that either their Rights Certificates will be held and sold for the benefit of such Ineligible Holders by the Subscription Agent in accordance with the section "C. Details of the Offering for Ineligible Holders - Treatment of Rights" or their Rights are included in the Rights Certificate being held in the name of DTC's nominee, Cede & Co., by the Subscription Agent, and they should contact their DTC Participant. If, upon the receipt of such letter, a holder determines that he or she may qualify as an Approved Eligible Holder, he or she should contact the Subscription Agent and his or her legal advisors in addition to contacting the DTC Participant, if applicable, to determine how Rights may be exercised.

### *Subscription Basis*

For every 100 Rights held, the holder thereof is entitled to subscribe for 93 Common Shares at a price of $9.30 (SEK 63.24), being the equivalent of $0.10 (SEK 0.68) per Common Share. Any subscription for Common Shares will be irrevocable once submitted, subject to Canadian statutory withdrawal rights arising in certain limited circumstances, such as the filing of an amendment to this Prospectus. See "Purchasers' Statutory Rights".

Fractional Common Shares will not be issued on the exercise of Rights. An entitlement to a fractional Common Share will be rounded down to the next whole Common Share. CDS Participants that hold Rights for more than one beneficial holder may, upon providing evidence satisfactory to the Corporation, exercise Rights on behalf of its accounts on the same basis as if the beneficial owners of Common Shares were Holders of record on the Record Date.

***Commencement Date and Expiry Date***

The Rights will be eligible for exercise following the Commencement Date. The Rights will expire at the Expiry Time on the Expiry Date. Holders who exercise their Rights will become holders of Common Shares issued through the exercise of the Rights on the completion of the Offering, which is expected to occur on or before the seventh business day following the Expiry Date. **RIGHTS NOT EXERCISED PRIOR TO THE EXPIRY TIME ON THE EXPIRY DATE WILL BE VOID AND OF NO VALUE**.

***Basic Subscription Privilege***

Each Holder at the close of business on the Record Date is entitled to receive one Right for each Common Share held. For every 100 Rights held, the holder (other than an Ineligible Holder) is entitled to acquire 93 Common Shares under the Basic Subscription Privilege at a price of $9.30 (SEK 63.24), being the equivalent of $0.10 (SEK 0.68) per Common Share by subscribing and making payment in the manner described herein on or before the Expiry Time on the Expiry Date. A holder of Rights that subscribed for some, but not all, of the Common Shares pursuant to the Basic Subscription Privilege will be deemed to have elected to waive the unexercised balance of such Rights and such unexercised balance of Rights will be void and of no value unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the holder. Holders of Rights who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe for Additional Common Shares, if any, that are not otherwise subscribed for under the Offering on a pro rata basis, prior to the Expiry Time on the Expiry Date pursuant to the Additional Subscription Privilege. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Additional Subscription Privilege".

For Common Shares held in registered form, in order to exercise the Rights represented by a Rights Certificate, the holder of Rights must complete and deliver the Rights Certificate to the Subscription Agent in accordance with the terms of this Offering in the manner and upon the terms set out in this Prospectus and pay the aggregate Subscription Price. All exercises of Rights are irrevocable once submitted.

For Common Shares held through a CDS Participant, a holder may exercise the Basic Subscription Privilege by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common Share subscribed for in accordance with the terms of the Offering to such CDS Participant. Subscriptions for Common Shares made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of the Subscription Agent. In the case of subscription through a CDS Participant, the Subscription Price is payable by certified cheque, bank draft or money order drawn to the order of such CDS Participant, by direct debit from the subscriber's brokerage account or by electronic funds transfer or other similar payment mechanism. The entire Subscription Price for Common Shares subscribed for must

be paid at the time of subscription and must be received by the Subscription Agent at the Subscription Office prior to the Expiry Time on the Expiry Date. **A subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Rights on its behalf.**

Payment of the Subscription Price will constitute a representation to the Corporation and, if applicable, to the CDS Participant, by the subscriber (including by its agents) that: (a) either the subscriber is not a citizen or resident of an Ineligible Jurisdiction or the subscriber is an Approved Eligible Holder; and (b) the subscriber is not purchasing the Common Shares for resale to any person who is a citizen or resident of an Ineligible Jurisdiction.

***Additional Subscription Privilege***

Each holder of Rights who has exercised the Basic Subscription Privilege for its Rights may subscribe for Additional Common Shares, if available, at a price equal to the Subscription Price for each Additional Common Share. The total number of Additional Common Shares will be the difference, if any, between the total number of Common Shares issuable upon the exercise of Rights and the total number of Common Shares subscribed and paid for pursuant to the Basic Subscription Privilege at the Expiry Time on the Expiry Date. Subscriptions for Additional Common Shares will be received subject to allotment only and the number of Common Shares, if any, that may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Common Shares that such subscriber has subscribed for; and (b) the product (disregarding fractions) obtained by multiplying the total number of Additional Common Shares available to be issued by a fraction, the numerator of which is the number of Common Shares acquired by the subscriber pursuant to the Basic Subscription Privilege and the denominator of which is the aggregate number of Common Shares acquired under the Basic Subscription Privilege by all holders of Rights that have subscribed for Additional Common Shares. If any holder of Rights has subscribed for fewer Additional Common Shares than such holder's pro rata allotment of Additional Common Shares, the excess Additional Common Shares will be allocated in a similar manner among the holders who were allocated fewer Additional Common Shares than they subscribed for.

To apply for Additional Common Shares under the Additional Subscription Privilege, each holder of Rights must complete Form 2 on the Rights Certificate and forward their Rights Certificate to the Subscription Agent at the Subscription Office, prior to the Expiry Time on the Expiry Date. **The Additional Subscription Privilege may not be exercised through CDS**. A subscriber wishing to subscribe for Additional Common Shares pursuant to the Additional Subscription Privilege must withdraw its Rights from CDS. Any such person should contact its applicable CDS Participant for instructions as to the manner in which it may withdraw its Rights from CDS. Payment for Additional Common Shares, in the same manner as required upon the exercise of the Basic Subscription Privilege, must accompany the Rights Certificate when it is delivered to the Subscription Agent. Any excess funds will be returned by mail by the Subscription Agent without interest or deduction. Payment of such price must be received by the Subscription Agent prior to the Expiry Time on the Expiry Date, failing which the subscriber's entitlement to such Additional Common Shares will terminate. Accordingly, a subscriber holding Rights through a CDS Participant must withdraw its Rights from CDS sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Additional Subscription Privilege on its behalf.

***Subscription and Transfer Agent***

The Subscription Agent has been appointed as agent of the Corporation to receive subscriptions and payments from the holders of Rights Certificates, to act as registrar and transfer agent for the Common Shares and to perform certain services relating to the exercise and transfer of Rights. The Corporation will pay for the services of the Subscription Agent. Subscriptions and payments under the Offering should be sent to the Subscription Agent at:

**COMPUTERSHARE INVESTOR SERVICES INC.**

**(Toronto)**

| **By Mail** | **By Registered Mail, Hand or by Courier** |
|---|---|
| P.O. Box 7021<br>31 Adelaide St E<br>Toronto, ON<br>M5C 3H2<br>Attention: Corporate Actions | 100 University Avenue<br>8th Floor<br>Toronto, ON<br>M5J 2Y1<br>Attention: Corporate Actions |

**(Vancouver)**

**By Hand or by Courier**

510 Burrard Street
2nd Floor
Vancouver, BC
V6C 3B9
Attention: Corporate Actions

**For inquiries:**
Toll Free (North America): 1-800-564-6253
Overseas: 1-514-982-7555
E-Mail: corporateactions@computershare.com

***Information Agent***

Georgeson has been appointed by the Corporation to act as the Information Agent with respect to the Offering. The mandate of the Information Agent will be to contact Holders and to outline the steps of the Offering, including the steps required to exercise the Rights as set forth in this Prospectus, and recommend that Holders consult with their investment dealer or broker if they have any inquiries with respect to whether or not they should exercise their Rights. The Information Agent will not, in any circumstance, provide any investment advice to Holders. The Information Agent will receive customary compensation for its services from the Corporation.

Questions and requests for assistance relating to the Offering may be directed to the Information Agent. Please see the back page of this Prospectus for the contact details of the Information Agent.

***Rights Certificates - Common Shares held in Registered Form***

For all holders with an address of record in an Eligible Jurisdiction, a Rights Certificate representing the total number of Rights to which each such Holder is entitled as at the Record Date and the number of Common Shares which may be obtained on the exercise of those Rights will be mailed with a copy of this Prospectus to each such Holder. In order to exercise the Rights represented by the Rights Certificate, such holder of Rights must complete and deliver the Rights Certificate in accordance with the instructions set out under "How to Complete the Rights Certificate". Rights not exercised by the Expiry Time on the Expiry Date will be void and of no value.

***Rights Certificates - Common Shares held through CDS***

For all Holders who hold their Common Shares through a securities broker or dealer, bank or trust company or other CDS Participant with an address of record in an Eligible Jurisdiction in the book based system administered by CDS, a global certificate representing the total number of Rights to which all such Holders as at the Record Date are entitled will be issued in registered form to CDS and will be deposited with CDS on the Commencement Date. The Corporation expects that each beneficial Holder will receive a confirmation of the number of Rights issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining the book-entry accounts for CDS Participants holding Rights.

Neither the Corporation nor the Subscription Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Rights; or (c) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or CDS Participants.

The ability of a person having an interest in Rights held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Holders who hold their Common Shares through a CDS Participant must arrange purchases or transfers of Rights through their CDS Participant. It is anticipated by the Corporation that each such purchaser of a Common Share or Right will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Right is issued or such Common Share is purchased in accordance with the practices and policies of such CDS Participant.

The Additional Subscription Privilege may not be exercised through CDS. Any person holding Rights through CDS will be required to withdraw such Rights from CDS prior to exercise of the Additional Subscription Privilege. See "Additional Subscription Privilege", above.

***How to Complete the Rights Certificate***

| | |
|---|---|
| 1. | **Form 1 - Basic Subscription Privilege.** The maximum number of Rights that may be exercised pursuant to the Basic Subscription Privilege is shown in the box on the upper right hand corner on the face of the Rights Certificate. Form 1 must be completed and signed to exercise all or some of the Rights represented by the Rights Certificate pursuant to the Basic Subscription Privilege. If Form 1 is completed so as to exercise some but not all of the Rights represented by the Rights Certificate, the holder of the Rights Certificate will be deemed to have waived the unexercised balance of such Rights, unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered that the unexercised Rights are to be transferred to a third party or are to be retained by the holder. |
| 2. | **Form 2 - Additional Subscription Privilege.** Complete and sign Form 2 on the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege. See "Additional Subscription Privilege". |
| 3. | **Form 3 - Transfer of Rights.** Complete and sign Form 3 on the Rights Certificate only if you wish to transfer the Rights. Your signature must be guaranteed by a Canadian Schedule I bank, or a member of an acceptable Medallion Signature Guarantee Program, including STAMP, SEMP, and MSP. Members of STAMP are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada. It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights, but the signature of the transferee on Forms 1 and 2 must correspond in every particular manner with the name of the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes. If Form 3 is completed, the Subscription Agent will treat the transferee as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary. |
| 4. | **Form 4 - Dividing and Combining.** Complete and sign Form 4 on the Rights Certificate only if you wish to divide or combine the Rights Certificate, and surrender it to the Subscription Agent at the Subscription Office. Rights Certificates need not be endorsed if the new Rights Certificates are issued in the same name. The Subscription Agent will then issue a new Rights Certificate in such denominations (totalling the same number of Rights as represented by the Rights Certificates being divided or combined) as are required by the Rights Certificate holder. Rights Certificates must be surrendered for division or combination in sufficient time prior to the Expiry Time to permit the new Rights Certificates to be issued to and used by the Rights Certificate holder. |
| 5 | **Payment.** Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of Computershare Trust Company of Canada. The amount of payment will be $0.10 (SEK 0.68) per Common Share. Payment must also be included for any Additional Common Shares subscribed for under the Additional Subscription Privilege. |

| | |
|---|---|
| 6 | **Deposit.** Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Subscription Agent so that it is received by the Toronto or Vancouver Office of the Subscription Agent listed above before the Expiry Time on the Expiry Date. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery. The signature on the Rights Certificate must correspond, in every particular, with the name that appears on the face of the Rights Certificate. |

**Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent.** All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Corporation in its sole discretion, and any determination by the Corporation will be final and binding on the Corporation and its security holders. Upon delivery or mailing of a completed Rights Certificate to the Subscription Agent, the exercise of the Rights and the subscription for Common Shares is irrevocable. The Corporation reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be unlawful. The Corporation also reserves the right to waive any defect in respect of any particular subscription. Neither the Corporation nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice. **Any holder of Rights that fails to complete their subscription in accordance with the foregoing instructions prior to the Expiry Time on the Expiry Date will forfeit their Rights under the Basic Subscription Privilege and the Additional Subscription Privilege attaching to those Rights.**

***Undeliverable Rights***

No further action will be taken on Rights Certificates returned to the Subscription Agent as undeliverable.

***Sale and Transfer of Rights***

Holders of Rights in registered form in Eligible Jurisdictions within Canada may, instead of exercising their Rights to subscribe for Common Shares, sell or transfer their Rights to any person that is not an Ineligible Holder by completing Form 3 on the Rights Certificate and delivering the Rights Certificate to the transferee. See "How to Complete the Rights Certificate - 3 - Form 3 - Transfer of Rights". A permitted transferee of the Rights of a registered holder of a Rights Certificate may exercise the Rights transferred to such permitted transferee without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Corporation and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Corporation nor the Subscription Agent will be affected by any notice to the contrary.

Holders of Rights through CDS Participants in Canada who wish to sell or transfer their Rights must do so in the same manner in which they sell or transfer Common Shares. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Rights Certificate - Common Shares Held Through CDS".

***Dividing or Combining Rights Certificates***

A Rights Certificate may be divided, exchanged or combined. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - How to Complete the Rights Certificate - 4 - Form 4 - Dividing or Combining".

***Dividend Rights***

The new Common Shares will entitle the holders to dividends (if any) on any record date that occurs after the registration of the Common Shares with Computershare Investor Services Inc.

***Restrictions on the sale and transfer of Rights and Common Shares***

For information regarding restrictions on the sale and transfer of Rights and Common Shares on the TSX-V, see the section entitled "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Sale and Transfer of Rights".

***Dilution to Existing Holders***

If a Holder does not exercise all of its Rights pursuant to the Basic Subscription Privilege, the Holder's current percentage ownership in the Corporation will be diluted by the issuance of Common Shares upon the exercise of Rights by other Holders as well as the purchase of Standby Shares by the Standby Purchasers. Holders should be aware that the Standby Purchasers have agreed to exercise their Rights under the Basic Subscription in full and purchase all Common Shares not otherwise acquired under the Offering pursuant to the Standby Commitment. See "Standby Commitment".

***Intention of Insiders to Exercise Rights***

Certain insiders of the Corporation have indicated to the Corporation that they intend to exercise all of their Rights to purchase Common Shares under the Basic Subscription Right. The Corporation believes that the directors and officers of the Corporation who own Common Shares intend to exercise some or all of their Rights to purchase Common Shares under the Basic Subscription Right. This reflects the intention of such insiders as of the date of this Prospectus, to the extent such intentions are reasonably known to the Corporation, however, such insiders may alter their intentions before the Expiry Time on the Expiry Date. No assurance can be given that the respective insiders will subscribe for Common Shares.

## C. DETAILS OF THE OFFERING FOR INELIGIBLE HOLDERS

Except as set out below, this Offering is made only in the Eligible Jurisdictions. Accordingly, neither a subscription under the Basic Subscription Privilege nor under the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or who the Corporation has reason to believe is, an Ineligible Holder, except that the Corporation may accept subscriptions in certain circumstances from Approved Eligible Holders.

***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the EU Prospectus Directive (as defined below) (each, a "**Relevant EU Member State**") with effect from and including the date on which the EU Prospectus Directive is implemented in that Relevant EU Member State, an offer to the public of the Rights and the Common Shares to be issued at any time upon exercise of the Rights may not be made in that Relevant EU Member State, except that such securities may be offered to the public in that Relevant EU Member State at any time under the following exemptions under the EU Prospectus Directive, if it has been implemented in that Relevant EU Member State:

1. to legal entities which are "qualified investors" as defined in the EU Prospectus Directive;

2. to fewer than 100, or, if the Relevant EU Member State has implemented the relevant provisions of the 2010 PD Amending Directive (as defined below), 150, natural or legal persons (other than "qualified investors" as defined in the EU Prospectus Directive) as permitted under the EU Prospectus Directive; or

3. in any other circumstances falling within Article 3(2) of the EU Prospectus Directive,

provided that no such offer of securities shall result in a requirement for, the publication of this Prospectus pursuant to Article 3 of the EU Prospectus Directive, or supplementing this Prospectus pursuant to Article 16 of the EU Prospectus Directive, and each person who initially acquires securities or to whom any offer is made will be deemed to have represented, warranted to and agreed with the Corporation that it is a "qualified investor" within the meaning of the law in that Relevant EU Member State implementing Article 2(1)(e) of the EU Prospectus Directive.

For the purposes of this provision, (i) the expression an "offer to the public" in relation to the Rights and the Common Shares to be issued at any time upon exercise of the Rights in any Relevant EU Member State means the communication in any form and by any means of sufficient information on the terms of the offer and such securities to be offered so as to enable an investor to decide to purchase any of such securities, as the same may be varied in that Relevant EU Member State by any measure implementing the EU Prospectus Directive in that Relevant EU Member State, (ii) the expression "**EU Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant EU Member State) and includes any relevant implementing measure in each Relevant EU Member State and (iii) the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

***United Kingdom***

In relation to the United Kingdom, the Rights and the Common Shares to be issued at any time upon the exercise of the Rights being offered are only being offered to and are directed at persons in the United Kingdom who are both:

1. a "qualified investor" within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000, as amended (the "**FSMA**"), acting as principal or in circumstances where Section 86(2) FSMA applies; and

2. also within the categories of persons referred to in Article 19(5) (investment professionals) or Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or persons in the United Kingdom to whom the offering may otherwise be made or to whom the offering may otherwise be directed in the United Kingdom without an approved prospectus having been made available to the public in the United Kingdom before the offering is made and without making an unlawful financial promotion,

   all such persons together being referred to as "**relevant persons**".

The securities being offered and represented by the Rights Certificate are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such rights in securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document contains no offer of transferable securities to the public in the United Kingdom within the meaning of sections 85(1) and 102B of FSMA. This document is not an "approved prospectus" for the purposes of Section 85(7) of FSMA. Accordingly, this document

has not been examined or approved as a prospectus by United Kingdom Financial Conduct Authority (the "**FCA**") under Section 87A FSMA or by the London Stock Exchange and has not been filed with the FCA pursuant to the rules published by the FCA implementing the EU Prospectus Directive nor has it been approved by an "**authorised person**" for the purposes of Section 21 of FSMA.

***Treatment of Rights***

Rights Certificates will not be issued and forwarded by the Corporation to Ineligible Holders, including U.S. Holders (other than in certain limited circumstances in transactions exempt from the registration requirements of the 1933 Act and applicable state security laws). Ineligible Holders will be presumed to be resident in the place of their registered address unless the contrary is shown to the satisfaction of the Corporation and shareholders that hold their Common Shares through a DTC Participant in DTC will be presumed to be Ineligible Holders. Ineligible Holders will be sent a letter advising them that their Rights Certificates will be held for the benefit of such Ineligible Holders by the Subscription Agent in accordance with this section or that their Rights are included in the Rights Certificate being held in the name of DTC's nominee, Cede & Co., by the Subscription Agent, and they should contact their DTC Participant, if applicable. The letter will also inform the Ineligible Holder that the Subscription Agent will attempt to sell the Rights for the benefit of the Ineligible Holder. If, upon the receipt of such letter, a Holder determines that he or she may qualify as an Approved Eligible Holder, he or she should contact the Subscription Agent and his or her legal advisors in addition to contacting the DTC Participant, if applicable, to determine how Rights may be exercised.

Rights Certificates in respect of Rights issued in respect of Ineligible Holders, including Rights issued in respect of Common Shares held through a DTC Participant whose Common Shares are held in DTC's registered position, will be issued to and held by the Subscription Agent as agent for the benefit of the Ineligible Holders. The Subscription Agent will hold these Rights until 5:00 p.m. (Toronto time) on February 2, 2015 in order to provide Ineligible Holders an opportunity to claim their Rights by satisfying the Corporation that the issue of Common Shares pursuant to the exercise of Rights will not be in violation of the laws of the applicable jurisdiction. Following such date, the Subscription Agent, for the account of the registered Ineligible Holders (other than Approved Eligible Holders who have elected to exercise their Rights), will, prior to the Expiry Time on the Expiry Date, attempt to sell the Rights of such registered Ineligible Holders represented by Rights Certificates in possession of the Subscription Agent on such date or dates and at such price or prices as the Subscription Agent determines in its sole discretion.

Beneficial owners of Common Shares registered in the name of a resident of an Ineligible Jurisdiction, who are not themselves resident in an Ineligible Jurisdiction and who wish to be recognized as an Approved Eligible Holder should contact their broker at the earliest opportunity and in any case in advance of 5:00 p.m. (Toronto time) on February 2, 2015 to request to have their Rights Certificates issued to them.

The Rights and the Common Shares issuable on the exercise of the Rights have not been qualified for distribution in any Ineligible Jurisdiction and, accordingly, may only be offered, sold, acquired, exercised or transferred in transactions not prohibited by applicable laws in Ineligible Jurisdictions. Notwithstanding the foregoing, certain persons located in such Ineligible Jurisdictions (other than the United States) may be able to exercise the Rights and purchase Common Shares provided that they furnish an investor letter satisfactory to the Corporation on or before February 2, 2015. The form of investor letter will be included in the letter sent to certain Ineligible Holders or will otherwise be available from the Subscription Agent upon request. A holder of Rights in an Ineligible Jurisdiction holding on behalf of a person resident in an Eligible Jurisdiction may be able to exercise the Rights provided that the holder certifies in an investor letter that the beneficial purchaser is resident in an Eligible Jurisdiction and

satisfies the Corporation that such subscription is lawful and in compliance with all securities and other applicable laws.

No charge will be made for the sale of Rights by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Subscription Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Subscription Agent in respect of the price or the time at which the Rights are to be sold. The Subscription Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Subscription Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a pro rata basis among such registered Ineligible Holders and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefore as soon as practicable to such registered Ineligible Holders at their addresses recorded on the books of the Corporation. Amounts of less than $10.00 will not be remitted. The Subscription Agent will act in its capacity as agent of the registered Ineligible Holders on a reasonable efforts basis only and the Corporation and the Subscription Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder. Neither the Corporation nor the Subscription Agent will be subject to any liability for the failure to sell any Rights of registered Ineligible Holders or as a result of the sale of any Rights at a particular price or on a particular date. There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.

Similar provisions will apply to Rights held by a CDS Participant on behalf of a beneficial Ineligible Holder.

**Holders of Rights who are not resident in Canada should be aware that the acquisition and disposition of Rights or Common Shares may have tax consequences in the jurisdiction where they reside and in Canada, which are not described herein. Accordingly, such holders should consult their own tax advisors about the specific tax consequences in the jurisdiction where they reside and in Canada of acquiring, holding and disposing of Rights and Common Shares.**

## PLAN OF DISTRIBUTION

Each Holder on the Record Date will receive one Right for each Common Share held. Every 100 Rights will entitle the holder to acquire 93 Common Shares at a price of $9.30 (SEK 63.24), being the equivalent of $0.10 (SEK 0.68) per Common Share.

The Corporation and the Standby Purchasers have agreed that the Subscription Price per Common Share at $0.10 (SEK 0.68). The Subscription Price was determined by negotiation between the Corporation and the Standby Purchasers and does not necessarily bear any relationship to the book value of the Corporation's assets, past operations, cash flows, losses, financial condition or any other established criteria for value.

The TSX-V has conditionally approved the listing of Rights and the Common Shares issuable on the exercise of the Rights. The Corporation also intends to apply to Nasdaq First North to list the Rights on Nasdaq First North. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX-V. The current outstanding Common Shares are listed and posted for trading on the TSX-V and Nasdaq First North under the symbol "**SNM**". The Rights are expected to be listed on the TSX-V under the symbol "SNM.RT" and on Nasdaq First North under the symbol "SNM TR". The first day of trading

of the rights is estimated to be January 8, 2015 on the TSX-V and January 19, 2015 on and Nasdaq First North. The first day of trading in the new Common Shares is estimated to be February 13, 2015 on the TSX-V and February 16, 2015 on Nasdaq First North.

The offer and distribution of the Rights and the Common Shares issuable on the exercise of the Rights and the Standby Shares is qualified in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia by this Prospectus and in Sweden by the filing of this Prospectus with the Swedish Financial Supervisory Authority. The Rights as well as the Common Shares and the Standby Shares are not qualified under the securities laws of, or being distributed or offered in, any Ineligible Jurisdiction and, except under the circumstances described herein, Rights may not be exercised by or on behalf of an Ineligible Holder. This Prospectus is not, and under no circumstances is to be construed as, an offering of any Rights or Common Share for sale in any Ineligible Jurisdiction or a solicitation therein of an offer to buy any securities. Rights Certificates will not be sent to Holders with an address of record in any Ineligible Jurisdiction. Instead, such Ineligible Holders will be sent a letter advising them that their Rights Certificates will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders or that the Rights are included in the Rights Certificate being held in the name of DTC's nominee, Cede & Co., by the Subscription Agent and they should contact their DTC Participant, if applicable. See "C. Details of the Offering for Ineligible Holders".

## STANDBY COMMITMENT

### Standby Purchase Agreement

Pursuant to the terms of the Standby Purchase Agreement entered into on October 14, 2014, the Standby Purchasers have agreed, subject to certain terms and conditions, to (i) exercise all of their Basic Subscription Rights and (ii) purchase all Common Shares not otherwise acquired under the Offering. Lorito has agreed that it will purchase 16.67% of the Standby Shares, Zebra has agreed that it will purchase 33.33% of the Standby Shares and Lundin Petroleum has agreed that it will purchase 50.00% of the Standby Shares.

The Standby Purchasers will be obligated to tender their subscription funds for the exercise of the Basic Subscription before the Expiry Time. The remaining portion of the subscription funds required to be tendered by the Standby Purchasers for the Standby Shares, if any, will be tendered as soon as practicable after the Subscription Agent has specified the number of Rights that were exercised under the Offering.

To the knowledge of the Corporation, as of the date hereof the Standby Purchasers and their affiliates, hold, in aggregate, 210,441,300 Common Shares representing 25.95% of the outstanding capital of the Corporation. If the Standby Purchasers subscribe for Shares pursuant to the Standby Purchase Agreement and no other Shares are issued, the Standby Purchasers and their affiliates will hold, in aggregate, 964,656,290 Common Shares representing 61.63% of the outstanding capital of the Corporation.

The obligations of the Standby Purchasers under the Standby Purchase Agreement may be terminated at any time at the discretion of the Standby Purchasers in certain circumstances, including (but not limited to) if: (a) there is an event, accident, governmental law or regulation or other occurrence of any nature which, in the opinion of the Standby Purchasers, seriously adversely affects or would be expected to seriously adversely affect: (i) financial markets, (ii) the business or operations of the Corporation or any subsidiary of the Corporation, (iii) the market price or value of the Common Shares, or (iv) the ability of the Standby Purchasers to perform their obligations under the Standby Agreement; (b) the TSX-V does not approve the listing on the TSX-V of the Common Shares issuable upon the exercise of the Rights, or such approval is subject to conditions not acceptable to any or all of the Standby Purchasers; (c) there is any amendment to the terms of the Offering which is not acceptable to any or all of the Standby

Purchasers; (d) the Common Shares to be purchased by the Standby Purchasers pursuant to the Standby Commitment cannot, in the opinion of the Standby Purchasers, acting reasonably, be profitably marketed due to the state of the financial markets; (e) any order to halt or suspend trading (including an order prohibiting communicating with persons in order to obtain expressions of interest) in the securities of the Corporation is made by a competent regulatory authority and that order is still in effect and has not been rescinded, removed or withdrawn; or (f) any of the representations or warranties made by the Corporation in the Standby Purchase Agreement is materially false or becomes materially false.

**The Standby Purchasers are not engaged as underwriters in connection with the Offering and have not been involved in the preparation of, or performed any review of, this Prospectus in the capacity of an underwriter**.

**Guarantee Fee**

The Standby Purchasers will be paid a guarantee fee (the "**Guarantee Fee**") equal to 3**%** of the gross proceeds received by the Corporation as a result of the Offering, other than proceeds received by the Corporation through the exercise by the Standby Purchasers of their Basic Subscription Privilege. The Guarantee Fee will be paid by the issuance of Common Shares at the closing quoted market price per Common Share on the TSX-V on the day following the closing of the Offering.

## BACKGROUND AND CONDITIONS

**Background to and Reasons for the Offering**

On October 7, 2013 the Corporation announced that Phase 1 of the Atrush Block Field Development Plan ("**FDP**") was approved by the KRG. The initial 20-year Development Phase (as defined in Clause 12.9 of the Atrush Block PSC) commenced on the October 1, 2013. Phase 1 will consist of four initial producers (AT-2, AT-4, CK-5 and CK-8) connected to a 30,000 gross bopd production facility. Works are currently in progress to implement the 30,000 barrels of gross liquid per day Phase 1 production facility.

Under the terms of the Atrush Block PSC, on exercise of its back-in right to acquire the Government Interest, the KRG is required to pay its pro rata share of project development costs from the date of declaration of a commercial discovery. Negotiations are currently ongoing amongst the parties to the Contractors group and the KRG to finalize a commercial agreement with the KRG and amend the Atrush Block PSC to give effect to the Government Interest. To the date of this Prospectus the process of amending the Atrush Block PSC and finalizing the commercial agreement has not been completed and the parties to the Contractors group are currently advancing cash for Atrush development costs which relate to the Government Interest.

There is a risk that, in order to maintain the Atrush project schedule, the Corporation may be required to advance its pro rata share of the project development costs relating to the Government Interest, even in the absence of a commercial agreement. The Corporation currently estimates the total amount of advances required to cover its pro rata share of project development costs relating to Government Interest, from the date of declaration of a commercial discovery until the project generates cash flows from production, to be USD 48 million, of which the Corporation has advanced USD 25 million as at November 30, 2014.

The Corporation does not currently generate revenues and corresponding cash flows from its oil and gas appraisal and development operations and has relied to date upon the issuance of common shares, proceeds from asset sales and, most recently, bonds, to finance its ongoing oil exploration, development and acquisition activities.

At the time the bonds were issued in November 2013 the Corporation had determined the issue amount based on the assumption that it would not be required to fund the Corporation's pro-rata share of Atrush project development costs related to the Government Interest. That assumption, which was based on the information the Corporation received from its partners in the Atrush Block, has since come into question and the Corporation, following numerous meetings and discussions with its partners in the Atrush Block, legal advisors, and through the guidance of its Board of Directors has determined it is in the best interests of its shareholders to ensure sufficient financing is in place to fully finance its working interest as well as its pro-rata share of the KRG's project development costs in advance of these costs coming due for payment.

Following the conclusion that additional financing would be required, management undertook a comprehensive review of strategic financing alternatives available to the Corporation. The Board of Directors, based on the recommendations of management, concluded that an Offering of Rights to its Holders was in the best interest of the shareholders of the Corporation and the most feasible financing alternative available to it.

The Corporation intends to use the net proceeds of the Offering to fund: (i) the Corporation's costs (including the additional funding required to cover the Corporation's pro-rata share of the Government Interest) related to the financing, development and operation of the Atrush Block; and (ii) the Corporation's technical, management and administrative services expenses and other corporate purposes.

The table below summarizes the Corporation's total forecasted funding requirements until the Atrush field generates cash flows from sales of oil production, currently projected at end of December 2015.

| In USD millions | 13 months ended December 31, 2015 |
|---|---|
| ShaMaran's 20.1% interest in Atrush | 68 |
| 6.7% pro-rata share of Government Interest in Atrush[1] | 23 |
| Corporate administration and bond interest costs | 24 |
| Total cash requirement | 115 |
| Less: working capital at November 30, 2014 | (55) |
| Additional cash requirement | 60 |

[1]As at November 30, 2014 the Corporation has contributed USD 25 million towards advancing its 6.7% pro-rata share of Government Interest in Atrush for the period from November 7, 2012 through November 30, 2014.

## INDUSTRY OVERVIEW

The following industry overview describes the Corporation's market in terms of size, development and prospects for future growth. The information contained in the Section below originates from the Corporation, unless expressly stated otherwise. The Corporation has obtained this information from several sources, including industry publications and market surveys from third parties as well as publicly available information. Although the industry publications state that they are based on information obtained from several different sources and using various methods that may be deemed reliable, the information may not be correct and complete. Industry forecasts are by their nature subject to considerable uncertainty, and such forecasts may prove to be incorrect.

Information from third parties has been correctly reproduced and, as far as the Corporation is aware and is able to warrant through comparisons with other information published by the third party concerned, no information has been omitted in a way that would make the reproduced information incorrect or misleading. Neither the Corporation nor Pareto assumes responsibility for the correctness of any business or market data included in this Prospectus.

The Corporation is engaged in the exploration, development and production of petroleum resources. For more information regarding the Corporation's business concept and strategy, please see "The Corporation - Summary Description of the Business" below.

Currently, the Corporation's main project is the development of the Atrush Block petroleum property located in the Kurdistan Region of Iraq. This project is in the early stages of petroleum resource development and it is anticipated that the bulk of any future economic benefit to the Corporation would be driven by its participation in the oil and gas market. Accordingly, this section focuses on the oil and gas market.

The Corporation's long term view of the oil and gas market is positive, with the expectation that over time tightening supply and growing demand, especially from developing countries, will contribute to stronger prices and will require development of new oil and gas projects. The following section describes the Corporation's market in term of development, size, supply & demand, and prospects for future growth.

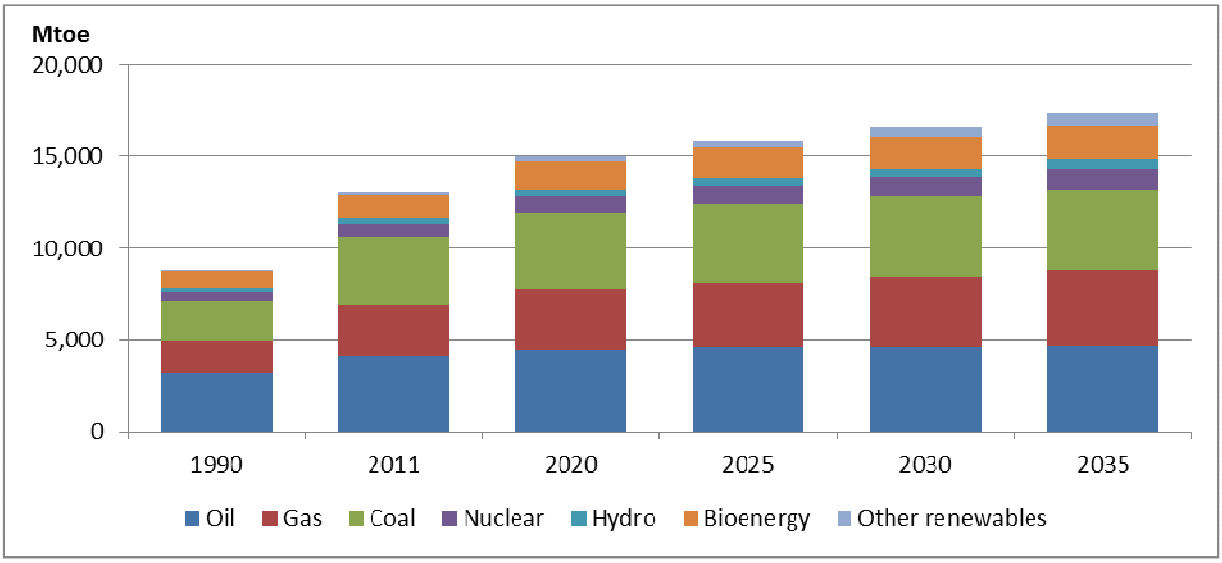
**Competition**

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 Corporation. ShaMaran's ability to increase reserves in the future will depend on its ability to develop its present property, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have an impact on the demand for oil and gas and could lead to reduction in oil prices which may have a negative impact on the Corporation's cash flow and profitability.

**The global energy market**

Global energy consumption is driven by world population, economic growth and availability of resources. Overall consumption has grown consistently and seen a steady increase throughout modern economic history. Going forward, energy consumption is expected to increase for all forms of energy, primarily as a result of increased consumption in emerging economies as well as a growing global population and expanding economy. According to BP's 2014 Statistical review of World Energy, oil is the most consumed source with an annual consumption of 91.3 million barrels per day in 2013. The world consumption of primary energy, including oil, natural gas, coal, nuclear, hydro power and other renewable energy, increased by 2.0% in 2013. In the same period, global oil consumption increased by 1.4%, equivalent to 1.4 million barrels per day.

Figure 1: Global Energy Consumption



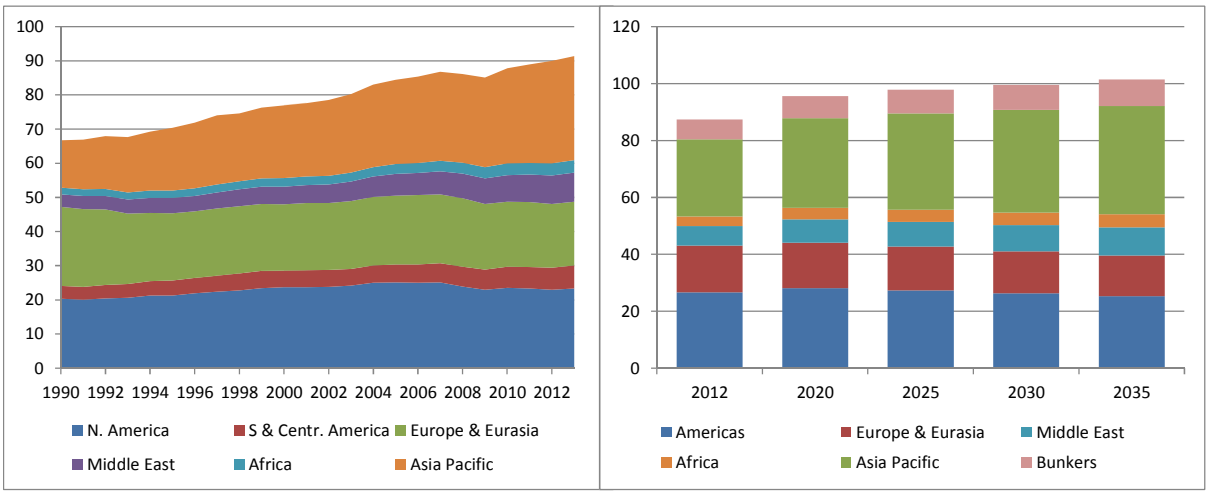

Source: IEA World Energy outlook 2013

## Overview of the Oil Market

### *Oil Consumption*

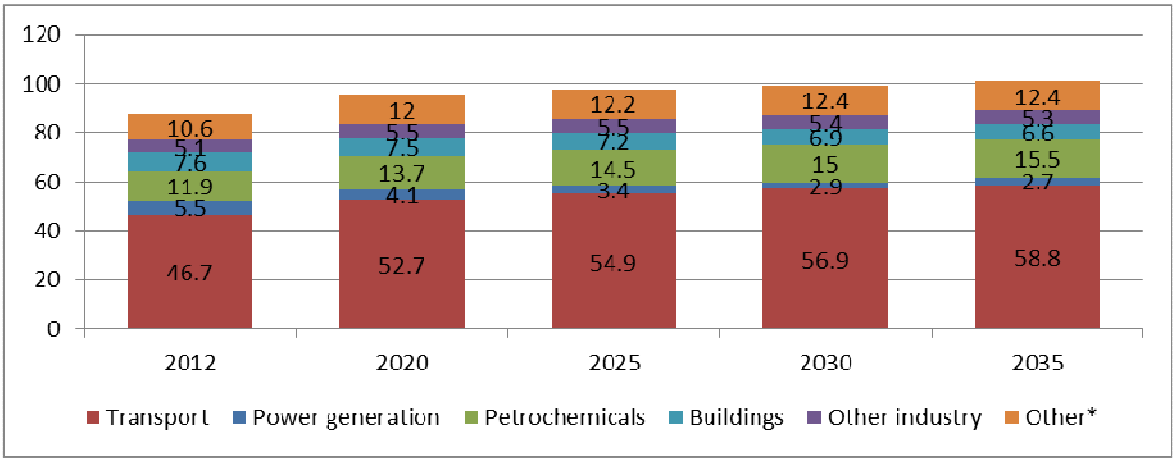
Oil is the world's primary source of energy and in 2013 global oil consumption was approximately 91.3 million barrels per day. Oil consumption has grown consistently over the past decades, and from 2000 to 2013, consumption increased by 19% on a global basis. According to IEA's World Energy Outlook, global oil consumption is expected to continue to increase going forward, growing by about 0.6% per year on average through 2035. Oil is used for a wide array of purposes including transportation, petrochemical processes for feedstock, power generation and agriculture. Currently, oil used for transportation in the form of, inter alia, gasoline, diesel and jet fuel is the main source of oil consumption globally, constituting 53% of global consumption in 2012. Transportation is expected to be a key source of consumption growth going forward, constituting 58% of global oil consumption in 2035. Geographically, the largest consuming countries in 2013 were the United States (18.9 million barrels per day) and China (11.1 million barrels per day). Consumption is today fairly evenly distributed between OECD and non-OECD countries with approximately 50% of consumption from each of the groups. Going forward, as a result of, inter alia, increased fuel efficiency and stricter environmental policies, consumption in OECD countries is expected to decrease while global consumption is expected to increase overall due to strong consumption growth in emerging economies. From 2012 to 2035 oil consumption in non-OECD countries is expected to increase by 49%, primarily driven by growing consumption in China, India and the Middle East. Figure 2 below shows the historic and expected future development in geographical oil consumption, while Figure 3 shows the consumption split between sectors.

Figure 2: Global Oil Consumption growth and composition (mmbbls/day)




Source: Left chart: BP Statistical Review of World Energy 2014 http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy.html; Right chart: IEA World Energy Outlook 2013

Figure 3: Global oil demand by sector (mmbbls/day)

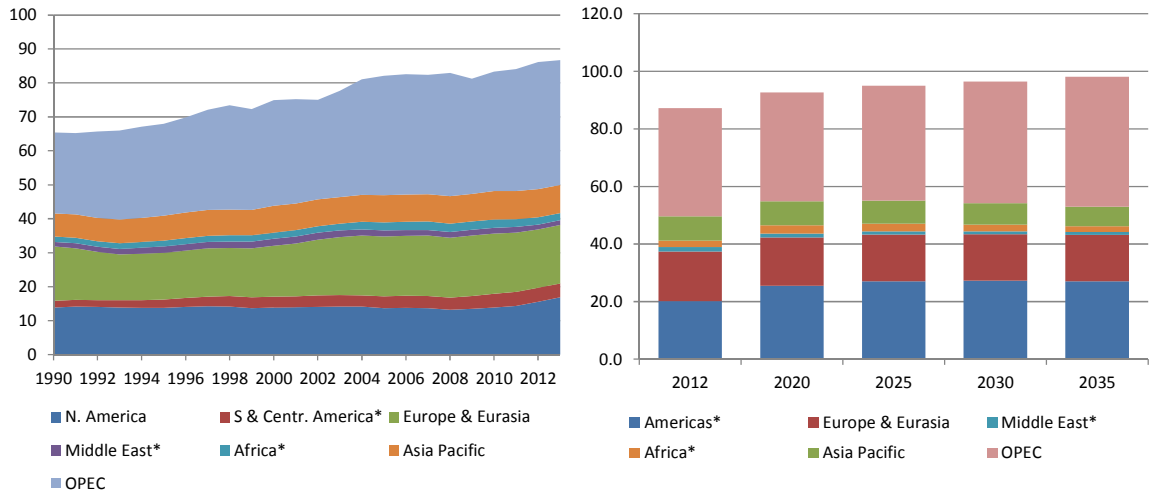



Source: IEA World Energy Outlook 2013. *Other includes agriculture, transformation and other non-energy use (mainly bitumen and lubricants)

***Oil Production and Reserves***

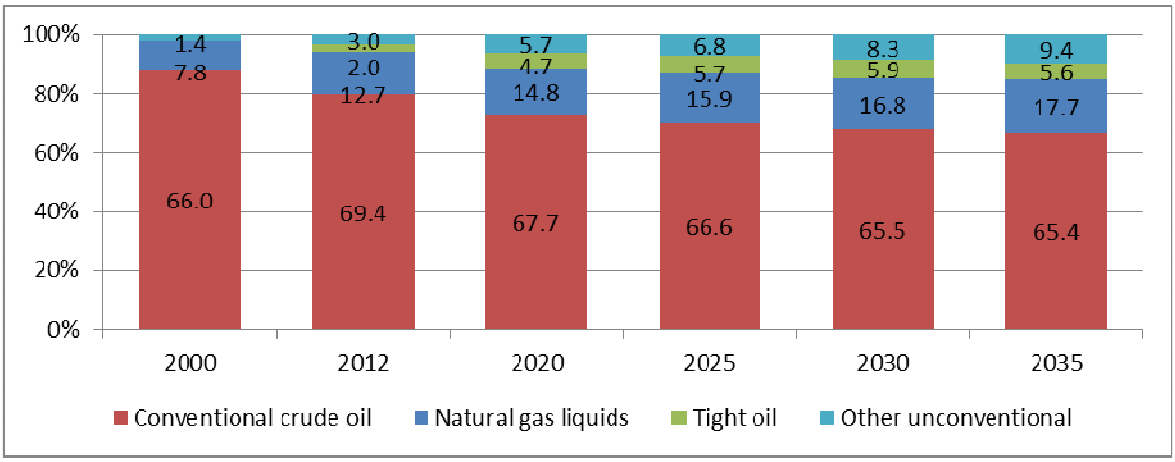
Oil is found in large quantities on most continents of the world. Oil production is active in all major populated continents and in 2013 the global production totalled an estimated 91.3 million barrels per day. The largest producers are Saudi Arabia (11.5 million barrels per day), Russia (10.8 million barrels per day) and the United States (10.0 million barrels per day). From 2000 to 2013, production grew at an annual compounded rate of 1.1% per year, and production grew in all major regions of the world however with varying growth between nations. In the period, Russia was the largest growing producer, growing its oil production from 6.6 million barrels per day in 2000 to 10.8 million barrels per day in 2013 (64 per cent growth). Other countries with large production growth were Saudi Arabia, the United States, Canada, Qatar, Angola and Kazakhstan, all growing daily production by more than 1 million barrels per day in the period. Simultaneously, production declined significantly in the North Sea in the period, with the United Kingdom and Norway seeing production declining by 1.8 and 1.5 million barrels per day, respectively. Going forward, oil production growth is expected to be dependent on increased output from OPEC , as well as increased unconventional oil production, including Canadian oil sands, tight oil and extra heavy oil, while conventional oil production is expected to decline due to natural production decline in existing fields and reduced rate of production from new conventional fields. Production from OPEC countries is expected to be the main source of growth, growing from 37.6 million barrels per day in 2012 to 45.2 million barrels per day in 2035. Within OPEC, Iraq's expected to be the main driver of production growth as a result of an improved security situation, enhanced infrastructure availability and renewed activity. The security situation is, of course, a risk to the forecasted Iraqi production growth. Further, unconventional extra-heavy oil production from Venezuela is expected to contribute more than 2 million barrels per day in 2035, from around 0.6 million barrels per day in 2012. Figure 4 shows the historic development in global oil production per country from 1990 to 2013 and the expected production composition going forward, while Figure 5 shows the expected product composition of global oil production from 2012 to 2035.

Figure 4: Global oil production by region (mmbbls/day)




Source: Left chart: BP Statistical Review of World Energy 2014 http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy.html. Right chart: IEA World Energy Outlook 2013. *Non-OPEC

Figure 5: Global oil production by product (mmbbls/day)



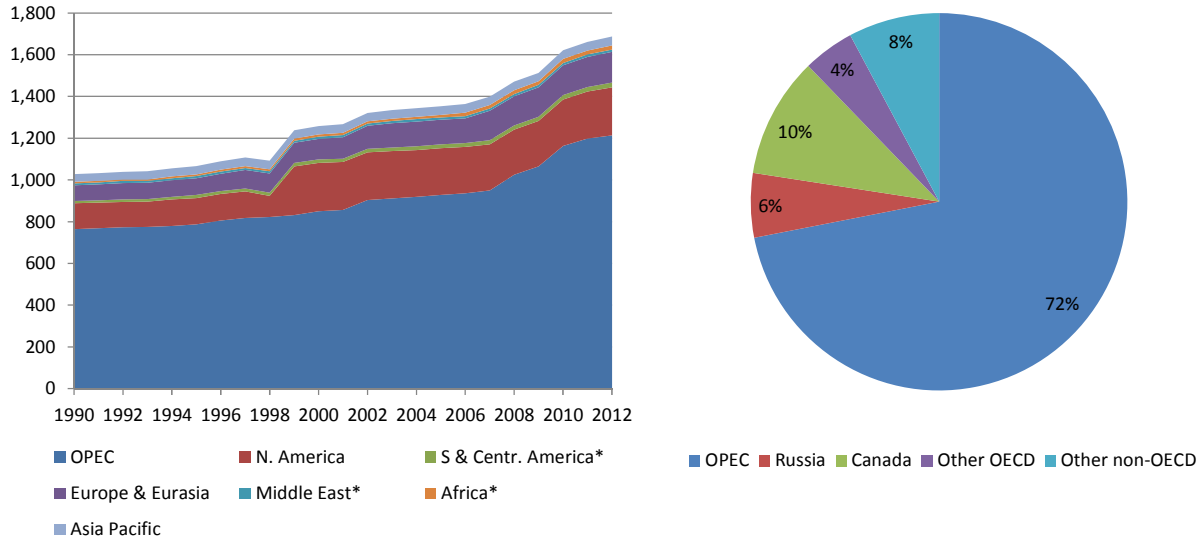

Source: IEA World Energy Outlook 2013.

In terms of reserves, nearly half of the total proved reserves in the world today are located in the Middle East, primarily Saudi Arabia, Iran, Iraq, Kuwait and the United Arab Emirates. In total, 72 per cent of remaining proven reserves are held by the OPEC members. Other large reserve pools are located in unconventional resources in Canada (oil sands) and Venezuela (extra heavy oil), which will require significant investments and technology improvements in order to commercially develop. Of the remaining oil reserves in the world, a large proportion is owned by state owned entities. In 2012, nearly 80 per cent of the world's proven plus probable reserves, including both conventional and unconventional oil, are controlled by national oil companies ("**NOCs**") or their host governments. In addition, NOCs also hold

those reserves with by far the lowest average development and production costs. Remaining reserves are shared between major oil companies (13%) and independents (7%). A large portion of NOCs tend to focus primarily on supplying their national markets, or are subject to political supervision, which may impact rate of production and flow of sales, while activities of privately owned companies including major oil companies, independents and certain NOCs are geared towards shareholders' interests and market signals. Due to the strategic importance of oil as a key source of energy supply in the modern economy, as well as a large portion of the world's remaining reserves being controlled by politically influenced national entities and located in countries that are members of OPEC, future production and supply of oil may be influenced by factors outside the course of normal market functions. This could in the future, as has been demonstrated in the past, have material impact on the trade of oil between countries, as well as the price of oil.

Figure 6 below shows the historical development in proven oil reserves, as well as the current composition between OPEC and main non-OPEC countries.

Figure 6: Global oil reserves (billion bbls)




Source: Left chart: BP Statistical Review of World Energy 2014 http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy.html

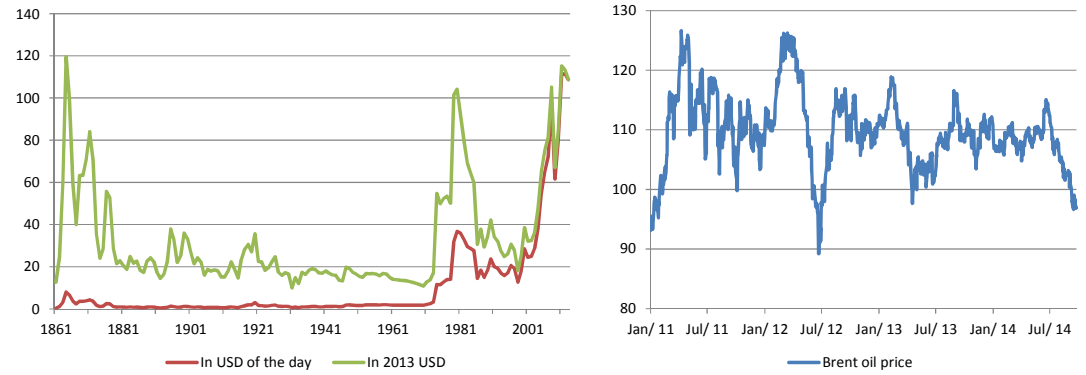
## The Oil Price

Oil is a commodity with a well-developed world market. The prices are determined on the world's leading commodities exchanges, with NYMEX in New York and the ICE in London as the most important markets for the determination of world oil prices. There are two main oil price benchmarks: WTI at NYMEX and Brent at ICE. In recent years the Brent price has emerged as the benchmark price of oil sales in global markets.

Oil prices have historically experienced significant fluctuations. From early 2011 through August 2014, the Brent oil price largely traded within a USD 90-125/bbl range and posted all time high annual average levels of around USD 110/bbl. Since September 2014, however, the price has traded steeply downwards and was around USD 70/bbl at 28 November, 2014. The recent price decline has been a result of an

oversupplied market driven by weaker than expected global oil demand growth in the second half of 2014, strong growth in US oil production and recovering Libyan oil production. At the same time, the near term supply demand outlook (first half of 2015) has been weak and OPEC has shown no willingness to curtail production in order to support the oil price. As evidenced by the recent decline, the oil price is highly dependent on the current and expected future supply and demand of oil, and is as such influenced by global macroeconomic conditions and may experience material fluctuations on the basis of economic indicators, material economic events and geopolitical events. Historically, oil prices have also been heavily influenced by organizational and national policies, most significantly the implementation of OPEC and subsequent production policies announced by the organization. Figure 7 below shows the historical development in the price of crude oil from 1861 to 2013, as well as the development in Brent prices from 2011 until today.

Figure 7: Development in crude oil prices




Source: Left chart: BP Statistical Review of World Energy 2014 http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy.html; Right chart: Bloomberg

## Trends

Many of the long-held tenets of the energy sector are being rewritten. Major importers are becoming exporters, while countries long-defined as major energy exporters are also becoming leading centers of global demand growth. The centre of gravity of energy demand is switching decisively to the emerging economies, particularly China, India and the Middle East, which drive global energy use one-third higher. The Middle East, the only large source of low-cost oil, remains at the centre of the longer-term oil outlook. The need to compensate for declining output from existing oil fields is the major driver for upstream oil investment to 2035.

Global energy demand is expected to increase at an average of 1.5% a year to 2035. Growth is expected to moderate over this period, climbing at an average of 2% a year to 2020 but then by only 1.2% a year to 2035. 95% of this growth is expected to come from non-OECD economies, with China and India accounting for more than half of the increase. By 2035, energy use in the non-OECD economies is expected to be 69% higher than in 2012. In comparison use in the OECD will have grown by only 5%, and will actually have fallen after 2030, even with continued economic growth.

While the fuel mix is evolving, fossil fuels will continue to be dominant. Oil, gas and coal are expected to converge on market shares of around 26-27% each by 2035, and non-fossil fuels – nuclear, hydro and renewables – on a share of around 5-7% each.

Oil is expected to be the slowest growing of the major fuels to 2035, with demand growing at an average of just 0.8% a year. Nonetheless, this will still result in demand for oil and other liquid fuels being nearly 19 million barrels a day higher in 2035 than 2012. All the net demand growth is expected to come from outside the OECD – demand growth from China, India and the Middle East will together account for almost all of net demand growth.

Natural gas is expected to be the fastest growing of the fossil fuels – with demand rising at an average of 1.9% a year. Non-OECD countries are expected to generate 78% of demand growth. Industry and power generation account for the largest increments to demand by sector. LNG exports are expected to grow more than twice as fast as gas consumption, at an average of 3.9% per year, and accounting for 26% of the growth in global gas supply to 2035[1].

Kurdistan continues to see a rapid development in infrastructure and a significant increase in the availability of oil and gas services in the country. A number of major international oil companies, including ExxonMobil, Chevron, Marathon, Repsol, Total and Gazprom, have acquired properties in Kurdistan. A number of significant discoveries in this region continue to be reported and many are now undergoing appraisal and development. Kurdistan is currently exporting over 300,000 Bbls/d and is planning to increase the export capacity to one million barrels Bbls/d in the next few years.

## THE CORPORATION

### Summary Description of the Business

ShaMaran is a Canadian company whose principal business, along with its subsidiaries, is the acquisition of interests in oil and natural gas rights and the exploration for, development of, and production of crude oil, condensate and natural gas. For more detailed information on the business of the Corporation, see "General Development of the Business" and "Narrative Description of the Business" in the AIF, which is incorporated by reference herein, and the section entitled "Other Material Facts" in this Prospectus.

The principal property of the Corporation is the Atrush Block PSC located in the Kurdistan Region of Iraq, which is part of the northern extension of the Zagros Folded Belt adjacent to several major oil discoveries. The area is currently undergoing a major exploration and development campaign by internationally recognised mid to large sized oil companies and the Atrush asset has reached the pre-development stage. A summary of the current property and partnership interests in Atrush are set out in the following table:

| Country | Block | Acreage (square kilometres) | Working interest(1) | |
|---|---|---|---|---|
| **Iraq (Kurdistan)** | Atrush Block | 269 | TAQA(2)<br>ShaMaran(3)<br>Marathon<br>KRG(4) | 39.9%<br>20.1%<br>15.0%<br>25.0% |

(1) 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.
(2) The Operator of the Atrush Block.
(3) Held through GEP, an indirect wholly-owned subsidiary of the Corporation.
(4) For further information on process of amending the PSC to give effect to the KRG's working interest in the Atrush block PSC refer to the discussion in the section "Background and Conditions - Background to and Reasons for the Offering" included in this Prospectus.

### The Atrush Block - General Property Description

The Atrush Block is located approximately 85 kilometres northwest of Erbil, the capital of the Kurdistan Region, and is 269 square kilometres in area. The Atrush Block contains the Chiya Khere structure, expressed at surface by the Chiya Khere mountain, which runs east-west for approximately 25 kilometres with an approximate width of 3.5 kilometres. To the south of the Atrush Block is the Shaikan Block currently being developed by Gulf Keystone Petroleum Ltd. Immediately to the north of the Atrush Block is the Sarsang Block where Hillwood International Energy in May 2014 declared Swara Tika to be a commercial discovery. In addition, MOL plc. announced an oil discovery in the Bakrman well on the

[1] http://www.bp.com/en/global/corporate/about-bp/energy-economics/energy-outlook/outlook-to-2035.html

Akri-Bijeel Block, east of and on trend with the Atrush Block. Also, on trend discoveries to the west of the Atrush Block have been announced on the Sheikh Adi and Ber Behar Blocks by Genel Energy plc.

GEP acquired 143 kilometres of 2D seismic data in 2008 covering the Atrush Block. In April 2011 the Chiya Khere structure was confirmed as an oil discovery by the Atrush-1 exploration well and the first phase of an approved Appraisal Work Program commenced in July 2011 with the start of 3D seismic acquisition operations.

The Chiya Khere structure is a complex faulted anticline developed along a possible shallow thrust zone oriented east-west. The proven and potential stacked oil reservoirs within the block (on the hanging wall and footwall part of the structure) are the Qamchuga, Sarmord, Garagu and Chia Gara (Cretaceous), Barsarin and Naokelekan (Upper Jurassic), Upper and Lower Sargelu (Middle Jurassic), Alan and Mus (Lower Jurassic) with both fracture and matrix porosity. The two discovery notifications made in the years 2011 and 2012 are limited to the Jurassic reservoirs that successfully flow tested 22-26.5 degree API oil to surface in the Atrush-1 and Atrush-2 wells, i.e. from the Barsarin to the Mus formations. Pressure data from the first two wells suggested that all the Jurassic reservoir intervals belong to the same pressure regime with an estimated common free water level ("**FWL**") at -443m msl, giving a gross Jurassic oil column of over 500 meters at the crest of the structure. The deeper Triassic reservoir has additional upside potential.

The Atrush-3 well confirmed the prior range of estimates for the common FWL by flowing the deepest dry oil at -408m msl (approximately 180 meters deeper than previous wells), supported by a water test at -498m msl that revised the "Water Up To" slightly higher than previously determined. Flow tests were not measured due to technical reasons and the well is currently suspended pending re-entry towards the end of 2014 for retesting with an improved testing configuration

The planned 3D seismic acquisition was completed by August 2012. The new operator, TAQA, prepared the Field Development Plan following the Declaration of Commerciality made on November 7, 2012 and this was subsequently approved by the MNR effective October 1 2013. Awards for the various modules for the First Phase production facilities (FP1) were made in December 2013, with delivery and installation expected during the second half of 2015.

**Accessibility to the Atrush Block**

The Atrush Block is connected by road networks from the regional capital, Erbil, and other parts of Kurdistan. The Chiya Khere mountain is a high feature in the middle of the Atrush Block rising approximately one kilometre above the paved road network, which is present in the valleys surrounding the mountain. Atrush is the largest nearby town just off the block to the west. The block is situated within a one-hour drive east of the northern major provincial city of Dohuk, and about two hours' drive north from the Kurdish capital Erbil.

The oil discovery is situated below the Chiya Khere mountain at depths in excess of 1.5 kilometres from the surface. Access within the block is possible using upgraded mountain tracks and specifically engineered high-grade roads for drilling rigs, trucks and associated heavy equipment. Drilling pads are constructed as required to allow drilling operations. Due to the challenges of terrain access, multiple wells are drilled and planned to be drilled from the same surface location. A large area has been prepared in 2014 to receive the production facilities due in 2015. An internal road network to support operations has been and continues to be constructed by the joint venture partnership. Plans are to evacuate produced oil via buried pipeline which is currently undergoing the early phases of engineering and construction, starting with the right of way across the Chiya Khere mountain from the facilities site.

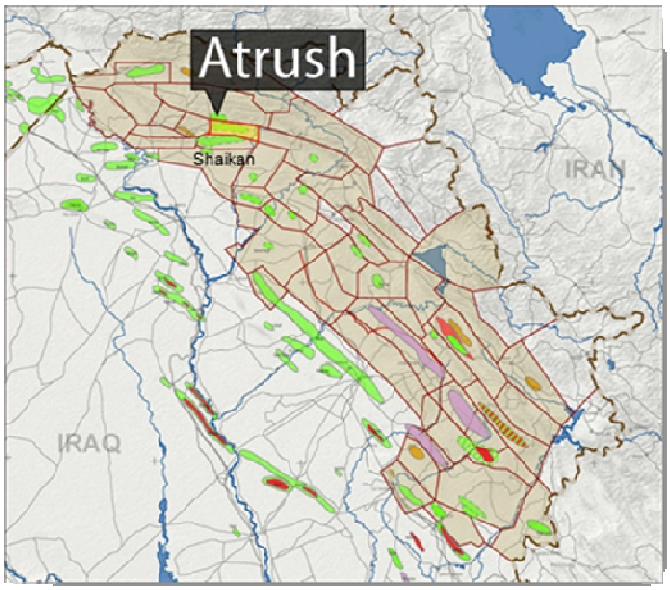



Figure 8: Location Map of the Atrush Property

**Regional Geology**

The Atrush Block is located within the Zagros sedimentary basin which is a world-class hydrocarbon province located on the north-eastern margin of the Arabian Platform. This basin is located along the Zagros thrust belt and covers an area of some 200,000 square kilometres. 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; and
- 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 (Chiya Khere mountain) visible both at surface and in the seismic data. Upper Cretaceous, Aqra-Bekhme carbonates are mostly mapped at surface however locally Qamchuqa sediments may be exposed.

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

*Atrush Block Stratigraphic Summary – based on the Atrush and nearby wells*

The following table indicates the most recent regional stratigraphy showing reservoirs, source and seal formations:

| Age | Epoch | Formation | Lithology | Reservoir | Source | Seal |
|---|---|---|---|---|---|---|
| Cretaceous | Upper | Aqra/Bekhme | Karstic And Dolomitic Limestone | ✔ | | |
| | | Qamchuqa | Karstic And Dolomitic Limestone | ✔ | | |
| | Lower | Sarmord | Interbedded Marls, Limestone and Shale | | | ✔ |
| | | Garagu | Limestone | ✔ | | |
| | | Chia Gara | Shales and Marls | ✔ | ✔ | ✔ |
| Jurassic | Upper | Transition Beds | Shales & Anhydrites | ✔ | | ✔ |
| | | Barsarin | Anhydrites with shales and Limestone | ✔ | | ✔ |
| | | Naokelekan | Organic-rich carbonates | ✔ | ✔ | |
| | Middle | Upper Sargelu | Interbedded limestones & dolomites | ✔ | | |
| | | Lower Sargelu | Clean dolomite | ✔ | | |
| | Lower | Alan | Anhydrite with interbedded dolomites | ✔ | | ✔ |
| | | Mus | Limestone and Dolomite | ✔ | | |
| | | Adaiyah | Interbedded Anhydrite and Dolomite | | | |
| Triassic | Upper | Butmah | Interbedded Anhydrite, Limestone, Dolomites and Shale | | | |
| | | Baluti | Interbedded Marls, Dolomites and Shale | | | ✔ |
| | | Kurra Chine A | Interbedded Anhydrite and Dolomite | ✔ | | ✔ |
| | | Kurra Chine B | Interbedded Anhydrite, Limestone and Dolomite | ✔ | | ✔ |
| | | Kurra Chine C | Interbedded Anhydrite, Limestone and Dolomite | ✔ | | ✔ |

The 3D seismic interpretation shows a large area of closure of up to 80 square kilometres on all horizons with a closure height in excess of 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 Atrush-1 well intersected 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.

The block contains proven oil in the Jurassic reservoirs which comprises all the of the Corporation's Reserves & Contingent Resources. Additional Potential Resources are to be further evaluated in future wells. Neighboring wells have made separate discoveries in the three members of the Kurra Chine formation (A, B and C) and a significant closure has been mapped at this level on the Atrush block providing potential for hydrocarbons updip of Atrush-1 in the Kurra Chine A and B, and in the Kurra Chine C which was not reached in Atrush-1.

**Atrush Reservoir Geology**

Geologically, the Atrush Block contains multiple proven and potential stacked oil reservoirs in the Cretaceous, Jurassic and Triassic sections in the Chiya Khere structure which, due to a high-degree of fracturing, have demonstrated very high production rates. In addition to the proven Atrush Jurassic oil discovery the Atrush Block has potential additional upside in the Chiya Khere hanging wall Triassic, Chiya Khere footwall reservoirs (Cretaceous, Jurassic and Triassic), and the southern extension of the Swara Tika structure into the Atrush Block.

The Jurassic reservoir is comprised of stacked formation named the Chia Gara Transition Beds, Barsarin, Naokelekan, Upper and Lower Sargelu, Alan and Mus. The Chia Gara Transition Beds, Barsarin & Naokelekan are typically Type-I carbonate reservoirs in that fracture porosity is the main oil storage medium. The remaining formations are typically Type-II carbonate reservoirs that have both matrix and fractures as the oil storage medium.

Lithologically, the Chia Gara becomes a reservoir where its shales are fractured. The Barsarin is comprised of interbedded anhydrites and carbonates. The Naokelekan is a kerogen-rich carbonate. The Upper Sargelu is comprised of interbedded carbonates, while the Lower Sargelu is a clean massive dolomite. The Alan contains massive beds of anhydrite with some significant layers of reservoir quality dolomite. The Mus formation is a relatively high quality carbonate reservoir.

Well testing has indicated multi-Darcy reservoir permeability throughout the majority of the reservoir due to an extensive and highly connected fracture system. Production Indices (PIs) indicate flow potential of 250-550 barrels per day per psi of pressure drawdown. Single zones have tested up to 15,000 barrels of oil per day facilities constrained, using an electrical submersible pump (ESP).

Oil sample and pressure data suggest either a single oil column throughout the reservoir with a compositional gradient, or separate oil columns above and below the top of the Alan anhydrite, which is geologically more likely based on offset information. Sampling and analysis is ongoing and a key component of data gathering in current and future wells. Oil above the Alan is relatively low viscosity crude in the 26-27 degree API range with a gas-oil ratio (GOR) of less than 300 standard cubic feet of gas per barrel of oil. No water has been seen in any well drilled in this section to date. The oil within and below the top of the Alan anhydrite is around 22 degrees API, with a relatively higher viscosity and GOR less than 200. This section contains the only currently defined Free Water Level.

**Ownership History**

In August 2010 the Corporation acquired a 33.5% shareholding in General Exploration Partners, Inc. ("**GEP**") which then held an 80% working interest in the Atrush Block PSC, with the remaining 20% third party interest ("**TPI**") being held by the KRG. In October 2010 Marathon Oil Corporation ("**Marathon**") was assigned the 20% TPI in the Atrush PSC. On December 31, 2012 GEP sold a 53.2% direct interest in the Atrush Block to TAQA, who also assumed from GEP the operatorship of the Atrush Block, and repurchased the entire 66.5% shareholding which Aspect Energy International LLC ("**Aspect**") held in GEP, leaving the Corporation with a 100% shareholding interest in GEP which then held a 26.8% direct interest in the Atrush Block PSC. The Corporation's direct interest in the Atrush Block PSC is 20.1% after the KRG exercised on March 12, 2013 its option to acquire a 25% Government Interest in accordance with the provisions of the Atrush Block PSC. Discussions have commenced to amend the Atrush Block PSC to give effect to the Government Interest. At the date of this Prospectus the process of amending the Atrush Block PSC has not been concluded.

**General PSC Terms**

***Basic Terms***

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

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

Fiscal terms under the Atrush Block 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.

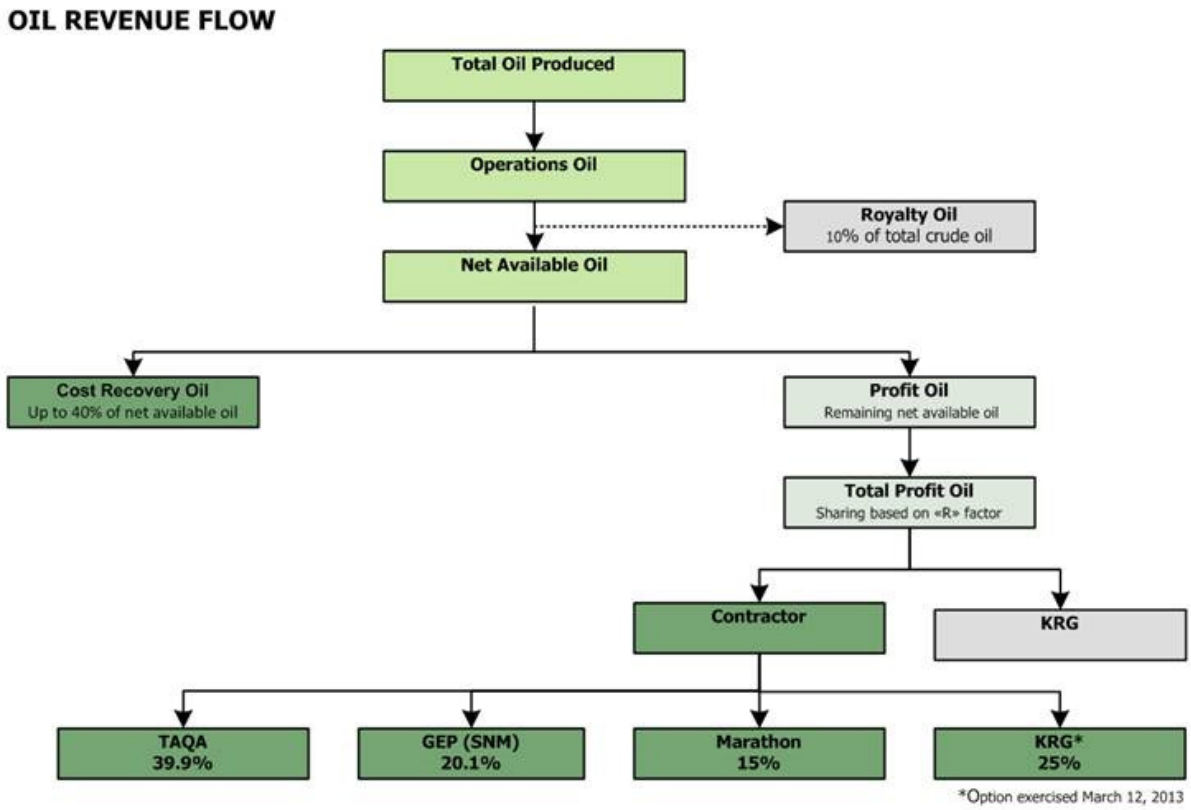



Figure 9: Oil Revenue Flow

***Environmental and Operating Regulations***

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

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

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

**Operational History and Plans**

***Exploration and Initial Appraisal***

GEP acquired 143 kilometres of 2D seismic data over the Atrush Block in 2008. The first exploration well, Atrush-1 "AT-1" was drilled and tested in the period October 2010 – April 2011. The well reached a total depth ("**TD**") of 3,400 metres in formations of Triassic age. A comprehensive well testing program consisting of ten drill stem tests ("**DST**"s) was conducted in Q1 2011. Following notification to the KRG of a major Jurassic oil discovery on April 4, 2011 GEP submitted an Appraisal Work Program consisting of 3D seismic, appraisal wells and studies and a possible installation of an extended test facility to conduct early production testing in the field.

3D seismic acquisition operations were conducted in the block in the period between July 2011 and August 2012 with data acquisition over the entire Atrush Block. The AT-2 appraisal well was drilled to a TD of 1,750 metres below the base of Jurassic reservoir section in July 2012. The Corporation announced on September 13, 2012 the results of the comprehensive AT-2 well testing program which confirmed through three separate DSTs the AT-1 Jurassic oil discovery. The combined test rate for the three Jurassic DSTs, constrained by surface testing equipment, was over 42,200 bopd (approximately 27 degree API oil) and confirmed the significant potential for production from the highly fractured Jurassic reservoir. An additional two DSTs conducted in two deeper Jurassic formations confirmed them also to be oil bearing and productive, with test rates limited by gas lift. GEP submitted in October 2012 to the Ministry of Natural Resources ("**MNR**") of Kurdistan an AT-2 Discovery Report giving notice of the additional discovery formations in the lower part of the Jurassic.

***Declaration of Commerciality and Field Development Plan***

GEP and Marathon, collectively being the Contractor under the Atrush Block PSC, submitted to the Atrush Block Management Committee a Declaration of Commercial Discovery ("**DCD**") with effect from November 7, 2012 under Clause 12.6 (a) of the Atrush Block PSC. The DCD was submitted together with an Appraisal Report covering the Atrush field. In May 2013 TAQA (having taken over operatorship from GEP on January 1, 2013) submitted a Field Development Plan ("**FDP**") to the Atrush Block Management Committee within the required 180 days following the DCD. Phase 1 of the FDP was duly approved with an effective date October 1, 2013. The overall FDP philosophy comprises:

- Field development in a phased, modular, expandable and value accretive process (Chiya Khere facilities).
- Development initiated on the West/Central portion of the block leveraging knowledge from the AT-1 exploration and AT-2 appraisal wells.

- A regional characterization of the reservoir being used to support further development, addressing uncertainties and assess/capture upside potential of other reservoirs.
- Subsequent phased development that will target the eastern portion of the block, and expand both western and eastern production facilities.

Phase 1 is split into four sub-phases consisting of the initial production, treatment and export facilities to be followed by three phases addressing gas utilization, acid gas and produced water.

***Further Appraisal***

The AT-3 appraisal well was drilled between March and June 2013 to a MD of 1,806 metres. The well encountered an estimated oil column of 286 metres in the Jurassic reservoir (to the calculated Free Water Level) and successfully extended the Atrush accumulation 6.5 kilometres further to the east, while proving producible oil 180 metres deeper than previous wells thereby reducing the uncertainty on the Oil Water Contact/Free Water Level. AT-3 is currently suspended pending a planned re-entry later in 2014 to conclude the testing program that was not completed in 2013 due to a less than optimal testing configuration.

In June 2013 an interference test was successfully completed between AT-1 and AT-2 which provided valuable reservoir information. The wells, which are 3.1 kilometres apart, confirmed excellent pressure communication and multi Darcy horizontal permeability through the fracture system in the Jurassic reservoir.

***Reserves and Resources***

The Issuer's Reserves, Contingent Resources and Prospective Resources are related solely to the Atrush Block which is the Issuer's only hydrocarbon asset. As of November 30, 2014 the Reserves, Contingent Resources and Prospective Resources estimates were provided by McDaniel, upon the Issuer's request, the Corporation's independent qualified resources evaluator (competent person's report), and were prepared in accordance with standards set out in the Canadian National Instrument NI 51-101 and Canadian Oil and Gas Evaluation Handbook ("**COGE Handbook**"). COGE Handbook is an acceptable standard as set out by ESMA SPS. The COGE Handbook is prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

**Reserve and Resource Estimates as of November 30, 2014**

McDaniel estimates for reserves and resources as of November 30, 2014 have taken into account the results of the Atrush-4 ("**AT4**"), Chiya Khere-5 ("**CK-5**") and Chiya Khere-8 ("**CK-8**") wells together with the latest results from well Chiya Khere-6 ("**CK-6**") up to and including the first production test. Also incorporated is the latest remapping, based on the re-processed and re-interpreted 3D seismic, and the results of reservoir modelling studies. There have been no material changes to the reserves and resources since November 30, 2014.

ShaMaran has continuously reported reserves and resources in accordance with the COGE Handbook as a listed company on the TSX-V and the latest competent person's reports are dated February 21, 2014 and February 28, 2014. Additional information related to reserve and resource estimates, including net present value estimates, is included in Form 51-101F1, which has been extracted from ShaMaran's competent person's reports. Form 51-101F1 may be viewed under the Corporation's profile on SEDAR at www.sedar.com, or in the Corporation's Annual Information Form, which is available both on SEDAR at www.sedar.com and on the Corporation's web-site at http://www.shamaranpetroleum.com/s/AIF.asp. An

updated reserves and resources report dated December 9, 2014 was issued by McDaniel to incorporate the new information acquired since the Corporation's Annual Information Form was filed.

## RESERVES SUMMARY – ATRUSH PHASE 1 DEVELOPMENT

**As of November 30, 2014**
**MBBL, (1) (2) (3)**

| Reserves Category: | Property Gross | Corporation Gross (2) | Corporation Net (3) |
|---|---|---|---|
| **Light/Medium Oil (Mbbl)** | | | |
| Total Proved Reserves (1P) | 31,216 | 6,274 | 4,394 |
| Probable Reserves | 30,235 | 6,077 | 3,367 |
| Proved + Probable Reserves (2P) | 61,451 | 12,352 | 7,761 |
| Possible Reserves | 59,520 | 11,964 | 4,439 |
| Proved + Probable + Possible Reserves (3P) | 120,972 | 24,315 | 12,200 |

(1) Reserves are based on the KRG-approved Phase 1 Atrush development comprising a 30,000 bopd facility and 3 producers AT-2, AT-4, CK-5 and CK-8).
(2) Corporation gross reserves are based on Corporation working interest share of the property gross reserves.
(3) Corporation net reserves are based on Corporation share of total cost and profit revenues and the income tax paid on behalf of Corporation.

Possible Reserves are those additional reserves that are less certain to be recovered than Probable Reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of Proved plus Probable plus Possible Reserves. The reserves were estimated using forecast prices and costs. The sales oil price was based on the McDaniel December 1, 2014 price forecast for Brent crude oil with a discount of 35 percent in 2014 and 2015, 30 percent in 2016, and 25 percent in 2017 onwards. The discount to Brent assumes export sales are initially discounted more heavily but reduces as the export route becomes more established and equates to an oil price of US$ 52.00 per barrel in 2015. Costs were escalated at 2 percent per annum. Oil pricing is uncertain and any eventual announcement of sales and pricing of exported Kurdish crude during 2015 together with the Kurdish export pipeline becoming fully operational will impact on future price scenarios.

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

**CONTINGENT RESOURCES SUMMARY – ATRUSH OIL DISCOVERY***

**As of November 30, 2014**
**(1) (2) (3) (4)**

*ChiaGara, Barsarin, Naokelekan, Upper Sargelu, Lower Sargelu, Alan, Mus and Butmah formations, in addition to the volumes assigned to Reserves.

| | Low Estimate (1C) | Best Estimate(2C) | High Estimate (3C) |
|---|---|---|---|
| **Property Gross** | | | |
| Crude Oil (Mbbl) | 177,783 | 299,669 | 466,586 |
| Natural Gas (MMcf) | 47,766 | 83,165 | 135,764 |
| Total (Mboe) (6) | 185,744 | 313,530 | 489,213 |
| **Corporation Gross (5)** | | | |
| Crude Oil (Mbbl) | 35,734 | 60,233 | 93,784 |
| Natural Gas (MMcf) | 9,601 | 16,716 | 27,289 |
| Total (Mboe) (6) | 37,335 | 63,020 | 98,332 |

(1) There is no certainty that it will be commercially viable to produce any portion of the contingent resources.
(2) These are unrisked Contingent Resources that do not take into account the chance of development. The contingent resources are sub-classified as "development unclarified" with an "undetermined" economic status.
(3) Contingent Resources were estimated by subtracting the reserves from the total recoverable resources.
(4) Total based on the probabilistic aggregation of zones within the Atrush field and as such does not equal the arithmetic sum of the individual zones.
(5) Corporation gross resources are based on Corporation working interest share of the property gross resources.
(6) 6 Mcf is equivalent to 1 BOE.

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

The development projects to recover the contingent resources are likely to consist of "primary recovery with natural water drive" supplemented, if necessary and viable, by "secondary recovery with water injection". The former process, with reference to the COGE Handbook, would be "established technology" whereas the latter would be considered "technology under development" as it is unclear if there are commercial applications within analogous reservoirs.

The table below is a comparative summary of the change in gross Contingent Resources for the Atrush Block PSC between the years 2011, 2012, 2013 and 2014:

| Gross Contingent Resources (MMBOE) | 1C | 2C | 3C |
|---|---|---|---|
| YE 2011 | 275 | 465 | 813 |
| YE 2012 | 404 | 627 | 982 |
| YE 2013 | 403 | 518 | 646 |
| **November 30, 2014** | **186** | **314** | **489** |

The estimates of Prospective Resources for the Atrush Block have not been updated since December 31, 2013, as the new information acquired on the Atrush field is not expected to have a material impact, and are as follows:

**PROSPECTIVE RESOURCES SUMMARY – ATRUSH BLOCK***

**As of December 31, 2013**
**(1)**

* Comprising remaining potential in the Atrush hanging wall (Triassic), Atrush Footwall (Cretaceous, Jurassic & Triassic) and extension of the Swara Tika structure into the Atrush Block (Jurassic & Triassic).

| | Unrisked (2) Low Estimate | Unrisked (2) Best Estimate | Unrisked (2) Mean Estimate | Unrisked (2) High Estimate | Risked (3) Mean Estimate |
|---|---|---|---|---|---|
| **Property Gross** | | | | | |
| Crude Oil (Mbbl) | 121,425 | 173,194 | 180,165 | 247,211 | 60,479 |
| Condensate (Mbbl) | 8,741 | 28,327 | 36,173 | 72,890 | 6,766 |
| Natural Gas (MMcf) | 141,366 | 258,352 | 289,988 | 481,107 | 61,445 |
| Total (Mboe) (6) | 153,727 | 244,580 | 264,670 | 400,285 | 77,485 |
| **Corporation Gross (5)** | | | | | |
| Crude Oil (Mbbl) | 24,406 | 34,812 | 36,213 | 49,689 | 12,156 |
| Condensate (Mbbl) | 1,757 | 5,694 | 7,271 | 14,651 | 1,360 |
| Natural Gas (MMcf) | 28,415 | 51,929 | 58,288 | 96,702 | 12,350 |
| Total (Mboe) (6) | 30,899 | 49,161 | 53,199 | 80,457 | 15,575 |

(1) There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable or technically feasible to produce any portion of the resources.
(2) The unrisked estimates assume arithmetic aggregation of all three prospects on the basis that they are all successful and as such the estimates do not represent the normalised, unrisked portfolio estimate.
(3) These are partially risked Prospective Resources that have been risked for chance of discovery, but have not been risked for chance of development.
(4) Total based on the probabilistic aggregation of undiscovered pools within the field/prospect.
(5) Corporation gross resources are based on Corporation working interest share of the property gross resources.
(6) 6 Mcf is equivalent to 1 BOE.

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

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

***Phase 1 Development***

Phase 1 will consist of four initial producers (Atrush-2 ("**AT-2**"), Atrush-4 ("**AT-4**"), Chiya Khere-5 ("**CK-5**") and Chiya Khere-8 ("**CK-8**")) connected to a 30,000 gross bopd production facility.

Works are in progress to implement the 30,000 barrels of gross liquid per day Phase 1 production facility. The production modules for the facility are currently being fabricated and major civil engineering works preparing the facilities site are close to completion. Plans are to mobilise a workover rig in 2015 for testing and completion of the four designated wells for initial production. The facilities will be installed, tested and commissioned in the fourth quarter of 2015 with first oil currently estimated to be in December 2015.

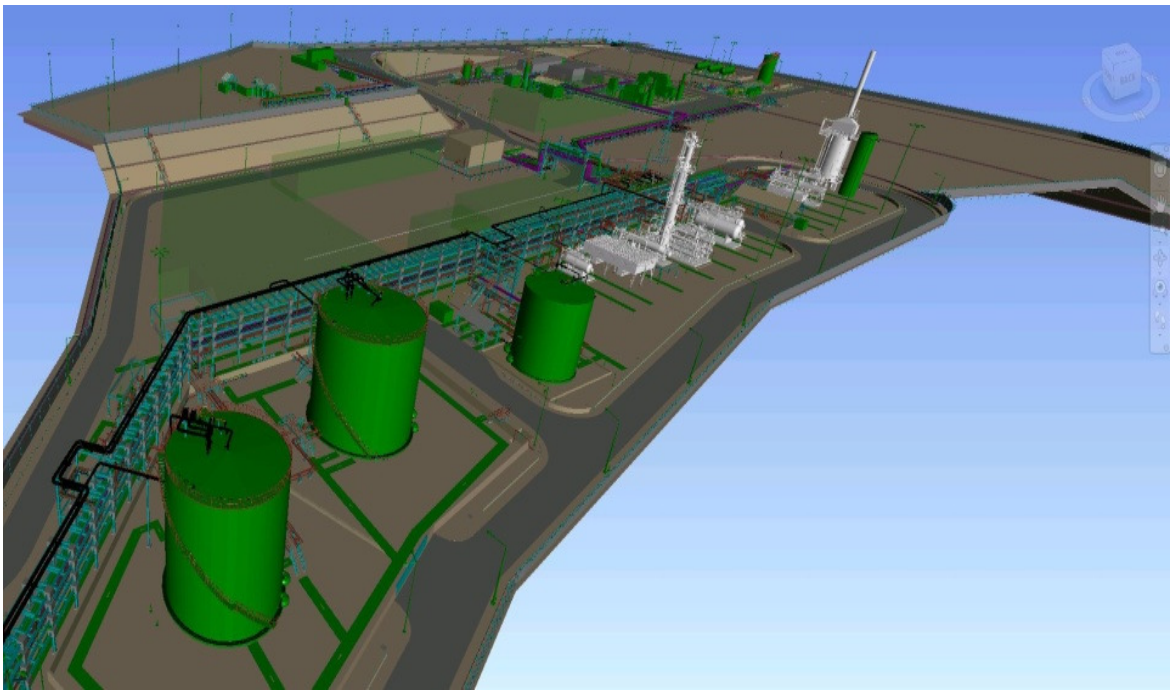


Figure 10: Computer image of the final Chiya Khere facility

***Phase 1 Development Drilling***

The AT-4 appraisal and Phase 1 development well reached a TD of 2,916 metres in January 2014 MD. The testing program consisted of three separate cased hole DSTs conducted in the Jurassic reservoir with the highest reported rates totalling 9,059 bopd of 27-28 API from two of the tests which indicated instantaneous pressure communication with the AT-2 well. None of the tests produced formation water. AT-4 was suspended as a future Phase 1 producer.

The CK-5 Phase 1 development well was drilled to a TD of 2,098 metres in June 2014. The well was deviated from the same well pad as AT-1 and AT-4 with the bottom hole location in the Butmah formation approximately 870 metres west southwest of the surface location. As in previous wells, no water leg was encountered in the reservoir section, with the well penetrating a gross vertical oil column of

approximately 540 metres. CK-5 will be tested using a work over rig in 2015 prior to final completion and tie-in to the Phase 1 production facility.

In July-September 2014 the CK-8 development well was deviated from the same well pad as AT-1, AT-4 and CK-5 with the bottom hole location in the Butmah formation approximately 1.4 kilometres east southeast of the well pad. The well reached a TD of 2,195 metres. It will be tested with CK-5 prior to completion as a Phase 1 producer.

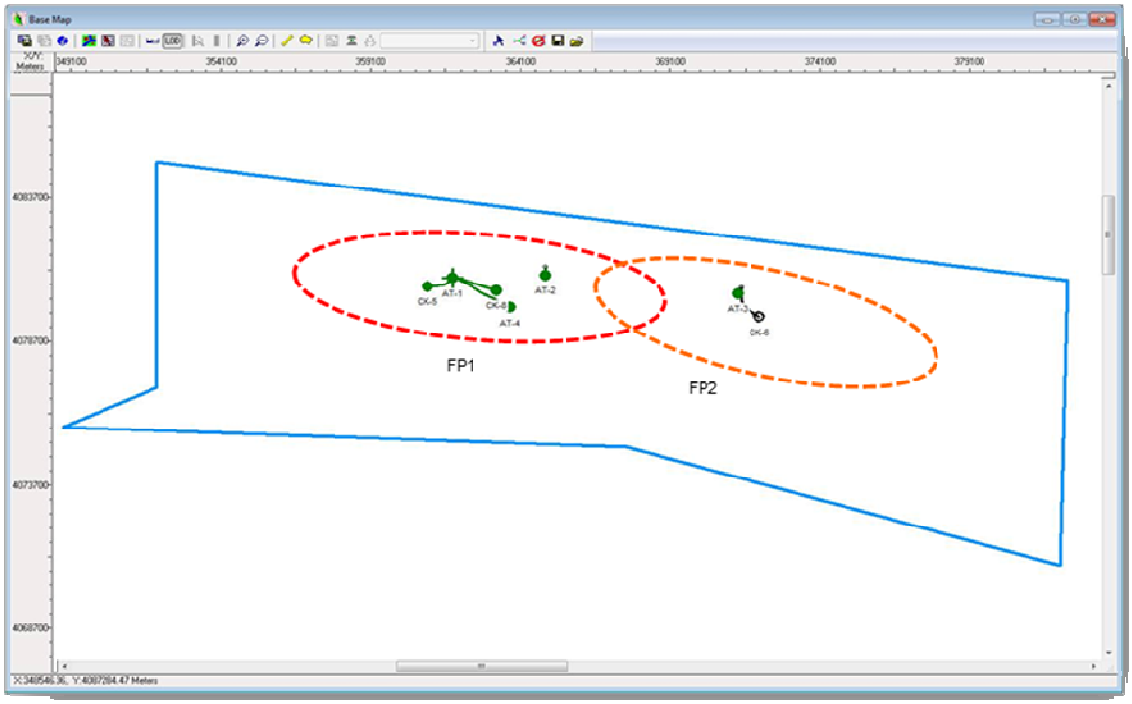



Figure 11: Location Map of Phase 1 Development & Phase 2 Appraisal Areas

***Phase 2 Appraisal***

Chiva-Khere-6 ("**CK-6**"), the second eastern area appraisal well, was drilled to a measured depth of 2,105 metres, which was reached on November 5, 2014. CK-6 was drilled from the Chamanke-C well pad which was used to drill AT-3, the first eastern area appraisal well, and has a bottom hole location approximately 1.1 kilometres southeast of AT-3. At the date of this prospectus a well testing program was in process with final results expected in early January 2015. Following testing operations on CK- 6 it is planned to re-enter and complete the suspended testing program on AT-3.

The location for the third Phase 2 appraisal well is currently being finalised.

***Pipelines***

The Chiya Khere production facility will be tied-in by a dedicated 12 inch feeder pipeline directly into the main export pipeline at pumping station #2 situated at kilometre 92. FEED has been completed and the common rights of way have been agreed. Preparatory work on the most elevated section (over the Chiya Khere mountain) commenced in August 2014.

The new spur and feeder line and relevant facilities will be designed to transport crude oil from Atrush Phase 1 Production Facility (PF1) (KP0.0) to the Kurdistan Crude Oil Pipeline (KCP) intake point and receiving terminal (RETM) (KP38.8). The pipeline will include 2 sections (PIP1 & PIP2) of line pipe in order to accommodate future production from the Atrush developments. Pipelines:

1. PIP1 will be installed as 10 inch nominal pipe from the Pump Station Atrush (PSAT) (KP0.0) to the Intermediate Pigging & Pressure Reduction Station (IPPR) (KP6.4) where it will collect and merge future oil stream feeds from the Phase 1 Production Facility and potentially the Phase 2 Production Facility (PF2).

2. PIP2 will be installed as 12" nominal pipe from the Intermediate Pigging & Pressure Reduction Station (IPPR) (KP6.4) to the Kurdish Crude Oil Pipeline receiving terminal (RETM) (KP38.8).

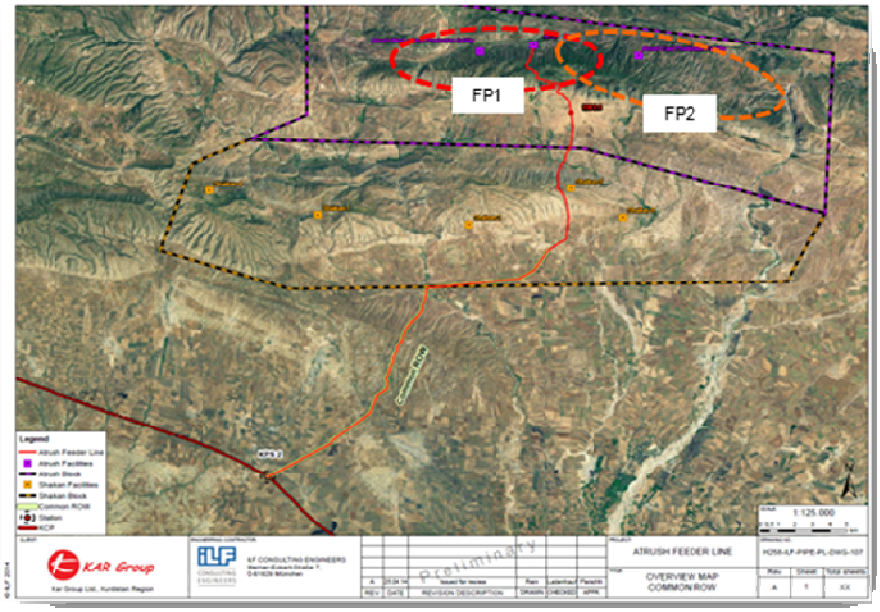



Figure 12: Map of the approved routing for the Atrush feeder pipeline

***Future Phases***

Future phases, as outlined in the original Field Development Plan, consist of building on the knowledge gained from Phase 1, but are nominally three further phases of 30,000 bopd each. The decision on Phase 2 will be based on results of the ongoing appraisal program and expected to be taken in the third quarter of 2015.

**2013 Bond Issue**

On November 13, 2013 General Exploration Partners, Inc., ("**GEP**"), a wholly owned indirect subsidiary of the Corporation, closed a USD 150 million senior secured bond issue resulting in net proceeds of USD 147 million after deducting USD 3.0 million in transaction related costs. Of the total proceeds from the bond issue USD 33.8 million were subscribed to by related parties. The bonds have a five year maturity

from November 13, 2013 without amortisation and carry an 11.5% fixed semi-annual coupon and will be used to fund future capital expenditures related to the development of the Atrush Block.

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

Under the terms of the bond agreement all bond proceeds are held in accounts pledged to the bond trustee as security, and may be accessed by the Corporation on prior authorisation of the bond trustee and provided the proceeds are to be employed for prescribed purposes, most notably to fund the financing, development and operation of the Atrush Block, to service 24 months of bond coupon interest expense, and to fund technical, management and administrative services of ShaMaran's subsidiary companies up to USD 6 million per year over the remaining term of the bond.

The bonds were listed in May 2014 on the Oslo Børs in Norway under the symbol "GEP01". The full USD 150 million of bonds remained outstanding at September 30, 2014.

**Employees**

As at December 31, 2012 and 2013, the Corporation had no employees in Canada, nine employees in Switzerland and one full time employee in Kurdistan. The Corporation relies on and engages consultants on a contract basis to provide services, management and personnel where required to assist the Corporation to carry on its administrative or technical activities in Canada, Switzerland and Kurdistan.

**On-going and future investments**

As at September 30, 2014, the date of the last published financial statements, the principal investments of the Corporation are entirely in the Kurdistan Region of Iraq and were as follows:

Atrush Block Phase 1 Development, 2012 work program.....USD 47.86 million

Atrush Block Phase 1 Development, of 2013 work program..... USD 41.47 million

Atrush Block Phase 1 Development, of 2014 work program.....USD 61.17 million

The Corporation's principal investments that are in progress and future investments, on which its management bodies have already made firm commitments, are as follows:

Atrush Block Phase 1 Development, 26.8%[(1)] of 2014 work program.....USD 15.60 million

Atrush Block Phase 1 Development, 26.8%[(1)] of 2015 work program.....USD 112.65 million

Interest expense, bonds – 2014 and 2015.....USD 25.88 million

Interest expense, bonds 2016-2018 (assumes bonds not early redeemed) .....USD 51.75 million

[(1)] While the Corporation's commitment under the current Atrush Block PSC amounts to a 20.1% share, costs reflecting a 26.8% share have been presented in this section and represent a case where the Corporation is required to fund the KRG share of Atrush

project development costs. For further discussion of this requirement refer to the discussion in this Prospectus under "Background and Conditions".

The amounts mentioned above include costs related to Atrush Phase 1 and 2 drilling and testing activities and the Phase 1 production facility, as described in the sections above, as well as related support and overhead costs provided by the Operator of the Atrush Block. The Corporation anticipates fulfilling its 2014 and 2015 commitments with cash on hand prior to and after raising funds through the Offering of Rights contemplated in this Prospectus.

## SELECTED FINANCIAL INFORMATION

*The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles ("**GAAP**") as set out in the Handbook of the Chartered Professional Accountants of Canada ("**CPA Canada Handbook**"). In 2010, the CPA Canada Handbook (formerly the Handbook of the Canadian Institute of Chartered Accountants) was revised to incorporate IFRS as issued by the International Accounting Standards Board ("**IASB**") and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these consolidated financial statements have been prepared in compliance with IFRS.*

*This information should be read together with sections "Comments to the financial statements" and "Capital structure, indebtedness and related information", the Corporation's audited consolidated financial statements for 2013 and 2012 and the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2014. These aforementioned financial statements have been incorporated into this Prospectus by reference (see "Documents Incorporated Herein by reference").*

This section provides a summary of the Corporation's financial performance and position. The financial information presented below has been derived from the Corporation's audited annual and unaudited interim consolidated financial statements for the specific reporting periods.

***Consolidated Statement of Comprehensive Income***
*(Expressed in thousands of United States Dollars)*

| | Nine months ended September 30, | | Year ended December 31, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2013** | **2012** |
| **Expenses from continuing operations** | | | | |
| General and administrative expense | (1,172) | (1,377) | (2,393) | (2,852) |
| Share based payments expense | (259) | (725) | (882) | (8) |
| Impairment (loss) / recovery | - | (84) | (84) | 1,814 |
| Depreciation and amortisation expense | (38) | (54) | (65) | (183) |
| Share of income of associate | - | - | - | 129,000 |
| Gain on fair valuation of net assets of subsidiary | - | - | - | 102,735 |
| Gain on sale of asset | - | - | - | 1,100 |
| Relinquishment costs | - | - | - | (25,732) |
| **(Loss) / income before finance items and income tax expense** | **(1,469)** | **(2,240)** | **(3,424)** | **205,874** |
| Finance cost | (3,978) | (47) | (740) | (719) |
| Finance income | 71 | 26 | 28 | 359 |
| **Net finance cost** | **(3,907)** | **(21)** | **(712)** | **(360)** |
| **(Loss) / income before income tax expense** | **(5,376)** | **(2,261)** | **(4,136)** | **205,514** |
| Income tax expense | (84) | (63) | (87) | (89) |
| **Net (loss) / income from continuing operations** | **(5,460)** | **(2,324)** | **(4,223)** | **205,425** |
| **Discontinued operations** | | | | |
| Net income / (loss) from discontinued operations | (17) | (40) | 935 | (61) |
| **Net (loss) / income for the period** | **(5,477)** | **(2,364)** | **(3,288)** | **205,364** |
| **Other comprehensive income:** | | | | |
| Currency translation differences | (66) | 18 | 19 | 26 |
| **Total other comprehensive income** | **(66)** | **18** | **19** | **26** |
| **Total comprehensive (loss) / income for the period** | **(5,543)** | **(2,346)** | **(3,269)** | **205,390** |

***Consolidated Balance Sheet***
*(Expressed in thousands of United States Dollars)*

| | September 30, 2014 | December 31, 2013 | 2012 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 406,069 | 344,990 | 303,549 |
| Property, plant and equipment | 160 | 179 | 257 |
| | **406,229** | **345,169** | **303,806** |
| **Current assets** | | | |
| Cash and cash equivalents | 78,640 | 142,588 | 41,216 |
| Other current assets | 172 | 194 | 331 |
| Inventories | - | - | 198 |
| | **78,812** | **142,782** | **41,745** |
| **Assets associated with discontinued operations** | **-** | **3** | **3** |
| **Total assets** | **485,041** | **487,954** | **345,554** |
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued expenses | 5,191 | 7,458 | 7,027 |
| Accrued interest expense on bonds | 6,565 | 2,252 | - |
| Current tax liabilities | 29 | 92 | 90 |
| Deferred liability | - | - | 5,000 |
| | **11,785** | **9,802** | **12,117** |
| **Non-current liabilities** | | | |
| Borrowings | 147,505 | 147,050 | - |
| Provisions | 1,764 | 1,185 | 120 |
| | **149,269** | **148,235** | **120** |
| **Liabilities associated with discontinued operations** | **282** | **928** | **1,941** |
| **Total liabilities** | **161,336** | **158,965** | **14,178** |
| **Equity** | | | |
| Share capital | 534,068 | 534,068 | 534,068 |
| Share based payments reserve | 4,977 | 4,718 | 3,836 |
| Cumulative translation adjustment | (39) | 27 | 8 |
| Accumulated deficit | (215,301) | (209,824) | (206,536) |
| **Total equity** | **323,705** | **328,989** | **331,376** |
| **Total liabilities and equity** | **485,041** | **487,954** | **345,554** |

***Consolidated Cash Flow Statement***
*(Expressed in thousands of United States Dollars)*

| | Nine months ended September 30, | | Year ended December 31, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2013** | **2012** |
| **Operating activities** | | | | |
| Net (loss) / income from continuing operations | (5,460) | (2,324) | (4,223) | 205,425 |
| Adjustments for: | | | | |
| Share based payments expense | 259 | 725 | 882 | 8 |
| Interest expense on senior secured bonds - net | 3,964 | - | 689 | - |
| Impairment loss / (recovery) | - | 84 | 84 | (1,814) |
| Depreciation and amortisation expense | 38 | 54 | 65 | 183 |
| Foreign exchange loss / (gain) | (33) | 46 | 49 | (333) |
| Income tax | (38) | (26) | 2 | (32) |
| Interest income | - | - | (28) | (26) |
| Interest expense on equity based finance fee | - | - | - | 719 |
| Gain on sale of asset | - | - | - | (1,100) |
| Gain on fair valuation of net assets of subsidiary | - | - | - | (102,735) |
| Share of income of associate | (63) | (22) | - | (129,000) |
| Changes in provisions | 579 | 41 | 1,065 | 120 |
| Changes in accounts payable and accrued expenses | (2,267) | 6,117 | 431 | (16,550) |
| Changes in inventories | - | 114 | 114 | 2,552 |
| Changes in other current assets | 22 | 179 | 137 | 421 |
| Cash used in discontinued operations | (660) | 13 | (78) | (715) |
| **Net cash outflows to operating activities** | **(3,659)** | **5,001** | **(811)** | **(42,877)** |
| **Investing activities** | | | | |
| Interest received on cash deposits | 38 | 26 | 28 | 26 |
| Deferred liability | - | (5,000) | (5,000) | 5,000 |
| Purchases of intangible assets | (51,624) | (26,505) | (39,788) | (8,395) |
| Net proceeds on sale of intangible assets | - | - | - | 52,671 |
| Proceeds on reimbursement of intangible costs | - | - | - | 1,250 |
| Net proceeds on sale of property, plant and equipment | - | - | - | 802 |
| Purchases of property, plant and equipment | (45) | - | - | (595) |
| Investment in associate | - | - | - | (16,110) |
| **Net cash (outflows to) / inflows from investing activities** | **(51,631)** | **(31,479)** | **(44,760)** | **34,649** |
| **Financing activities** | | | | |
| Proceeds on bond issue | - | - | 150,000 | - |
| Bond related transaction costs | - | - | (3,028) | - |
| Interest payments to bondholders | (8,625) | - | - | - |
| **Net cash inflows from financing activities** | **(8,625)** | **-** | **146,972** | **-** |
| Effect of exchange rate changes on cash and cash equivalents | (33) | (27) | (29) | 359 |
| **Change in cash and cash equivalents** | **(63,948)** | **(26,505)** | **101,372** | **(7,869)** |
| Cash and cash equivalents, beginning of the period | 142,588 | 41,216 | 41,216 | 49,085 |
| **Cash and cash equivalents, end of the period** | **78,640** | **14,711** | **142,588** | **41,216** |

***Key ratios***

| | Nine months ended September 30, 2014 | Nine months ended September 30, 2013 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---|---|---|---|---|
| Basic (loss)/income per share (USD): | | | | |
| Continuing operations | (0.01) | - | (0.01) | 0.25 |
| Discontinued operations | - | - | - | - |
| Total | (0.01) | - | (0.01) | 0.25 |
| Diluted (loss)/income per share (USD): | | | | |
| Continuing operations | (0.01) | - | (0.01) | 0.25 |
| Discontinued operations | - | - | - | - |
| Total | (0.01) | - | (0.01) | 0.25 |
| Book equity ratio at end of period[1] | 67.3% | 96.3% | 67.4% | 95.9% |
| Weighted avg. basic shares outstanding x 000 | 810,984 | 810,984 | 810,984 | 810,222 |
| Weighted avg. diluted shares outstanding x 000 | 810,984 | 810,984 | 810,984 | 810,222 |
| Dividend paid per share | - | - | - | - |

[1] "Total equity of period" divided by "total assets of period"

## COMMENTS TO THE FINANCIAL STATEMENTS

*This information should be read together with sections "Selected financial information" and "Capital structure, indebtedness and related information", the Corporation's audited consolidated financial statements for 2013 and 2012 and the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2014. These aforementioned financial statements have been incorporated into this Prospectus by reference (see "Documents Incorporated Herein by Reference").*

**Nine months ended September 30, 2014 compared to nine months ended September 30, 2013**

***Results of Continuing Operations***

The Corporation's continuing operations are comprised of an appraisal and development program on the Atrush petroleum property located in the Kurdistan Region of Iraq which is currently in the pre-production stages and generates no revenue. The expenses and income items of continuing operations are explained in detail as follows:

*General and administrative expense*

| *In USD 000* | Nine months ended September 30, 2014 | Nine months ended September 30, 2013 |
|---|---|---|
| Salaries and benefits | 2,292 | 2,052 |
| General and other office expenses | 353 | 383 |
| Listing costs and investor relations | 292 | 224 |
| Management and consulting fees | 428 | 626 |
| Legal, accounting and audit fees | 142 | 234 |
| Travel expenses | 65 | 117 |
| General and administrative expense incurred | 3,572 | 3,636 |
| General and administrative expense capitalised as E&E assets | (2,400) | (2,259) |
| General and administrative expense | 1,172 | 1,377 |

The Corporation capitalises as exploration and evaluation ("**E&E**") assets general and administrative expenses supporting E&E activities which relate to the interest held in the Atrush production sharing contract.

The general and administrative expenses incurred in the nine months ended September 30, 2014 were relatively consistent with and comparable to the amounts incurred over first nine months of the prior year.

*Share based payments expense*

| *In USD 000* | **Nine months ended September 30,** | |
|---|---|---|
| | **2014** | **2013** |
| Share based payments expense | 259 | 725 |

The share based payments expense results from the vesting of stock options granted in the years 2011 and 2013. No stock options were granted in the nine months ended September 30, 2014 (year 2011: 25,000; year 2012: nil; year 2013: 5,640,000). The Corporation 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.

*Depreciation and amortisation expense*

| *In USD 000* | **Nine months ended September 30,** | |
|---|---|---|
| | **2014** | **2013** |
| Depreciation and amortisation expense | 38 | 54 |

Depreciation and amortisation expense corresponds to cost of use of the furniture and IT equipment at the Corporation's technical and administrative offices located in Switzerland and Kurdistan.

*Impairment loss*

| *In USD 000* | **Nine months ended September** | |
|---|---|---|
| | **2014** | **2013** |
| Write down drilling inventory to net realizable value | - | 84 |
| Impairment loss | - | 84 |

The impairment losses on drilling inventory incurred in the first 9 months of 2013 related to the Pulkhana and Arbat production sharing contract relinquishments.

*Finance cost*

| *In USD 000* | **Nine months ended September 30,** | |
|---|---|---|
| | **2014** | **2013** |
| Interest charges on bonds at coupon rate | 12,938 | - |
| Amortisation of bond related transaction costs | 455 | - |
| Interest expense on borrowings | 13,393 | - |
| Unwinding discount on decommissioning provision | 14 | 1 |
| Foreign exchange loss | - | 46 |
| Total finance costs before borrowing costs capitalised | 13,407 | 47 |
| Borrowing costs capitalised as E&E assets | (9,429) | - |
| Total finance costs | 3,978 | 47 |

During the nine months ended September 30, 2014 the Corporation incurred interest expense relating to its USD 150 million of senior secured bonds which carry an 11.5% fixed semi-annual coupon interest rate.

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

*Finance income*

| *In USD 000* | **Nine months ended September 30,** | |
|---|---|---|
| | **2014** | **2013** |
| Foreign exchange gain | 33 | - |
| Interest income | 38 | 26 |
| Total finance income | 71 | 26 |

Interest income represents bank interest earned on cash and investments in marketable securities. The relative increase in interest income between the first nine months of 2014 and the first nine months of 2013 is due to the higher average interest bearing cash balances held throughout the period.

The foreign exchange gain reported in the nine months ended September 30, 2014 resulted primarily from holding in the Corporation's Swiss subsidiary net assets denominated in United States dollars while the United States dollar strengthened during the reporting period against the Swiss Franc, the functional currency of the Swiss subsidiary.

*Income tax expense*

| *In USD 000* | **Nine months ended September 30,** | |
|---|---|---|
| | **2014** | **2013** |
| Income tax expense | 84 | 63 |

Income tax expense relates to provisions for income taxes on service income generated in Switzerland which is determined on the basis of the incurred cost of the related services. The increase in tax expense from the comparable reporting period is primarily due to higher taxable income in the Swiss subsidiary.

***Results of Discontinued Operations***

The main components of discontinued operations are explained as follows:

*Expenses*

| *In USD 000* | **Nine months ended September 30,** | |
|---|---|---|
| | **2014** | **2013** |
| Legal, accounting and audit fees | 11 | 33 |
| General and other office expenses | 6 | 7 |
| Total expenses | 17 | 40 |

The decrease in expenses in the first nine months of 2014 relative to the amounts incurred in the same period of 2013 is due to the reduction in activity associated with the Corporation's United States based discontinued operations following the sale in 2009 of the properties located there. The professional and

general fees which the Corporation has incurred are related to the decommissioning and windup of the interests it held in the United States.

***Liquidity and Capital Resources***

The overall cash position of the Corporation decreased by USD 63.9 million during the first nine months of 2014 compared to a decrease in cash of USD 26.5 million during the comparable period of 2013. The main components of the movement in funds are discussed in the following paragraphs.

The operating activities of the Corporation during the first nine months of 2014 resulted in a decrease in the cash position by USD 3.7 million compared to an increase of USD 5.0 million during the comparable period of 2013. The decrease in the cash position due to operating activities is explained by a net loss of USD 5.5 million, USD 2.5 million net positive cash adjustments from working capital and non-cash expenses and USD 0.7 million of cash used on discontinued operations.

Net cash outflows to investing activities in the first nine months of 2014 were USD 51.6 million compared to cash outflows in the amount of USD 31.5 million in the comparable period of the year 2013. Substantially all of the cash outflows on investing activities in the current period relate to investment in the Atrush Block appraisal and development work program.

Net cash outflows to finance activities during the nine months ended September 30, 2014 was USD 8.6 million relating entirely to interest payments made to bondholders.

**Year ended December 31, 2013 compared to year ended December 31, 2012**

***Results of Continuing Operations***

The Corporation's continuing operations are comprised of an appraisal and development program on a petroleum property located in the Kurdistan Region of Iraq which is currently in the pre-production stages and generates no revenue. The expenses and income items of continuing operations are explained in detail as follows:

*General and administrative expense*

| *In USD 000* | **For the year ended December 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Salaries and benefits | 2,819 | 2,710 |
| Management and consulting fees | 1,011 | 885 |
| Legal, accounting and audit fees | 541 | 415 |
| General and other office expenses | 514 | 637 |
| Travel expenses | 298 | 406 |
| Listing costs and investor relations | 290 | 271 |
| General and administrative expense incurred | 5,473 | 5,324 |
| General and administrative exp. capitalised as E&E assets | (3,080) | (2,472) |
| General and administrative expense | 2,393 | 2,852 |

The Corporation capitalises as E&E assets general and administrative expenses supporting E&E activities which relate to direct interests held in production sharing contracts.

The general and administrative expenses incurred in 2013 are comparable to the amounts incurred in the prior year. The Corporation capitalised in 2013 a higher amount of general and administrative expenses

relative to the amount capitalised in 2012 since it held a direct interest in the Atrush Block PSC for the entire year 2013 whereas in 2012 it held a direct interest in the Taza Block only, for approximately eight months.

*Share based payments expense*

| *In USD 000* | **For the year ended December 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Share based payments expense | 882 | 8 |

The share based payments expense results from the vesting of stock options granted in the years 2010, 2011 and 2013. In the year 2013, 5,640,000 stock options were granted (year 2012: nil; year 2011: 25,000; year 2010: 1,390,000). The Corporation 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.

*Impairment loss / (recovery)*

| *In USD 000* | **For the year ended December 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Write down drilling inv. to net realisable value | 84 | 578 |
| Recovery of impairment loss on PP&E Assets | - | (45) |
| Recovery of impairment loss on E&E Assets | - | (2,347) |
| Impairment loss / (recovery) | 84 | (1,814) |

The impairment losses on inventory are primarily due to the liquidation and restocking of certain drilling inventories which will no longer be used in drilling programs associated with the relinquished Pulkhana and Arbat Blocks. The impairment recovery on PP&E items during the year 2012 were due to changes in previous estimates of net realisable value which have occurred in the course of liquidating these assets which relate to the relinquished blocks. In the year 2012 the Corporation released excess accrued costs which were capitalised as E&E assets resulting in a recovery of impairment losses previously recognised.

*Depreciation and amortisation expense*

| *In USD 000* | **For the year ended December 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Depreciation and amortisation expense | 65 | 183 |

Depreciation and amortisation expense corresponds to cost of use of the furniture and IT equipment at the Corporation's technical and administrative offices located in Switzerland and Kurdistan.

*Share of income of associate*

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

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

*Relinquishment costs*

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

The relinquishment costs incurred in the year 2012 related to the Pulkhana and Arbat Block PSCs, to which the Corporation was previously a party, and which were relinquished to the KRG under two separate agreements signed on January 17, 2012. Under the terms of the agreements to the Corporation paid to the KRG in January 2012 a total of USD 25 million in fees which relieved the Corporation of all further obligations under those PSCs, including its remaining minimum financial commitments under the first exploration sub periods which were USD 50 million in total prior to relinquishing those PSCs. These fees are non-recoverable and were therefore expensed together with all costs associated with winding up operations on these blocks.

*Gain on sale of assets*

| *In USD 000* | For the year ended December 31, 2013 | 2012 |
|---|---|---|
| Net proceeds on sale of asset | - | 53,266 |
| Costs of intangible assets and PP&E sold | - | (52,166) |
| Gain on sale of assets | - | 1,100 |

In August 2012 the Corporation sold the 20% direct interest which it held in the Taza Block PSC. The net proceeds on sale of asset was comprised of USD 48 million purchase price proceeds plus a reimbursement of USD 5.8 million in costs incurred on the Taza block work program since April 1, 2012 less transaction related costs of USD 0.5 million.

*Gain on fair valuation of nets assets of subsidiary*

| *In USD 000* | For the year ended December 31, 2013 | 2012 |
|---|---|---|
| Fair valuation of net assets of subsidiary | - | 102,735 |

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

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

The Corporation recorded a gain on the fair valuation of net assets of subsidiary in the amount of USD 102.7 million which is the difference between the USD 299.7 million fair value of net identifiable assets acquired and liabilities assumed and the USD 197.0 million book value of investment in associate at acquisition of control.

*Finance cost*

| *In USD 000* | For the year ended December 31, 2013 | 2012 |
|---|---|---|
| Interest charges on bonds at coupon rate | 2,252 | - |
| Amortisation of bond related transaction costs | 78 | - |
| Interest expense on borrowings | 2,330 | - |
| Foreign exchange loss | 49 | - |
| Unwinding discount on decommissioning provision | 1 | - |
| Interest exp. associated with equity based finance fee | - | 719 |
| Total finance costs before borrowing costs capitalised | 2,380 | 719 |
| Borrowing costs capitalised as E&E assets | (1,640) | - |
| Total finance costs | 740 | 719 |

During the year 2013 the Corporation incurred interest expense relating to its USD 150 million of senior secured bonds which were issued in November 2013 and carry an 11.5% fixed semi-annual coupon interest rate.

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

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

*Finance income*

| *In USD 000* | For the year ended December 31, 2013 | 2012 |
|---|---|---|
| Interest income | 28 | 26 |
| Foreign exchange gain | - | 333 |
| Total finance income | 28 | 359 |

Interest income represents bank interest earned on cash and investments in marketable securities. The increase in the amounts reported in the year ended December 31, 2013 relative to the amount reported in the comparable period of the year 2012 is primarily due to holding a higher average balance of interest generating funds relative to the amount held in the comparable period of the prior year.

The foreign exchange gain in the year 2012 resulted primarily from holding cash and cash equivalents denominated in Canadian dollars while the Canadian dollar strengthened during the period against the United States dollar which is the reporting currency of the Corporation.

*Income tax expense*

| *In USD 000* | For the year ended December 31, 2013 | 2012 |
|---|---|---|
| Income tax expense | 87 | 89 |

Income tax expense relates to provisions for income taxes on service income generated in Switzerland which is determined on the basis of the incurred cost of the related services. The amount reported in the

year ended December 31, 2013 has decreased slightly relative to the amount reported in the comparable period of 2012 due to lower service costs incurred in the current year.

***Results of Discontinued Operations***

The main components of discontinued operations are explained as follows:

*Gain on release of excess site restoration provision*

| *In USD 000* | **For the year ended December 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Gain on release of excess site restoration provision | 981 | - |

In December 2013 the Corporation released an excess site restoration provision as the total cost to complete this work is expected to be less than the amount previously estimated.

*Expenses*

| *In USD 000* | **For the year ended December 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Legal, accounting and audit fees | 35 | 32 |
| General and other office expenses | 11 | 29 |
| Total expenses | 46 | 61 |

The decrease in fees and expenses in the year of 2013 relative to the amounts incurred in the same period in 2012 is due to the reduction in activity associated with the Corporation's United States based discontinued operations following the sale in 2009 of the properties located there. The professional and general fees which the Corporation continues to incur are related to the decommissioning and windup of the interests it held in the United States.

***Liquidity and Capital Resources***

The overall cash position of the Corporation increased by USD 101.4 million during the year 2013 compared to a decrease in cash of USD 7.9 million during the comparable period of 2012. The main components of the movement in funds are discussed in the following paragraphs.

The operating activities of the Corporation during the year 2013 resulted in a decrease in the cash position by USD 0.8 million compared to a decrease by USD 42.9 million in the year 2012. A net loss of USD 4.2 million offset by USD 3.4 million positive cash adjustments from working capital and non-cash expenses are the main reasons for the decrease in the cash position over in the year 2013 due to operating activities.

Net cash outflows to investing activities in the year 2013 were USD 44.8 million compared to cash inflows in the amount of USD 34.6 million in the comparable period of the year 2012. The main reasons for the cash outflows on investing activities in the current year relate to USD 39.8 million spent on the Atrush Block appraisal and development work program as well as a repayment in July 2013 of USD 5 million for a deferred liability relating to the December 2012 acquisition of control of GEP.

The Corporation had net cash inflows from financing activities in the year 2013 of USD 147.0 million compared to USD nil in the prior year. The cash inflows relate to the senior secured bond issued on November 13, 2013 by General Exploration Partners, Inc. with gross proceeds of USD 150.0 million, net of USD 3.0 million in transaction related costs, resulting in net proceeds of USD 147.0 million.

## CONSOLIDATED CAPITALIZATION

The following table outlines the consolidated capitalization of the Corporation as at December 31, 2013 and September 30, 2014. This table is presented on an actual basis and adjusted for the Offering as disclosed below in the notes to the table. The capitalization table should be read in conjunction with the Corporation's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2013 as well as the unaudited interim consolidated financial statements and management's discussion and analysis for the three and nine month periods ended September 30, 2014.

| | **As at December 31, 2013**[(3)(4)] | **As at September 30, 2014 (Unaudited)**[(3)(4)] | **As at September 30, 2014 after giving effect to the Offering**[(1)(2)(3)] |
|---|---|---|---|
| **Cash and Cash Equivalents** | $142,588 | $78,640 | $142,072 |
| **Borrowings** | $147,050 | $147,505 | $147,505 |
| **Equity** | | | |
| Share capital | $534,068 | $534,068 | $597,500 |
| Share based payment reserve | $4,718 | $4,977 | $4,977 |
| Cumulative translation adjustment | $27 | ($39) | ($39) |
| Accumulated deficit | ($209,824) | ($215,301) | ($215,301) |
| **Total Equity** | $328,989 | $323,705 | $387,137 |
| **Total Common Shares Outstanding** (authorized: unlimited) | 810,983,860 | 810,983,860 | 1,565,198,850[(5)] |

Notes:

(1) Adjusted to give effect to the net proceeds of the Offering.

(2) Assumes exercise of all the Rights.

(3) Financial information as at December 31, 2013 and as at September 30, 2014 have been prepared in accordance with IFRS and are presented in thousands of United States dollars.

(4) Before deducting the expenses of the Offering.

(5) Does not include Guarantee Fee to be paid to the Standby Purchasers equal to 3% of the gross proceeds received by the Corporation as a result of the Offering, other than proceeds received by the Corporation through the exercise by the Standby Purchasers of their respective Basic Subscription Privilege. The Guarantee Fee will be paid by the issuance of Common Shares at the closing quoted market price per Common Share on the TSX-V on the day following the closing of the Offering.

## CAPITAL STRUCTURE, INDEBTEDNESS AND RELATED INFORMATION

*This information should be read together with Sections "Selected financial information" and "Comments to the financial statements", the Corporation's audited consolidated financial statement for the years 2012 and 2013 and the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2014, which have been incorporated into this Prospectus by reference; see "Documents Incorporated Herein by Reference" below. This Section breaks down the Corporation's financial position and provides related information. The information provided is primarily based on the Corporation's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2014.*

### Financial position

On September 30, 2014 the Corporation had cash and cash equivalents of USD 78.6 million, total assets of USD 485.0 million, interest bearing liabilities of USD 147.5 million, and total shareholders' equity of

USD 323.7 million. The book equity ratio (defined as shareholders' equity divided by total assets) of the Corporation was 67 per cent at September 30, 2014.

**Capitalisation**

| Shareholders' equity and debt capital as at September 30, 2014 | *In USD 000* |
|---|---|
| Guaranteed and secured | 6,565 |
| Unguaranteed and unsecured | - |
| Total current debt | 6,565 |
| Guaranteed and secured | 147,505 |
| Unguaranteed and unsecured | - |
| Total non-current debt | 147,505 |
| Share capital | 534,068 |
| Shared based payments reserve | 4,977 |
| Cumulative translation adjustment | (39) |
| Accumulated deficit | (215,301) |
| Total shareholders' equity | 323,705 |
| Total equity and debt | 477,775 |

**Net interest-bearing indebtedness**

| Net financial debt or net financial assets as at September 30, 2014 | *In USD 000* |
|---|---|
| A. Cash | 78,640 |
| B. Cash equivalents | - |
| C. Trading securities | - |
| D. Liquidity (A + B + C) | 78,640 |
| E. Current financial receivables | 56 |
| F. Current bank debt | - |
| G. Current portion financial debt | 6,565 |
| H. Other current financial debt | - |
| I. Total current financial debt (F + G + H) | 6,565 |
| J. Net current financial assets (D + E − I) | 72,131 |
| K. Non-current bank loans | - |
| L. Bonds issued | 150,000 |
| M. Other non-current loans | - |
| N. Non-current financial debt (K + L + M) | 150,000 |
| O. Net financial debt (N - J) | 77,869 |

**Working capital**

In the Corporation's opinion and as further described in the above section "Background to and Reasons for the Offering, the Corporation's working capital available at November 30, 2014 is not sufficient for its present requirements for the next twelve months. On this basis, the Corporation expects that its working capital will become insufficient during the second quarter of 2015 and that the aggregate amount of additional working capital required to fund total the Corporation's total forecasted funding requirements for the twelve months ended November 30, 2015 will amount to approximately USD 54 million (approximately USD 60 million for the 13 months ended December 31, 2015).

Following the conclusion that additional financing would be required, management undertook a comprehensive review of strategic financing alternatives available to the Corporation. The Board of Directors, based on the recommendations of management, concluded that the Offering was the most feasible financing alternative available to it. Subject to receiving net proceeds of at least USD 54 million in conjunction with the Offering, the Corporation's working capital will, in the opinion of the Corporation, be sufficient for the Corporation's forecasted funding requirements for the twelve months ended November 30, 2014 and, as the Standby Purchasers have agreed, subject to certain terms and conditions, to (i) exercise all of their Basic Subscription Rights and (ii) purchase all Common Shares not otherwise required under the Offering, the Corporation expects that it will receive net proceeds of approximately USD 63 million in conjunction with the Offering. However, in the event that the Offering cannot be completed, or the Corporation could not secure external financing in an amount required to cover the remainder of the working capital deficit, the Corporation might be required to take measures such as divestment of assets and renegotiation of its debt. Should this not be successful, there is a risk that the Corporation will be subject to a partial or complete reorganization, or that the Corporation is declared bankrupt.

The Corporation's operations are comprised of an appraisal and development program on the Atrush petroleum property located in the Kurdistan Region of Iraq which is currently in the pre-production stages and generates no revenue. Accordingly, additional funding from equity financing, joint ventures or disposition of assets may be required to fund further development and corporate expenses. Such financing may not at all times be available to the Corporation in the amount required at any time or for any period or, if available, it may not be obtained on terms which are satisfactory to the Corporation.

**Intangible assets**

| *In USD 000* | **Exploration and evaluation assets** | **Other intangible assets** | **Total** |
|---|---|---|---|
| At December 31, 2013 | | | |
| Cost | 344,988 | 288 | 345,276 |
| Accumulated amortisation | - | (286) | (286) |
| Net book value | 344,988 | 2 | 344,990 |
| For the nine months ended September 30, 2014 | | | |
| Opening net book value | 344,988 | 2 | 344,990 |
| Additions | 61,073 | 8 | 61,081 |
| Amortisation expense | - | (2) | (2) |
| Net book value | 406,061 | 6 | 406,069 |
| At September 30, 2014 | | | |
| Cost | 406,061 | 276 | 406,337 |
| Accumulated amortisation | - | (268) | (268) |
| Net book value | 406,061 | 8 | 406,069 |

*Exploration and evaluation assets*

The Corporation applies the full cost method of accounting for E&E costs in accordance with the requirements of *IFRS 6 Exploration for and Evaluation of Mineral Resources*. All costs of exploring and evaluating oil and gas properties are accumulated and capitalised to the relevant property contract area and are tested on a cost pool basis as described below.
*Pre-license costs:* Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the statement of comprehensive income.

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

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

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

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

The net book value of E&E assets at September 30, 2014 relates to the Atrush Block and includes USD 21.9 million of advances made to fund Atrush development costs on behalf of a partner in the Atrush Block. During the nine month period ended September 30, 2014 the Corporation capitalised to E&E borrowing costs totalling USD 9.4 million (2013: USD nil) and general and administrative expenses of USD 2.4 million (2013: USD 2.3 million).

**Financial instruments**

The Corporation's financial instruments currently consist of cash, cash equivalents, advances to joint venture operator, other receivables, borrowings, accounts payable and accrued expenses, accrued interest on bonds, provisions for decommissioning costs, and current tax liabilities. The Corporation classifies its financial assets and liabilities at initial recognition in the following categories:

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

- Loans and receivables comprise of other receivables and cash and cash equivalents and are financial assets with fixed or determinable payments that are not quoted on an active market and are generally included within current assets due to their short-term nature. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

- Financial liabilities at amortised cost comprise of trade and other payables and are initially recognised at the fair value of the amount expected to be paid and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

With the exception of borrowings, accrued interest on bonds and provisions for decommissioning costs, which have fair value measurements based on valuation models and techniques where the significant inputs are derived from quoted prices or indices, the fair values of the Corporation's other financial instruments did not require valuation techniques to establish fair values as the instrument was either cash and cash equivalents or, due to the short term nature, readily convertible to or settled with cash and cash equivalents.

The Corporation is exposed in varying degrees to a variety of financial instrument related risks which are discussed in the following sections:

**Financial risk management objectives**

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

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

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

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

**Foreign currency risk:** The substantial portion of the Corporation's operations require purchases denominated in USD, which is the functional and reporting currency of the Corporation and also the currency in which the Corporation maintains the substantial portion of its cash and cash equivalents. Certain of its operations require the Corporation to make purchases denominated in foreign currencies, which are currencies other than USD and correspond to the various countries in which the Corporation conducts its business, most notably, Swiss Francs and Canadian dollars. As a result, the Corporation holds cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange rate fluctuations between the foreign currencies and the USD.

**Interest rate risk:** The Corporation earns interest income on its cash and cash equivalents at both fixed and variable and is therefore exposed to interest rate risk due to a fluctuation in short-term interest rates.

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

The Group is highly leveraged though financing at the project level, for the continuation of Atrush project, and at the corporate level due to the USD 150 million of senior secured bonds which were issued in November 2013. However, the Corporation is not exposed to interest rate risks associated with the bonds as the interest rate is fixed.

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

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

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

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

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

**Other information**

As of the date of this Prospectus, the Corporation is not aware of any measures, such as public, tax policies, monetary policies or other political and/or policy measures which, directly or indirectly, has had or could have a material effect on the Corporation's business.

There has been no significant change to the Corporation's financial position as regards to the market since the most recent financial report was made public on October 21, 2014, except for the Offering announced on October 15, 2014.

## BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND AUDITOR

### Board of Directors

During the year ended 31 December 2013, and the date hereof, the Board of the Corporation was comprised of six directors. Each director holds office until the next annual meeting of shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Corporation. The table below sets out information on the directors' name, date of appointment to the Board, position, and the members of each of the four committees of the Board, Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Reserves Committee:

| Name | Director since | Position |
|---|---|---|
| Keith Hill(2) | 19 February 2007 | Non-Executive Chair of the Board and Director |
| Pradeep Kabra | 27 May 2010 | President, Chief Executive Officer and Director |
| Gary S. Guidry(2) (4) | 19 February 2007 | Director |
| Brian D. Edgar(1) (3) (4) | 27 March 2007 | Director |
| Alexandre Schneiter(1) (2) (3) (4) | 10 September 2009 | Director |
| J. Cameron Bailey(1) (3) (4) | 10 September 2009 | Director |

(1) Members of the Audit Committee. Mr. Bailey is Chair of the Audit Committee.

(2) Members of the Compensation Committee. Mr. Guidry is Chair of the Compensation Committee.

(3) Members of the Corporate Governance and Nominating Committee. Mr. Edgar is Chair of the Corporate Governance and Nominating Committee.

(4) Members of the Reserves Committee. Mr. Guidry is the Chair of the Reserves Committee.

**Keith Hill**, *Non-Executive Chairman and Member of the Board*

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

Mr. Hill is currently a director and/or officer of the following public companies:

| Company | | Position |
|---|---|---|
| Africa Oil Corp. | - | *Director, President, Chief Executive Officer and member of the Reserves Committee* |
| BlackPearl Resources Inc. | - | *Director and member of the Reserves Committee* |
| PetroVista Energy Corp. | - | *Director, Chair of the Board of Directors and member of the Audit Committee, Compensation Committee and Reserves Committee* |
| Horn Petroleum Corp. | - | *Director, Chair of the Board of Directors and member of the Corporate Governance and Nominating Committee and the Reserves Committee* |
| Tyner Resources Ltd. | - | *Director and member of the Audit Committee, the Compensation Committee and the Corporate Governance Committee* |
| TAG Oil Corp. | - | *Director and member of the Audit Committee, Compensation Committee and Nominating Committee* |

Mr. Hill is not currently, nor has he been during the last five years, a director and/or officer of any other public companies.

**Pradeep Kabra**, *Member of the Board*

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

Mr. Kabra is not currently, nor has he been during the last five years, a director and/or officer of any other public companies.

**Gary S. Guidry**, *Member of the Board*

Head of Chad Business for Glencore E&P (Canada) Inc. (formerly Caracal Energy Inc.)

Mr. Guidry is currently a director of the following public companies:

| Company | | Position |
|---|---|---|
| Africa Oil Corp. | - | *Director and member of the Audit Committee, the Corporate Governance Committee (Chair) and the Reserves Committee* |

During the past five years, Mr. Guidry has been, but is no longer a director and/or officer of the following public companies:

- Caracal Energy Inc.
- TransGlobe Energy Corporation
- Zodiac Exploration Inc.
- Tanganyika Oil Company Ltd.
- Orion Oil and Gas Corporation

**Brian D. Edgar**, *Member of the Board*

Mr. Edgar is a graduate of the University of British Columbia law school and practiced corporate and securities law for 16 years until his retirement in 1992 to establish Rand Edgar Investment Corp., a private investment company. Mr. Edgar has approximately 37 years of public company experience and has served as an executive officer, director and audit committee chair of several public resources-based companies. Mr. Edgar is currently Chairman of Silver Bull Resources, Inc.

Mr. Edgar is currently a director of the following public companies:

| Company | | Position |
|---|---|---|
| Silver Bull Resources, Inc. | - | *Director and Chair of the Board of Directors* |
| Lundin Mining Corporation | - | *Director and member of the Health, Safety, Environment and Community Committee and the Corporate Governance and Nominating Committee (Chair)* |
| Lucara Diamond Corp. | - | *Director and member of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee (Chair)* |
| Denison Mines Corp. | - | *Director and member of the Audit Committee and the Corporate Governance and Nominating Committee (Chair)* |
| BlackPearl Resources Inc. | - | *Director and member of the Audit Committee (Chair), the Compensation Committee (Chair), the Corporate Governance and Nominating Committee and the Reserves Committee* |

Mr. Edgar has not been a director and/or officer of any other public company for the last five years.

**Alexandre Schneiter**, *Member of the Board*

Mr. Schneiter is a graduate of the University of Geneva where he was awarded a degree in Geology and a Masters degree in Geophysics. Mr. Schneiter has been with the Lundin Group of Companies since 1993 and has been the Executive Vice President and Chief Operating Officer of Lundin Petroleum AB since 2001.

Mr. Schneiter is not currently a director and/or officer of any other public companies.

During the past five years, Mr. Schneiter has been, but is no longer a director and/or officer of the following public companies:

- Enquest plc.

**J. Cameron Bailey**, *Member of the Board*

Mr. Bailey is a Chartered Financial Analyst with 30 years' experience in the natural resource sector and was formerly a Managing Director of Peters and Co Limited (investment dealer) and Network Capital Inc. (energy investment manager) He is currently the President and CEO of Fortaleza Energy Inc. (formerly Alvopetro Inc.) and Canadian oil field service business.

Mr. Bailey is currently a director of the following public companies:

| Company | | Position |
|---|---|---|
| PHX Energy Services Corp. | - | *Director and member of the Audit Committee (Chair)and the Nomination and Corporate Governance Committee* |
| Africa Oil Corp. | - | *Director and member of the Audit Committee (Chair), the Remuneration Committee (Chair) and the Reserves Committee* |
| Fortaleza Energy Inc. | - | *Director and President and Chief Executive Officer* |

During the past five years, Mr. Bailey has been, but is no longer a director and/or officer of the following public companies:

- Crystal Lake Resources Inc.

The table below sets out information on each director's specific interests in the Corporation, including options, as at the date of this Prospectus:

| Name | Shares held | Options[1] | Expiry Date | Exercise Price CAD |
|---|---|---|---|---|
| Keith Hill | 1,343,000 | 500,000 | April 12, 2018 | 0.36 |
| Pradeep Kabra | 524,300 | 2,100,000<br>200,000<br>100,000 | April 12, 2018<br>Sept. 23, 2015<br>Jan. 4. 2015 | 0.36<br>0.53<br>0.46 |
| Gary S. Guidry | 100,000 | 250,000 | April 12, 2018 | 0.36 |
| Brian D. Edgar | 100,000 | 250,000 | April 12, 2018 | 0.36 |
| Alexandre Schneiter | 150,000 | 500,000 | April 12, 2018 | 0.36 |
| J. Cameron Bailey | Nil | 250,000 | April 12, 2018 | 0.36 |

(1) One-third of the options granted to directors vest on the date of grant, an additional one-third vest one year from the date of grant, and the remaining one-third vest two years from the date of grant.

**Executive Officers**

The management team of ShaMaran currently consists of two executives, whose biographies are set out below. The table below sets out information on the executive's name, date of appointment and position.

| Name | Date of Appointment | Position |
|---|---|---|
| Pradeep Kabra | 14 December 2009 | President and Chief Executive Officer |
| Brenden Johnstone | 14 December 2009 | Chief Financial Officer |

**Pradeep Kabra**, *President and Chief Executive Officer*

For the biography of Mr. Kabra, please see "Board of Directors, Executive Auditors and Auditor - Board of Directors" above.

**Brenden Johnstone**, *Chief Financial Officer*

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.

Mr. Johnstone is not currently, and has not been during the last five years, a director and/or officer of any other public companies.

**Other Information Regarding the Board of Directors and Executive Officers**

There are no family ties between any members of the Board or executive officers of ShaMaran. No member of the Board of Directors or any of the executive officers has an agreement with the Corporation providing for benefits upon termination of employment or end of assignment.

***Contact Information***

All members of the Board and executive officers have their business address at Suite 2000 - 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8, with the exception of:

Brian Edgar, who maintains a business address at Suite 1908, 925 West Georgia Street, Vancouver, BC, Canada, V6C 3L2

J. Cameron Bailey, who maintains a business address at Suite 802, 322 11th Ave SW, Calgary, Alberta Canada, T2R 0C5

**Holdings By Directors and Executive Officers**

As at the date of this Prospectus, the directors and executive officers of the Corporation, beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 2,542,800 Shares of the Corporation, representing approximately 0.31% of the issued and outstanding Shares of the Corporation (excluding securities issuable on exercise of stock options).

As at the date of this Prospectus, the following Insiders held Shares and options in ShaMaran:

| Insider | Common Shares | Options |
|---|---|---|
| Keith Hill | 1,343,000 | 500,000 |
| Pradeep Kabra | 524,800 | 2,400,000 |
| Gary S. Guidry | 100,000 | 250,000 |
| Brian D. Edgar | 100,000 | 250,000 |
| Alexandre Schneiter | 150,000 | 500,000 |
| J. Cameron Bailey | Nil | 250,000 |
| Brenden Johnstone | 325,000 | 1,200,000 |
| Total | 2,542,800 | 5,350,000 |

**Cease Trade Orders, Bankruptcies**

Other than as disclosed below, no director or executive officer of the Corporation, is, or has been during the ten years preceding the date of this Prospectus, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "**order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. J. Cameron Bailey is a director of Fortaleza Energy Inc. (formerly Alvopetro Inc. and formerly Fortress Energy Inc., "**Fortress**"). On March 2, 2011, the Court of Queen's Bench of Alberta granted an order (the "**Order**") under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") staying all claims and actions against Fortress and its assets and allowing Fortress to prepare a plan of arrangement for its creditors if necessary. Fortress took such steps in order to enable Fortress to challenge a reassessment issued by the Canada Revenue Agency ("**CRA**"). As a result of the reassessment, if Fortress had not taken any action, it would have been compelled to immediately remit one half of the reassessment to the CRA and Fortress did not have the necessary liquid funds to remit, although Fortress had assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables. Fortress believed that the CRA's position was not sustainable and vigorously disputed the CRA's claim. Fortress filed a Notice of Objection to the reassessment and on October 20, 2011 announced that its Notice of Objection was successful, CRA having confirmed there were no taxes payable. As the CRA claim had been vacated and no taxes or penalties were owing Fortress no longer required the protection of the Order under the CCAA and on October 28, 2011 the Order was removed. On March 3, 2011 the TSX-V suspended trading in the securities of Fortress due to Fortress having been granted a stay under the CCAA. In addition the securities regulatory authorities in Alberta, Ontario and Quebec issued a cease trade order with respect to Fortress for failure to file its annual financial statements for the year ended December 31, 2010 by March 31, 2011. The delay in filing was due to Fortress being granted the CCAA order on March 2, 2011 and the resulting additional time required by its auditors to deliver their audit opinion. The required financial statements and other continuous disclosure documents were filed on

April 29, 2011 and the cease trade order was subsequently removed. On September 1, 2010 Fortress closed the sale of substantially all of its oil and gas assets. As a result of the sale Fortress was delisted from the TSX-V on March 30, 2011 as it no longer met minimum listing requirements.

Mr. Edgar was a director of New West Energy Services Inc. (NEW-TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was revoked on November 9, 2006.

**Individual Bankruptcies**

No current director or executive officer of the Corporation named in the sections entitled "Board of Directors" or "Executive Officers" has, with the ten years prior to the date of this Prospectus, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointment to hold the assets of that individual.

**Penalties of Sanctions**

No director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

(a) 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

(b) any other penalties or sanctions, relating to fraud or other offenses, imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

**Conflicts of Interest**

To the best of the Corporation's knowledge, and other than as disclosed in this Prospectus, there are no known existing or potential conflicts of interest between the Corporation and any director or officer of the Corporation. The Corporation'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 Corporation may participate, the directors of the Corporation 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 Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or the terms of such participation. From time to time, several companies 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 Corporation are required to act honestly, in good faith and in the best interests of the Corporation. In determining whether or not the Corporation 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 Corporation may be exposed and the financial position at that time.

The directors and officers of the Corporation 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 Corporation 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 CBCA 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 Corporation are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Corporation.

**Auditors**

PricewaterhouseCoopers LLP, Chartered Accountants in accordance with the Institute of Chartered Accountants of British Columbia, ("**PwC LLP**") have prepared the Independent Auditors' Report in respect of the Corporation's consolidated audited financial statements for the years ended 31 December 2013, 2012 and 2011. PwC LLP has advised the Corporation that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

With effect from October 1, 2014, the Corporation changed its auditor from PwC LLP (London, UK) to PricewaterhouseCoopers AG (Basel, Switzerland).

PricewaterhouseCoopers have served as auditor of the Corporation for four years. The responsible partner of PwC with respect to the audit of the consolidated financial statements of ShaMaran is Steve Johnson. Mr. Johnson has been responsible for the audit of the financial statements of the Corporation since 2010.

For information regarding the Corporation's Audit Committee, please see "Corporate Governance" below.

**Summary Compensation Table**

The following table sets forth a summary of the total compensation paid to, or earned by the Corporation's Board of Directors during the financial year 2013.

| Name | Fees[1] USD | Option Based Awards[2] USD | Salaries, Bonus Incentives and Other Compensation [3] USD | Total USD |
|---|---|---|---|---|
| Pradeep Kabra | Nil | 480,322 | 780,765 | 1,261,087 |
| Keith C. Hill | 24,274 | 114,362 | Nil | 138,637 |
| Gary S. Guidry | 24,274 | 57,181 | Nil | 81,455 |
| Brian D. Edgar | 24,274 | 57,181 | Nil | 81,455 |
| Alexandre Schneiter | 24,274 | 114,362 | Nil | 138,637 |
| J. Cameron Bailey | 29,129 | 57,181 | Nil | 86,310 |

(1) Fees earned have been paid in Canadian dollars and are translated into United States dollars using an average exchange rate for the reporting year of 0.9710 per Canadian dollar.

(2) The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the

2013 consolidated financial statements. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted for the period. For accounting purposes, the fair value is amortized over the applicable vesting periods. Options fair values were calculated in Canadian dollars and translated into United States dollars using an exchange rate of 0.9876 for the April 12, 2013 option grants awarded to these individuals. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized.

(3) Mr Kabra's "Salary, Bonuses and Other Compensation" includes salary of USD 509,036, annual incentive plan compensation of USD 252,044 and medical insurance reimbursements of CHF 18,299. All of Mr Kabra's "Salary, Bonuses and Other Compensation earned have been paid in Swiss francs and are translated into United States dollars using an average exchange rate for the reporting year of 1.0757 per Swiss franc.

The following table sets forth a summary of the total compensation paid to, or earned by the Corporation's Named Executive Officers ("**NEO's**") during the three most recently completed financial years. Unless otherwise indicated, all dollar amounts in this section are enumerated in United States dollars, being the Corporation's reporting currency

| Name and Principal Position | Year(1) | Salary(2) ($) | Share-based Awards ($) | Option-based Awards(3) ($) | Non-equity Incentive Plan Compensation | | Pension Value ($) | All Other Compensation (2)(5) ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Annual Incentive Plans(2) ($) | Long term Incentive Plans(4) ($) | | | |
| **Pradeep Kabra** President and Chief Executive Officer | 2013<br>2012<br>2011 | 509,036<br>499,659<br>498,947 | Nil<br>Nil<br>Nil | 480,322<br>Nil<br>Nil | 252,044<br>249,893<br>83,158 | Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil | 19,685<br>19,147<br>63,741 | 1,261,087<br>768,699<br>645,846 |
| **Brenden Johnstone** Chief Financial Officer | 2013<br>2012<br>2011 | 279,367<br>274,211<br>287,828 | Nil<br>Nil<br>Nil | 194,416<br>Nil<br>Nil | 115,318<br>114,334<br>47,994 | Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil | 14,590<br>13,533<br>8,157 | 603,691<br>402,078<br>343,979 |

Notes:

(1) Financial years ended December 31.

(2) Salaries, annual incentive plan compensation and all other compensation earned have been paid in Swiss francs and are translated into United States dollars using an average exchange rate for the reporting year of 1.0757 per Swiss franc.

(3) The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the accounting value determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the 2013 consolidated financial statements. The amount presented in the table represents the value of the vested and unvested portion of the options granted for the period. For accounting purposes, the fair value is amortized over the applicable vesting periods. Option fair values were calculated in Canadian dollars and translated into United States dollars using an exchange rate of 0.9876 for the April 12, 2013 option grants awarded to these individuals. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model as reported in the table above does not necessarily correspond to the actual future value that will be realized.

(4) The Corporation does not currently have a formal annual incentive plan or long term incentive plan for any of its NEOs.

(5) During the year 2013 Mr Kabra received other compensation comprised of medical insurance reimbursements of CHF 18,299. During the year 2013 Mr. Johnstone received other compensation comprised of medical insurance reimbursements of CHF 13,563.

## Incentive Programs

As of the date of this Prospectus, the Corporation had 6,755,000 stock options outstanding under its stock-based incentive plan. For specification of the holders of the stock options, please see "Board of Directors, Executive Officers and Auditor - Holdings by Directors and Executive Officers".

The Corporation has an established share purchase option plan whereby a committee of the Corporation's Board of Directors may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. The number of shares under option at any specific time to

any one option holder shall not exceed 5% of the issued and outstanding common shares of the Corporation. The term of any options granted under the plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. A four month hold period may be imposed by the stock exchange from the date of grant. Vesting terms are at the discretion of the Board of Directors. All issued share options have terms of three to five years and vest over periods of up to three years. The exercise prices reflect trading values of the Corporation's shares at grant date.

**Pensions and Benefits**

The Corporation does not have any defined pension plan benefits or deferred compensation plans, including defined contribution plans, nor are there any agreements in force relating to benefits which are granted to any executive officer upon termination of his or her employment with the Corporation.

## CORPORATE GOVERNANCE

**Canadian corporate governance code**

The Corporation discloses its corporate governance practices pursuant to the disclosure requirements in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the "**Governance Disclosure Rule**") that apply to issuers listed on the TSX-V. The Corporation's governance practices are made with reference to National Policy 58-201 - *Corporate Governance Guidelines* (the "**Governance Guidelines**"). The Governance Disclosure Rule and the Governance Guidelines are initiatives of the Canadian Securities Administrators ("**CSA**").

The Governance Guidelines are not intended to be prescriptive, but are to be used as guidelines in developing corporate governance practices. The Governance Guidelines deal with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance practices. The Governance Disclosure Rule requires that, if management of an issuer solicits proxies from its Shareholders for the purpose of electing directors, specified disclosure of its corporate governance practices must be included in its management information circular.

The Board recognizes the importance of corporate governance to the effective management of the Corporation and to the protection of its employees and shareholders. The Corporation's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Corporation are effectively managed so as to enhance shareholder value. The Board fulfills its mandate directly and through its committees at regularly scheduled meetings or as required. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Corporation's affairs and in light of opportunities or risks which may arise.

The Corporation believes that its corporate governance practices have been, and continue to be, in compliance with applicable Canadian requirements. The Corporation continues to monitor developments in Canada with a view to further revising its governance policies and practices, as appropriate.

**Committees**

The Corporation has four committees of the Board, Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Reserves Committee. For information concerning the members of each of the Corporation's Committees, including the Chair of each of the Committees, see the section entitled "Board of Directors, Executive Officers and Auditor - Board of Directors".

***Audit Committee***

The Audit Committee oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation on behalf of the Board of Directors, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Corporation and its subsidiaries. All auditing services and non-audit services to be provided to the Corporation by the Corporation's auditors are pre-approved by the Audit Committee.

The Audit Committee is responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The Audit Committee also oversees the annual audit process, quarterly review engagements, the Corporation's internal accounting controls, the Code of Business Conduct and Ethics, any complaints and concerns regarding accounting, internal controls or auditing matters and the resolution of issues identified by the Corporation's external auditors. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders and the compensation of the auditors. The Audit Committee meets a minimum of four times per year.

***Compensation Committee***

The Compensation Committee evaluates the performance of the Corporation's Chief Executive Officer and establishes executive and senior officer compensation, determines the general compensation structure, policies and programs of the Corporation, including the extent and level of participation in incentive programs in conjunction with the Board, and delivers an annual report to shareholders on executive compensation. The Compensation Committee has also been mandated to review the adequacy and form of the compensation of directors and to ensure that such compensation realistically reflects the responsibilities and risk involved in being an effective director. The Compensation Committee meets at least annually.

***Corporate Governance and Nominating Committee***

The Corporate Governance and Nominating Committee is responsible for developing and monitoring the Corporation's approach to corporate governance issues. The Committee oversees the effective functioning of the Board, oversees the relationship between the Board and management, ensures that the Board can function independently of management at such times as is desirable or necessary, identifies individuals qualified to become new Board members and recommends to the Board the director nominees at each annual meeting of shareholders and, with the assistance of the Board and where necessary, develops an orientation and education program for new recruits to the Board. In identifying possible nominees to the Board, the Corporate Governance and Nominating Committee considers the competencies and skills necessary for the Board as a whole, the skills of existing directors and the competencies and skills each new nominee will bring to the Board, as well as whether or not each nominee will devote sufficient time and resources to the Board. The Corporate Governance and Nominating Committee also annually reviews and makes recommendations to the Board with respect to: (i) the size and composition of the Board; (ii) the appropriateness of the committees of the Board; and (iii) the effectiveness and contribution of the Board, its committees and individual directors, having reference to their respective mandates, charters and position descriptions. The Corporate Governance and Nominating Committee meets at least once annually.

***Reserves Committee***

The Reserves Committee has the responsibility in general for developing the Corporation's approach to the reporting of oil and gas reserves and other oil and gas information required to be publicly disclosed.

The Reserves Committee's mandate prescribes the methodology that the Corporation and the independent evaluator selected by management and approved by the Reserves Committee will adhere to in the calculation of oil and gas reserves and the valuation of those reserves. The Reserves Committee must meet at least annually.

## DESCRIPTION OF SHARE CAPITAL

### Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares without par value of which, as of the date hereof, 810,983,860 Common Shares are issued and outstanding as fully paid and non-assessable Common Shares. As of the date hereof, 6,755,000 Stock Options are outstanding under the Corporation's Stock Option Plan. The Common Shares are issued in accordance the BCBCA. Assuming that the Offering is fully subscribed, the number of Common Shares in the Corporation will increase to 1,565,198,850 Common Shares, corresponding to an increase of approximately 48.19%. The dilution effect for shareholders who do not subscribe for new Shares in the Offering will amount to 754,214,990 new Shares, equivalent to a dilution effect of around 48.19% after the Offering. These shareholders will have to opportunity to sell their Rights as financial compensation for this dilution effect.

The Common Shares are listed on the TSX-V and Nasdaq First North, the depository agent in Canada is Computershare and in Sweden, Euroclear Sweden. The Corporation's Common Share's ISIN is CA8193201024. The Rights' ISIN on the TSX-V will be CA8193201107, subject to the TSX-V's approval to list the Rights. The new Common Shares are intended to be listed on the TSX-V and Nasdaq First North with the same ISIN as the Common Shares.

The holders of the Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, to receive notice of meetings of shareholders of the Corporation, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the votes eligible to vote at a meeting of shareholders may elect all the directors of the Corporation standing for election. Dividends, if any, will be paid on a *pro rata* basis only from funds legally available therefore. The rights set out herein are subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of the Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

The Common Shares are not subject to any offer made due to a mandatory bid obligation, redemption right or redemption obligation, nor have the Common Shares been subject to a public takeover offer during the current or the past financial year. The Common Shares are not subject to any restrictions on their transferability.

### Prior Sales

The Corporation has not issued or sold any Common Shares or security convertible into Common Shares during the 12 months prior to the date hereof.

**Significant Share Ownership**

To the knowledge of the directors and officers of the Corporation, shareholders carrying 10% or more of the voting rights attached to all outstanding Common Shares as of the date of this Prospectus are:

i. Lorito [(1)], 49,141,300 Common Shares and 6.06% of the votes; and

ii. Zebra [(1)], 111,300,000 Common Shares and 13.72% of the votes.

(1) Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor is the Estate of the late Adolf H. Lundin. Together, Lorito and Zebra hold a total of 160,441,300 Common Shares, which represents 19.78% of the current outstanding Common Shares.

To the extent known to the Corporation, the Corporation is not directly or indirectly controlled by any person.

**Historic Share Capital**

Please see below the changes in the Corporation's share capital and number of Common Shares from September 28, 2009.

| Date of Issue | Use of Proceeds | Price per Common Shares | Number of Common Shares Issued | Total number of Common Shares outstanding |
|---|---|---|---|---|
| September 28, 2009 | Funding petroleum exploration and development in the Kurdistan Region of Iraq | 0.75 | 140,000,000 | 448,756,088 |
| October 22, 2009 | Funding petroleum exploration and development in the Kurdistan Region of Iraq | 0.67 | 50,000,000 | 498,756,088 |
| August 27, 2010 | Funding petroleum exploration and development in the Kurdistan Region of Iraq | 0.43 | 12,500,000 | 511,256,088 |
| September 17, 2010 | Funding petroleum exploration and development in the Kurdistan Region of Iraq | 0.45 | 111,111,106 | 622,367,194 |
| May 5, 2011 | Funding petroleum exploration and development in the Kurdistan Region of Iraq | 0.90 | 56,000,000 | 678,367,194 |
| November 15, 2011 | Funding petroleum exploration and development in the Kurdistan Region of Iraq | 0.40 | 127,500,000 | 805,867,194 |
| April 2, 2012 | Equity based financing fee | 0.24 | 3,000,000 | 808,867,194 |
| January 1, 2009 - December 31, 2011 | Working Capital derived from exercise of stock options | - | 2,116,666 | 810,983,860 |
| At the date hereof | | | | 810,983,860 |

**Trading Price and Volume**

As of the date hereof, the Common Shares of the Corporation are listed for trading on the TSX-V under the stock symbol "SNM". The following are the price ranges (which are not necessarily closing prices) as well as the total monthly volume trades for the Common Shares, during the twelve month period immediately preceding the date of this Prospectus:

| Month | High | Low | Volume |
|---|---|---|---|
| November 2014 | $0.28 | $0.16 | 5,800,088 |
| October 2014 | $0.33 | $0.14 | 8,722,712 |
| September 2014 | $0.39 | $0.29 | 4,624,386 |
| August 2014 | $0.39 | $0.31 | 2,526,765 |
| July 2014 | $0.42 | $0.35 | 2,034,575 |
| June 2014 | $0.42 | $0.33 | 3,566,706 |
| May 2014 | $0.42 | $0.33 | 3,954,238 |
| April 2014 | $0.46 | $0.40 | 1,482,135 |
| March 2014 | $0.48 | $0.42 | 5,036,325 |
| February 2014 | $0.48 | $0.41 | 9,037,822 |
| January 2014 | $0.48 | $0.44 | 3,291,481 |
| December 2013 | $0.47 | $0.41 | 4,605,521 |
| November 2013 | $0.47 | $0.41 | 5,086,724 |
| October 2013 | $0.48 | $0.38 | 8,081,137 |

**Dividends**

The Corporation has not declared or paid any dividends on its securities since its incorporation. Any decision to pay dividends on the Common Shares or any other outstanding class of shares, from time to time, will be made by the Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time. At present, the Corporation does not anticipate declaring and paying any dividends in the foreseeable future.

## LEGAL AND SUPPLMENTARY INFORMATION

**Incorporation and Legal Form of Business**

The Corporation was incorporated under the laws of the Province of British Columbia, Canada 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 and on August 29, 1997 the name of the Corporation was changed from Arauco to Kit Resources Ltd. ("**Kit**").

Effective March 6, 2000, in order to facilitate the business combination of Kit and Wheaton River Minerals Ltd. ("**Wheaton River**"), Kit was continued from the federal jurisdiction to Ontario under the Ontario Business Corporations Act. Pursuant to the terms of a statutory plan of arrangement approved by the Ontario Superior Court of Justice on March 3, 2000, Kit and 1395896 Ontario Inc., a wholly-owned subsidiary of Wheaton River, were amalgamated under the name Kit (the "**Arrangement**"). As a result of the Arrangement, Kit became a wholly-owned subsidiary of Wheaton River. In January 2001 Wheaton River sold its majority interest in the Corporation. 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., its current legal and commercial name. The Corporation number of ShaMaran is C0778647. The Corporation is a public company.

ShaMaran is the Canadian parent of a group of companies comprised of seven wholly owned companies incorporated in Canada, Netherlands, Switzerland, Cayman Islands and the United States of America.

Please see below for an overview over ShaMaran's material subsidiaries:

| *Subsidiary* | *Principal activities* | *Country of incorporation* | *% equity and voting interest as at December 31, 2013* | *2012* |
|---|---|---|---|---|
| ShaMaran Petroleum Holdings Coöperatief U.A. | Oil exploration and production | The Netherlands | 100 | 100 |
| ShaMaran Ventures B.V. | Oil exploration and production | The Netherlands | 100 | 100 |
| General Exploration Partners, Inc. | Oil exploration and production | Cayman Islands | 100 | 100 |
| ShaMaran Petroleum B.V. | Oil exploration and production | The Netherlands | 100 | 100 |
| ShaMaran Services S.A. | Technical and admin. services | Switzerland | 100 | 100 |
| Bayou Bend Petroleum U.S.A. Ltd | Discontinued operations | United States of America | 100 | 100 |
| Summit Energy Corporation LLC. | Discontinued operations | United States of America | 100 | 100 |

## Legal History of the Corporation and its Shares - Advance Notice Provisions

Effective June 18, 2013, the articles of the Corporation were amended to provide for advance notice provisions related to the election of directors at shareholders' meetings. Among other things, the advance notice provisions fix a deadline by which holders of record of common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation for the nomination notice to be in proper written form. In the case of an annual meeting of shareholders, notice to the Corporation must be provided not less than 40 days no more than 65 days prior to the date of the annual meeting. In the case of a special meeting of shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), notice to the Corporation must be provided not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

## Related Party Transactions

*In USD 000*

| | **Purchases of services for periods ended September 30,** | | | | **Amounts owing at the reporting dates** | |
|---|---|---|---|---|---|---|
| | **Three months** | | **Nine months** | | | |
| | **2014** | **2013** | **2014** | **2013** | **30 Sep 14** | **31 Dec 13** |
| Lundin Petroleum AB | 120 | 250 | 344 | 457 | 100 | 89 |
| Namdo Management Services Ltd. | 48 | 56 | 148 | 187 | 12 | 15 |
| McCullough O'Connor Irwin LLP | 1 | 1 | 12 | 8 | 2 | 14 |
| Mile High Holdings Ltd. | - | - | - | - | - | 113 |
| Vostok Nafta Investment Ltd. | - | - | - | 13 | - | - |
| **Total** | **169** | **307** | **335** | **665** | **114** | **231** |

The Corporation receives services from various subsidiary companies of Lundin Petroleum AB ("**Lundin**"), a shareholder of the Corporation. Lundin charges during the three and nine months ended September 30, 2014 of USD 120,000 (2013: USD 250,000) and USD 344,000 (2013: USD 457,000) were comprised of G&G and other technical service costs of USD 22,000 (2013: USD 157,000) and USD 28,000 (2013: USD 178,000), investor relations services of USD 7,000 (2013: USD nil) and USD 28,000 (2013: USD nil), reimbursement for Corporation travel and related expenses of USD nil (2013: USD nil) and USD 1,000 (2013: USD nil), office rental, administrative and building services of USD 91,000 (2013: USD 93,000) and USD 287,000 (2013: USD 279,000).

Namdo Management Services Ltd. is a private corporation owned by a shareholder of the Corporation which has provided corporate administrative support and investor relation services to the Corporation.

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

Mile High Holdings Ltd. is a private corporation associated with a shareholder of the Corporation which has provided transportation services to the Corporation in relation to its investor relation activities.

Vostok Nafta Investment Ltd. is a corporation traded on the Nasdaq Stockholm (trading symbol VNIL SDB) which was associated with a shareholder of the Corporation and which provided investor relations services to the Corporation in Sweden.

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

Other than as set out below, to the best of the Corporation's knowledge, no director, executive officer or person or company that beneficially owns or controls or directs, directly or indirectly, more than 10 per cent of any class or series of the Corporation's outstanding voting securities, or any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the most recently completed financial year, that has materially affected or is reasonably expected to materially affect the Corporation.

Together, Lorito and Zebra, each a company owned by a trust whose settlor was the late Adolf H. Lundin, and are joint actors, currently hold more than 10 per cent of the Shares of the Corporation. Each of Lorito and Zebra are also Standby Purchasers under the Standby Purchase Agreement.

**Material Project Related Agreements and Financial Agreements**

Please refer to "The Corporation - 2013 Bond Issue" for information regarding the Corporation's outstanding bonds.

Please refer to "The Corporation - General PSC Terms" and "The Corporation - Operational History and Plans - Declaration of Commerciality and Field Development Plan" for information regarding the Corporation's licenses.

**Other Material Agreements or Applications**

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

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

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

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

**Bankruptcy, Reorganizations and Similar Procedures**

There are no bankruptcy, receivership or similar proceedings against the Corporation, nor is the Corporation aware of any such pending or threatened proceedings. There have not been any voluntary bankruptcy, receivership or similar proceedings by the Corporation within the three most recently completed financial years or completed or currently proposed for the current financial year.

There have been no reorganizations of or involving the Corporation within the three most recently completed financial years or completed or currently proposed for the current financial year.

**Legal Proceedings and Regulatory Actions**

***Legal Proceedings***

ShaMaran has not in the past 12 months been involved in any governmental, legal or arbitrational proceedings which have had, or may have, significant effect on ShaMaran's financial position or profitability, nor is ShaMaran aware of any such pending or threatened proceeding.

***Regulatory Actions***

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Corporation's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Corporation's recently completed financial year.

The Corporation is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Corporation cannot reasonably predict the likelihood or outcome of these actions. The Corporation does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason therein, will have a material effect on the financial condition or future results of operations of the Corporation.

**Environmental Protection**

All phases of the Corporation's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

Future changes in environmental regulation, if any, could adversely affect the Corporation's operations. Regulatory and environmental approvals may not be obtained on a timely basis, or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Corporation at present which have been caused by previous or existing owners or operators of the properties. The Corporation is currently engaged in exploration with limited environmental impact. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations.

**Environmental Issues**

There are currently no outstanding proceedings relating to environmental issues to which the Corporation is a part.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Thorsteinssons LLP, special tax counsel to the Corporation, provided the Rights and Common Shares are listed on a designated stock exchange under the Tax Act (which includes the TSX-V), the Rights and the Common Shares issuable on the exercise of Rights, if issued on the date hereof would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSP**"), registered retirement income funds ("**RRIF**"), deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax free savings accounts ("**TFSA**") (collectively, the "**Plans**"). Notwithstanding that the Common Shares and Rights may be a qualified investment for a RRSP, RRIF or TFSA, a holder of a TFSA or the annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of the Rights and Common Shares, if such Rights and Common Shares are a "prohibited investment", as defined under the Tax Act, for the TFSA, RRSP or RRIF. Common Shares and Rights will not be a "prohibited investment" for a TFSA, RRSP or RRIF, as applicable, provided the holder or annuitant of such account:(a) deals at arm's length with the Corporation for the purposes of the Tax Act; and (b) does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation. In addition, the Rights and Common Shares will not be a prohibited investment if the Rights and Common Shares are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RRSP or RRIF. Holders are advised to consult their own tax advisors in this regard.

## INTERESTS OF EXPERTS

The matters referred to under "Federal Income Tax Considerations" and "Eligibility for Investment" will be passed upon by Thorsteinssons LLP, on behalf of the Corporation. Certain other legal matters relating to the securities offered hereby will also be passed upon by McCullough O'Connor Irwin LLP, Vancouver, British Columbia, Canada, on behalf of the Corporation. Kevin Hisko, a partner with McCullough O'Connor Irwin LLP also serves as the Corporate Secretary of the Corporation. PwC LLP, Chartered Accountants in accordance with the Institute of Chartered Accountants of British Columbia have prepared the Independent Auditors' Report in respect of the Corporation's consolidated audited financial statements for the years ended 31 December 2013, 2012 and 2011. With effect from October 1, 2014, the Corporation changed its auditor from PwC LLP (London, UK) to PricewaterhouseCoopers AG (Basel, Switzerland) ("**PwC AG**").

As of the date hereof, the partners and associates of Thorsteinssons LLP, McCullough O'Connor Irwin LLP, PwC LLP and PricewaterhouseCoopers AG own, in aggregate, Common Shares representing less than 1% of all of the issued and outstanding Common Shares.

Pareto provides financial advice and other services to the Corporation in connection with the Offering, for which it will receive customary remuneration. The total compensation will be dependent on the success of the Offering. From time to time, Pareto may provide services in the ordinary course of business to the Corporation in connection with other transactions.

## OTHER MATERIAL FACTS

There are no material facts relating to the Corporation's business which are not disclosed in the Corporation's AIF or this Prospectus.

## REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc., Suite 200, 510 Burrard Street, Vancouver, BC, V6C 3B9 is the registrar and transfer agent for the Corporation.

## PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two (2) business days after receipt or deemed receipt of a Prospectus and any amendment. In several of the provinces and territories the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the Prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Thorsteinssons LLP, special tax counsel to the Corporation, the following is, at the date hereof, a summary of the principal Canadian federal income tax considerations concerning the receipt of Rights under the Offering and the Common Shares issuable on the exercise of Rights. This summary is only applicable to a Holder who, for the purposes of the Tax Act and at all relevant times: (i) is a resident of Canada or is deemed to be a resident of Canada; (ii) deals at arm's length with and is not affiliated with the Corporation; and (iii) will acquire and hold the Rights and Common Shares issued on the exercise of Rights (the "**Securities**") as capital property (a "**Rights Holder**"). Generally, the Securities will be considered to be capital property to a Rights Holder unless such Securities are held in the course of carrying on a business or were acquired in a transaction considered to be an adventure in the nature of trade.

This summary is not applicable to a Rights Holder who: (i) is a "financial institution" for the purposes of the mark-to-market rules contained in the Tax Act; (ii) is a "specified financial institution" as defined in the Tax Act; (iii) has made a functional currency reporting election under the Tax Act; (iv) that has entered into, or will enter into, a "derivative forward agreement" or a "synthetic disposition arrangement" as defined in the Tax Act with respect to the Securities; or (v) is a Rights Holder an interest in which would be a "tax shelter investment" as defined in the Tax Act.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**") and counsels' understanding of the current published administrative practices and policies of the Canada Revenue Agency ("**CRA**"). This summary also takes into account all specific proposals to

amend the Tax Act and the Regulations (the "**Proposed Amendments**") announced by the Minister of Finance (Canada) prior to the date hereof, and assumes that all Proposed Amendments will be enacted in the form proposed. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all. This summary does not take into account or anticipate any other changes in law or administrative or assessing practice, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from the Canadian federal income tax considerations discussed below.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any Rights Holder. Consequently, Holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding or disposing of Rights or Common Shares, having regard to their particular circumstances.

**Receipt of Rights**

No amount will be required to be included in computing the income of a Rights Holder as a consequence of acquiring Rights under the Offering. The cost to a Rights Holder of Rights received under the Offering will be nil. Where a Rights Holder acquires Rights otherwise than pursuant to the Offering, for the purpose of determining the adjusted cost base of each Right held by the Rights Holder, the cost of Rights so acquired must be averaged with the adjusted cost base to the Rights Holder of all other identical Rights held by the Rights Holder as capital property immediately prior to the acquisition.

**Exercise of Rights**

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a Rights Holder upon the exercise of Rights. Common Shares acquired by a Rights Holder upon exercise of Rights will have an aggregate cost to the Rights Holder equal to the aggregate of the Subscription Price paid for such Common Shares and the adjusted cost base (if any) to the Rights Holder of the Rights so exercised. The cost of each Common Share acquired by a Rights Holder upon exercise of the Rights will be averaged with the adjusted cost base to the Rights Holder of all other Common Shares held at that time as capital property to determine the adjusted cost base of each such Common Share to the Rights Holder.

**Expiry of Rights**

The expiry or termination of an unexercised Right will result in a capital loss to a Rights Holder equal to the Rights Holder's adjusted cost base, if any, of the Right immediately before its expiry or termination. See "**Taxation of Capital Gains and Losses**" below for a general description of the tax treatment of capital losses under the Tax Act.

**Disposition of Rights**

A Rights Holder that disposes or is deemed to dispose of Rights (otherwise than by the expiry or exercise thereof) will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Rights are greater than (or less than) the aggregate of the Rights Holder's adjusted cost base of such Rights immediately before disposition and any reasonable costs of disposition. See "**Taxation of Capital Gains and Losses**" below for a general description of the tax treatment of capital gains and losses under the Tax Act.

**Disposition of Common Shares**

Generally, a Rights Holder that disposes or is deemed to dispose of a Common Share will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the Rights Holder's adjusted cost base of the Common Share immediately before the disposition and any reasonable costs of the disposition. See "**Taxation of Capital Gains and Losses**" below for a general description of the tax treatment of capital gains and losses under the Tax Act.

**Taxation of Capital Gains and Losses**

One-half of any capital gain (a "**taxable capital gain**") realized by a Rights Holder in a taxation year will be included in the Rights Holder's income for the year. One-half of any capital loss (an "**allowable capital loss**") realized by the Rights Holder in a year may be deducted against taxable capital gains realized in the year. Any excess of allowable capital losses over taxable capital gains in a taxation year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, to the extent and in the circumstances specified in the Tax Act.

A Rights Holder that is throughout the relevant taxation year a "Canadian controlled private corporation", as defined in the Tax Act may be liable to pay an additional refundable tax of 6 ⅔% on its "aggregate investment income" for the year, which will include taxable capital gains.

The amount of any capital loss arising on the disposition or deemed disposition of any Common Shares by a Rights Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares to the extent and under circumstances prescribed by the Tax Act. Similar rules may apply where the corporation is a member of a partnership or a beneficiary of a trust that owns such shares or where a trust or partnership of which the corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares.

**Alternative Minimum Tax on Individuals**

The Tax Act provides for an alternative minimum tax that is applicable to Rights Holders who are individuals (including certain trusts and estates). This tax is computed by reference to an adjusted taxable income amount. Eighty percent of capital gains (net of capital losses) and the actual amount of taxable dividends (not including any gross-up) are included in adjusted taxable income. Any additional tax payable by a Rights Holder under the minimum tax provisions may be carried forward and applied against certain tax otherwise payable in any of the seven immediately following taxation years to the extent specified by the Tax Act.

**Taxation of Dividends**

In the case of a Rights Holder who is an individual, dividends received or deemed to be received on Common Shares be included in computing the individual's income and will be subject to gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by the Corporation as an "eligible dividend" in accordance with the Tax Act.

In the case of a Rights Holder that is a corporation, dividends received or deemed to be received on Common Shares will be included in computing the corporation's income and will generally be deductible in computing its taxable income. A "private corporation" or a "subject corporation", as defined in the Tax Act, may be liable under Part IV of the Tax Act to pay a refundable tax of 33⅓% on dividends

received or deemed to be received on Common Shares to the extent that such dividends are deductible in computing the corporation's taxable income.

## SWEDISH INCOME TAX CONSIDERATIONS

The following is a summary of certain tax issues that may arise as a result of the Offering to the Holders to subscribe for new Common Shares.

The summary is based on Swedish tax legislation currently in force and is intended only as general information for shareholders, who are resident or domiciled in Sweden for tax purposes, if not otherwise stated. The summary does not cover situations where shares are held as current assets in business operations or by a partnership. Furthermore, the summary does not cover special regulations governing tax exempt capital gains, shareholding in companies that are, or have previously been, closely held companies or on shares acquired on the basis of such holdings, or other specific situations and rules. The summary also does not cover tax issues related to holdings in unlisted shares. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including, for example, investment companies, mutual funds, pension funds and insurance companies. Further, the summary does not cover shares held through a capital insurance or investment savings accounts (Sw: *investerings-sparkonto*). This summary is not applicable to Holders that have ever been resident in Canada for Canadian tax purposes, carried on business or maintained a permanent establishment in Canada or performed independent personal services in Canada from a fixed base situated in Canada, each as defined in the Sweden-Canada Income Tax Convention (Sw. *Lag (1996:1511) om dubbelbeskattningsavtal mellan Sverige och Kanada*). Each Holder is recommended to consult a tax adviser for information on the specific tax consequences that may arise as a result of holding shares in the Corporation, including the applicability and effect of foreign or other rules, tax treaties or from foreign exchange rate fluctuations between currencies which may be applicable.

### Individuals

#### *Capital Gains Taxation*

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 (*for specific information on the capital gains taxation of Rights, see Receipt, Exercise and Disposal of Rights below*). The acquisition cost is determined according to the "average cost 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 standard rule" according to which the acquisition cost is deemed to be equal to 20% of the net sales price may be applied on the disposal of listed shares. Capital losses on listed shares are fully deductible against taxable capital gains on shares during the same fiscal year. The loss is also deductible against gains on other listed securities that are taxed in the same manner as shares (except for shares in mutual funds containing only Swedish receivables (Sw. *räntefonder*)). A loss in excess of the above mentioned gains is deductible with 70% against any other taxable income derived from capital.

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.

An individual tax resident in Sweden for the purposes of the tax treaty between Sweden and Canada is not subject to any Canadian capital gains taxation from the sale of shares listed on Nasdaq First North.

***Dividend Taxation***

In general, dividends, if any, on shares are taxed in Sweden at a rate of 30% as income from capital for individuals. A preliminary tax of 30% is generally withheld on dividends paid to individuals resident in Sweden. The preliminary tax is withheld by Euroclear Sweden or, regarding nominee-registered shares, by the nominee.

Additionally, dividends from a corporation resident in Canada, such as the Corporation, 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 Corporation assumes responsibility where required for deducting tax in relation to dividends it may issue. The Corporation is required to withhold the tax on the dividends when paid or credited, or when deemed to have been paid or credited, and to remit this tax to the CRA on behalf of the non-resident.

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.

***Receipt, Exercise and Disposal of Rights***

The receipt and exercise of Rights does not give rise to any taxation. Individuals who sell their Rights are subject to capital gains tax. The current tax rate is 30% of the gain. Rights based on a shareholding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction sales costs, are thus taxable. The standard method is not applicable in this case. The tax basis for the original shares is not affected. For Rights purchased or otherwise acquired (*i.e.* that are not received based on a holding of existing shares), the price paid for the rights constitutes the acquisition cost. The acquisition cost of such subscription rights shall be taken into account when calculation the tax basis for the subscribed new shares. In this case, the standard method may be applied when subscription right are disposed of. A Right that is not exercised or sold, and thus expires, is deemed disposed of at SEK 0.

**Limited Liability Companies**

***Capital Gains***

Swedish limited liability companies (Sw: *aktiebolag*) are taxed on all income as income from business activities at a flat rate of 22%. Regarding the calculation of a capital gain or loss and the acquisition cost, see “Swedish Income Tax Considerations - 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 (Sw: *koncernbidrag*) 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.

Capital gains on listed shares in limited liability companies, including foreign equivalents, are tax-exempt (and capital losses on such shares are non-deductible) provided that the holding represents at least 10% of the voting rights of all shares. Exemption may also be available provided the holding is conditioned by the shareholder's (or affiliated company's) business. Capital gains on listed shares are only tax-exempt if they are held not less than one year from the day any of the above holding requirements were met.

***Dividend Taxation***

In general, dividends, if any, on shares to limited liability companies are taxed in Sweden at a rate of 22% as ordinary income from business activities.

Dividends on listed shares, if any, in limited liability companies, including foreign equivalents, are tax exempt provided that the holding represents at least ten per cent of the voting rights of all shares (or the holding is conditioned by the shareholders', or affiliated company's business). The dividend tax exemption only applies if the listed shares are not disposed of within one year from the day any of the above holding requirements were met. The shares must, however, not have been held continuously for one year at the date of distribution. Taxation will, however, be triggered if the shares are sold (or otherwise ceases to be entitled to the tax exemption) before the one year holding period requirement is met. A dividend on shares that ceases to be covered by the tax exemption may therefore be subject to tax in a different fiscal year than the dividend was received.

Dividends from a limited company resident in Canada, such as the Corporation, 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 the beneficial owner is a company resident in Sweden for the purposes of the tax treaty that controls directly at least ten per cent of the voting power, or that holds directly at least 25% of the capital, in the Corporation, the withholding tax rate is reduced to 5%.

The treaty rate is only applied if sufficient information regarding the tax residency of the shareholder is available. The Corporation assumes responsibility for deducting tax in relation to the dividends where required. The Corporation is required to withhold the tax on the dividends when repatriated and to pay this over to the CRA on behalf of the non-resident.

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.

***Receipt, Exercise and Disposal of Rights***

The receipt and exercise of Rights does not give rise to any taxation.

Individuals who sell their Rights are subject to capital gains tax. The current tax rate is 30% of the gain. Rights based on a shareholding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction sales costs, are thus taxable. The standard method is not applicable in this case. The tax basis for the original shares is not affected.

For Rights purchased or otherwise acquired (*i.e.* that are not received based on a holding of existing shares), the price paid for the rights constitutes the acquisition cost. The acquisition cost of such subscription rights shall be taken into account when calculation the tax basis for the subscribed new shares. In this case, the standard method may be applied when subscription right are disposed of. A Right that is not exercised or sold, and thus expires, is deemed disposed of at SEK 0.

**Certain Tax Issues for Holders of Common Shares and Rights that are not Tax Resident in Sweden**

Holders of Common Shares and Rights who are not resident or domiciled in Sweden for Swedish tax purposes are generally not subject to tax in Sweden for capital gains realized upon the sale or other disposal of shares. Such Holders may, however, be subject to taxation in their country of domicile and elsewhere. If shares are attributable to a permanent establishment in Sweden, the rules concerning tax-exempt dividends and capital gains described above are applicable with certain limitations.

Under a domestic Swedish tax provision, non-Swedish tax resident individuals may be subject to Swedish capital gains taxation upon a sale or other disposal of shares in non-Swedish corporate entities if the shares were acquired during their tax residency in Sweden if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during the previous ten calendar years preceding the year of disposal. The applicability of this provision may however be limited by an applicable tax treaty between Sweden and other countries.

Foreign legal entities are not liable to Swedish tax on dividends or capital gains upon a sale or other disposal of Common Shares, provided that the Common Shares are not pertaining to a permanent establishment in Sweden.

**Canadian Withholding Tax**

As the Corporation is a Canadian company, dividends, if any, paid or credited (or which are deemed to be paid or credited) to a Holder that is not resident in Canada will be subject to a Canadian withholding tax at a rate of 25%. This rate may be reduced in the case of such a Holder that is entitled to the protection of an applicable income tax convention. When the beneficial owner of such dividends is a resident of Sweden, according to the Canada – Sweden Tax Treaty, the withholding tax rate will generally be reduced to 15%. Where the beneficial owner is a corporation that directly controls at least 10% of the votes or holds directly at least 25% of the capital in the Corporation, the withholding tax rate will be reduced to 5%. Unless the dividend is tax-free for the Swedish holder, the Canadian tax withheld can generally be credited against Swedish income tax and real estate tax. In order to benefit from the tax credit, legal entities must apply for a tax credit from the Swedish Tax Agency. The 30% preliminary tax withheld by Euroclear on dividends to individuals is normally reduced with the withholding tax levied and individuals will automatically benefit from the tax credit if the withholding tax is reported to the Tax Agency and included in the annual income statement.

## KEY DATES AND TIMES OF THE RIGHTS OFFERING

| | **Date** |
|---|---|
| Record Date for participation in the Offering…… | January 12, 2015 (at 5:00 p.m. Toronto time) |
| Mailing date of final short form prospectus and Rights Certificates……. | January 15, 2015 |
| Commencement Time of Offering……. | January 15, 2015 |
| Date that Rights will be listed for trading on the TSX-V…… | January 8, 2015 |
| Date that Rights will be listed for trading on Nasdaq First North | January 19, 2015 |
| Date on which sale of Rights of Ineligible Holders in Euroclear Sweden by Pareto begins | January 29, 2015 |
| Date on which sale of Rights of Ineligible Holders in CDS (Canada) by Subscription Agent begins | February 2, 2015 |
| End of trading of Rights on Nasdaq First North | February 2, 2015 |
| End of trading of Rights on the TSX-V……... | 12:00 p.m. (Toronto time) on February 9, 2015 |
| End of subscription period for Rights in Euroclear Sweden | 3.00 p.m. (Stockholm time) on February 4, 2015 |
| Rights Expiry Time and Rights Expiry Date (Canada)……. | 5:00 p.m. (Toronto time) on February 9, 2015 |
| Expected Closing Date of the Offering…….. | February 11, 2015 |
| Announcement of the Results of the Offering | February 11, 2015 |

## QUESTIONS AND ANSWERS RELATING TO THE OFFERING

*The following are examples of what the Corporation anticipates will be common questions about the Offering. The following questions and answers do not contain all of the information that may be important to an investor. This Prospectus and the documents incorporated by reference herein contain more detailed descriptions of the terms and conditions of the Offering and provide additional information about the Corporation and its business. The questions and answers are qualified in their entirety by the more detailed information appearing elsewhere in this Prospectus which investors should read before making an investment decision. Capitalized terms used below are defined under "Definitions".*

### Q: What is the Offering?

A: The Corporation is issuing to its Shareholders of record as of 5:00 p.m. (Toronto time) on January 12, 2015, at no charge, one Right for each Common Share held by such Shareholder. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders", “A. Details of the Offering for Holders of Common Shares in Euroclear Sweden (Sweden)” and “C. Details of the Offering for Ineligible Holders”.

**Q: Why have I received this material?**

A: These materials are important and require your immediate attention. Shareholders are receiving Rights which give them the right to purchase Common Shares. Shareholders are required to make an important decision regarding whether to exercise their Rights to purchase Common Shares and whether to exercise the Additional Subscription Privilege to obtain Additional Common Shares.

**Q: What are the subscription terms?**

A: Every 100 Rights permit the holder thereof to subscribe for 93 Common Shares of the Corporation at a price of $9.30 (SEK 63.24), being the equivalent of $0.10 (SEK 0.68) per Common Share. This is the Basic Subscription Right.

**Q: When are the Commencement and Expiry Dates for the Rights?**

A: The Rights will be eligible for exercise commencing on January 15, 2015. Holders will need to exercise their Rights prior to 5:00 p.m. (Toronto time) on February 9, 2015 for Rights registered with CDS (Canada) and prior to 3:00 p.m. (CET) on February 4, 2015 for Rights in Euroclear Sweden (Sweden). Any subscription for Common Shares will be irrevocable once submitted and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted.

**Q: How much will the Offering raise?**

A: The Offering entitles Shareholders to subscribe for up to an aggregate of approximately 754,214,990 Common Shares (which represents 93.00% of the Corporation's current outstanding Common Shares) for gross proceeds to the Corporation of up to approximately $75,421,500. The proceeds raised by the Offering will be dependent upon the number of Rights exercised and the completion of the Standby Guarantee.

**Q: What will the funds raised from the Offering be used for?**

A: The Corporation intends to use the net proceeds of the Offering to fund: (i) the Corporation's costs (including the additional funding required to cover the Corporation's pro-rata share of the Government Interest) related to the financing, development and operation of the Atrush Block; and (ii) the Corporation's technical, management and administrative services expenses and other corporate purposes.

For further details, see "Use of Proceeds".

**Q: As a Beneficial Shareholder whose Common Shares are held, directly or indirectly, through CDS (Canada), what should I do if I want to participate in the Offering?**

A: If you hold your Common Shares through a CDS Participant, such as a securities broker or dealer, bank, trust company or other intermediary, then the CDS Participant must exercise the Basic Subscription Privilege on your behalf and Shareholders must arrange purchases or transfers of Rights through their own CDS Participant. If you wish to participate in the Offering, please contact the CDS Participant who holds your Common Shares as soon as possible. **The Additional Subscription Privilege may not be exercised through CDS**. Any person holding Rights through CDS will be required to withdraw such Rights from CDS prior to exercise of the Additional Subscription Privilege. Any such person should contact its applicable CDS Participant for instructions as to the manner in which it may withdraw its Rights from CDS. See "B. Details of the Offering for Registered Holders of Common Shares, Holders of

Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Rights Certificates - Common Shares Held Through CDS".

**Q: If my Common Shares are held by a nominee in Euroclear Sweden (Sweden), what should I do if I want to participate in the Offering?**

A: Holders of Common Shares, whose shareholding is registered with a nominee in Euroclear Sweden, will need to contact its nominee in order to instruct its nominee to participate in the Offering.

**Q: What if I reside in an Ineligible Jurisdiction?**

A: The Eligible Jurisdictions for the Offering are the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia as well as Sweden. Shareholders who do not reside in these Eligible Jurisdictions will generally not be permitted to exercise their Rights. Notwithstanding the foregoing, persons located in certain Ineligible Jurisdictions (other than the United States) may be able to exercise the Rights and purchase Common Shares provided that they furnish an investor letter satisfactory to the Corporation on or before February 2, 2015. The form of investor letter will be available from the Corporation or the Subscription Agent upon request. See "C. Details of the Offering for Ineligible Holders".

**Q: Can I buy Additional Common Shares beyond my Basic Subscription Privilege?**

A: Possibly. All Holders have an Additional Subscription Privilege that allows those Holders who exercise in full their Basic Subscription Privilege to subscribe pro rata for Additional Common Shares, if any, not otherwise purchased pursuant to the Basic Subscription Privilege by the Holders. See “B. Details of the Offering for Registered Holders of Common Shares, Holders of Common Shares Registered with CDS (Canada) and Approved Eligible Holders - Additional Subscription Privilege” and “A. Details of the Offering for Holders of Common Shares in Euroclear Sweden (Sweden) - B. Subscription of Additional Common Shares without Exercising Rights”.

**Q: Will the Rights trade on a stock exchange?**

A: The TSX-V has conditionally approved the listing of the Rights. The Corporation also intends to apply to Nasdaq First North to list the Rights on Nasdaq First North. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX-V and Nasdaq First North, as applicable. Although the Corporation expects that the Rights will be listed on the TSX-V and Nasdaq First North, the Corporation cannot provide any assurance that the Rights will be so listed, an active or any trading market in the Rights will develop or that the Rights can be sold on the TSX-V and/or Nasdaq First North at any time.

**Q: What is the Standby Purchase Agreement?**

A: Pursuant to the Standby Purchase Agreement, the Standby Purchasers have agreed, subject to certain terms and conditions, to: (i) exercise their Basic Subscription Right in full under the Offering; and (ii) to purchase all Common Shares not otherwise acquired under the Offering pursuant to the Standby Commitment. The Standby Purchasers will receive a fee for providing the Standby Commitment. See “Standby Commitment”.

**Q: When will I be issued my Common Shares if I exercise my Rights?**

A: Shareholders who exercise the Rights will be issued Common Shares on the closing of the Offering, which is expected to occur on or about February 11, 2015 on CDS (Canada) and on or about February 16, 2015 on Euroclear Sweden (Sweden) or such earlier or later date as the Corporation may determine.

**Q: What will happen to my Rights after the Expiry Date?**

A: Rights not exercised before the Expiry Time on the Expiry Date will be void and of no value.

**Q: What will happen to my current Common Shares if I do not participate in the Offering?**

A: If a Shareholder elects not to exercise the Rights issued to it, or elects to sell or transfer those Rights, then such Shareholder's current percentage ownership in the Corporation will be diluted as a result of the exercise of the Rights by others. See "Risk Factors".

**Q: Who should I contact if I have any further questions?**

A: If you have any questions relating to the Offering, you should contact the Information Agent if you are a Holder in Canada or the United States, or Pareto if you are a Holder of Common Shares in Euroclear Sweden.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Prospectus and the documents incorporated by reference herein contain forward-looking statements and forward-looking information that are prospective and reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. These forward-looking statements and forward-looking information are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may", "could", "should" and "will" or the negatives thereof, or similar variations suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included in these documents, including without limitation statements regarding the completion of the Offering; purchase by the Standby Purchasers of the Standby Shares; the anticipated funds to be raised by the Offering and the expected use thereof and benefits therefrom; the listing of the Rights and the Common Shares issuable upon exercise of the Rights on the TSX-V and Nasdaq First North and the timing thereof; the record date of the Offering; the projected timeline for completion of the Offering and the filing of certain documents in connection therewith; future appraisal and development plans for the Atrush petroleum property and the timing, funding and estimated costs associated therewith; management's belief as to phased development; the prospective potential of the Atrush block including the Triassic reservoir located therein; the interpretation of 3D seismic data; future production capability and capacity of wells and facilities; facility capacity for oil and gas processing including estimated capital costs on the Atrush Block; estimated commitments and operations under the Atrush Block PSC; future production, production rates, sales and export possibilities; the quantity and quality of resources and reserves; future pipeline development; plans for increasing or bringing on new production; expectations regarding the Iraqi political system and regulation of the oil and gas industry; expectations regarding the outcome and impact of disputes; and exploration results and future plans and objectives of ShaMaran are forward-looking statements that involve various risks and uncertainties. Various factors or assumptions

are typically applied by the Corporation in drawing conclusions or making the forecasts, projections, predictions or estimations set out in forward-looking information based on information currently available to the Corporation. These factors and assumptions include, but are not limited to:

- the success of the Corporation's operations and exploration and development activities;
- the ability of the Corporation to develop its properties;
- the prevailing commodity prices and exchange rates;
- the availability of capital to fund planned expenditures;
- the prevailing regulatory, royalty, tax and environmental laws and regulations; and
- the ability of the Corporation to secure necessary personnel, equipment and services.

With respect to forward-looking information contained in this Prospectus and documents incorporated by reference herein, the Corporation has made assumptions consistent with the views of management or of experts that it relies on. Many of these assumptions are subject to change and are beyond the Corporation's control, such as:

- the completion of the Offering;
- the outcome of future well operations, including production rates and production decline rates;
- future capital and other expenditures (including the amount, nature and sources of funding thereof);
- the Corporation's ability to recover reserves;
- future economic conditions;
- future currency and exchange rates;
- the future global supply and demand of natural gas and crude oil;
- the future natural gas and crude oil prices;
- the future royalty rates;
- the well abandonment costs and salvage values;
- the political and economic stability in Iraq;
- the security in the Kurdistan region;
- timely receipt of any necessary government or regulatory approvals;
- the successful resolution of disputes;
- the participation of the Corporation's co-venturers in joint activities;
- the ability to sell production and the prices to be received in connection therewith;
- the Corporation's ability to attract and retain qualified service companies and related personnel and to obtain equipment in a timely and cost-efficient manner to meet its demand;
- the impact of competition; and
- the Corporation's ability to obtain financing on acceptable terms or at all.

Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from ShaMaran's expectations include, but are not limited to, any of the conditions set forth in the Standby Purchase Agreement not being satisfied on a timely basis or other termination events under such agreement occurring, failure by the Standby Purchasers to purchase the Standby Shares where such conditions have been met, failure by the other shareholders of the Corporation to purchase all of the Rights in the event the Standby Purchasers do not acquire the Standby Shares, inability to obtain timely receipt of regulatory approvals required in respect of the Offering, operational risks associated with the oil and gas industry, failure to establish estimated resources and reserves, the quality and recovery of oil produced varying from estimates, capital and operating costs

varying significantly from estimates, delays in obtaining or the failure to obtain required governmental, environmental or other project approvals, title disputes or claims, unanticipated reclamation expenses, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, limitations on insurance coverage, general business and economic conditions, the uncertainty associated with negotiating with foreign governments, the risks of adverse determinations by governmental authorities and other risks associated with international activity and foreign government sovereignty over the areas in which the Corporation's activities are conducted, including the lack of federal petroleum legislation and ongoing political disputes in Iraq and recent terrorist activities in Iraq in particular, and other factors as well as the risks described under "Risk Factors" herein and in the Corporation's Annual Information Form dated March 13, 2014, which is incorporated by reference herein and which is available both on SEDAR at www.sedar.com and on the Corporation's web-site at http://www.shamaranpetroleum.com/s/AIF.asp.

Forward-looking statements and forward-looking information are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of ShaMaran to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including but not limited to risks related to: the ability of the Corporation to continue as a going concern, an increase in the size of the controlling shareholder if no other shareholders exercise their rights, that additional financing will be required, that current shareholders risk dilution if they do not exercise their Rights, the market price of the Common Shares may not be sustained after the Offering, that Holders of Rights accurately complete their subscriptions in time, that no active trading market for the Rights may develop, issues arising because the Offering is not underwritten, the risk that management does not use the proceeds as described in this Prospectus, the Subscription Price does not necessarily reflect the Corporation's value, the trading price of the Common Shares may decline below the Subscription Price, as well as the risks discussed under the heading "Risk Factors" in this Prospectus and in the AIF as hereinafter defined. Although management of ShaMaran has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. **Subscribers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and known and unknown risks, many of which are outside the control of the Corporation, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements.**

Forward-looking statements and information contained in this Prospectus or the documents incorporated by reference herein are made as of the date hereof and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, results or otherwise, except as required by applicable securities laws.

All subsequent written and oral forward looking statements attributable to the Corporation or persons acting on its behalf are expressly qualified in their entirety by this notice.

## GENERAL MATTERS

All references in this Prospectus to "dollars", "$" or C$ are to Canadian dollars unless otherwise noted. On December 22, 2014, the Bank of Canada noon rate of exchange for United States of America dollars was C$1.1643 for one U.S. dollar. On December 22, 2014 the Bank of Canada noon rate of exchange for Swedish krona was C$0.1496 for one Swedish krona.

The Corporation's consolidated financial statements incorporated herein by reference have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

A prospective subscriber should rely only on the information contained in this Prospectus or any document incorporated by reference herein. The Corporation has not authorized anyone to provide subscribers with information different from that contained in this Prospectus. The Corporation is distributing the Rights only in jurisdictions where, and to persons to whom, distributions are lawfully permitted. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or any sale of the Rights.

## PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all financial information included and incorporated by reference in this Prospectus is determined using International Financial Reporting Standards as issued by the International Accounting Standards Board, which is referred to as "IFRS".

Except as expressly stated herein, no financial information in this Prospectus has been audited or reviewed by the Corporation's auditor (the Corporation's auditor has consented to the incorporation by reference of its report on the 2013 and 2012 audited financial statements and has performed review procedures on the interim financial information for the nine months ended September 30, 2014 and 2013). Financial information relating to the Corporation in this Prospectus that is not part of the information audited or reviewed by the Corporation's auditor as outlined herein originates from the Corporation's internal accounting and reporting systems.

## PRESENTATION OF OIL AND GAS RESOURCES INFORMATION

All oil and gas information contained in this Prospectus has been prepared and presented in accordance with NI 51-101. Certain terms used herein are defined in the "*Glossary of Terms*". Certain other terms used herein but not defined herein are defined in the COGE Handbook, NI 51-101 and Canadian Securities Administrators Staff Notice 51-324 ("**CSA 51-324**") and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 and CSA 51-324. This Prospectus also contains certain supplemental operational, and property information with respect to the Corporation, not required to be disclosed under NI-51-101.

The actual oil and gas resources or reserves and future production may be greater or less than any estimates provided herein.

## RESERVES AND RESOURCES CLASSIFICATION

Note to Shareholders outside of Canada: Reserves & Resources are classified according to Canadian NI51 101 standards and therefore the classifications defined below may not be in line with other jurisdictions.

ShaMaran's crude oil reserves and the crude oil and natural gas contingent resources estimates presented are based on the Canadian reserves definitions and guidelines prepared by the Standing Committee on Reserves Definitions of the CIM (Petroleum Society) as presented in the COGE Handbook. A summary of those definitions and guidelines is presented below.

### Development and Production Status

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories:

- **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

- **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

- **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

- **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

**Reserves Categories**

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on

- analysis of drilling, geological, geophysical and engineering data;

- the use of established technology; and

- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates

- **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

- **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

- **Possible reserves** are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the classification of reserves are provided in the COGE Handbook.

**Levels of Certainty for Reported Reserves**

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

**Contingent Resources**

Contingent resources are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

**Resource Uncertainty Categories**

Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project. Consequently, estimates of resources should generally be quoted as a range according to the level of confidence associated with the estimates. An understanding of statistical concepts and terminology is essential to understanding the confidence associated with resources definitions and categories.

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or a probability distribution. Resources should be provided as low, best and high estimates, as follows:

- **Low Estimate –** This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

- **Best Estimate –** This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

- **High Estimate –** This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

**Contingent Resources Categories**

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively. No specific terms are defined for incremental quantities within Contingent Resources.

## ABBREVIATIONS AND CONVERSION FACTORS

**Conversion Table**

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

| To Convert From | To | Multiply By |
|---|---|---|
| Mcf | Cubic meters | 0.028174 |
| Cubic meters | Cubic feet | 35.315 |
| Bbls | Cubic meters | 0.159 |
| Cubic meters | Bbls | 6.289 |
| Feet | Meters | 0.305 |
| Meters | Feet | 3.281 |
| Miles | Kilometres | 1.609 |
| Kilometres | Miles | 0.621 |
| Acres | Hectares | 0.405 |
| Hectares | Acres | 2.471 |
| Gigajoules | MMbtu | 0.950 |
| MMbtu | Gigajoules | 1.0526 |

**Abbreviations**

| Oil and Natural Gas Liquids | | Natural Gas | |
|---|---|---|---|
| Bbls | Barrels of crude oil | Bcf | Billion cubic feet of natural gas |
| Bbls/d | Barrels of crude oil per day | Mcf | Thousand cubic feet of natural gas |
| bopd | Barrels of oil per day | MMcf | Million cubic feet of natural gas |
| BOEs | Barrels of oil equivalent | Mcfd | Thousand cubic feet of natural gas per day |
| BOEs/d | Barrels of oil equivalent per day | McfGe | Thousand cubic feet of gas equivalent |
| Mboe | Thousands of barrels of oil equivalent | MMbtu | Million British Thermal Units |
| MMboe | Millions of barrels of oil equivalent | | |
| Mbbl | Thousands of barrels of crude oil | | |
| MMbbl | Millions of barrels of crude oil | | |
| NGLs | Natural gas liquids | | |

The calculations of barrels of oil equivalent (BOEs) and thousand cubic feet of gas equivalent (McfGe) are based on the standard of 6Mcf: 1 bbl when converting natural gas to oil and 1 bbl: 6 Mcf when

converting oil to natural gas. BOEs and McfGe may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl or a McfGe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## DEFINITIONS

"**1C**" means P90 Contingent Resources;

"**1P**" means Proved Reserves;

"**2D**" means two dimensional;

"**2C**" means P50 Contingent Resources;

"**2P**" means Proved and Probable Reserves;

"**3D**" means three dimensional;

"**3C**" means P10 Contingent Resources;

"**3P**" means Proved, Probable and Possible Reserves;

"**1933 Act**" means the United States Securities Act of 1933, as amended;

"**AIF**" means the Corporation's annual information form dated March 13, 2014 for the year ended December 31, 2013;

"**Additional Common Shares**" means the additional Common Shares for which Holders who exercise their rights in full under the Basic Subscription Rights, are entitled to subscribe;

"**Additional Subscription Privilege**" means the additional subscription privilege pursuant to which Holders who exercise their Rights in full under the Basic Subscription Privilege are entitled to subscribe for Additional Common Shares on a pro rata basis, if available, at the Subscription Price;

"**Approved Eligible Holder**" means an Ineligible Holder to whom the Corporation determines that an offering to and subscription of Rights would be lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person or agent is resident;

"**Atrush Block PSC**" means the PSC granted in respect of the Atrush Block;

"**Basic Subscription**" means the exercise, by a Holder, of all of its Basic Subscription Rights;

"**Basic Subscription Privilege**" means the entitlement to subscribe for 93 Common Shares for every 100 Rights held at a price of $9.30 (SEK 63.24), being the equivalent of $0.10 (SEK 0.68) per Common Share;

"**BTA**" means Paid Subscribed Shares (Sw. *Betald Tecknad Aktie*);

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CDS Participant**" means a securities broker or dealer, bank or trust company or other CDS Participant in the book-based system administered by CDS;

"**CRA**" means Canada Revenue Agency;

"**CSA 51-324**" means CSA Staff Notice 51-324 *Glossary to NI51-101 Standards of Disclosure for Oil and Gas Activities;*

"**Common Shares**" means the outstanding common shares in the capital of the Corporation;

"**Commencement Date**" means January 8, 2015;

"**Commercial Discovery**" has the meaning assigned to it in the Atrush Block PSC, generally a discovery that is potentially commercial when taking into account all technical, operational, commercial and financial factors, all in accordance with prudent international petroleum industry practices;

"**DTC**" means The Depository Trust & Clearing Corporation;

"**DTC Participant**" means a securities broker or dealer, bank or trust company or other participant in the book entry services of DTC;

"**E&E**" means exploration and evaluation;

"**Eligible Jurisdictions**" means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia as well as Sweden;

**"Euroclear Sweden"** means Euroclear Sweden AB, company org. no. 556112-8074;

"**Expiry Date**" means February 9, 2015 for Rights on CDS (Canada) and February 4, 2015 for Rights in Euroclear Sweden (Sweden);

"**Expiry Time**" means 5:00 p.m. (Toronto time) for Rights in CDS (Canada) and 3:00 p.m. (Stockholm time) for Rights in Euroclear Sweden (Sweden) on the Expiry Date;

"**FEED**" means Front-End Engineering and Design;

"**Georgeson**" means Georgeson Shareholder Communications Canada, Inc.;

"**Government Interest**" means, under the terms of the Atrush Block PSC, the option held by the Kurdistan Regional Government to acquire up to a 25% undivided interest in the petroleum operations and all the other rights, duties, obligations and liabilities of the contracting parties to the PSC, which may be exercised up to 180 days from the date the block has first been declared commercially viable, and which becomes effective from that date;

"**Guarantee Fee**" means the fee paid to the Standby Purchasers in an amount equal to 3**%** of the gross proceeds received by the Corporation as a result of the Offering, other than proceeds received by the Corporation through the exercise by the Standby Purchasers of their respective Basic Subscription Privilege and which will be paid by the issuance of Common Shares at the closing quoted market price per Common Share on the TSX-V on the day following the closing of the Offering.

"**Holders**" means a holder of a Right;

"**IFRS**" means International Financial Reporting Standards;

"**Ineligible Holder**" means a Holder resident in an Ineligible Jurisdiction;

"**Ineligible Jurisdictions**" means those jurisdictions where the exercise of Rights would not be in compliance with applicable securities laws;

"**Information Agent**" means Georgeson Shareholder Communications Canada, Inc.;

"**ISIS**" means Islamic State of Iraq and Syria;

"**KRG**" means the Kurdistan Regional Government of Iraq;

"**Lorito**" means Lorito Holdings S.a.r.l., of 38 C rue JF Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg;

"**Lundin Petroleum**" means Lundin Petroleum B.V. of Amaliastraat 3 – 5, 2514 JC, The Hague, The Netherlands;

"**Manager**" means Pareto Securities AB;

**"Nasdaq First North"** means the alternative marketplace operated by NASDAQ OMX Stockholm AB;

"**Offering**" means the distribution of Rights to the holders of Common Shares of record at 5:00 p.m. (Toronto time) on the Record Date;

"**Operator**" means TAQA Atrush B.V., the operator of the Atrush Block;

"**P10**" or "**High Estimate**" means the optimistic estimate of resources that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

"**P50**" or "**Best Estimate**" means the best estimate of the quantity of resources that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

"**P90**" or "**Low Estimate**" means the conservative estimate of the quantity of resources that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

"**PP&E**" means property, plant and equipment;

"**Pareto**" means Pareto Securities AB;

"**Prospectus**" means this prospectus dated December 23, 2014;

"**Prospective Resources**" means, as approved by the COGE Handbook, those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations;

"**PSC**" means production sharing contract;

**"SEK"** means the lawful currency in Sweden;

"**Record Date**" means January 12, 2015;

"**Right**" means a transferable right that permits the holder thereof to subscribe for Common Shares of the Corporation on the terms set forth herein;

"**Rights Certificate**" means a fully transferable certificate, issued in registered form to each Rights Holder who holds Common Shares as of the Record Date;

"**Rights Holder**" means a holder of Rights;

"**Securities**" means the Rights and the Common Shares issuable on the exercise of the Rights (including the Standby Shares);

"**ShaMaran**" means ShaMaran Petroleum Corp.;

"**Standby Commitment**" means the commitment of the Standby Purchasers to purchase Standby Shares in accordance with the terms and conditions of the Standby Purchase Agreement;

"**Standby Purchase Agreement**" means the standby purchase agreement between the Corporation and the Standby Purchasers dated as of October 14, 2014;

"**Standby Purchasers**" means Lorito, Zebra and Lundin Petroleum;

"**Standby Shares**" means the Common Shares purchased by the Standby Purchasers pursuant to the Standby Purchase Agreement;

"**Subscription Agent**" means Computershare Investor Services Inc.;

"**Subscription Office**" means the office of the Subscription Agent in the City of Vancouver;

"**Subscription Price**" means a subscription price of $0.10 (SEK 0.68) per Common Share;

"**Tax Act**" means the *Income Tax Act* (Canada), together with any and all of the regulations promulgated thereunder, as amended from time to time;

"**TSX-V**" means the TSX Venture Exchange; and

"**Zebra**" means Zebra Holdings and Investments S.a.r.l., of 38 C rue JF Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg.

## DOCUMENTS INCORPORATED HEREIN BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia. Copies of the documents incorporated herein by reference may be obtained on request without charge from the corporate secretary of the Corporation at 2600 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, and are also available electronically at www.sedar.com.

The following documents of the Corporation, filed with the securities commissions in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia, are specifically incorporated by reference into, and form an integral part of this Prospectus:

(a) the audited consolidated financial statements for the Corporation for the year ended December 31, 2012 together with the notes thereto and the auditors' report thereon;

(b) the annual information form of the Corporation dated March 13, 2014 for the year ended December 31, 2013 (the "**AIF**");

(c) the audited consolidated financial statements for the Corporation for the year ended December 31, 2013 together with the notes thereto and the auditors' report thereon;

(d) the management's discussion and analysis of financial conditions and results of operations of the Corporation for the year ended December 31, 2013;

(e) the unaudited condensed interim consolidated financial statements of the Corporation for the three and nine months ended September 30, 2014;

(f) the management's discussion and analysis of financial conditions and results of operations of the Corporation for the three and nine months ended September 30, 2014;

(g) the management information circular of the Corporation as at May 13, 2014, prepared in connection with the annual meeting of shareholders of the Corporation held on June 18, 2014;

(h) the material change report of the Corporation dated and filed March 13, 2014 in connection with the Corporation reporting an initial recognition of reserves for the Atrush Block;

(i) the material change report of the Corporation dated and filed August 18, 2014 in connection with the suspension of operations at the Atrush Block;

(j) the material change report of the Corporation dated and filed September 4, 2014 in connection with the resumption of operations at the Atrush Block;

(k) the material change report of the Corporation dated and filed October 22, 2014 in connection with the announcement of a CAD 75 million equity rights offering; and

(l) the material change report of the Corporation dated and filed December 17, 2014 in connection with the Corporation reporting updated reserves and resources as at November 30, 2014.

Any documents of the type required by National Instrument 44-101 - *Short Form Prospectus Distributions* of the Canadian Securities Administrators to be incorporated by reference in a short form prospectus, including any annual information form, comparative annual consolidated financial statements and the auditors' report thereon, comparative condensed interim consolidated financial statements, management's discussion and analysis of financial condition and results of operations, material change reports (except confidential material change reports), business acquisition reports and information circulars, if filed by the Corporation with the securities commissions or similar authorities in the

provinces of Canada after the date of this Prospectus and before the termination of the Offering, shall be deemed to be incorporated by reference in this Prospectus.

**Any statements contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference into this Prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.**

## ADDRESSES

| | |
|---|---|
| **The Corporation** | ShaMaran Petroleum Corp.<br>Suite 2000 - 885 West Georgia St.<br>Vancouver, British Columbia<br>V6C 3E8<br>Tel: +1 604-689-7842 |
| **Information Agent** | Georgeson Shareholder Communications Canada, Inc.<br>100 University Avenue<br>11th Floor<br>Toronto, Ontario<br>M5J 2Y1 |
| **Manager for the Offering** | Pareto Securities AB<br>P.O. Box 7415<br>Berzelii Park 9<br>Stockholm 103 91<br>Sweden |
| **External auditor** | PricewaterhouseCoopers AG, Chartered Accountants<br>St. Jakobs-Strasse 25,<br>Postfach, CH-4002 Basel,<br>Switzerland |
| **Swedish legal counsel** | Gernandt & Danielsson Advokatbyrå KB<br>Hamngatan 2<br>P.O. Box 5747<br>114 87 Stockholm<br>Sweden |
| **Canadian legal counsel** | McCullough O'Connor Irwin LLP<br>Suite 2600 Oceanic Plaza<br>1066 West Hasting Street<br>Vancouver, British Columbia<br>Canada V6E 3X1 |
| **Central securities depositories** | Euroclear Sweden AB<br>P.O. Box 191<br>Klarabergsviadukten 63<br>Stockholm 101 23<br>Sweden |
| **Transfer agent** | Computershare Investor Services Inc.<br>3rd Floor, 510 Burrard Street, Vancouver,<br>British Columbia, Canada<br>V6C 3B9 |
| **ShaMaran's independent qualified reserves and resource evaluator** | McDaniel & Associates Consultants Ltd<br>2200, Bow Valley Square 3,<br>255 - 5 Avenue SW,<br>Calgary AB T2P 3G6 |

## CONSTATING DOCUMENTS

The Corporation's Certificate of Continuation, Notice of Articles and Articles are attached as Schedule "A" to this Prospectus.

## CONFIRMATION OF BOARD OF DIRECTORS

*The Board of Directors of ShaMaran is responsible for the contents of this Prospectus. It is hereby assured that all reasonable precautionary measures have been taken to ensure that the information contained in this Prospectus, as far as the Board of Directors is aware, corresponds to the facts and that nothing has been omitted that would affect its import. In the event that information comes from a third party, the information has been correctly reflected and no information has been omitted in a way that the reflected information would be false or misleading.*

*Vancouver, British Columbia, Canada*

*December 23, 2014*

*ShaMaran Petroleum Corp.*

*The Board of Directors*

## CERTIFICATE OF THE CORPORATION

Dated: December 23, 2014

This short form prospectus, together with the documents incorporated herein by reference constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia.

**SHAMARAN PETROLEUM CORP.**

**(Signed)** *"Pradeep Kabra"*
Pradeep Kabra
President and Chief Executive Officer

**(Signed)** *"Brenden Johnstone"*
Brenden Johnstone
Chief Financial Officer

**On behalf of the Board of Directors**

**(Signed)** *"Keith Hill"*
Keith Hill

**(Signed)** *"J. Cameron Bailey"*
J. Cameron Bailey

**Directly registered Holders of Common Shares in Euroclear Sweden may direct their questions and requests for assistance to:**

**Pareto Securities AB**
**Issuer service/ShaMaran**
**P.O. Box 7415**
**103 91 Stockholm, Sweden**
**Visiting address: Berzelii Park 9, Stockholm, Sweden**

**Telephone number:**

**+46 8 402 51 32**

**Email: issueservice.se@paretosec**

**Fax: +46 8 402 50 30**

***Nominee registered shareholders in Euroclear Sweden should direct their questions and requests for assistance to their respective nominees.***

**ANY QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO OUR INFORMATION AGENT:**

**North American Toll Free Number: 1-888-605-8414**
**Email: askus@georgeson.com**

**SCHEDULE "A"**

Certificate of Continuation, Certificates (2) of Change of Name, Notice of Articles and Articles

BRITISH COLUMBIA

Number: C0778647

# CERTIFICATE OF CONTINUATION

*BUSINESS CORPORATIONS ACT*

I Hereby Certify that KIT RESOURCES LTD., which was duly registered as an extraprovincial company under the laws of British Columbia with certificate number A0055735, has continued into British Columbia from the Jurisdiction of ONTARIO, under the Business Corporations Act, with the name KIT RESOURCES LTD. on December 29, 2006 at 11:53 AM Pacific Time.

*Issued under my hand at Victoria, British Columbia*
*On December 29, 2006*

**RON TOWNSHEND**
*Registrar of Companies*
Province of British Columbia
Canada

BRITISH COLUMBIA
The Best Place on Earth

Number: C0778647

# CERTIFICATE
# OF
# CHANGE OF NAME

*BUSINESS CORPORATIONS ACT*

I Hereby Certify that BAYOU BEND PETROLEUM LTD. changed its name to SHAMARAN PETROLEUM CORP. on October 21, 2009 at 12:01 AM Pacific Time.

*Issued under my hand at Victoria, British Columbia*
*On October 21, 2009*

**RON TOWNSHEND**
*Registrar of Companies*
Province of British Columbia
Canada

BRITISH COLUMBIA

Number: C0778647

# CERTIFICATE
# OF
# CHANGE OF NAME

*BUSINESS CORPORATIONS ACT*

I Hereby Certify that KIT RESOURCES LTD. changed its name to BAYOU BEND PETROLEUM LTD. on February 9, 2007 at 06:00 AM Pacific Time.

*Issued under my hand at Victoria, British Columbia*
*On February 9, 2007*

**RON TOWNSHEND**
*Registrar of Companies*
Province of British Columbia
Canada

BRITISH COLUMBIA
The Best Place on Earth

BC Registry Services

Mailing Address:
PO BOX 9431 Stn Prov Govt.
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard St.
Victoria BC
250 356-8626

**CERTIFIED COPY**
Of a Document filed with the Province of British Columbia Registrar of Companies

RON TOWNSHEND
April 17, 2012

# Notice of Articles

*BUSINESS CORPORATIONS ACT*

*This Notice of Articles was issued by the Registrar on: April 18, 2012 12:01 AM Pacific Time*

*Incorporation Number:* **C0778647**

*Recognition Date and Time:* *Continued into British Columbia on December 29, 2006 11:53 AM Pacific Time*

## NOTICE OF ARTICLES

**Name of Company:**

SHAMARAN PETROLEUM CORP.

## REGISTERED OFFICE INFORMATION

**Mailing Address:**
SUITE 2600 OCEANIC PLAZA
1066 WEST HASTINGS STREET
VANCOUVER BC V6E 3X1
CANADA

**Delivery Address:**
SUITE 2600 OCEANIC PLAZA
1066 WEST HASTINGS STREET
VANCOUVER BC V6E 3X1
CANADA

## RECORDS OFFICE INFORMATION

**Mailing Address:**
SUITE 2600 OCEANIC PLAZA
1066 WEST HASTINGS STREET
VANCOUVER BC V6E 3X1
CANADA

**Delivery Address:**
SUITE 2600 OCEANIC PLAZA
1066 WEST HASTINGS STREET
VANCOUVER BC V6E 3X1
CANADA

## DIRECTOR INFORMATION

**Last Name, First Name, Middle Name:**
Guidry, Gary S.

**Mailing Address:**
1400 - 700 4TH AVENUE, S.W.
CALGARY AB T2P 3J4
CANADA

**Delivery Address:**
1400 - 700 4TH AVENUE, S.W.
CALGARY AB T2P 3J4
CANADA

**Last Name, First Name, Middle Name:**
Hill, Keith C

**Mailing Address:**
#2101 - 885 WEST GEORGIA STREET
VANCOUVER BC V6C 3E8
CANADA

**Delivery Address:**
#2101 - 885 WEST GEORGIA STREET
VANCOUVER BC V6C 3E8
CANADA

**Last Name, First Name, Middle Name:**
Edgar, Brian D

**Mailing Address:**
2200 - 885 WEST GEORGIA STREET
VANCOUVER BC V6C 3E8
CANADA

**Delivery Address:**
2200 - 885 WEST GEORGIA STREET
VANCOUVER BC V6C 3E8
CANADA

**Last Name, First Name, Middle Name:**
Schneiter, Alexandre

**Mailing Address:**
5, CHEMIN DE LA PALLANTERIE
1222 VESNEZ
SWITZERLAND

**Delivery Address:**
5, CHEMIN DE LA PALLANTERIE
1222 VESNEZ
SWITZERLAND

**Last Name, First Name, Middle Name:**
Bailey, J. Cameron

**Mailing Address:**
300, 505 3RD STREET, S.W.
CALGARY AB T2P 3E6
CANADA

**Delivery Address:**
300, 505 3RD STREET, S.W.
CALGARY AB T2P 3E6
CANADA

**Last Name, First Name, Middle Name:**
Kabra, Pradeep

**Mailing Address:**
22 CHEMIN HENRI WISSNER
1212 GRAND LANCY
GENEVA
SWITZERLAND

**Delivery Address:**
22 CHEMIN HENRI WISSNER
1212 GRAND LANCY
GENEVA
SWITZERLAND

## AUTHORIZED SHARE STRUCTURE

| | | | |
|---|---|---|---|
| 1. | No Maximum | Common Shares | Without Par Value<br><br>Without Special Rights or Restrictions attached |

# BC BUSINESS CORPORATIONS ACT

~~BAYOU BEND PETROLEUM LTD.~~

~~KIT RESOURCES LTD.~~

(the "Company")

SHAMARAN PETROLEUM CORP.

| Incorporation Number: |
| --- |
| C0778647 |

The Company has as its articles the following articles.

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## PART 1, INTERPRETATION

### 1.1 Definitions

In these Articles, unless the context otherwise requires:

(1) "board of directors", "directors" and "board" mean the directors or sole director of the Company for the time being;

(2) "*Business Corporations Act*" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(3) "legal personal representative" means the personal or other legal representative of the shareholder;

(4) "registered address" of a shareholder means the shareholder's address as recorded in the central securities register;

(5) "seal" means the seal of the Company, if any;

(6) "solicitor for the Company", in connection with any matter, means any partner or associate of the law firm retained by the Company with respect to such matter.

### 1.2 *Business Corporations Act* and *Interpretation Act* Definitions Applicable

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

## PART 2, SHARES AND SHARE CERTIFICATES

### 2.1 Authorized Share Structure

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

### 2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

### 2.3 Shareholder Entitled to Certificate or Acknowledgment

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

### 2.4 Delivery by Mail

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and

neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

### 2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

(1) order the share certificate or acknowledgment, as the case may be, to be cancelled; and

(2) issue a replacement share certificate or acknowledgment, as the case may be.

### 2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

(1) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and

(2) any indemnity the directors consider adequate.

### 2.7 Splitting Share Certificates

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

### 2.8 Certificate Fee

There must be paid to the Company, in relation to the issue of any share certificate under Parts 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

### 2.9 Recognition of Trusts

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

## PART 3, ISSUE OF SHARES

### 3.1 Directors Authorized

Subject to the rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

### 3.2 Commissions and Discounts

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

### 3.3 Brokerage

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

### 3.4 Conditions of Issue

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

(1) consideration is provided to the Company for the issue of the share by one or more of the following:

   (a) past services performed for the Company;

   (b) property;

   (c) money; and

(2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Part 3.1.

### 3.5 Share Purchase Warrants and Rights

The Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

## PART 4, SHARE REGISTERS

### 4.1 Central Securities Register

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more

agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

### 4.2 Closing Register

The Company must not at any time close its central securities register.

## PART 5, SHARE TRANSFERS

### 5.1 Registering Transfers

A transfer of a share of the Company must not be registered unless:

(1) such transfer has been conducted in accordance with Part 27;

(2) an instrument of transfer, duly executed by the transferor or a duly authorized attorney of the transferor, in respect of the share has been received by the Company or its transfer agent;

(3) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company or its transfer agent; and

(4) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment has been surrendered to the Company or its transfer agent; and

(5) there has been delivered to the Company or its transfer agent such other evidence, if any, as the Company or the transfer agent may require to prove the title of the transferor to transfer his shares and the right of the transferee to have the transfer registered.

### 5.2 Form of Instrument of Transfer

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

### 5.3 Transferor Remains Shareholder

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

### 5.4 Signing of Instrument of Transfer

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

(1) in the name of the person named as transferee in that instrument of transfer; or

(2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

### 5.5 Enquiry as to Title Not Required

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

### 5.6 Transfer Fee

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

### 5.7 Branch Securities Register

Subject to the provisions of the *Business Corporations Act*, the Company may keep or cause to be kept within or outside British Columbia by a trust company registered under the *Financial Institutions Act* (British Columbia) one or more branch securities registers, and such trust company may be appointed as the transfer agent of the Company for the purpose of issuing, countersigning, registering, transferring and certifying the securities of the Company.

## PART 6, TRANSMISSION OF SHARES

### 6.1 Legal Personal Representative Recognized on Death

In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

### 6.2 Rights of Legal Personal Representative

The legal personal representative has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

## PART 7, PURCHASE OF SHARES

### 7.1 Company Authorized to Purchase Shares

Subject to Part 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

### 7.2 Purchase When Insolvent

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

(1) the Company is insolvent; or

(2) making the payment or providing the consideration would render the Company insolvent.

### 7.3 Sale and Voting of Purchased Shares

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

(1) is not entitled to vote the share at a meeting of its shareholders;

(2) must not pay a dividend in respect of the share; and

(3) must not make any other distribution in respect of the share.

## PART 8, BORROWING POWERS

### 8.1 Borrowing Powers

The Company, if authorized by the directors, may:

(1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

(2) 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;

(3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(4) 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.

## PART 9, ALTERATIONS

### 9.1 Alteration of Authorized Share Structure

Subject to Part 9.2 and the *Business Corporations Act*, the Company may by special resolution:

(1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(3) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;

(4) if the Company is authorized to issue shares of a class of shares with par value:

(a) decrease the par value of those shares; or

(b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;

(6) alter the identifying name of any of its shares; or

(7) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

### 9.2 Special Rights and Restrictions

Subject to the *Business Corporations Act*, the Company may by special resolution:

(1) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.

### 9.3 Change of Name

The Company may by resolution of the board of directors authorize an alteration of its Notice of Articles in order to change its name or adopt or change any translation of that name.

### 9.4 Other Alterations

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by special resolution alter these Articles.

## PART 10, MEETINGS OF SHAREHOLDERS

### 10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

### 10.2 Resolution Instead of Annual General Meeting

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Part 10.2,

select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

### 10.3 Calling of Meetings of Shareholders

The directors may, whenever they think fit, call a meeting of shareholders.

### 10.4 Notice for Meetings of Shareholders

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

### 10.5 Record Date for Notice

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:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

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.

### 10.6 Record Date for Voting

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.

### 10.7 Failure to Give Notice and Waiver of Notice

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

### 10.8 Notice of Special Business at Meetings of Shareholders

If a meeting of shareholders is to consider special business within the meaning of Part 11.1, the notice of meeting must:

(1) state the general nature of the special business; and

(2) 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:

(a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

(b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

## PART 11, PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

### 11.1 Special Business

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 setting 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 these 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.

### 11.2 Majority Required for Special Resolution

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.

### 11.3 Quorum

Subject to the 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.

### 11.4 One Shareholder May Constitute Quorum

If there is only one shareholder entitled to vote at a meeting of shareholders:

(1) the quorum is one person who is, or who represents by proxy, that shareholder, and

(2) that shareholder, present in person or by proxy, may constitute the meeting.

### 11.5 Other Persons May Attend

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any solicitor 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.

### 11.6 Requirement of Quorum

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

### 11.7 Lack of Quorum

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and

(2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

### 11.8 Lack of Quorum at Succeeding Meeting

If, at the meeting to which the meeting referred to in Part 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

### 11.9 Chair

The following individual is entitled to preside as chair at a meeting of shareholders:

(1) the chair of the board, if any; or

(2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any; or

(3) if the chair of the board and the president are absent or unwilling to act as chair of the meeting, the solicitor for the Company.

### 11.10 Selection of Alternate Chair

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to

act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

### 11.11 Adjournments

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

### 11.12 Notice of Adjourned Meeting

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

### 11.13 Decisions by Show of Hands or Poll

Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy. In determining the result of a vote by a show of hands, shareholders who are not present personally, but who are entitled to participate in the meeting as permitted under the *Business Corporations Act*, may indicate their vote orally or otherwise in such manner as clearly evidences their vote and is accepted by the chair of the meeting.

### 11.14 Declaration of Result

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Part 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

### 11.15 Motion Need Not be Seconded

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

### 11.16 Casting Vote

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

### 11.17 Manner of Taking Poll

Subject to Part 11.18, if a poll is duly demanded at a meeting of shareholders:

(1) the poll must be taken:

(a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and

(b) in the manner, at the time and at the place that the chair of the meeting directs;

(2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and

(3) the demand for the poll may be withdrawn by the person who demanded it.

**11.18 Demand for Poll on Adjournment**

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

**11.19 Chair Must Resolve Dispute**

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

**11.20 Casting of Votes**

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

**11.21 Demand for Poll**

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

**11.22 Demand for Poll Not to Prevent Continuance of Meeting**

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

**11.23 Retention of Ballots and Proxies**

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

**11.24 Meetings by Telephone or Other Communications Medium**

A shareholder or proxy holder who is entitled to participate in a meeting of shareholders may do so in person, or by telephone or other communications medium, if all shareholders and proxy holders participating in the meeting are able to communicate with each other; provided however, that nothing in this Part shall obligate the Company to take any action or provide any facility to permit or facilitate the use of any communications medium at a meeting of shareholders. If one or more shareholders or proxy holders participate in a meeting of shareholders in a manner contemplated by this Part:

(1) each such shareholder or proxy holder shall be deemed to be present at the meeting; and

(2) the meeting shall be deemed to be held at the location specified in the notice of meeting.

## PART 12, VOTES OF SHAREHOLDERS

### 12.1 Number of Votes by Shareholder or by Shares

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Part 12.3:

(1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and

(2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

### 12.2 Votes of Persons in Representative Capacity

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

### 12.3 Votes by Joint Holders

If there are joint shareholders registered in respect of any share:

(1) any one of the joint shareholders may vote at any meeting, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(2) if more than one of the joint shareholders is present at any meeting, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

### 12.4 Legal Personal Representatives as Joint Shareholders

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Part 12.3, deemed to be joint shareholders.

### 12.5 Representative of a Corporate Shareholder

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(1) for that purpose, the instrument appointing a representative must:

(a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

(b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;

(2) if a representative is appointed under this Part 12.5:

(a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and

(b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

### 12.6 Proxy Provisions Do Not Apply to All Companies

Parts 12.7 to 12.15 do not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

### 12.7 Appointment of Proxy Holders

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

### 12.8 Alternate Proxy Holders

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

### 12.9 When Proxy Holder Need Not Be Shareholder

A person who must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if

(1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Part 12.5;

(2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or

(3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxyholder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

### 12.10 Deposit of Proxy

A proxy for a meeting of shareholders must:

(1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

(2) unless the notice provides otherwise, be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

### 12.11 Validity of Proxy Vote

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

(1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(2) by the chair of the meeting, before the vote is taken.

### 12.12 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

**[name of company]**
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints *[name]* or, failing that person, *[name]*, as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on *[month, day, year]* and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the shareholder): _____

Signed *[month, day, year]*

_____
*[Signature of shareholder]*

_____
*[Name of shareholder—printed]*

### 12.13 Revocation of Proxy

Subject to Part 12.14, every proxy may be revoked by an instrument in writing that is:

(1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(2) provided, at the meeting, to the chair of the meeting.

### 12.14 Revocation of Proxy Must Be Signed

An instrument referred to in Part 12.13 must be signed as follows:

(1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

(2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Part 12.5.

### 12.15 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

## PART 13, DIRECTORS

### 13.1 First Directors; Number of Directors

The number of directors, excluding additional directors appointed under Part 14.8, is set at:

(1) if the Company is a public company, the greater of three and the most recently set of:

(a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Part 14.4;

(2) if the Company is not a public company:

(a) the number of directors most recently established by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Part 14.4.

### 13.2 Change in Number of Directors

If the number of directors is set under Parts 13.1(1)(a) or 13.1(2)(a):

(1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;

(2) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

### 13.3 Directors' Acts Valid Despite Vacancy

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

### 13.4 Qualifications of Directors

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.

### 13.5 Remuneration of Directors

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. 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.

### 13.6 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

### 13.7 Special Remuneration for Directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

### 13.8 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

## PART 14, ELECTION AND REMOVAL OF DIRECTORS

### 14.1 Election at Annual General Meeting

At every annual general meeting and in every unanimous resolution contemplated by Part 10.2:

(1) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and

(2) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

### 14.2 Consent to be a Director

No election, appointment or designation of an individual as a director is valid unless:

(1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;

(2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or

(3) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

**14.3 Failure to Elect or Appoint Directors**

If:

(1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Part 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or

(2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Part 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

(3) the date on which his or her successor is elected or appointed; and

(4) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

**14.4 Places of Retiring Directors Not Filled**

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

**14.5 Directors May Fill Casual Vacancies**

Any casual vacancy occurring in the board of directors may be filled by the directors.

**14.6 Remaining Directors Power to Act**

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

**14.7 Shareholders May Fill Vacancies**

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, then failing the filling of any vacancies as set forth in Part 14.6, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

### 14.8 Additional Directors

Notwithstanding Parts 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Part 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Part 14.8 must not at any time exceed:

(1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or

(2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Part 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Part 14.1(1), but is eligible for re-election or re-appointment.

### 14.9 Ceasing to be a Director

A director ceases to be a director when:

(1) the term of office of the director expires;

(2) the director dies;

(3) the director resigns as a director by notice in writing provided to the Company or the solicitor for the Company; or

(4) the director is removed from office pursuant to Parts 14.10 or 14.11.

### 14.10 Removal of Director by Shareholders

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

### 14.11 Removal of Director by Directors

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

## PART 15, ALTERNATE DIRECTORS

### 15.1 Appointment of Alternate Director

Any director (an "appointor") may by notice in writing received by the Company appoint any person (an "appointee") who is qualified to act as a director to be his or her alternate to act in his or her place at meetings of the directors or committees of the directors at which the appointor is not present unless (in the case of an appointee who is not a director) the directors have reasonably disapproved the

appointment of such person as an alternate director and have given notice to that effect to his or her appointor within a reasonable time after the notice of appointment is received by the Company.

**15.2 Notice of Meetings**

Every alternate director so appointed is entitled to notice of meetings of the directors and of committees of the directors of which his or her appointor is a member and to attend and vote as a director at any such meetings at which his or her appointor is not present.

**15.3 Alternate for More Than One Director Attending Meetings**

A person may be appointed as an alternate director by more than one director, and an alternate director:

(1) will be counted in determining the quorum for a meeting of directors once for each of his or her appointors and, in the case of an appointee who is also a director, once more in that capacity;

(2) has a separate vote at a meeting of directors for each of his or her appointors and, in the case of an appointee who is also a director, an additional vote in that capacity;

(3) will be counted in determining the quorum for a meeting of a committee of directors once for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, once more in that capacity;

(4) has a separate vote at a meeting of a committee of directors for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, an additional vote in that capacity.

**15.4 Consent Resolutions**

Every alternate director, if authorized by the notice appointing him or her, may sign in place of his or her appointor any resolutions to be consented to in writing.

**15.5 Alternate Director Not an Agent**

Every alternate director is deemed not to be the agent of his or her appointor.

**15.6 Revocation of Appointment of Alternate Director**

An appointor may at any time, by notice in writing received by the Company, revoke the appointment of an alternate director appointed by him or her.

**15.7 Ceasing to be an Alternate Director**

The appointment of an alternate director ceases when:

(1) his or her appointor ceases to be a director and is not promptly re-elected or re-appointed;

(2) the alternate director dies;

(3) the alternate director resigns as an alternate director by notice in writing provided to the Company or the solicitor for the Company;

(4) the alternate director ceases to be qualified to act as a director; or

(5) his or her appointor revokes the appointment of the alternate director.

### 15.8 Remuneration and Expenses of Alternate Director

The Company may reimburse an alternate director for the reasonable expenses that would be properly reimbursed if he or she were a director, and the alternate director is entitled to receive from the Company such proportion, if any, of the remuneration otherwise payable to the appointor as the appointor may from time to time direct.

## PART 16, POWERS AND DUTIES OF DIRECTORS

### 16.1 Powers of Management

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

### 16.2 Appointment of Attorney of Company

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

## PART 17, DISCLOSURE OF INTEREST OF DIRECTORS AND SENIOR OFFICERS

### 17.1 Obligation to Account for Profits

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

### 17.2 Restrictions on Voting by Reason of Interest

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

### 17.3 Interested Director Counted in Quorum

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or

transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

### 17.4 Disclosure of Conflict of Interest or Property

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*.

### 17.5 Director Holding Other Office in the Company

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

### 17.6 No Disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

### 17.7 Professional Services by Director or Officer

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

### 17.8 Director or Officer in Other Corporations

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

## PART 18, PROCEEDINGS OF DIRECTORS

### 18.1 Meetings of Directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

### 18.2 Voting at Meetings

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.

### 18.3 Chair of Meetings

The following individual is entitled to preside as chair at a meeting of directors:

(1) the chair of the board, if any;

(2) in the absence of the chair of the board, the president, if any, if the president is a director; or

(3) any other director chosen by the directors if:

(a) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;

(b) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or

(c) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

### 18.4 Meetings by Telephone or Other Communications Medium

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. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than 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 and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Part 18.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

### 18.5 Calling of Meetings

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

### 18.6 Notice of Meetings

Other than for meetings held at regular intervals as determined by the directors pursuant to Part 18.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors and the alternate directors by any method set out in Part 24.1 or orally or by telephone.

### 18.7 When Notice Not Required

It is not necessary to give notice of a meeting of the directors to a director or an alternate director if:

(1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or

(2) the director or alternate director, as the case may be, has waived notice of the meeting.

### 18.8 Meeting Valid Despite Failure to Give Notice

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director or alternate director, does not invalidate any proceedings at that meeting.

### 18.9 Waiver of Notice of Meetings

Any director or alternate director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, to his or her alternate director, and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director or alternate director.

### 18.10 Quorum

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 set at 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 director, and that director may constitute a meeting.

### 18.11 Validity of Acts Where Appointment Defective

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

### 18.12 Consent Resolutions in Writing

A resolution of the directors or of any committee of the directors consented to in writing by all of the directors entitled to vote on it, whether by signed document, fax, email or any other method of transmitting legibly recorded messages, is as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors duly called and held. Such resolution may be in two or more counterparts which together are deemed to constitute one resolution in writing. A resolution passed in that manner is effective on the date stated in the resolution or on the latest date stated on any counterpart. A resolution of the directors or of any committee of the directors passed in accordance with this Part 18.12 is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

## PART 19, EXECUTIVE AND OTHER COMMITTEES

### 19.1 Appointment and Powers of Executive Committee

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

(1) the power to fill vacancies in the board of directors;

(2) the power to remove a director;

(3) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

**19.2 Appointment and Powers of Other Committees**

The directors may, by resolution:

(1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;

(2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:

(a) the power to fill vacancies in the board of directors;

(b) the power to remove a director;

(c) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(d) the power to appoint or remove officers appointed by the directors; and

(3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

**19.3 Obligations of Committees**

Any committee appointed under Parts 19.1 or 19.2, in the exercise of the powers delegated to it, must:

(1) conform to any rules that may from time to time be imposed on it by the directors; and

(2) report every act or thing done in exercise of those powers at such times as the directors may require.

**19.4 Powers of Board**

The directors may, at any time, with respect to a committee appointed under Parts 19.1 or 19.2:

(1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

(2) terminate the appointment of, or change the membership of, the committee; and

(3) fill vacancies in the committee.

**19.5 Committee Meetings**

Subject to Part 19.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Parts 19.1 or 19.2:

(1) the committee may meet and adjourn as it thinks proper;

(2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the

meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

(3) a majority of the members of the committee constitutes a quorum of the committee; and

(4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

## PART 20, OFFICERS

### 20.1 Directors May Appoint Officers

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.

### 20.2 Functions, Duties and Powers of Officers

The directors may, for each officer:

(1) determine the functions and duties of the officer;

(2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

### 20.3 Qualifications

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

### 20.4 Remuneration and Terms of Appointment

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors thinks fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

## PART 21, INDEMNIFICATION

### 21.1 Definitions

In this Part 21:

(1) "eligible penalty" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

(2) "eligible proceeding" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of the Company (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Company:

(a) is or may be joined as a party; or

(b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

(3) "expenses" has the meaning set out in the *Business Corporations Act*.

**21.2 Mandatory Indemnification of Directors, Former Directors, Alternate Directors and Senior Officers**

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. Each director and alternate director is deemed to have contracted with the Company on the terms of the indemnity contained in this Part 21.2.

**21.3 Indemnification of Other Persons**

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

**21.4 Non-Compliance with *Business Corporations Act***

The failure of a director, alternate director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

**21.5 Company May Purchase Insurance**

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

(1) is or was a director, alternate director, officer, employee or agent of the Company;

(2) 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;

(3) 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;

(4) 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.

## PART 22, DIVIDENDS

### 22.1 Payment of Dividends Subject to Special Rights

The provisions of this Part 22 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

### 22.2 Declaration of Dividends

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.

### 22.3 No Notice Required

The directors need not give notice to any shareholder of any declaration under Part 22.2.

### 22.4 Record Date

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

### 22.5 Manner of Paying Dividend

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

### 22.6 Settlement of Difficulties

If any difficulty arises in regard to a distribution under Part 22.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

(1) set the value for distribution of specific assets;

(2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and

(3) vest any such specific assets in trustees for the persons entitled to the dividend.

### 22.7 When Dividend Payable

Any dividend may be made payable on such date as is fixed by the directors.

### 22.8 Dividends to be Paid in Accordance with Number of Shares

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

### 22.9 Receipt by Joint Shareholders

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

### 22.10 Dividend Bears No Interest

No dividend bears interest against the Company.

### 22.11 Fractional Dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

### 22.12 Payment of Dividends

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

### 22.13 Capitalization of Surplus

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

## PART 23, DOCUMENTS, RECORDS AND REPORTS

### 23.1 Recording of Financial Affairs

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

### 23.2 Inspection of Accounting Records

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

## PART 24, NOTICES

### 24.1 Method of Giving Notice

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

(1) mail addressed to the person at the applicable address for that person as follows:

(a) for a record mailed to a shareholder, the shareholder's registered address;

(b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the mailing address of the intended recipient;

(2) delivery at the applicable address for that person as follows, addressed to the person:

(a) for a record delivered to a shareholder, the shareholder's registered address;

(b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the delivery address of the intended recipient;

(3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;

(5) physical delivery to the intended recipient;

(6) delivery in such other manner as may be approved by the directors.

**24.2 Deemed Receipt of Mailing**

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Part 24.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

**24.3 Certificate of Sending**

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Part 24.1, prepaid and mailed or otherwise sent as permitted by Part 24.1 is conclusive evidence of that fact.

**24.4 Notice to Joint Shareholders**

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the joint shareholder first named in the central securities register in respect of the share.

**24.5 Notice to Trustees**

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(1) mailing the record, addressed to them:

(a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and

(b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(2) if an address referred to in paragraph (1)(b) of this Part 24.5 has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

## PART 25, SEAL

### 25.1 Who May Attest Seal

Except as provided in Parts 25.2 and 25.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

(1) any two directors;

(2) any officer, together with any director;

(3) if the Company only has one director, that director; or

(4) any one or more directors or officers or persons as may be determined by the directors.

### 25.2 Sealing Copies

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Part 25.1, the impression of the seal may be attested by the signature of any director or officer.

### 25.3 Mechanical Reproduction of Seal

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

## PART 26, MECHANICAL REPRODUCTION OF SIGNATURES

### 26.1 Mechanical Reproduction of Signatures

The signature of any officer, director, registrar, branch registrar, transfer agent or branch agent of the Company, unless otherwise required by the *Business Corporations Act* or by these Articles, may, if authorized by the directors, be printed, lithographed, engraved or otherwise mechanically reproduced upon all instruments executed or issued by the Company or any officer thereof. Any instrument on

which the signature of any such person is so reproduced shall be deemed to have been manually signed by such person whose signature is so reproduced and shall be as valid to all intents and purposes as if such instrument had been signed manually, and notwithstanding that the person whose signature is so reproduced may have ceased to hold the office that he is stated on such instrument to hold at the date of the delivery or issue of such instrument.

### 26.2 Instrument Defined

The term "instrument" as used in Part 26.1, shall include deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, agreements, releases, receipts and discharges for the payment of money or other obligations, shares and share warrants of the Company, bonds, debentures and other debt obligations of the Company, and all paper writings.

## PART 27, PROHIBITIONS

### 27.1 Definitions

In this Part 27:

(1) "designated security" means:

(a) a voting security of the Company;
(b) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or
(c) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);

(2) "security" has the meaning assigned in the *Securities Act* (British Columbia);

(3) "voting security" means a security of the Company that:
(a) is not a debt security, and
(b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

### 27.2 Application

Part 27.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

### 27.3 Consent Required for Transfer of Shares or Designated Securities

No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

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DATED as of the 29th day of December, 2006.

Director

## SCHEDULE A

## SHAMARAN PETROLEUM CORP.
## (the "Company")

## 28. ADVANCE NOTICE PROVISIONS

### 28.1 Nomination of Directors

(1) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the board may be made at any annual meeting of shareholders or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:

(a) by or at the direction of the board, including pursuant to a notice of meeting;

(b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Business Corporations Act, or a requisition of the shareholders made in accordance with the provisions of the Business Corporations Act; or

(c) by any person (a "Nominating Shareholder"): (A) who, at the close of business on the date of the giving of the notice provided for below in this Article 28.1 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Article 28.1.

(2) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Secretary of the Company at the principal executive offices of the Company.

(3) To be timely, a Nominating Shareholder's notice to the Secretary of the Company must be made:

(a) in the case of an annual meeting of shareholders, not less than 40 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the Notice Date) on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

(b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

(4) To be in proper written form, a Nominating Shareholder's notice to the Secretary of the Company must set forth:

(a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and Applicable Securities Laws (as defined below); and

(b) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Company and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and Applicable Securities Laws (as defined below).

(5) The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

(6) No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Article 28.1; provided, however, that nothing in this Article 28.1 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Business Corporations Act. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

(7) For purposes of this Article 28.1:

(a) "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and

(b) "Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

(8) Notwithstanding any other provision of this Article 28.1, notice given to the Secretary of the Company pursuant to this Article 28.1 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Secretary

of the Company for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Secretary at the address of the principal executive offices of the Company; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

**28.2 Application**

(1) Article 28.1 does not apply to the Company in the following circumstances:

(a) if and for so long as the Company is not a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply; or

(b) to the election or appointment of a director or directors in the circumstances set forth in Article 14.7.

2. Any director or officer of the Company is hereby authorized and directed for and in the name of and on behalf of the Company to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or make or cause to be delivered or made all such filings and documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing."