SHAMARAN
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ANNUAL INFORMATION FORM

For the year ended December 31, 2020

Dated: March 3, 2021

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Glossary of Terms

"**2D**" means two dimensional.

"**3D**" means three dimensional.

"**AEI**" means Aspect Energy International, LLC.

"**AIF**" or "**Annual Information Form**" means this Annual Information Form prepared for the year ended December 31, 2020 and dated March 3, 2021.

"**°API**" means API gravity, a measure of the gravity of oil as defined by the American Petroleum Institute.

"**Atrush Block**" means the Atrush Contract Area, being the area covered by the Atrush Block PSC.

"Atrush Block First PSC Amendment" means the First Amendment Agreement to the Atrush Block PSC entered into between KRG and GEP dated August 1, 2010.

"**Atrush Block PSC**" means the Production Sharing Contract in respect of the Atrush Block, the KRG entered into between the KRG and GEP dated November 10, 2007 and as further amended by the (i) Atrush Block First PSC Amendment, (ii) Atrush Block Second PSC Amendment, (iii) Atrush Block Third PSC Amendment, (iv) Atrush Block Fourth PSC Amendment, and (v) Atrush Block Fifth PSC Amendment.

"Atrush Block Second PSC Amendment" means the TPI Assignment, Novation and Second Amendment Agreement to the Atrush Block PSC entered into among the KRG, GEP and MOKDV dated October 20, 2010.

"Atrush Block Third PSC Amendment" means the Assignment, Novation and Third Amendment Agreement to the Atrush Block PSC entered into among the KRG, GEP, MOKDV and TAQA dated December 31, 2012.

"Atrush Block Fifth PSC Amendment" means the Assignment, Novation and Fifth Amendment Agreement to the Atrush Block PSC entered into among the KRG, GEP, MOKDV and TAQA dated May 31, 2019.

"Atrush Block Fourth PSC Amendment" means the Assignment, Novation and Fourth Amendment Agreement to the Atrush Block PSC entered into among KRG, GEP, MOKDV and TAQA dated November 7, 2016.

"**Atrush Lifting Agreement**" means the Lifting Agreement dated September 18, 2017 between the KRG and TAQA on behalf of itself and GEP for the sale of Atrush oil production to the KRG as such agreement has been amended and extended and is currently in effect as at the date of this AIF.

"**Bond Trustee**" means Nordic Trust AS as bond trustee for the ShaMaran Bonds.

"**Business Code**" means the Code of Business Conduct and Ethics adopted by the Company on August 24, 2007 as subsequently amended and is in effect as at the date of this AIF.

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

"**Commercial Discovery**" has the meaning assigned to it in the Atrush Block PSC, generally a discovery that is potentially commercial when considering all technical, operational, commercial and financial factors, all in accordance with prudent international petroleum industry practices.

"**Common Shares**" means the common shares in the capital of ShaMaran Petroleum Corp.

"**Company**" means ShaMaran Petroleum Corp. and its subsidiaries.

"**Constitution of Iraq**" means the permanent constitution of Iraq approved by the people of Iraq in the general referendum of October 15, 2005.

"**Contractor Group**" means the parties from time to time that hold a working interest in the Atrush Block PSC.

"**crude oil**" means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

"**development well**" means a well drilled inside the established limits of an oil or gas reservoir, or near the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"**GEP**" means General Exploration Partners, Inc., a wholly-owned subsidiary of the Company, existing under the laws of the Cayman Islands.

"**KRG**" means The Kurdistan Regional Government of Iraq.

"**Kurdistan**" or "**Kurdistan Region**" means the Federal Region of Kurdistan recognized by the Constitution of Iraq and having the same meaning as "Region" in the Oil and Gas Law of The Kurdistan Region - Iraq (Law No. 22 of 2007).

"**LPBV**" means Lundin Petroleum B.V., a subsidiary of Lundin Petroleum AB.

"MOKDV" means Marathon Oil KDV B.V.

"**MD&A**" means Management's Discussion and Analysis of results of operations and financial condition of the Company for the year ended December 31, 2020.

"**MENA**" means Middle East and North Africa.

"**natural gas**" means a mixture of lighter hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs but are gaseous at atmospheric conditions. Natural gas may contain sulphur or other non-hydrocarbon compounds.

"**NI 51-101**" means National Instrument 51-101 — *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.

"**Oil and Gas Law**" means the Oil and Gas Law of the Kurdistan Region - Iraq (Law No. 22 of 2007).

"**petroleum**" means (i) any naturally occurring hydrocarbons in gaseous or liquid state; (ii) any mixture of naturally occurring hydrocarbons in a gaseous or liquid state; or (iii) any petroleum (as defined in (i) or (ii) herein) that has been returned to a reservoir.

"**prospect**" means a geographic or stratigraphic area in which the Company owns or intends to own one or more oil and gas interests, which is geographically defined based on geological data and which is reasonably anticipated to contain at least one reservoir or part of a reservoir of oil and gas.

“**PSC**”, or “**Production Sharing Contract**” means contracts or agreements entered with a host government providing for petroleum operations in a defined area and the division of petroleum production from the petroleum operations.

“**PVT**” means pressure volume temperature.

“**reservoir**” means a subsurface rock formation containing an individual and separate natural accumulation of producible petroleum characterized by a single natural pressure system.

“SEDAR” means the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval.

“**ShaMaran**” means ShaMaran Petroleum Corp. and its subsidiaries.

“**ShaMaran Bond Agreement**” means the July 3, 2018 agreement between ShaMaran Petroleum Corp. and Nordic Trustee AS, and as amended February 25, 2019 and further amended July 5, 2020 and January 29, 2021, in its capacity as trustee for the bondholders, describing the rights and obligations associated with the senior bonds issued by ShaMaran on July 5, 2018 and which mature on July 5, 2023 (the “**ShaMaran Bonds**”).

“**ShaMaran Bond Guarantors**” as at the date of this AIF are certain subsidiaries of the Company being ShaMaran Services SA, GEP and 0781756 B.C. Ltd.

“**SVBV**” means ShaMaran Ventures B.V., an indirect subsidiary of the Company, formerly existing under the laws of the Netherlands but liquidated on April 6, 2020.

"**TAQA**" mean TAQA Atrush B.V., Operator of the Atrush Block, and a wholly-owned subsidiary of the Abu Dhabi National Energy Company PJSC.

“**TSX.V**” means the TSX Venture Exchange.

“**TVD**” means true vertical depth.

Currency

The Company reports its financial results and prepares its financial statements in United States dollars (“**USD**”). All currency amounts indicated as “**$**” in this AIF are expressed in USD unless otherwise indicated. “**CAD**” means Canadian dollars.

	Year Ended December 31,		
Bank of Canada Exchange Rate for CAD/USD	**2018**	**2019**	**2020**
	0.73719	0.7699	0.7854

Accounting Policies and Financial Information

Financial information is presented in accordance with International Financial Reporting Standards (“**IFRS**”) and unless otherwise indicated, financial information contained in this AIF is presented in accordance with IFRS.

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	Kilometers	1.609
Kilometers	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

Abbreviations

Oil and Natural Gas Liquids	
bbls	Barrels of crude oil
bopd	Barrels of crude oil per day
boe	Barrels of oil equivalent
boe/d	Barrels of oil equivalent per day
Mboe	Thousands of barrels of oil equivalent
MMboe	Millions of barrels of oil equivalent
Mblpd	Thousand barrels of liquid per day
Mbopd	Thousand barrels of crude oil per day
Mbbl	Thousands of barrels of crude oil
MMbbl	Millions of barrels of crude oil

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.

Cautionary Statement Regarding Forward-Looking Information

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

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

In 2020, the Coronavirus (Covid-19) and the restrictions and disruptions related to it, as well as the actions of producers such as Saudi Arabia and Russia, have had a drastic adverse effect on the world demand for, and prices of, oil and gas as well as the market price of the shares of oil and gas companies generally. These factors are beyond the control of the Company and it is difficult to assess how these, and other factors, will continue to affect the Company and the market price of the Common Shares. In light of the current continuing pandemic situation, as at the date of this AIF, the Company continues to review and assess its business plans and assumptions regarding the business environment, as well as its estimates of future production, cash flows, operating costs and capital expenditures.

Assumptions

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

Risks

Examples of risks and uncertainties associated with the assumptions made by management include, but are not limited to: (i) risks associated with international operations in Kurdistan, in northern Iraq, which is a politically less stable jurisdiction: (ii) risks associated with the regulation of oil and gas production and export; (iii) risks that are inherent in oil and gas development and production, including availability of a functioning infrastructure, complying with environmental regulation and the availability of staff and equipment. The Company is also exposed to more generic risks such as the risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, petroleum pricing and availability of financing and currency exchange rate fluctuations. Management used its best efforts to ensure that the assumptions used in the preparation of such information were reasonable. However, they may ultimately prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

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

Forward-looking Statements

Any statements regarding the following are forward-looking statements:

- planned development or appraisal activity including both expected drilling and geological and geophysical related activities
- future crude oil, natural gas or chemical prices
- future sources of funding for our capital program
- government or other regulatory consent for appraisal, development or acquisition activities
- future production levels
- future capital expenditures and their allocation to appraisal and development activities
- future earnings
- future asset acquisitions or dispositions
- future debt levels
- availability of committed credit facilities
- possible commerciality
- future development plan amendments or capacity expansions
- future ability to execute dispositions of assets or businesses
- future sources of liquidity, cash flows and their uses

- future drilling of new wells
- ultimate recoverability of current and long-term assets
- ultimate recoverability of reserves or resources
- expected finding and development costs
- expected operating costs
- estimates on a per share basis
- future foreign currency exchange rates
- future market interest rates
- future expenditures and future allowances relating to environmental matters
- dates by which certain areas will be developed or will come on stream or reach expected operating capacity
- changes in any of the foregoing

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

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

- market prices for oil and gas and chemical products
- the Company's ability to develop, produce and transport crude oil to markets
- ultimate effectiveness of design or design modification to facilities
- the results of appraisal and development drilling and related activities
- volatility in energy trading markets
- foreign-currency exchange rates
- economic conditions in the country and region in which the Company carries on business
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations
- renegotiations of contracts
- results of litigation, arbitration or regulatory proceedings
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict
- conflict between states
- internal conflict within states or regions

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

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

Presentation of Oil and Gas Information

All oil and gas information contained in this AIF 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 AIF also contains certain supplemental operational, and property information with respect to the Company, 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.

ITEM 1 - INTRODUCTION

Incorporation by Reference and Date of Information

Specifically incorporated by reference and forming a part of this AIF are the Company's material change reports from January 1, 2015 to the date of this AIF. Copies of such material change reports have been filed with the Canadian Securities Administrators in each of the Provinces of British Columbia, Alberta, Ontario, Saskatchewan, Manitoba and Nova Scotia and can be found under the Company's profile on SEDAR at www.sedar.com.

All information in this AIF is at December 31, 2020 unless otherwise indicated.

ITEM 2 - CORPORATE STRUCTURE

Name, Address and Incorporation

The full corporate name of the Company is ShaMaran Petroleum Corp. The address of the Company's head office is 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 and the registered address and records office is 25th Floor, 666 Burrard Street, Vancouver, BC, V6C 2X8, Canada.

The Company was incorporated under the laws of the Province of British Columbia on October 3, 1991, under the name "Arauco Resources Corporation" ("**Arauco**").

On August 13, 1997, Arauco was continued as a federal company under the *Canada Business Corporations Act ("**CBCA**")* and on August 29, 1997 the name of the Company was changed from Arauco to Kit Resources Ltd. ("**Kit**").

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 Minerals Ltd. ("**Wheaton River**"), were amalgamated under the name Kit (the "**Arrangement**"). After the Arrangement, Kit became a wholly-owned subsidiary of Wheaton River.

Effective March 6, 2000, to facilitate the business combination of Kit and Wheaton River, Kit was continued from the federal jurisdiction to Ontario under the *Ontario Business Corporations Act* (the "**OBCA**"). In January 2001 Wheaton River sold its majority interest in the Company.

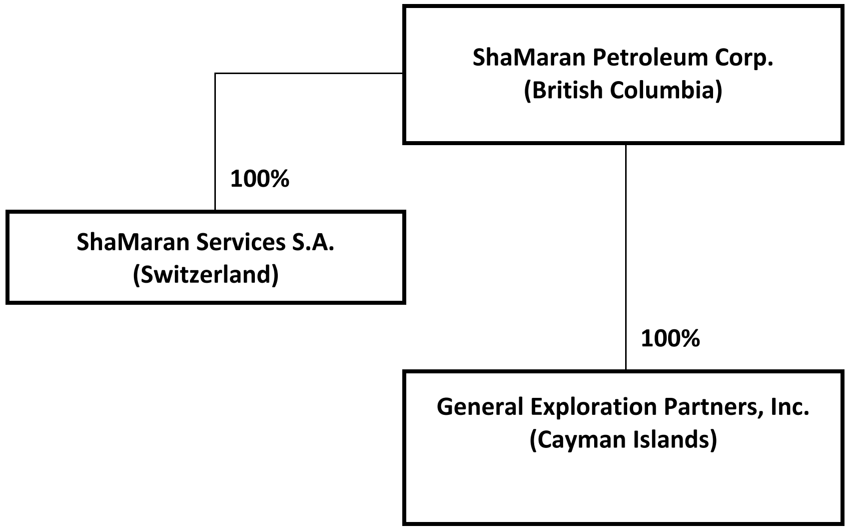
On November 15, 2001, Kit was extra-territorially registered in the Province of British Columbia and on December 29, 2006 was continued into British Columbia from Ontario under the *Business Corporations Act* (British Columbia).

On February 9, 2007 the corporate name of the Company was changed from Kit to Bayou Bend Petroleum Ltd. ("**Bayou Bend**").

On October 21, 2009, the corporate name of the Company Bayou Bend was changed to ShaMaran Petroleum Corp.

Intercorporate Relationships

Substantially all the Company's business is carried on through its various subsidiaries. The Company's initiative to eliminate redundancies in its legal structure resulted in the liquidation and windup of certain of the Company's legal entities during the year 2019 and 2020. The following chart illustrates, as at the date of this AIF, the Company's significant subsidiaries, including their respective jurisdiction of incorporation and the percentage of voting securities in each that are directly held by the Company:



ITEM 3 - GENERAL DEVELOPMENT OF THE BUSINESS

ShaMaran Petroleum Corp. is an exploration and development company with a 27.6% working interest in the Atrush Block PSC relating to an oil-producing property located in Kurdistan. The Atrush Block is located approximately 85 kilometers northwest of Erbil, the capital of Kurdistan, is 269 square kilometers in area and has oil proven in Jurassic fractured carbonates in the Chiya Khere structure. The structure is expressed at surface by the Chiya Khere mountain which runs east-west for approximately 25 kilometers with an approximate width of 3.5 kilometers.

Oil production from Atrush commenced in July 2017. Installed production facilities have a capacity of over 50,000 bopd. Fourteen wells have been drilled to date and ten wells are currently producing.

The oil discovery on the Atrush petroleum property is continuously being appraised. Further phases of development will be defined based on production data, appraisal information and economic circumstances.

Three-Year History

Year Ended December 31, 2018

<u>Corporate Developments</u>

On July 5, 2018, the Company issued new $240 million senior unsecured bonds with a 5-year term and 12% semi-annual coupon interest and bonds issued by GEP that were due to mature in November 2018 were retired. On December 31, 2018, the Company deposited cash of $14.4 million to the ShaMaran bondholders' Debt Service Retention Account and, the Company has timely paid in full each of the semi-annual interest payments owed to ShaMaran bondholders.

ShaMaran, through its wholly-owned subsidiary GEP, entered into agreements on December 26, 2018 to acquire jointly with TAQA the 15% interest in the Atrush Block held by MOKDV.

<u>Atrush Lifting Agreement</u>

Since oil production commenced in 2017 from Atrush Block all sales have been to the KRG at the Atrush Block boundary. The first Atrush Lifting Agreement was entered into by TAQA on behalf of GEP with the KRG in October 2017. An amended Atrush Lifting Agreement was concluded between Atrush co-venturers and the KRG in the fourth quarter of 2018 which reduced the oil price discount from the initial $15.73 per barrel to $15.43 per barrel with effect from October 1, 2018. The Atrush oil sales price is based upon the Dated Brent oil price minus an oil price discount for quality and all local and international transportation costs.

Operational Developments

Three wells were successfully completed during 2018. The CK-7 and Chiya Khere-10 (“**CK-10**”) production wells started production near the end of July 2018. The CK-9 water disposal well was completed and tested according to schedule during November 2018 and is used for disposal of Atrush produced water.

In December 2018, the Atrush 3 (“**AT-3**”) well was re-completed as a heavy oil production well.

Annual Atrush production for 2018 was 22.1 Mbopd. The Company’s entitlement share[1] of 2018 exports was approximately 1.28 million barrels which were sold at an average netback price[2] of $54.52 per barrel of oil and resulted in $69.6 million of revenue from oil sales for the year 2018. Production in 2018 was affected by salt-related processing restrictions negatively impacting production during the second and third quarters. Processing capacity constraints associated with salt production and low ambient temperatures during the winter months have been addressed. The Atrush production facilities can now consistently operate at, or above, the 30.0 Mbblpd design rate during normal operations.

Year Ended December 31, 2019

Corporate Developments

On February 1, 2019, the Company’s bondholders approved certain amendments to the $240 million of senior unsecured bonds agreement including the repayment of $50 million of principal plus accrued interest and the release to the Company of $14.4 million of Company cash which was previously pledged to the bondholders as security for the Company’s obligations under the ShaMaran Bonds and which was to be used to fund the acquisition of an additional Atrush interest and for general corporate purposes.

On February 8, 2019, the Company repaid $50 million of ShaMaran Bonds and $550 thousand of related accrued interest.

On May 30, 2019, ShaMaran, through its wholly-owned subsidiary GEP, completed its acquisition of an additional 7.5% participating interest in the Atrush block. Under two separate purchase and sale agreements, done in contemplation of one another, GEP acquired directly MOKDV’s full 15% participating interest in Atrush and immediately thereafter sold a 7.5% Atrush participating interest to TAQA, bringing the Company’s total working interest in Atrush up to 27.6%. The total consideration paid to complete the acquisition was $27.2 million, comprised of $17.4 million paid to MOKDV, $1 million of PSC capacity building bonuses accounts payable paid to the KRG on behalf of MOKDV and in conjunction with the payment to MOKDV, and $8.8 million of net acquisition related costs.

Operational Developments

The CK-11 production well at the Chamanke-G drilling location was completed using a workover rig and came online for production on May 10, 2019. The well was constrained to a maximum rate of 6,200 bopd by the installed pump. Due to the observed high productivity, a larger pump was installed in September 2019 and CK-11

The CK-12 well at the Chamanke-E drilling location was drilled to a total depth of 2,400 meters by May 19, 2019, encountering the top of the reservoir section 25m deeper than expected. It was also used to appraise the lower Jurassic reservoir and the front-limb of the Chiya Khere thrust. To optimize the utilization of the drilling rig, the CK-12 well was left cased and suspended, and the drilling rig moved to CK-13 on the Chamanke-C drill-pad. A workover rig was used to complete CK-12 in July 2019 and the well was brought online on August 10, 2019.

The CK-13 well at the Chamanke-E drilling location was drilled to total depth of 2,340 meters by August 19, 2019, encountering the reservoir section 23m shallower than expected. The well was completed with the drilling rig and came online on September 18, 2019.

The CK-15 well at the Chamanke-G drilling location was drilled to a measured depth of 2181 meters and reported first production on December 8, 2019.

[1] The Company’s entitlement share included an adjustment for the exploration cost sharing arrangement between TAQA and GEP.

[2] This included a discount to Dated Brent for oil quality and all local and international transportation costs.

With an additional four wells drilled in 2019 and with well capacity exceeding available PF-1 processing capacity, an early production facility ("**EPF**") with a capacity of 10,000 bpd was installed on the Chamanke E pad in Q3.2019.

Annual Atrush production for 2019 was 32.3 Mbopd.

Year Ended December 31, 2020

Corporate Developments

On February 17, 2020, the Company reported estimated reserves and contingent resources for Atrush as at December 31, 2019. Total field 2P reserves on a Company gross basis for Atrush increased by 40 percent; from 21.3 million barrels reported as at December 31, 2018, to 29.9 million barrels. Total unrisked best estimate contingent oil resources ("**2C**")[3] on a Company gross basis for Atrush increased from the 2018 estimate of 53.9 million barrels to 67.2 million barrels as at December 31, 2019.

Following the worldwide drop in oil prices in early 2020, the Company addressed an imminent liquidity shortfall. The Company projected that its normal operations at the then current depressed oil prices would not generate enough cash to pay for $26.4 million of bond obligations when they would come due in July 2020. The global drop in the demand for oil and collapse in world oil prices placed rapid and extraordinary downward pressure on the Company's gross margin and prevented the KRG from paying the Company for past purchases of higher priced oil. This resulted in further significant negative impacts to the Company's operational cash flows. Discussions commenced with the KRG as to the timing of payment of the $42 million owed for oil deliveries and entitlements from November 2019 to February 2020; however, the Company did not collect any of these past due amounts in 2020. The Company retained advisors and engaged with stakeholders to examine options such as restructuring, recapitalization or other available alternatives to find a solution to address a potential imminent liquidity shortfall.

In May 2020, the Company reported a $48.6 million impairment loss on the book value of PP&E relating to the Company's Atrush 2P reserves base and a $67.6 million impairment loss on the book value of intangible exploration and evaluation costs relate to the Company's Atrush 2C resource base. The Company made these determinations by conducting an impairment assessment as required by accounting standards.

As a result of the impairment loss the Company was in breach of its financial covenant related to the ShaMaran Bonds. The Company entered into negotiations with its bondholders regarding a potential solution. Following successful negotiations with, and approval of, its bondholders, on July 5, 2020 the Company and the Bond Trustee entered into an amendment and restatement of the bond terms **("Amended Bond Terms")** that included**:**

- Full and final discharge of the Liquidity Guarantee given by Nemesia S.à.r.l., a private company established by a trust settled by the estate of the late Adolf H. Lundin, in favor of the Bond Trustee (for the benefit of the Bondholders) in consideration for Nemesia making a payment of $22.8 million from the Liquidity Guarantee to the Company's Debt Service Retention Account ("**DSRA**");

- $11.4 million of the amounts credited to the DSRA to be used by the Company to pay the interest on the Bonds due on the next interest payment date in July 2020, while the residual $11.4 million remained in the DSRA to provide credit support for any future payment obligations of the Company under the Amended Bond Terms;

- The Company's obligations to make the $15 million amortization payment due in early July 2020 will be deferred until December 5, 2021, and substituted with a cash sweep mechanism whereby the Company, on each interest payment date, will use any "free cash" (as defined in the Amended Bond Terms) exceeding $15 million to repay the Bonds, and any amount of free cash so used to redeem Bonds will correspondingly reduce the deferred amortization payment amount;

[3] This estimate of remaining recoverable resources (unrisked) includes contingent resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be recovered.

- Temporary waiver until July 5, 2021 to be granted with respect to the existing breach of the financial covenant relating to the equity ratio; and
- In conjunction with the temporary waivers of the amortization payment requirement and financial covenant breach, the Bond Terms will be amended to provide for a put right in favour of the Bondholders to require that the Company purchase the Bonds (at par plus accrued interest and the existing call premium) at any time on ten (10) business days' notice subject to consent by holders of 50.01% of the Bonds.

In early July 2020, the Liquidity Guarantee was fully drawn, as contemplated by the Amended Bond Terms, and on August 6, 2020 the Company issued to Nemesia 2,280,000 ShaMaran shares in accordance with the terms of the Debenture and has continued to issue such number of ShaMaran shares monthly to Nemesia which will continue until the drawdown amount is repaid in full. Repayment of the drawdown amount by the Company to Nemesia is payable on or before July 5, 2023 and such claim for repayment is subordinated to the Company's Bonds.

Operational Developments

Annual Atrush production for 2020 was 45.1 Mbopd. The Company's entitlement share[4] of 2020 exports was approximately 2.16 million barrels which were sold at an average netback price[5] of $26.27 per barrel of oil and resulted in $56.7 million of revenue from oil sales for the year 2020.

In Q1.2020 Processing Capacity was increased to 58.0 Mblpd during normal operations through commissioning of Desalter units at PF-1 as well as the addition of a second train at the Pad E EPF.

Due to the COVID-19 pandemic, the 2020 drilling and completion campaign was suspended in Q1 with no new wells subsequently drilled or completed in 2020.

COVID-19 Response

With the objectives of ensuring operations personnel safety and wellbeing as well as assuring business continuity, a COVID-19 action plan was implemented in February 2020. These policies and procedures initially looked to reduce exposure potential through minimization and deferment of non-critical field activities during 2020. With Atrush transitioning to the "new normal" COVID-19 operating environment during Q3 2020, field activities increased back towards pre-pandemic levels.

Quarantine procedures and testing have been implemented for all rotating staff, local nationals and expats, and special measures are being taken to ensure staff wellbeing during extended rotations. Field activities are prepared with the consideration and minimization of exposure points as a primary concern and field development planning is being reviewed to suit the changed operating environment.

Key elements of the COVID-19 response strategy remain:

- Maintaining and optimizing the COVID-19 Action Plan implemented in Q1 2020:
  - Deployment of IT solutions facilitating communications and information sharing; and
  - Focus on flexibility to ensure the best outcomes in a physically distanced working environment.
- Anticipation of potential changes and pre-emptive action to ensure staff safety and wellbeing:
  - Work plans adjusted to minimize exposure points; and
  - Quarantine procedures and testing implemented for all rotating staff.

[4] The Company's entitlement share included an adjustment for the exploration cost sharing arrangement between TAQA and GEP.
[5] This included a discount to Dated Brent for oil quality and all local and international transportation costs.

Events Subsequent to Year Ended December 31, 2020

In January 2021, the Company received unanimous support of all of the Bondholders who voted to allow the Company to use its "free cash" to buy in the market the ShaMaran Bonds to satisfy its cash sweep obligation. The Company and the Bond Trustee entered into this amendment to the Amended Bond Terms on January 29, 2021.

On February 15, 2021, the Company reported estimated reserves and contingent resources for the Atrush block as at December 31, 2020. Total 2P reserves on a Company gross basis for Atrush increased from 29.9 million barrels reported as at December 31, 2019, to 30.3 MMbbls which, when 2020 Atrush Company gross production of 4.6 MMbbls is included, represents an increase of 17 percent. Total unrisked best estimate contingent oil resources ("**2C**")[6] on a Company gross basis for Atrush increased from the 2019 estimate of 67.2 million barrels to 60.6 million barrels as at December 31, 2020.

ITEM 4 - DESCRIPTION OF THE BUSINESS

Summary

The Company is an independent oil development, exploration and production company currently engaged in the appraisal, development and production of oil and gas resources in the Atrush Block in Kurdistan. As part of its normal business the Company continues to evaluate new opportunities.

As at the date of this AIF, the Company holds a 27.6% working interest in the Atrush Block PSC. The Atrush Block is a high-quality oil field that has a large production base with significant growth potential. The Atrush Block is continuously being appraised and further phases of development, including further drilling and possible facilities expansion, will be defined based on production data, appraisal information and economic circumstances. With the rebound in oil prices, as at the date of this AIF the Company is generating cash flow that can fund its operations and service its debt obligations to its bondholders.

Oil production from Atrush commenced in July 2017. Installed production facilities have a capacity of over 58 Mblpd. Fourteen wells have been drilled to date in Atrush Block and ten wells are currently producing. Atrush Block production guidance for 2021 is an average of between 39 Mbopd and 44 Mbopd.

A summary of the current working interests in the Atrush Block as at the date of this AIF are set out in the following table:

Country	**Block**	**Acreage (square kilometers)**	**Working Interest [(1)]**	
Iraq (Kurdistan)	Atrush Block	269	TAQA [(2)] KRG ShaMaran[(3)]	47.4% 25.0% 27.6%

Notes:
(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 petroleum operations as well as any royalties or other production burdens.
(2) The Operator of the Atrush Block.
(3) Held through GEP, a wholly-owned subsidiary of the Company.

[6] This estimate of remaining recoverable resources (unrisked) includes contingent resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be recovered.

Specialized Skills and Knowledge

The Company relies on specialized skills and knowledge to gather, interpret and process geological and geophysical data, and to design, drill and complete wells, together with the numerous additional activities required to potentially, produce oil and natural gas. The Company is part of a joint venture for Atrush Block that employs a strategy of contracting consultants and other service providers to supplement the skills and knowledge of its permanent staff to provide the specialized skills and knowledge required to undertake its oil and natural gas operations efficiently and effectively.

Competitive Conditions

The petroleum industry is immensely competitive in all its phases. ShaMaran competes with other participants in the search for, and the acquisition of, oil and natural gas interests located in the Kurdistan Region of Iraq or elsewhere. ShaMaran's competitors include other resource companies which may have greater financial resources, staff and facilities than those of the Company. Competitive factors which may come into play in the future include the distribution and marketing of oil and natural gas, pricing, and methods of improving reliability of delivery.

Economic Dependence

The Company is dependent upon the results of appraisal and development activities obtained under various agreements, including the Atrush PSC, and the Atrush JOA that it has entered for the exploration, development and extraction of hydrocarbons in Atrush Block.

Changes to Contracts

On March 12, 2013, the Contractor Group to the Atrush Block PSC were notified by the KRG that it intended to exercise its option to take a 25% working interest in accordance with the provisions of the Atrush Block PSC. On November 7, 2016, the KRG exercised its option for such 25% working interest in Atrush Block which became effective November 7, 2012 after which GEP held a 20.1% working interest. (see "***Atrush Block - PSC and Related Agreements***", herein for details).

Environmental Protection

The Company's oil and gas operations are in a region where there are environmental regulations including restrictions on where and when oil and gas operations can occur, the release of substances into groundwater, atmosphere and surface land and the potential routing of pipelines or location of production facilities. These restrictions and regulations are strictly followed. The Company could potentially be liable for contamination of properties acquired and it attempts to mitigate the risk of inheriting environmental liabilities when conducting due diligence on these acquisition opportunities. Breach of environmental regulations in any of the regions in which ShaMaran operates could result in restrictions or cessation of operations and the imposition of fines and penalties. See also "***Risk Factors***."

Employees

As at December 31, 2020, the Company had eight employees in Switzerland, one based in Canada, one based in the United Kingdom and one based in Kurdistan. The Company relies on and engages consultants on a contract basis to provide services, management and personnel where required to assist the Company and its subsidiaries to carry on its administrative, commercial or technical activities in Canada, Sweden, Switzerland and Kurdistan.

Foreign Operations

ShaMaran's assets and operations are in Kurdistan, a federally recognised semi-autonomous political region in Iraq. The Company's assets and operations may be influenced by political developments between Kurdistan and the Iraq federal government, as well as political developments of neighbouring states within MENA, Turkey, and surrounding areas. Kurdistan and Iraq have a history of political and social instability.

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against the Company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the Company or any of its subsidiaries, within the three most recently completed financial years or during or proposed for the current financial year.

Reorganizations

There was no material reorganization of the Company or any of its subsidiaries in the year 2018. During the year 2019 ShaMaran Petroleum Holdings Coöperatief U.A. and during the year 2020 SBVB were each liquidated as part of the Company's initiative to simplify its corporate structure.

Social Policies

On August 24, 2007, the Company has adopted its Business Code that sets out basic principles intended to guide all employees, consultants, directors and officers of the Company in the proper conduct of the business of the Company. ShaMaran's Business Code is intended to deter wrongdoing by those persons and to promote, amongst other things, honest and ethical conduct and the avoidance of conflicts of interest.

On August 12, 2020 the Company adopted an Environmental, Social and Governance Statement ("**ESG Statement**").

A full copy of the Business Code and the ESG Statement can be found under the Company's profile on SEDAR at www.sedar.com.

Overview of Kurdistan Oil Industry

Since the introduction of the Oil and Gas Law of The Kurdistan Region - Iraq in 2007, the KRG has developed an independent oil and gas industry and numerous international oil companies have signed PSCs with the KRG. This has resulted in a period of increased exploration and resulted in several oil and gas discoveries in reservoirs of Tertiary, Cretaceous, Jurassic and Triassic age.

In December 2013, the KRG announced the successful commissioning of its independent export oil pipeline from Khurmala to Fiskhkhabur and commencement of oil shipments from the Tawke and Taq Taq fields. Also in late 2013, an energy cooperation agreement was signed between the government of Turkey and Kurdistan which allows for transportation of Kurdistan oil through to the Mediterranean port of Ceyhan, Turkey.

As at the date of this AIF, most of the oil producing oil fields in Kurdistan (including the Atrush Block) export their crude production via the Kurdistan export pipeline for onward export sales to the international oil market by the KRG at Ceyhan, Turkey.

The Kurdistan export pipeline was upgraded in 2018 and has the capacity to transport approximately 1.0 MMbopd. The International Energy Agency has stated that the Turkish pipeline to Ceyhan, which is currently the only available export route for oil produced in Kurdistan, has a capacity of approximately 1.6 MMbopd

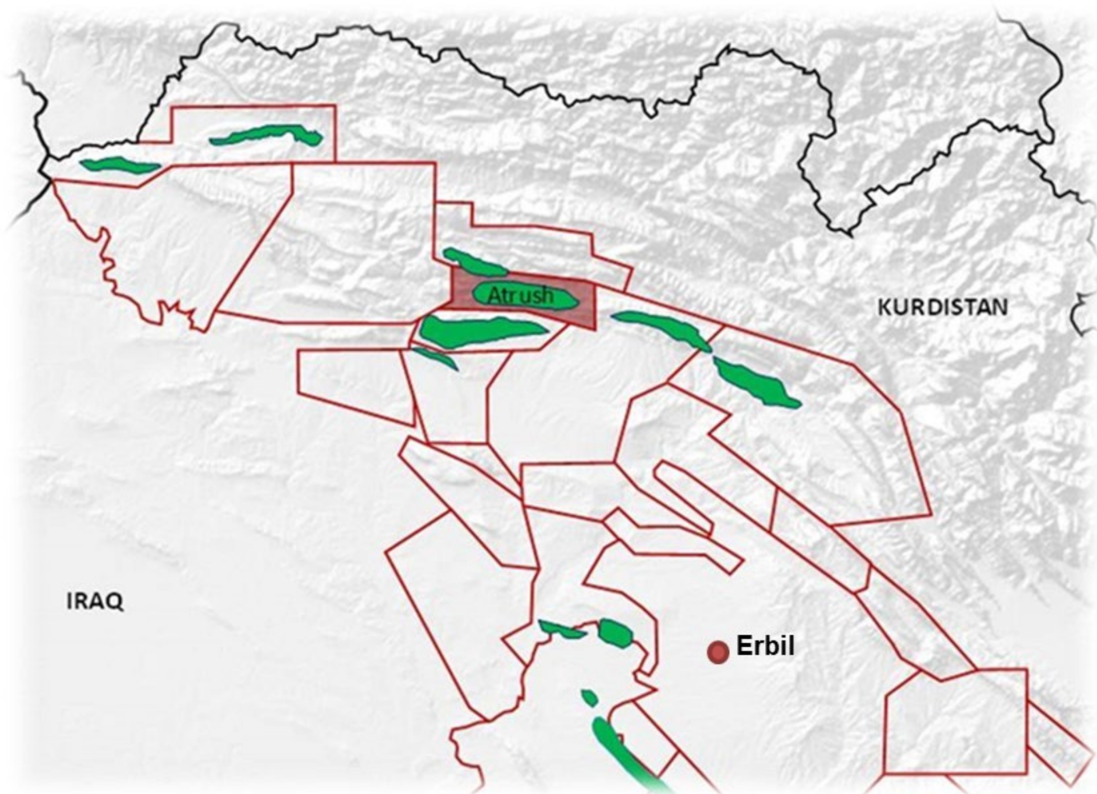
The KRG has a general history of making consistent payments to International Oil Companies ("**IOCs**") exporting via the KRG pipeline system (other than certain limited times including during the four-month period as further described in Item 3 "Year Ending December 31, 2020" Corporate Developments). As at the date of this AIF, the KRG's practice for crude oil sales payments to IOCs is an invoice is delivered following the end of a month and payment is made by the KRG by the end of the month in which a sales invoice is delivered.

As at December 31, 2020 there were approximately twelve producing blocks in Kurdistan, producing approximately 477 Mbopd. The principal producing fields, other than the Atrush Block operated by TAQA and its neighboring fields to the North being Swara Tika and East Swara Tika in the Sarsang Block operated by HKN Energy Limited and the Shaikan field to the South operated by Gulf Keystone Limited, include Khurmala field located at the northern dome of the giant Kirkuk field and operated by KAR, a Kurdistan conglomerate that also operates the Kurdistan export pipeline, and the Tawke and Peshkabir fields, in northern Kurdistan and operated by DNO International ASA.

Atrush Block

Summary

The Atrush Block is located approximately 85 kilometers northwest of Erbil, the capital of Kurdistan, and is 269 square kilometers in area. Oil has been proven in Jurassic fractured carbonates in the Chiya Khere structure and is estimated to contain between 1.7 and 2.3 billion barrels of oil in place, with a best estimate of 2.0 billion barrels of oil in place. The structure is expressed at surface by the Chiya Khere mountain which runs east-west for approximately 25 kilometers with an approximate width of 3.5 kilometers.



The Atrush structure is a complex faulted anticlinal structure developed along a possible shallow thrust zone oriented east-west. The proven and potential stacked oil reservoirs within the block Barsarin, Naokelekan (Upper Jurassic), Upper and Lower Sargelu (Middle Jurassic), Alan, Mus and Adaiyah/Upper Sarki (time equivalent Butmah)/(Lower Jurassic) with both fracture and matrix porosity. The Alan anhydrites form a pressure barrier between the Upper/Middle Jurassic and Lower Jurassic reservoirs.

Well tests have confirmed the existence of a 420m 25o-27^{o} API oil column, underlain by a transition zone of around 250 m where API gravity decreases with depth from around 22^{o} API to 14^{o} API. The oil columns are present and producible with the help of electric submersible pumps ("**ESPs**") in both the Upper/Middle Jurassic reservoirs and the Lower Jurassic reservoirs. Deepest producible oil was demonstrated by the CK-6 well at a depth of -460 m msl. Water was produced in the AT-3 well at a depth of -498 msl. None of the tests in the oil zone produced any formation water on test.

In the year 2008, GEP (then a subsidiary of Aspect Energy) acquired 143 kilometers of 2D seismic data covering the Atrush Block. In April 2011, the Atrush structure was confirmed as an oil discovery by the Atrush-1 exploration well. This was followed by the AT-2 appraisal well in July 2012. 3D seismic covering the entire Atrush Block was acquired between July 2011 and August 2012 and a Declaration of Commerciality made on November 7, 2012. The eastern part of the field was successfully appraised in June 2013 by the AT-3 well.

TAQA became operator of the Atrush Block in December 2012 and submitted the Atrush Block Field Development Plan for approval by the KRG on May 6, 2013 which was subsequently approved by the Ministry of Natural Resources of the KRG effective October 1, 2013. Construction of the 30 Mbopd Atrush Phase 1 production facility commenced in the second quarter of 2014.

In 2014 three further development wells, AT-4, Chiya Khere-5 (“**CK-5**”) and Chiya Khere-8 (“**CK-8**”), were drilled in the Phase I area. Also in 2014, a second eastern appraisal well, CK-6, was drilled. In 2014 and 2015 extensive well testing was carried out in all newly drilled wells as well as re-testing of the AT-3 well. Interference testing demonstrated excellent communication from the eastern part of the field to the western part of the field and all wells showed good productivities.

The completions for both the AT-4 and the AT-2 wells were installed and successfully tested in second and third quarter of the year 2016.

Construction work and commissioning on the 30 Mbopd Atrush Phase 1 Production Facility, the pipeline between the Production Facility and the block boundary, the pump station, the intermediate pigging and pressure reduction station and the section of the pipeline from the block boundary to the tie-in point on the main export pipeline (“**Atrush Feeder Pipeline**”) necessary for exporting Atrush oil were all completed by early July 2017.

Oil production on the Atrush Block commenced on July 3, 2017. Cumulative production exported from Atrush from July 2017 to December 31, 2019, was 23.2 million barrels of oil.

The CK-7 well was drilled in Q4 2017 and the reservoir section was encountered 114 meters shallower than prognosis. CK-7 was completed over the Alan and Lower Sargelu formation with an ESP. During the final completion test the well produced 7,040 bopd at only 14 psi draw-down. The well started production in July 2018.

The CK-10 well was drilled in Q2 2018 and the reservoir section was encountered some 60 meters shallow to prognosis. The well flow tested approximately 4.4 Mbopd at a low draw down and started production from the Lower Sargalu formation in July 2018.

The Chiya Khere-9 (“**CK-9**”) water disposal well was drilled in Q3 2018 and was completed early Q4 2018. Water injection started in January 2019.

A further two appraisal wells have previously been drilled and tested in the eastern part of the field and have proven reservoir communication between the eastern and the western parts of the field. A heavy oil extended well test was conducted on the AT-3 well in 2019. The test was inconclusive with respect to the producibility of the heavy oil in the Atrush field. The CK-6 well was in 2019 converted to a medium oil producer and began production on June 1, 2019 through temporary production facilities originally installed for the heavy oil test.

An extensive back-to-back four well drilling program was conducted in 2019 to increase well production capacity to over 50 Mbopd. The CK-11 production well was drilled through the upper and lower Jurassic reservoirs and came online producing from the upper reservoir on May 10, 2019. The rig went directly to the CK-12 location on Chamanke E pad. This well was drilled through the back-limb of the structure into the front limb thereby producing valuable information on the geometry of the Atrush fold. CK-12 is the first producer dedicated to the lower Jurassic Mus formation and came online August 10, 2019. CK-13 and CK-15 were both drilled both as infill well locations at the structurally shallow parts of the field and are completed Upper Jurassic Sargelu formation producers. CK-13 started producing oil on September 18, 2019 followed by CK-15 on December 8, 2019.

As the new 2019 wells came into production an increase in processing capacity was required to fully utilize available well capacity. An early production facility (“**EPF**”), with a capacity of 10,000 blpd was installed on the Chamanke E pad. Additionally, a debottlenecking initiative was run on the central processing facility with a resulting increase in processing capacity from 30,000blpd to 40,000 blpd.

In Q1.2020, the EPF was upgraded to 18,000 blpd capacity through the addition of a second processing train. Due to the COVID-19 pandemic, the 2020 Work Plan was revised, suspending the ongoing drilling and completion campaign as well as all non-critical projects.

Regional Geology

The Atrush Block lies in 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 kilometers. It extends from the Taurus thrust zone in the north (Turkey) to the Arabian Gulf and Oman in the south. The basin is a typical foreland compressional basin formed by the collision of the Afro-

Arabian and Iranian plates in Late Cretaceous and Cenozoic times. The Atrush structure is part of the high folded zone of the Zagros mountains.

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.

The main source rocks in the area are in the Jurassic Naokelekan and the Cretaceous Chia Gara formations. Hydrocarbon generation and migration in the Zagros Basin began during the late Cretaceous time when folding and uplift of the Zagros Mountains began. Faults and fracture development created vertical migration paths to hydrocarbons. Most likely a combination of vertical and horizontal migration charged the structures in the Atrush Block area.

The following table indicates the regional stratigraphy showing reservoirs, source and seal formations.

Age	Epoch	Formation (1)	Lithology	Reservoir	Source	Seal
Cretaceous	Upper	Aqra-Bekhme	Karstic & Dolomitic Limestone			
		Qamchuqa	Karstic & Dolomitic Limestone			
	Lower	Sarmord	Interbedded Marls, Limestone & Shale			
		Garagu	Limestone			
		Chia Gara	Shale & Marls			
Jurassic	Upper	Chia Gara Transition Beds	Shale with layers of Anhydrite and Limestone			
		Barsarin	Shale & Marls over Limestone			?
		Naokelekan	Organic rich Shale with layers of Limestone			
	Middle	Upper Sargelu	Limestone & Shaly Limestone			
		Lower Sargelu	Dolomite with layers of Limestone			
	Lower	Alan	Anhydrites with a few layers of Dolomite			?
		Mus	Limestone & Dolomite			
		Adaiyah	Predominantly Anhydrite with some Dolomite			
		Butmah	Dolomite with isolated layers of Anhydrite and Limestone			
Triassic	Upper	Baluti	Interbedded Marls, Dolomites & Shale			
		Kurra Chine A	Interbedded Anhydrite, Limestone & Dolomite		?	
		Kurra Chine B	Interbedded Anhydrite, Limestone & Dolomite		?	
		Kurra Chine C	Interbedded Anhydrite, Limestone & Dolomite		?	

*A wavy line between formations represents an unconformity.

PSC and Related Agreements

Summary

On August 27, 2010, SVBV, then an indirect subsidiary of the Company, entered into a Subscription Agreement and a Shareholders Agreement with Aspect Energy International, LLC. ("**AEI**") and GEP to acquire 33.5% of the fully-diluted share capital of GEP, then a wholly-owned subsidiary of AEI. GEP then held an 80% working interest in the Atrush Block PSC. In October 2010, the KRG nominated MOKDV as the KRG's Third Party Interest Participant to hold a 20% working interest. Accordingly, the Company, through its wholly-owned subsidiary GEP, held an indirect interest in Atrush Block PSC of 26.8% until the KRG's back-in right became effective on November 7, 2012.

On December 31, 2012 GEP completed two principal transactions (the "**Transactions**") resulting in: (i) the sale of a 53.2% participating interest in the Atrush Block to TAQA Atrush B.V.; and (ii) the repurchase of AEI's 66.5% shareholding interest in GEP. Due to the Transactions, SVBV became the sole remaining shareholder of GEP which held a 26.8% direct working interest in the Atrush Block PSC, its principal asset, and TAQA assumed operatorship of the Atrush Block.

On March 12, 2013, TAQA, GEP and MOKDV (at that time being the members in the Contractor Group to the Atrush Block PSC) were notified by the KRG that it intended to exercise its option to take a 25% working interest in accordance with the provisions of the Atrush Block PSC. On November 7, 2016 the KRG exercised its option for such 25% working interest in Atrush Block which was effective November 7, 2012 after which GEP held a 20.1% working interest.

On September 18, 2017, an agreement for the sale of Atrush oil was executed by Taqa Atrush BV. (on behalf of the Atrush co-venturers) and the KRG. Under the agreement, the KRG agreed to buy oil produced by the Atrush Block and delivered to the Atrush Block's boundary. The Atrush oil sales price is based upon the Dated Brent oil price minus a certain price discount (originally $16.04 per barrel for quality discount and all local and international transportation costs) and such oil sales price is determined on the same principles as other oil sales agreements in Kurdistan. The agreement has been subsequently amended to adjust the discount downward to $15.73 per barrel from February 1, 2018 until September 30, 2018, and to $15.43 per barrel from October 1, 2018 to October 30, 2019 to reflect the better oil quality from Atrush. Effective November 1, 2019 the Atrush Feeder Pipeline transportation tariff waiver granted under the terms of the 2016 Facilitation Agreement added a transportation tariff of $0.35 to the Atrush oil sales price discount making it $15.77.

On April 3, 2019, the MOKDV, TAQA Atrush BV and the Company, through its wholly owned subsidiary, GEP, agreed to back-to-back separate purchase and sale agreements whereby GEP acquired directly MOKDV's full 15% participating interest in the Atrush Block and immediately thereafter sold a 7.5% participating interest to TAQA Atrush B.V., Operator of the Atrush Block. Following the close of the transaction on May 30, 2019, and as at the date of this AIF, the working interests in the Atrush Block PSC were held 47.4% by TAQA, 25% by the KRG and 27.6% by GEP.

<u>Atrush Block PSC</u>

1. Basic Terms

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

In the event of a Commercial Discovery and subsequent delineation of the relevant field, the term for development and production is extended to 20 years with an automatic right to a five-year extension, and upon satisfying certain conditions, to an additional five-year extension. Acreage included in the Contract Area and not converted into a producing field is to be relinquished at the rate of 25% at the end of each of the initial exploration terms and the first one-year renewal period and the balance of acreage is to be relinquished at the end of the second one-year renewal term. It should be noted that because the Commercial Discovery in Atrush Block covers the entire block that no relinquishments were required to be made to the KRG.

2. Minimum Work Obligations

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

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

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

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

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

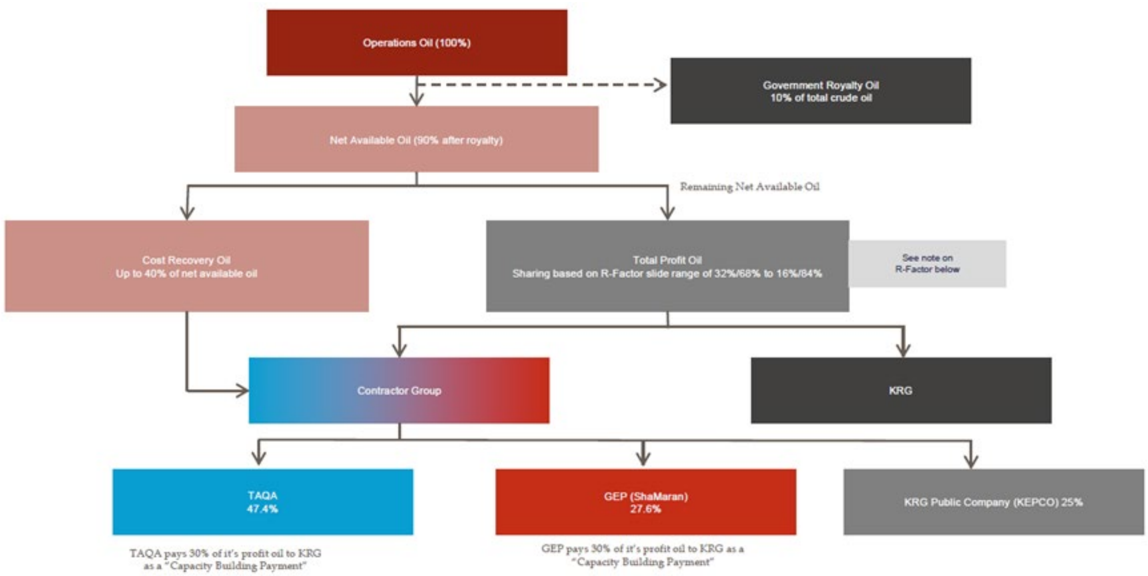
(b) drill one exploration or appraisal well (commitment for this purpose is a minimum financial amount of $7.5 million)

3. Fiscal Terms under Atrush Block PSC

Fiscal terms under the Atrush Block PSC include a 10% royalty and a variable profit split based on a percentage share 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. The Contractor Group is entitled to cost recovery in respect of all costs and expenditures incurred for exploration, development, production and decommissioning operations, as well as certain other allowable direct and indirect costs.

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

ATRUSH BLOCK PSC REVENUE FLOW



R-Factor: Determines what % of Profit oil goes to the Contractor Group (TAQA, GEP)

$$R = \frac{\text{Cumulative Revenues}}{\text{Cumulative Costs}} \quad \begin{cases} R < \text{or} = 1 & 32\% \\ 1 < R < \text{or} = 2.25 & 32\% - (32\% - 16\%) * (R - 1) / (2.25 - 1) \\ R > 2.25 & 16\% \end{cases}$$

4. First Amendment

On August 1, 2010, GEP and the KRG executed the Atrush Block First PSC Amendment that:

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

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

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

d) required GEP to pay an additional $5.0 million capacity building bonus to the KRG within 30 days of the KRG's approval of a development plan for Atrush Block.

5. Second Amendment

On October 20, 2010, GEP, MOKDV and the KRG executed the Atrush Block Second PSC Amendment that nominated MOKDV as the KRG's Third-Party Interest Participant to hold a 20% working interest in the Atrush Block. MOKDV reimbursed GEP approximately $5.77 million which represents 20% of the petroleum costs incurred since the Effective Date of the Atrush Block PSC until the date of the Atrush Block Second PSC Amendment. These amounts were distributed to AEI and the Company, as shareholders of GEP, during the year ended December 31, 2010. Upon closing of the Atrush Block Second PSC Amendment, GEP and MOKDV then had 80% and 20% working interests, respectively, in the Atrush Block PSC.

On November 30, 2011 GEP and MOKDV entered into a Joint Operating Agreement and subsequently approved by the KRG in accordance with the terms of the Atrush Block PSC.

6. Third Amendment

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

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

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

7. Fourth Amendment

On November 7, 2016 the Atrush Block PSC Fourth Amendment and the Atrush Facilitation Agreement were concluded among TAQA, GEP, MOKDV (together, the "**Non-Government Contractors**") and the KRG in relation to the exercise by the KRG of its option to participate as a contracting entity with a 25% working interest in Atrush Block effective November 7, 2012.

These two documents include the following principal terms:

- The KRG acquires, with effect from November 7, 2012, the date of declaration of commerciality (**"DOC"**), a 25% undivided interest in the petroleum operations and all the other rights, duties, obligations and liabilities of the Contractor in the Atrush Block PSC and is liable for its participating interest share of the petroleum costs incurred on or after DOC. The respective participating interests in the Atrush Block PSC then became TAQA at 39.9%, the KRG at 25%, GEP at 20.1% and MOKDV at 15%;
- The Non-Government Contractors to fund the cost of constructing the Atrush Feeder Pipeline which construction contract will be assigned to the KRG following the commencement of oil exports from Atrush Block and such costs to be repaid by the KRG to the Non-Government Contractors as a loan at 7% interest over a twenty-four month period following issuance of the FCC (the "**Atrush Feeder Pipeline Loan**");

- All Atrush petroleum costs from the DOC up to the issuance of the Final Completion Certificate for the Atrush Feeder Pipeline ("**FCC**"), are to be paid by the Non-Government Contractors and a defined portion of the KRG's share of these costs will be repaid through an accelerated petroleum cost recovery arrangement from the sale of future oil production from Atrush Block as well as a loan at 7% interest over a twenty-four month period following issuance of the FCC (the "**Atrush Carry Loan**"); and
- The FCC was subsequently issued on October 31, 2017 and the Atrush Feeder Pipeline Loan and the Atrush Carry Loan were both timely repaid in full to the Non-Government Contractors by the KRG.

8. Fifth Amendment

On May 30, 2019, and in conjunction with the sale by MOKDV of its entire 15% Atrush Block PSC interest in equal 7.5% portions to GEP and TAQA, the Atrush Block PSC Fifth Amendment was concluded between TAQA, GEP, MOKDV and the KRG to assign the 15% MOKDV working interest in Atrush Block in equal 7.5% portions to GEP and TAQA and remove MOKDV from the PSC, and to implement a $19 million capacity building bonus payment to the KRG, borne equally between GEP and TAQA. As a result of such sale, the respective participating interests in the Atrush Block PSC are TAQA at 47.4%, the KRG at 25% and GEP at 27.6%.

9. Termination Provisions

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

The Atrush Block PSC, as at the date of this AIF, is in the Development Period, and during this period the Contractor Group has the right to terminate the Atrush Block PSC at any time by surrendering all production areas provided its current obligations have been satisfied in accordance with the terms of the Atrush Block PSC.

Risk Factors

ShaMaran Petroleum Corp. is engaged in the exploration, development and production of crude oil and natural gas and its operations are subject to various risks and uncertainties which include but are not limited to those listed below. **If any of the risks described below materialise the effect on the Company's business, financial condition or operating results could be materially adverse.**

The following sections describe material risks identified by the Company; however, risks and uncertainties of which the Company is not currently aware or currently believes to be immaterial could develop and may adversely affect the Company's business, financial condition or operating results.

Investors should carefully consider the risk factors set out below and consider all other information contained herein, and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas industry generally.

Political and Regional Risks

<u>International operations</u>:

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

Political instability:

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

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

The delineation of powers under the Constitution of Iraq has been subject to different interpretations which has resulted in a number of outstanding political issues and differences between Federal Government and the KRG including, but not limited to, the financial support to be provided to the KRG by the Federal Government, the validity of PSCs signed by the KRG and the jurisdiction over oil and gas matters in Kurdistan.

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

Political uncertainty**:**

There is a risk that levels of authority of the KRG, and corresponding systems in place, could be transferred to the Federal Government. Changes to the current political regime could result in delays in operations and additional costs which could materially adversely impact the operations and prospects of the Company and could have a material adverse effect on the Company's business and financial condition. Refer also to the discussion in the section below under "Risks associated with petroleum contracts in Iraq."

Regional boundary issues:

Although the Kurdistan Region is recognized by the Constitution of Iraq as a semi-autonomous region, its geographical extent is neither defined in the Constitution of Iraq nor definitively agreed in practice between the Federal Government and the KRG. There have been unresolved differences between the KRG and the Federal Government regarding certain areas which are commonly known as "disputed territories". The Company believes that its current area of operation in Atrush Block is not within these "disputed territories".

Industry and Market Risks

Exploration, development and production risks:

ShaMaran's business is presently no longer involved in exploration activities but is subject to all the risks and hazards inherent in businesses involved in the development, production and marketing of oil, many of which cannot be overcome even with a combination of experience, knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include drilling of unsuccessful wells, fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil wells, production facilities, other property or the environment, or in personal injury.

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

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

<u>General market conditions</u>:

ShaMaran's business and operations depend upon conditions prevailing in the oil and gas industry including the current and anticipated prices of oil and gas and the global economic activity. A reduction of the oil price, a general economic downturn, or a recession could result in adverse effects to the Company's business including, but not limited to, reduced cash flows associated with the Company's future oil and gas sales. Worldwide crude oil commodity prices are expected to remain volatile in the future due to the COVID-19 pandemic and its effects on global supply and demand balances, actions taken by the Organization of the Petroleum Exporting Countries, and ongoing global credit and liquidity concerns. This volatility may affect the Company's ability to obtain additional equity or debt financing on acceptable terms.

<u>Competition</u>:

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

<u>Reliance on key personnel</u>:

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

Business Risks

<u>Risks associated with petroleum contracts in Iraq</u>:

The Constitution of Iraq 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 federal parliament to govern the future organization and management of Iraq's petroleum industry (including in Kurdistan) as there are a number of material issues which need to be resolved between the Federal Government and the KRG. There is uncertainty concerning the promulgation of the Federal legislation and the timing of such adoption, if at all. Failure to enact federal legislation could extend or increase uncertainty within Iraq's petroleum industry which may result in additional burdens being placed on the Company including, but not limited to, difficulty obtaining clear title to its assets or in obtaining adequate financing for its future projects.

The KRG developed the Oil and Gas Law to be consistent with the role granted to the regions in the Constitution of Iraq and in conformity with the principles reflected in the Draft Federal Petroleum Law and in the draft federal law governing revenue sharing for petroleum activities proposed in June 2007 (but never enacted).

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 declaring it to be supported by the Constitution of Iraq and providing the foundation for economic development of the then 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 Constitution of Iraq, the Oil and Gas Law requires Kurdistan to share revenue with the Federal Government and other regions of Iraq, just as other areas of Iraq will share oil revenues with Kurdistan. The KRG has signed numerous PSCs with international oil companies based on the Oil and Gas Law. The Company currently has a 27.6% working interest in the Atrush Block PSC which is under the jurisdiction of the Oil and Gas Law.

The Iraq oil ministry has historically disputed the validity of the KRG's PSCs and, as a result indirectly, the Company's right and title to its oil asset in Atrush Block. The KRG has previously disputed the Federal Government claims and has stated that the PSCs are compliant with the Constitution of Iraq. Currently there is no assurance that the KRG PSCs are enforceable or binding in accordance with ShaMaran's interpretation of their terms or that, if breached, the Company would have remedies.

Although the Company conducted a title review prior to the 2010 acquisition by the Company of an interest in GEP regarding the Atrush Block PSC interest of GEP, such review does not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question ShaMaran's interest in the Atrush Block PSC.

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

<u>Government regulations, licenses and permits</u>:

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

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

The taxation system applicable to the operating activities of the Company in Kurdistan is pursuant to the Oil and Gas Law governed by general Kurdistan tax law and the terms of the Atrush Block PSC. However, it is possible that the arrangements under the PSCs in Kurdistan may be overridden or negatively affected by the enactment of any future oil and gas or tax law in Iraq or in Kurdistan which could result in adverse effects to the Company's business including, but not limited to, increasing the Company's expected future tax obligations associated with its activities in Kurdistan. Notwithstanding the foregoing, the management of the Company is, at the date of this AIF, not aware of any current effort by the KRG to override or negatively effect the tax provisions granted in the Atrush Block PSC.

Marketing, markets and transportation:

The export of oil and payments relating to such exports from Kurdistan remains subject to uncertainties which could negatively impact on ShaMaran's ability to sell its oil production to the KRG for the KRG's export and for payments relating to such oil deliveries. Potential government regulation relating to price, quotas and other aspects of the oil and gas business could result in adverse effects to the Company's business including, but not limited to, impairing the Company's ability to sell oil and receive full payment for all sales of such delivered oil.

Payments for oil deliveries that the KRG exports:

Cash payments to IOCs for oil the KRG exported from Kurdistan has been under the sole control of the KRG since the beginning of exports in 2009. The KRG has established a relatively consistent record of delivering regular payments to IOCs for their entitlement revenues in respect of monthly petroleum production (other than the four month period as previously noted from November 2019 through February 2020). Nevertheless, there remains a risk that the Company may face significant delays in the receipt of cash for its entitlement share of future oil deliveries to the KRG for its export to the international market.

Paying interest:

On November 7, 2016 the KRG exercised its back-in right under the terms of the Atrush Block PSC and the Atrush Facilitation Agreement and assumed a 25% working interest in the Atrush Block. The KRG has, since the commencement of oil production exports from Atrush (with the exception of the four-month period November 2019 to February 2020) paid for its share of project development costs in conjunction with the payment cycle for oil deliveries. A proposal for the payment of the four months' unpaid entitlements has been received by the Company from the Prime Minister of the KRG and constructive discussions are continuing to resolve these unpaid obligations as at the date of this AIF. Going forward, there is still a risk that the Atrush operator and the Company may be exposed to funding the KRG's 25% share of operating and development costs if not paid by the KRG.

Default under the Atrush Block PSC and Atrush JOA:

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

The Atrush JOA definition of default includes payment default and failure to provide security as required under the Atrush JOA. If a party does not remedy such default within 5 business days after having been notified of the default, its entitlement shall vest with and be the property of the other parties should the default remain un-remedied. The operator will in this period be entitled to sell the entitlement at arms' length on reasonable terms and apply proceeds to cover costs and liabilities and a reserve fund before releasing any remaining surplus. If a default has remained for 60 days or more a non-defaulting party has the option to acquire the defaulter's participating interest at a price equal to the fair market value of such interest less the following (i) the total amount in default (ii) all costs; including the costs of an expert, to obtain such valuation and (iii) ten per cent (10%) of the fair market value of the defaulting party's participating interest.

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

Kurdistan legal system:

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

Enforcement of judgments in foreign jurisdictions:

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

Change of control in respect of Atrush Block PSC:

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

Project and Operational Risks

Shared ownership and dependency on partners:

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

ShaMaran's return on assets operated by others will therefore depend upon 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 may have a different opinion from the Company on how to conduct certain operations which may result in delays, losses or increased costs not anticipated by the Company. In addition, if the operator or other partners fail to perform, ShaMaran may, among other things, risk losing rights or revenues or incur additional obligations or costs to itself perform in place of its partners. If a dispute would arise with one or more partners such dispute may have significant negative effects on the Company's operations relating to its projects.

Security risks:

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

Risks relating to infrastructure:

The Company is dependent on access to available and functioning infrastructure (including third party services in Kurdistan) relating to the properties on which it operates, such as roads, power and water supplies, pipelines and gathering systems. If any infrastructure or systems failures occur or access is not possible or does not meet the requirements of the Company, the Company's operations may be significantly hampered which could result in lower production and sales and or higher costs.

Environmental regulation and liabilities:

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

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

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

Risk relating to community relations / labor disruptions:

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

Petroleum costs and cost recovery:

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

Legal claims and disputes:

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

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

Uninsured losses and liabilities:

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

Availability of equipment and services:

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

Production risks:

As at the date of this AIF, ShaMaran has conducted (or participated in the conduct of) oil and gas exploration and development activities in Kurdistan for more than ten years. There can be no assurance that ShaMaran's operations in Atrush Block will be profitable in the future or will generate sufficient cash flow to satisfy its future commitments.

Financial and Other Risks

Financial statements prepared on a going concern basis:

The Company's financial statements have been prepared on a going concern basis under which an entity is able to realize its assets and satisfy its liabilities in the ordinary course of business. Management has made assumptions regarding projected oil sale volumes and pricing, and the timing and extent of capital, operating, and general and administrative expenditures. Should production be materially less than anticipated or in case there are extended delays to the forecasted receipt of cash from the sale of oil exports or in the magnitude of those cash receipts, which are under the control of the KRG, and the Company was unable to defer certain planned cost activities, the Company could require additional liquidity to fund the forecasted Atrush operating and development costs and its commitments under the Amended Bond Terms in the next 12 months. The Company's future operations are dependent upon certain factors the identification and successful completion of additional equity or debt financing or the achievement of profitable operations. There can be no assurances that the Company will be successful in completing additional debt or equity financing or achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should ShaMaran be unable to continue as a going concern.

Atrush Block capital requirements:

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

Dilution:

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

Tax legislation:

As at the date of this AIF, the Company has entities incorporated and resident for tax purposes in Canada, the Cayman Islands, the Kurdistan Region, and Switzerland. Changes in the tax legislation or tax practices in these jurisdictions may increase the Company's expected future tax obligations associated with its activities in such jurisdictions.

Commodity price risk:

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

Foreign currency risk:

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

Interest rate risk:

The Company earns interest income at variable rates on its cash and cash equivalents and is therefore exposed to interest rate risk due to a fluctuation in short-term interest rates. The Company's policy on interest rate management is to maintain a certain amount of funds in the form of cash and cash equivalents for short-term liabilities and to have the remainder held on relatively short-term deposits. ShaMaran is leveraged though bond financing at the corporate level. However, the Company is not exposed to interest rate risks associated with the bonds as the interest rate is fixed until July 2023.

Credit risk:

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

Liquidity risk:

The Company bears the risk that it will have difficulties meeting its financial obligations as they become due. In common with many IOCs the Company has previously raised financing for its exploration and development activities in discrete tranches to finance its activities for limited periods. The Company may seek to raise additional funding as and when required for future development and production operations. The Company anticipates making additional capital expenditures in the future for the development and production of oil in Atrush Block and as the Company's projects move further into the potential additional development stages, specific financing, including the possibility of additional debt, may be required to enable future development to take place. The financial results of the Company will impact its access to the capital markets necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash generated by operations, would be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

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

Capital and lending markets:

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

Uncertainty in financial markets:

In the future the Company could require financing to maintain or grow its business. The uncertainty which periodically affects financial markets and the possibility that financial institutions may consolidate or go bankrupt has reduced levels of activity in the credit markets which could diminish the amount of financing available to companies. The Company's liquidity and its ability to access the credit or capital markets may also be adversely affected by changes in the financial markets and the global economy.

Risks in estimating resources**:**

There are uncertainties inherent in estimating the quantities of reserves/resources including factors which are beyond the control of the Company. Estimating reserves and resources is a subjective process and the results of drilling, testing, production and other new data after 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 Company's project is in the early production stage and, as such, additional information must be obtained by further drilling and testing to ultimately determine the economic viability of developing any of the contingent or prospective resources. There is no certainty that the Company will be able to commercially produce any portion of its contingent or prospective resources. Any significant change, in particular, if the volumetric resource estimates were to be materially revised downwards in the future, could negatively impact investor confidence and ultimately impact the Company's performance, share price and total market capitalisation.

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

<u>Conflict of interests</u>:

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

Risks Related to the ShaMaran Bonds

<u>Possible termination of Atrush Block PSC / bond agreements in event of default scenario</u>:

Should the Company default in its obligations under the ShaMaran Bond Agreement it may also not be able to fulfil its obligations under the Atrush Block PSC and/or Atrush Block JOA, with the effect that these contracts may be terminated or limited. In addition, should ShaMaran default in its obligations under the Atrush Block PSC and/or Atrush Block JOA, with the effect that these contracts may be terminated or limited, ShaMaran may also default in respect of its obligations under the ShaMaran Bond Agreement. Either default scenario could result in the termination of the Company's future revenue generating activities and impair the Company's ability to meet its contractual commitments as they become due.

<u>Ability to service indebtedness</u>:

The Company's ability to make scheduled payments on or to refinance its obligations under the ShaMaran Bond Agreement will depend on ShaMaran's financial and operating performance which, in turn, will be subject to prevailing economic and competitive conditions beyond ShaMaran's control. It is possible that ShaMaran's activities will not generate sufficient funds to make the required interest payments on the ShaMaran Bonds which could, among other things, result in an event of default under the ShaMaran Bond Agreement.

<u>Significant operating and financial restrictions</u>:

The terms and conditions of the ShaMaran Bond Agreement contains restrictions on ShaMaran's and the ShaMaran Bond Guarantors' activities which restrictions may prevent ShaMaran and the ShaMaran Bond Guarantors from taking actions that it believes would be in the best interest of ShaMaran's business and may make it difficult for ShaMaran to execute its business strategy successfully or compete effectively with companies that are not similarly restricted. No assurance can be given that it will be granted the necessary waivers or amendments if for any reason ShaMaran is unable to comply with the terms of the bond agreement. A breach of any of the covenants and restrictions or an affirmative vote of 50.1% of the bondholders to exercise the put option could result in an event of default and acceleration of the redemption and early payment in full of the ShaMaran Bonds under the ShaMaran Bond Agreement.

<u>Mandatory prepayment events</u>:

Under the terms of the ShaMaran Bond Agreement the ShaMaran Bonds are subject to mandatory prepayment by ShaMaran on the occurrence of certain specified events, including if (i) the ownership in the Atrush Block is reduced to below 27.60% (ii) an event of default occurs or the put option is exercised by at least 501% of the bondholders under the ShaMaran Bond Agreement. Following an early redemption after the occurrence of a mandatory prepayment event, it is possible that ShaMaran will not have sufficient funds to make the required redemption of the bonds which could, among other things, result in an event of default under the ShaMaran Bond Agreement.

Statement of Reserves Data and Other Oil and Gas Information

Date of Statement

The Statement of Reserves Data and Other Information is prepared as at December 31, 2020. The information is presented on a consolidated basis for ShaMaran.

Disclosure of Reserves Data

On February 11, 2021, the Company received from McDaniel a detailed property report dated as at December 31, 2020. Total discovered oil in place is a low estimate of 1.718 billion barrels, a best estimate of 1.998 billion barrels and a high estimate of 2.349 billion barrels, with Atrush Block gross 2P reserves estimated at 109.9 MMbbls and Atrush Block gross 2C contingent resource estimated at 219.7 MMbbls.

For further information please refer to the Company's Form 51-101 F1 *Statement of Reserves Data and Other Oil and Gas Information,* Form 51-101 F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*, Form 51-101 F3 *Report of Management* and Form 51-101F4 *Notice of Filing of 51-101 F1 Information* filed under the Company's profile on SEDAR at www.sedar.com posted on February 11, 2021 and attached hereto as Schedules A, B, C and D.

ITEM 5 - DESCRIPTION OF CAPITAL STRUCTURE AND DIVIDENDS

Capital Structure

The Company's authorized capital consists of an unlimited number of common shares without par value. All the issued common shares are fully paid and non-assessable.

The holders of common shares are entitled to receive notice of, and to one vote per share at, every meeting of shareholders of the Company, to receive such dividends as the Board of Directors declares and to share equally in the assets of the Company remaining upon the liquidation, dissolution or winding up of the Company after the creditors of Company have been satisfied.

Under the terms of the ShaMaran Bond Agreement the Company is restricted from making any dividend payment, repurchase of shares, loans or other equity or capital distributions or payments to its shareholders, whether in cash or in kind (including without limitation servicing of shareholder loans or any total return swaps or instruments with similar effect).

At December 31, 2020, the Company had an aggregate of 2,175,868,201 common shares issued and outstanding.

Under the Company's Stock Option Plan and Share Unit plans, the Company may grant options to purchase up to 10% of the issued and outstanding Common Shares at the time of grant to its Directors, officers, employees and consultants. The number of shares issuable under these plans at any specific time to any one recipient shall not exceed 5% of the issued and outstanding common shares of the Company. As at the date of this AIF, the Company had 60,610,000 outstanding options to purchase Common Shares at an average exercise price of CAD 0.07 per share. The options relate to (i) grants made in the year 2019 totalling 25,070,000 plus (ii) one grant made in the year 2020 of 35,840,000, (iii) 300,000 of these options were cancelled in the year 2020 due to the end of service of a plan participant. The options vest over a period of two years and will expire at the end of five years if not exercised. The Company also had outstanding at the date of this AIF under its Share Unit Plans 7,346,887 Deferred Share Units ("**DSUs**") and 28,693,333 Restricted Share Units ("**RSUs**"). The DSUs were granted to non-executive directors of the Company, are fully vested and at the end of service of a director and are redeemable in either cash or shares of the Company. The RSUs were granted to certain officers, employees and consultants, vest over three years, and are redeemable into shares of the Company after vesting.

Dividends

To date the Company has not paid dividends on its common shares and has no plans to pay dividends. In accordance with the ShaMaran Bond Agreement the Company is prohibited from distributing dividends. Any decision to pay dividends in the future will be based on the then applicable restrictions under the ShaMaran Bond Agreement, the Company's earnings and financial requirements and other factors that its Board of Directors may consider appropriate in the circumstances.

ITEM 6 - MARKET FOR SECURITIES

Trading Price and Volume

The common shares of the Company are currently listed and posted for trading on both the TSX.V in Canada and NASDAQ First North Growth Market in Sweden under the trading symbol "SNM".

The following table sets out, for the calendar periods indicated, the high and low trading prices and volumes for the common shares as reported on such markets:

	TSX.V (Canada)			NASDAQ First North (Sweden)		
Month	**High (CAD)**	**Low (CAD)**	**Volume**	**High (SEK)**	**Low (SEK)**	**Volume**
December 2020	0.045	0.035	2,121,733	0.29	0.24	59,232,965
November 2020	0.04	0.03	2,471,803	0.299	0.207	59,078,277
October 2020	0.05	0.035	2,641,621	0.36	0.20	98,755,765
September 2020	0.06	0.025	4,952,068	0.49	0.19	271,332,608
August 2020	0.035	0.025	1,939,615	0.22	0.20	44,001,842
July 2020	0.04	0.03	1,627,438	0.245	0.202	63,112,680
June 2020	0.04	0.025	2,059,414	0.29	0.18	166,167,644
May 2020	0.035	0.02	1,782,312	0.282	0.15	208,463,420
April 2020	0.045	0.03	1,744,199	0.325	0.22	158,706,005
March 2020	0.065	0.035	1,203,341	0.465	0.24	135,283,159
February 2020	0.07	0.06	1,010,431	0.50	0.395	45,662,134
January 2020	0.08	0.065	2,405,779	0.55	0.46	60,870,828

ITEM 7. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The Company has no securities currently held in escrow.

ITEM 8 - DIRECTORS AND OFFICERS

Name, Address and Occupation

The Board of Directors of the Company is currently comprised of six directors who are elected annually and whose term of office is until the next annual meeting of shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the articles of the Company.

The names, provinces/states and countries of residence of each of the directors and officers of the Company, their respective positions and offices held with the Company, their principal occupations within the preceding five years, as at December 31, 2020 are set forth in the following table:

Name, province or state and country of residence	Current position(s) held in the Company	Principal Occupation during the Past Five Years
Adel Chaouch Geneva, Switzerland	President & CEO and Director since May 15, 2019	Prior to joining the Company, Dr. Chaouch headed Marathon Oil Company's interests in the MENA region. He presided over Marathon Oil Kurdistan, a business that he had overseen since 2011. He was the chairman of the consortium of private owners for the Waha operating company in Libya until early 2018. Dr. Chaouch was instrumental in establishing the mega gas hub in Equatorial Guinea and also directed the opportunity team that successfully re-entered Gabon through operated and non-operated interests in deep water exploration off the Gulf of Guinea. Dr. Chaouch was previously the director of Corporate Social Responsibility for Marathon's worldwide activities and Sustainable Growth Manager for Marathon Central Africa Operations based in Equatorial Guinea. He also served over the years on a number of corporate and non-profit boards, such as Ophir Energy, the Bilateral Chamber of Commerce and the World Bank Global Gas Flaring Reduction Initiative and the International Petroleum Industry Environmental Conservation Association (IPIECA). Dr. Chaouch holds a Ph.D. in Engineering from Texas A&M University.
Chris Bruijnzeels Abcoude, The Netherlands	Chairman since May 15, 2019 and Director since January 19, 2015	From January 15, 2015 to May 15, 2019, Mr. Bruijnzeels was President & CEO of the Company. Mr. Bruijnzeels is a qualified Professional Engineer with over 35 years of experience in the oil and gas industry. Mr. Bruijnzeels is a Director of International Petroleum Corporation and was Senior Vice President, Development of Lundin Petroleum AB from January 2003 up until he joined the Company in 2015.
Keith C. Hill Florida, USA	Director since February 19, 2007	Mr. Hill is currently President and CEO of Africa Oil Corp., a publicly traded oil and gas company focused on Africa. Mr. Hill has over 30 years of experience in the oil industry and has previously served as President of each of Valkyries Petroleum, BlackPearl Resources and Shamaran Petroleum. Prior to that, Mr. Hill's experience included international new venture management and senior exploration positions at Occidental Petroleum and Shell Oil Company. His education includes a Master of Science degree in Geology and Bachelor of Science degree in Geophysics from Michigan State University as well as an MBA from the University of St. Thomas in Houston.

Name, province or state and country of residence	Current position(s) held in the Company	Principal Occupation during the Past Five Years
William A.W. Lundin Geneva, Switzerland	Director since June 26, 2019	Effective as of December 1, 2020 Mr. Lundin became the Chief Operating Officer of International Petroleum Corp. ("**IPC**"), an international oil and gas exploration and production company with a portfolio of assets located in Canada, Europe and South East Asia. Mr. Lundin has been with IPC since 2018 as a project engineer - production operations. Preceding IPC, Mr. Lundin operated with Black Pearl Resources Inc., at its Onion Lake prospect located in Onion Lake, Saskatchewan, Canada. Mr. Lundin has held mining engineering intern and intern positions with Lundin Mining Corporation and Denison Mines Corp., respectively. Mr. Lundin holds a Bachelor of Engineering in Mineral Resource Engineering from Dalhousie University.
Terry L. Allen Alberta, Canada	Director since June 25, 2018	Ms. Allen is President of Pivotal Capital Advisory Group. She has worked in corporate and investment banking for over 30 years, including managing the senior energy portfolios at CIBC and TD Bank, and leading the Project Finance and Privatization Group at PwC in Calgary, Canada. She has served on numerous corporate, crown and not-for-profit boards over the past 25 years, including two terms on the Alberta Securities Commission. Ms. Allen holds a B. Admin. degree from the University of Regina (Canada), the Chartered Financial Analyst (CFA) designation and the ICD.D designation from the Institute of Corporate Directors in Canada.
Michael S. Ebsary Geneva, Switzerland	Director since January 1, 2019	Mr. Ebsary was previously the Chief Executive Officer and a director of Oryx Petroleum Limited from 2010 to 2016. Mr. Ebsary served as the Chief Financial Officer of Addax Petroleum Corporation, an international oil and gas exploration and production company, for 11 years between 1998 and 2009, after having held various positions in project finance and treasury with oil companies Elf Aquitaine and Occidental Petroleum both in France and the United Kingdom. Mr. Ebsary began his career with positions at multinational banking institutions in Canada and the United Kingdom. Mr. Ebsary holds an MBA from Queen's University.

Name, province or state and country of residence	Current position(s) held in the Company	Principal Occupation during the Past Five Years
Brenden Johnstone British Columbia, Canada	Chief Financial Officer since December 14, 2009;	Mr. Johnstone is a Chartered Professional Accountant of Canada 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.
Alex Lengyel London, United Kingdom	Corporate Secretary since August 12, 2020 and Chief Commercial Officer since January 1, 2020	Mr. Lengyel has negotiated oil and gas transactions in over 20 countries in over 25 years. He also has experience in energy project financings, bank finance, equipment leasing, U.S. securities, country debt restructuring and corporate matters (including oil and gas joint ventures and consortium work). He holds a Juris Doctorate degree from Notre Dame Law School and is a member of the New York bar. He was a Fulbright Scholar to Italy and holds a Bachelor of Music degree (violin performance) from Eastman School of Music.

There are four standing committees of the Board; namely, the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Reserves Committee.

The following table identifies the members of each of these Committees as at December 31, 2020:

Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee	Reserves Committee
Terry L. Allen* Michael S. Ebsary Keith C. Hill	Keith C. Hill* Michael S. Ebsary Chris Bruijnzeels	Michael S. Ebsary* Terry L. Allen William A.W. Lundin	Chris Bruijnzeels* Terry L. Allen William A.W. Lundin

**Chair of the committee.*

Security Holdings

As at the date of this AIF, the directors and executive officers of the Company beneficially own, directly or indirectly, have control of or direction over an aggregate of 8,953,873 Common Shares, representing approximately 0.41 **%** of the issued and outstanding Common Shares (excluding securities issuable on exercise of stock options).

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

Other than as disclosed below, no director or officer or person holding sufficient securities of the Company to affect materially the control of the Company, is, or within the past ten years before the date of this Annual Information Form has been, a director or officer of any other issuer that, while such person was acting in that capacity:

(i) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days

(ii) was subject to an event that resulted in such an order after the person ceased to be a director or officer

(iii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets, or

(iv) was subject to such bankruptcy proceedings within a year of that person ceasing to act in that capacity

Penalties or Sanctions

No director of officer of the Company, or shareholder holding a sufficient number of shares of the Company to materially affect control of the Company, has been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered a settlement agreement with a Canadian securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

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

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

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. If such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or the terms of such participation. From time to time, several companies, including the Company, 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 corporation will assign all or a portion of its interest in a 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 of the Company are required to act honestly, in good faith and in

the best interests of the Company. In determining if the Company will participate in a program and the interest therein to be acquired by it the directors will primarily consider the possible return and degree of risk to which the Company may be exposed, as well as the financial position of the Company at that time.

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

ITEM 9 - LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is not involved in any legal proceedings that it believes might have a materially adverse effect on its business or results of operations.

Regulatory Actions

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

ITEM 10 - AUDIT COMMITTEE

The Audit Committee of the Company oversees the accounting and financial reporting processes of the Company and its subsidiaries and all audits and external reviews of the financial statements of the Company on behalf of the Board, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Company and its subsidiaries. All auditing services and non-audit services to be provided to the Company by the Company'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 Company's internal accounting controls, the Code of Business Conduct and Ethics, as amended (the "Code"), any complaints and concerns regarding accounting, internal controls or auditing matters and the resolution of issues identified by the Company's external auditors. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders and the compensation of the auditors. The Audit Committee meets a minimum of four times per year.

The Company's Audit Committee Charter is attached as Schedule E to this AIF.

Composition of the Audit Committee

The current members of the Audit Committee are Terry L. Allen (Chair), Keith C. Hill and Michael S. Ebsary. All current members are considered independent and are all "financially literate" within the meaning of applicable Canadian securities regulations in that they each can read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Ms. Allen is President of Pivotal Capital Advisory Group. She has worked in corporate and investment banking for over 30 years, including managing the senior energy portfolios at CIBC and TD Bank, and leading the Project Finance and Privatization Group at PwC in Calgary, Canada. She has served on numerous corporate, crown and not-for-profit boards over the past 25 years, including the Alberta Securities Commission (Audit Committee Chair), the Calgary Airport Authority Board (Audit and Finance Committee Chair), and the University of Regina (Audit Committee Chair).

Ms. Allen holds a B. Admin. degree from the University of Regina (Canada), the Chartered Financial Analyst (CFA) designation and the ICD.D designation from the Institute of Corporate Directors in Canada.

Mr. Ebsary was previously the Chief Executive Officer and a director of Oryx Petroleum Limited from 2010 to 2016. He served as the Chief Financial Officer of Addax Petroleum Corporation, an international oil and gas exploration and production company, for 11 years between 1998 and 2009, after having held various positions in project finance and treasury with oil companies Elf Aquitaine and Occidental Petroleum both in France and the United Kingdom. Mr. Ebsary began his career with positions at multinational banking institutions in Canada and the United Kingdom. Mr. Ebsary holds an MBA from Queen's University.

Mr. Hill has been a Director of the Corporation since February 19, 2007 and served as Chairman of the Board from February 19, 2007 to May 15, 2019. Mr. Hill is President, Chief Executive Officer and a director of Africa Oil Corp.; a director of Africa Energy Corp., Eco (Atlantic) Oil & Gas Ltd. and TAG Oil Corp. Prior to his appointment as Chief Executive Officer of Africa Oil Corp., Mr. Hill was President and CEO of BlackPearl Resources Inc. and of Valkyries Petroleum Corp. Mr. Hill holds a Master of Science degree in Geology and Bachelor of Science degree in Geophysics from Michigan State University, as well as an MBA in Finance from the University of St. Thomas in Houston.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by the Board of Directors.

Reliance on Certain Exemptions

Since the commencement of the Company's recently completed financial year, the Company has not relied on the exemptions contained in section 2.4 (*De Minimis* Non-audit Services) or an exemption from National Instrument 52-110 - Audit Committees ("**NI 52-110**"), in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditor during the last two years ended December 31, 2020 and December 31, 2019.

Financial Year Ending	Audit Fees(1)	Audit Related Fees(2)	Tax Fees(3)	All Other Fees(4)
2020	123,013	66,790	71,738	Nil
2019	96,995	12,682	Nil	Nil

Notes:
(1) The aggregate fees billed for audit services.
(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the audit fees column.
(3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.
(4) The aggregate fees billed for professional services other than those listed in the other three columns.

Exemption

As a "venture issuer" (as such term is defined in NI 52-110) the Company is exempt from the requirements of Part 3, Composition of the Audit Committee, and Part 5, Reporting Obligations, of NI 52-110.

ITEM 11 - INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out below, no director or executive officer of the Company or any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10 per cent of the Common Shares, and no associate or affiliate of any of the foregoing, has or 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, or any proposed transaction, that has materially affected or will materially affect the Company.

In connection with the Company's US$240 million senior bond issue completed in July 2018, Nemesia agreed to guarantee the Company's obligations under the ShaMaran Bonds up to an equivalent of one year of bond interest (the "**Liquidity Guarantee**"). In exchange for the Liquidity Guarantee the Company entered into a Debenture with Nemesia in February 2019 and agreed to issue an initial 2,000,000 common shares to Nemesia for providing the Liquidity Guarantee and a further 50,000 shares of the Company for each US$500,000 drawdown per month until the drawn amount shall be repaid. In July 2020, the Liquidity Guarantee was drawn down in full for the payment of interest due to the Bondholders that month with the balance being retained in a Debt Service Retention Account to support the future payments of the Company's obligations under the ShaMaran Bonds. The Liquidity Guarantee was subsequently discharged after such drawdown. As at the date of this AIF, the Company has issued a total of 20,240,000 common shares to Nemesia pursuant to the Debenture.

ITEM 12 - REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc. ("**Computershare**") acts as the registrar and transfer agent for the Common Shares at its offices in Vancouver. Computershare is located at 3rd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9.

ITEM 13 - MATERIAL CONTRACTS

Except as set forth below or as disclosed in this AIF, there were no contracts, other than those entered in the ordinary course of business, that were material to the Company and that were entered between January 1, 2020 (being the

commencement of the Company's most recently completed financial year) and up to the date of this AIF or that were entered prior to January 1, 2020 and remain in effect during 2020, other than as disclosed in this AIF.

The Company was a party to material contracts which were in effect at the date of this AIF as follows:

- On July 5, 2020 and January 29, 2021, bondholders approved of certain amendments to the $240 million of senior unsecured bonds of the Company as further described in Item 3 - General Development of the Business "Year ending December 31, 2020" of this AIF.

- On May 30, 2019, ShaMaran, through its wholly-owned subsidiary GEP, completed its acquisition of an additional 7.5% participating interest in the Atrush Block. Under two separate purchase and sale agreements, done in contemplation of one another, GEP acquired directly MOKDV's full 15% participating interest in Atrush Block and immediately thereafter sold a 7.5% Atrush participating interest to TAQA, bringing the Company's total working interest in Atrush up to 27.6%. Only certain general and customary tax indemnities of the Seller still survive as at the date of this AIF.

ITEM 14 - NAMES AND INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing made under NI 51-102 by the Company during the current financial year other than McDaniel., the Company's independent resource evaluators and PricewaterhouseCoopers SA, the Company's auditors. None of the employees of McDaniel have any registered or beneficial interests, direct or indirect, in any securities or property of the Company or of the Company's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter, or to be received by them. PricewaterhouseCoopers SA, the Company's auditors, are independent in accordance with the auditor's rules of professional conduct in Canada. In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or any associate or affiliate of the Company.

ITEM 15 - ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of directors.

Additional financial information is provided in the Company's audited consolidated financial statements and the MD&A as at and for the year ended December 31, 2020.

Additional information relating to the Company may be found under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.shamaranpetroleum.com.

SCHEDULE A

FORM 51-101 F1

SCHEDULE B

FORM 51-101 F2

SCHEDULE C

FORM 51-101 F3

SCHEDULE D

FORM 51-101 F4

SCHEDULE E

AUDIT COMMITTEE CHARTER

(As adopted by the Board of Directors on April 20, 2010, amended on March 9, 2017 and reviewed on March 7, 2019)

I. MANDATE

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of ShaMaran Petroleum Corp. (the "**Corporation**") shall assist the Board in fulfilling its financial oversight responsibilities. The Committee's primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Corporation's financial statements and other financial information;

2. The compliance of such financial statements and financial information with legal and regulatory requirements;

3. The qualifications and independence of the Corporation's independent external auditor (the "**Auditor**"); and

4. The performance of the Corporation's internal accounting procedures and Auditor.

II. STRUCTURE AND OPERATIONS

A. Composition

The Committee will be comprised of a minimum of three members.

B. Qualifications

Each member of the Committee must be a member of the Board.

Each member of the Committee must, with the exception of certain qualifying exemptions, be "independent" (as defined in Sec. 1.4 of National Instrument 52-110 (Audit Committees)) ("**NI 52-110**").

Each member of the Committee must be "financially literate" (as defined in NI 52-110) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

Each member of the Committee must not be executive officers, employees or control persons of the Corporation or of an affiliate of the Corporation (as defined in NI-52-110).

C. Appointment and Removal

In accordance with the By-laws of the Corporation, the members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Sub-Committees

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that a decision of such subcommittee to grant a pre-approval shall be presented to the full Committee at its next scheduled meeting.

F. Meetings

The Committee shall meet at least four times in each fiscal year, or more frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Corporation's annual and interim financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Corporation.

At each meeting, a quorum shall consist of a majority of members that are not executive officers, employees or control persons of the Corporation or of an affiliate of the Corporation.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Corporation's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Corporation, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

III. DUTIES

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.
The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Corporation's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee will:

Independence of Auditor

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Corporation, consistent with Independence Standards Board Standard 1.

2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.

3. Require the Auditor to report directly to the Committee.

4. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Corporation.

Performance & Completion by Auditor of its Work

5. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.

6. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Corporation's shareholders of the existing, Auditor.

7. Pre-approve all auditing services and permitted non-audit services, including the fees and terms thereof, to be performed for the Corporation by the Auditor unless such non-audit services:

    (a) which are not pre-approved, are reasonably expected not to constitute, in the aggregate, more than 5% of the total amount of revenues paid by the Corporation to the Auditor during the fiscal year in which the non- audit services are provided;

    (b) were not recognized by the Corporation at the time of the engagement to be non-audit services; and

    (c) are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Internal Financial Controls & Operations of the Corporation

8. Establish procedures for:

    (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Preparation of Financial Statements

9. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.

10. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.

11. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.

12. Discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

13. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:

(a) The adoption of, or changes to, the Corporation's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.

(b) The management inquiry letter provided by the Auditor and the Corporation's response to that letter.

(c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Public Disclosure by the Corporation

14. Review the Corporation's annual and interim financial statements, management discussion and analysis (MD&A) and earnings press releases and provide a recommendation to the Board with respect to the approval of the financial statements, MD&A and earnings press release prior to their release to the public.

15. Where reasonably possible, review the Corporation's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Corporation's public disclosures containing financial information, including news releases, prior to release to the public. The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosures of financial information extracted or derived from the Corporation's financial statements, other than disclosure described in the previous paragraph, and periodically assess the adequacy of those procedures.

16. Review disclosures made to the Committee by the Corporation's Chief Executive Officer and Chief

Financial Officer during their certification process of the Corporation's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.

Other Responsibilities

17. Review the findings of any examinations by securities regulatory authorities and stock exchanges.

18. Review with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements.

19. Consult with the Auditor, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.

20. Request any officer or employee of the Corporation or the Corporation's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

21. Meet with management, any internal auditor and the Auditor in separate executive sessions at least quarterly.

22. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.

23. Make regular reports to the Board about the Committee's activities and make appropriate recommendations..

24. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

25. Annually review the Committee's own performance.

26. Provide an open avenue of communication among the Auditor, the Corporation's financial and senior management and the Board.

27. Not delegate these responsibilities other than to one or more independent members of the Committee the authority to pre-approve, which the Committee must ratify at its next meeting, non-audit services to be provided by the Auditor.

C. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.