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SHAMARAN
petroleum corp

Financial Report

For the three and nine months ended September 30, 2024

(UNAUDITED)

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the management of the Company. The Company's independent auditor has not performed a review of these financial statements.

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INTRODUCTION

Management’s discussion and analysis (“MD&A”) of the financial and operating results of ShaMaran Petroleum Corp. (together with its subsidiaries, “ShaMaran” or the “Company”) is prepared with an effective date of November 7, 2024, and is intended to provide an overview of the Company’s operations, financial performance and current and future business opportunities. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2024, together with the accompanying notes (“Financial Statements”), the 2023 Annual Information Form and the Third Quarter 2024 Results press release.

Company Overview

The Company is engaged in the business of oil and gas exploration and production and holds the following interests in production sharing contracts:

- 50% working interest (66.7% paying interest) in the Atrush Block in the Kurdistan Region of Iraq (“KRI”) through its wholly-owned subsidiary ShaMaran Atrush Ltd (formerly named General Exploration Partners, Inc.). On August 6, 2024, the Company closed the transactions announced on January 22, 2024 (the “Atrush Acquisition”), following which ShaMaran’s direct working interest in the Atrush Block increased from 27.6% to 50%. TAQA Atrush B.V. is now a wholly-owned subsidiary of ShaMaran Atrush Ltd, and its name has been changed to Sunrise Atrush B.V.

- 18% working interest (22.5% paying interest) in the Sarsang Block in the KRI through its wholly-owned subsidiary, ShaMaran Sarsang A/S. The Company announced closing the acquisition of TEPKRI Sarsang A/S (the “Sarsang Acquisition”), a wholly-owned subsidiary of TotalEnergies S.E. (“TTE”), on September 14, 2022. The name of the company was subsequently changed to ShaMaran Sarsang A/S.

ShaMaran’s common shares are listed on the TSX Venture Exchange in Canada and the NASDAQ First North Growth Market in Sweden. The Company is incorporated and domiciled in British Columbia, Canada under the *Business Corporations Act* (British Columbia). The address of its registered and records office is 1075 West Georgia Street, Suite 1200, Vancouver, BC V6E 3C9, Canada, and its business address is 1055 Dunsmuir Street, Suite 2800, PO Box 49225, Vancouver, BC V7X 1LC, Canada.

Basis of Preparation

The MD&A and Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) as issued by the International Accounting Standards Board.

Unless otherwise stated herein, all currency amounts indicated as “$” in this MD&A are expressed in United States dollars (“USD”).

Management's Discussion and Analysis

For the three and nine months ended September 30, 2024

INTERIM MD&A QUARTERLY HIGHLIGHTS

- On August 6, 2024, the Company closed the acquisition of TAQA Atrush B.V. and the subsequent sale of an indirect interest in the Atrush Block to HKN Energy IV, Ltd. announced on January 22, 2024. The two-step transaction increased the Company's indirect 27.6% stake in the Atrush Block to a 50% working interest (66.67% paying interest) following the sale of an indirect 25% working interest (33.33% paying interest) to HKN Energy IV, Ltd. An affiliate of HKN Energy is now operator of Atrush, and the Kurdistan Regional Government's 25% working interest in the block has been converted to a carried interest. Assuming the transaction had closed on December 31, 2023, ShaMaran's reserves position would be impacted as follows:
    - Company's working interest 2P reserves would increase by 28% from 68.3 MMbbls at December 31, 2022, to 87.7 MMbbls as at December 31, 2023; and
    - Company's working interest 2P reserves replacement ratio[1] would be 769%[2] for 2023.
- On July 1, 2024, the Company's amended bond terms became effective, including a two-year extension of the maturity date to July 2027;
- The closure of the Iraq-Türkiye pipeline ("ITP") since March 25, 2023, continues to have a material impact on ShaMaran's operations and financial results. The Company is actively engaging with the relevant parties to resume pipeline exports;
- In Q3 2024, average gross daily oil production from Atrush and Sarsang combined was 59,300 bopd (27,700 bopd in Q3 2023 from Sarsang only as Atrush stopped production after the ITP closure), 114% higher than Q3 2023 due to local sales achieved from both blocks;
- Revenue in Q3 2024 was $29.4 million ($12.6 million in Q3 2023), 133% higher than Q3 2023 due to local oil sales, the restart of Atrush production since Q4 2023 and an increased working interest in the Atrush Block from August 7, 2024;
- Q3 2024 oil sales to the Kurdistan local market averaged a net oil price of $35.65/bbl from the two blocks ($39.41/bbl in Q3 2023 from Sarsang only), 10% lower than Q3 2023;
- Lifting costs in Q3 2024 were $6.3 million ($4.8 million in Q3 2023), 31% higher than Q3 2023 due to the increased production and an increased working and paying interest in the Atrush Block;
- Q3 2024 gross margin on oil sales of $10 million ($1.6 million in Q3 2023), 525% higher than Q3 2023 due to the increased production, local sales and working interest in the Atrush Block;
- EBITDAX[3] has consistently increased since the ITP shutdown, with Q3 2024 EBITDAX at $21.5 million ($5.8 million in Q3 2023);
- The Company generated $29.1 million in operating cash flow during Q3 2024 from local sales ($13.1 million in Q3 2023);
- ShaMaran generated $21.6 million of free cash flow before debt service[3] in Q3 2024 due to the strength of local sales and proactive cost-cutting ($10.2 million in Q3 2023); and
- At September 30, 2024, the Company had cash of $46.8 million and gross debt of $217.7 million (including the $202.1 million bond and $15.6 million related-party loan). Net debt[3] was $170.9 million.

SUBSEQUENT EVENT

- The Company announced on October 28, 2024, the market purchase and cancellation of $2.1 million of the Company's bond. The total outstanding amount of the Company's bond as of the date of this MD&A is $199.9 million.

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[1] Company's working interest of proved and probable ("2P") reserves replacement ratio is defined as the ratio of reserves additions to production during the year, including the impact of acquisitions and dispositions.

[2] Company's working interest 2P reserve replacement ratio for the combined blocks has been calculated as follows:

	No Acquisition	Acquisition Included
Extensions, MMstb	-	-
Improved Recovery, MMstb	-	-
Technical Revisions, MMstb	-	-
Acquisitions, MMstb	-	22.3
Total Adjustments, MMstb	-	22.3
2023 Production, MMstb	2.9	2.9
2P Replacement Ratio	-	769%

[3] Non-IFRS Accounting Standards measures do not have any standardized meaning prescribed by IFRS Accounting Standards and are therefore unlikely to be comparable to similar measures presented by other public companies. Non-IFRS Accounting Standards measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS Accounting Standards. The Company uses non-IFRS Accounting Standards measures to provide investors with supplemental measures.

OPERATIONS REVIEW

	Three months ended Sept 30		Nine months ended Sept 30	
	2024	**2023**	**2024**	**2023**
Average daily oil production – gross 100% field (Mbopd)				
- Atrush	26.8	-	23.9	10.1
- Sarsang	32.5	27.7	33.2	27.3
Total	**59.3**	**27.7**	**57.1**	**37.4**
Oil sales – gross 100% field (Mbbl)				
- Atrush	2,463	-	6,559	2,729
- Sarsang	2,949	2,947	8,916	7,333
Total	**5,412**	**2,947**	**15,475**	**10,062**
ShaMaran oil sales entitlement (Mbbl)				
- Atrush (27.6% until August 6, 2024; 50% thereafter)	492	-	1,036	361
- Sarsang (18%)	333	321	1,007	824
Total	**825**	**321**	**2,043**	**1,185**

Atrush and Sarsang delivered substantial local sales in the third quarter of 2024. Atrush had average production in Q3 2024 of 26.8 Mbopd, including an increase in production beyond 30 Mbopd in September 2024 under the new operator. At Sarsang, despite maintenance and facility downtime, average production in Q3 2024 was 32.5 Mbopd. With ongoing drilling and completion operations, as well as improved facility uptime, Sarsang is expected to have higher production in the fourth quarter of 2024.

FINANCIAL REVIEW

Financial Results

Selected Quarterly Financial Information

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

USD Thousands (except per share data)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Continuing operations:								
Revenue	**29,425**	22,630	22,588	20,320	12,644	6,542	43,380	53,173
Cost of goods sold	**(19,470)**	(15,225)	(15,748)	(9,291)[4]	(11,049)	(10,741)	(21,282)	(37,979)
Net Gain on Atrush/Sarsang Acquisition	**70,336**	-	-	(360)	-	-	360	9,229
General and admin expense	**(1,282)**	(1,426)	(1,780)	(2,865)	(1,575)	(2,486)	(3,361)	(3,682)
Share-based payments	**(273)**	(887)	(997)	(376)	(315)	(1,151)	(222)	(549)
Depreciation and amortization	**(26)**	(42)	(59)	(58)	(61)	(59)	(58)	(54)
Credit loss provision	**1,591**	298	2,796	(305)	(644)	(11,568)	(1,421)	127
Finance expense	**(5,569)**	(6,812)	(8,555)	(9,560)	(8,961)	(9,748)	(9,700)	(9,686)
Finance income	**384**	1,046	1,320	1,691	1,774	2,042	1,923	1,848
Income tax expense	**(17)**	(91)	(58)	(100)	(15)	(30)	(20)	(80)
Net income / (loss)	**75,099**	**(509)**	**(493)**	**(904)**	**(8,202)**	**(27,199)**	**9,599**	**12,347**
EBITDAX	**21,509**	14,707	14,234	12,839	5,834	(4,876)	30,227	39,624
Net income/(loss) in $ per share								
- Basic	**0.026**	-	-	-	(0.003)	(0.010)	0.003	0.004
- Diluted	**0.025**	-	-	-	(0.003)	(0.009)	0.003	0.004

EBITDAX is calculated as the net result before financial items, taxes, depletion of oil and gas properties, impairment costs, depreciation and exploration expenses and adjusted for non-recurring profit/loss on sale of assets and other income. Explanations of the significant variances between periods are provided in the following sections.

Summary of Principal Changes in the Third Quarter Financial Information

The $75.1 million net income generated in Q3 2024 was primarily driven by the Atrush Acquisition. The income and expenses in Q3 2024 are explained in more detail in the following sections.

[4] Cost of goods sold in Q4 2023 included an annual depletion correction credit of $3.9 million because the depletion charge is estimated during the year and then adjusted at Q4 to be in line with the year-end reserves report.

Atrush Acquisition

On August 6, 2024, the Company closed the acquisition of TAQA Atrush B.V. and the subsequent sale of an indirect interest in Atrush to HKN Energy IV, Ltd., as previously announced on January 22, 2024 (the "Atrush Acquisition"). The two-step transaction increased the Company's indirect 27.6% stake in the Atrush Block to a 50% working interest (66.67% paying interest) following the sale of an indirect 25% working interest (33.33% paying interest) to HKN Energy IV, Ltd. An affiliate of HKN Energy is now operator of the Atrush Block, and the Kurdistan Regional Government's ("KRG") 25% working interest in the Atrush Block has been converted to a carried interest.

The Atrush Acquisition was accounted for using the acquisition method pursuant to IFRS 3. Under the acquisition method, assets and liabilities are recorded at fair value on the date of acquisition, and the total consideration is allocated to the assets acquired and liabilities assumed. The value of the net assets is recorded as a bargain purchase gain because the Atrush Acquisition was acquired for non-material consideration. As the only other Joint Venture partner at Atrush, the Company was able to provide the seller with a relatively quick exit and a high degree of certainty, at a time when Atrush was incurring monthly losses with production shut-in due to the ITP closure. The bargain purchase gain arises from the fact that Atrush has been able to establish, grow and maintain local sales and is expected to continue generating meaningful positive cashflows on the basis of those continued sales.

Identifiable assets acquired and liabilities assumed

The preliminary purchase price allocation is based on Management's best estimate of fair value. Upon finalizing the fair value of net assets acquired, adjustments to initial estimates, including the bargain purchase gain, may be required, and can be made up to twelve months from the closing date of the acquisition.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	Fair Value
Property, plant, and equipment	85,256
Decommissioning liabilities	(9,580)
Accounts receivable on oil sales adjustment	(5,340)
Net identifiable assets acquired	**70,336**
Purchase consideration	-
Bargain purchase gain	**70,336**

There were no acquisitions in the year ending December 31, 2023. However, an adjustment to the Sarsang Acquisition of $360 thousand was included in the consolidated statement of comprehensive income for the 2023 reporting period.

Acquisition related costs

Acquisition related costs, incurred during the first nine months of 2024, of $42 thousand (2023: $315 thousand) are included in general and administrative expenses in the consolidated statement of comprehensive income.

Revenue and profit contribution

The acquired business contributed revenues of $5.5 million and net profit of $1.8 million to the group from the period August 7, 2024, to September 30, 2024, in the consolidated statement of comprehensive income for the reporting period. If the closing of the acquisition had occurred on January 1, 2024, the Company's consolidated pro forma revenues and net profit for the nine months ended September 30, 2024, would have been $93.8 million and $80.1 million, respectively.

This pro forma information is not necessarily indicative of the results that would have been obtained if the acquisition had occurred on January 1,2024.

Gross margin on oil sales

USD Thousands	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Revenue from oil sales	29,425	12,644	74,643	62,566
Lifting costs	(6,330)	(4,849)	(17,377)	(22,022)
Other costs of production	(31)	(71)	(171)	(249)
Depletion costs	(13,109)	(6,129)	(32,895)	(20,801)
Cost of goods sold	**(19,470)**	**(11,049)**	**(50,443)**	**(43,072)**
Gross margin on oil sales	**9,955**	**1,595**	**24,200**	**19,494**

Revenue from oil sales relates to the Company's entitlement share of oil sales from the Atrush and Sarsang blocks. The increase in revenues in Q3 2024 compared to Q3 2023 was driven by the increased local sales volume (no oil sales from Atrush in Q3 2023 following the ITP closure) and the increased interest in the Atrush Block from August 7, 2024. The revenue of $74.6 million in the first nine months of 2024 relates to local oil sales from Sarsang and Atrush and is 19% higher than the comparable period in 2023 (Q1 2023 also included some pipeline exports prior to the ITP shutdown). The oil prices for local sales are at a significant discount to international benchmark prices. The average net oil price for the first nine months of 2024 was $36.54 per barrel, 31% lower than the average net oil price of $52.79 per barrel for the same period in 2023 (Q1 2023 sales included exports through the ITP at international prices, net of deductions for oil quality and transportation costs). The Company's entitlement share of oil sales in first nine months of 2024 was 2 MMbbls, 72% higher than the 1.2 MMbbls entitlement in 2023.

Lifting costs comprise the Company's share of expenses related to the production of oil from the Atrush and Sarsang blocks, including operation and maintenance of wells and production facilities, insurance and the respective operator's related support costs as charged to the Company. Lifting costs were 31% higher in Q3 2024 compared to Q3 2023 (21% lower in the first nine months of 2024 compared to the same period in 2023) due to the increased production and an increased working and paying interest in the Atrush Block from August 7, 2024.

Other costs of production include the Company's share of other costs prescribed under the Atrush and Sarsang production sharing contracts ("PSCs").

Depletion costs have increased 113% in Q3 2024 compared to Q3 2023 due to increased oil sales as a result of production from both assets (the depletion costs calculation is based on entitlement barrels sold). There were no oil sales from Atrush in Q3 2023 and therefore no related depletion.

Gross margin on oil sales was significantly higher in Q3 2024 versus Q3 2023 due to higher local oil sales from both blocks and a higher interest in the Atrush Block from August 7, 2024, resulting in the nine months gross margin on oil sales also being higher in 2024 than 2023.

General and administrative expense

USD Thousands	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Salaries and benefits	786	888	2,508	3,868
Management and consulting fees	203	341	671	1,324
Legal, accounting and audit fees	61	72	456	882
General and other office expenses	136	171	489	562
Listing costs and investor relations	75	70	243	317
Travel expenses	21	33	66	252
Corporate sponsorship	-	-	55	217
General and administrative expense	**1,282**	**1,575**	**4,488**	**7,422**
Non-recurring costs	3	303	131	2,249
Adjusted G&A	**1,279**	**1,272**	**4,357**	**5,173**

The decrease in general and administrative ("G&A") expenses in the nine months of 2024 compared to 2023 is due to savings from ongoing cost reduction initiatives. The adjusted G&A shows the impact of the substantial one-off costs for the departure of the former CEO in 2023, as well as one-off business development, legal and consulting fees incurred.

Finance expense

USD Thousands	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Interest /amortization charges on bond	9,490	9,547	25,180	29,289
Amortization of the related-party loan	455	542	1,485	1,578
Adjustment of bond and loan amortization	(3,985)	-	(3,985)	-
Re-measurement of contingent consideration	341	(239)	194	(55)
Total borrowing costs	**6,301**	**9,850**	**22,874**	**30,812**
Foreign exchange loss	102	-	75	-
Unwinding discount on decommissioning provision	36	20	60	(70)
Lease – interest expense	1	3	9	8
Total finance expense before borrowing costs capitalized	**6,440**	**9,873**	**23,018**	**30,750**
Borrowing costs capitalized	(871)	(912)	(2,145)	(2,377)
Total finance expense	**5,569**	**8,961**	**20,873**	**28,373**

Interest and amortization charges relate to the Company's bond and related-party loan. The bond amendments that became effective as of July 1, 2024, as well as the extension of the repayment date of the related-party loan, were treated as a modification to the bond and loan and the amortization schedules were adjusted accordingly.

Borrowing costs directly attributable to the preparation of development assets for their intended use have been capitalized together with the related oil and gas assets. All other borrowing costs are recognized in the income statement in the period in which they are incurred.

For further information on the Company's borrowings, refer to the discussions in the section below entitled "Borrowings".

Capital Expenditures

Capital Expenditures on Property, Plant & Equipment ("PP&E")

The net book value of PP&E principally comprises development costs related to the Company's share of the Atrush PSC, before the Atrush Acquisition, and the fair values of the Sarsang Acquisition and Atrush Acquisition plus development costs related to the Company's share of the PSCs since these acquisitions.

The movements in PP&E are explained below:

	Nine months ended September 30, 2024			Year ended December 31, 2023		
USD Thousands	Oil and gas assets	Office equipment	Total	Oil and gas assets	Office equipment	Total
Opening net book value	**302,091**	**101**	**302,192**	**302,217**	**167**	**302,384**
Additions	19,809	(2)	19,807	25,725	57	25,782
Depletion and depreciation expense	(32,897)	(63)	(32,960)	(25,851)	(123)	(25,974)
Atrush Acquisition	85,256		85,256	-	-	-
Net book value	**374,259**	**36**	**374,295**	**302,091**	**101**	**302,192**

Financial Position and Liquidity

Accounts receivable

At September 30, 2024, the Company had the following outstanding receivables:

USD Thousands	At September 30, 2024	At December 31, 2023
Accounts receivable on oil sales	82,040	95,474
Credit Loss Provision – transportation costs	-	(3,695)
Atrush Acquisition adjustment	(5,340)	-
Credit Loss Provision	(12,760)	(17,445)
Total accounts receivable	**63,940**	**74,334**

The accounts receivable balance at September 30, 2024, mainly relates to oil deliveries to the KRG from October 2022 through March 2023. The Company continues to discuss the recovery of these receivables with the KRG, but timing is uncertain. The Company has reassessed the credit loss provision and has compared the carrying value of the relevant trade receivables with the present value of the estimated future cash flow based on reasonable recovery scenarios, weighted by the relative probability of these potential outcomes. A relevant discount rate has been applied to reflect counterparty credit risk to provide a reasonable approximation of the fair value of these trade receivables at September 30, 2024. The result of the Company's assessment under IFRS 9 is a $4.7 million adjustment to these trade receivables in the first nine months of 2024, included in the statement of comprehensive loss.

As part of the Atrush Acquisition, certain historic differences in the Atrush accounts receivable were reconciled with the KRG. The adjustments align the treatment of those items with the treatment of similar items at Sarsang.

Borrowings

On June 10, 2024, the Company announced bondholder approval of certain amendments to the terms of the Company's $300 million bond, which originally matured in July 2025 (the "2025 Bond"). The new terms include a two-year extension of the maturity date to July 2027 and several other amendments. Following a successful tender on June 26, 2024, $47 million of the 2025 Bond and $5.9 million of the 2025 Bond held by the Company were cancelled. Following the tender and satisfaction of other conditions precedent, the amended terms became effective as of July 1, 2024 (the "2027 Bond"). The annual interest rate on the 2027 Bond remains the same at 12%, but the interest payment timing has changed from semi-annual to quarterly. The total outstanding amount of the new bond at September 30, 2024, was $202.1 million.

A waiver fee equal to 0.25% of the outstanding bond following the tender was paid to all bondholders in connection with the interest payment in July 2024. This fee is included in bond transaction costs along with other fees.

A key amendment to the bond terms is the replacement of the previous bond amortization schedule with a quarterly cash sweep mechanism when cash and cash equivalents exceed $50 million, starting in October 2024, with the remaining balance of the 2027 Bond due at maturity in July 2027.

The movements in borrowings are explained below:

USD Thousands	At September 30, 2024	At December 31, 2023
Opening balance	**257,255**	**269,145**
Own bond	28,402	2,303
Interest / amortization charges	21,195	38,707
Bond transaction costs	(1,062)	-
Payments to bondholders – interest	(31,350)	(30,400)
Bond cancellation	(75,402)	(22,500)
Ending balance	**199,038**	**257,255**
Non-current portion – net borrowings	190,684	193,746
Current portion – accrued bond interest expense	8,354	18,509
Current portion – amortization instalments	-	45,000

Liquidity and Capital Resources

	For the nine months ended September 30	
USD Thousands	2024	2023
Selected liquidity indicators		
Cash flow from operations	63,272	30,658
Working capital positive / (negative)	70,333	(17)
Cash in bank	46,778	63,624

Cash flow from operations of $63.3 million for the nine months of 2024 is $32.6 million higher than the amount reported in the same period of 2023 due to the increased production and consistent local oil sales payments.

Working capital at September 30, 2024, was positive $70.3 million compared to negative $17 thousand at September 30, 2023. The increase in working capital since September 30, 2023, is principally due to all of the Company 2027 Bond being classified as a non-current liability.

Cash in bank decreased by $25 million in the first nine months of 2024 compared to a decrease of $42.1 million in the same period of 2023. The main components of the movement in funds in the nine months were as follows:

- The operating activities of the Company in 2024 resulted in an increase of $63.2 million in the cash position (2023: increase of $30.7 million).
- Net cash outflows for investing activities in 2024 were $7.4 million (2023: net cash outflows of $20.5 million). Cash outflows for investing activities comprised $11.6 million for capital investments in the Atrush and Sarsang development work programs net of cash inflows of $4.2 million for interest received.
- Net cash outflows for financing activities in 2024 were $80.8 million (2023: net cash outflows of $52.2 million) and comprised $47 million for the bond tender, $506 thousand of bond transaction costs, $31.3 million of interest payments to bondholders and $1.9 million of interest payments for the Nemesia loan.

The unaudited condensed interim consolidated Financial Statements were prepared on the going concern basis, which assumes that the Company will be able to realize into the foreseeable future its assets and liabilities in the normal course of business as they come due. Refer also to the discussion in the section below on "Risks and Uncertainties."

Non-IFRS Accounting Standards Measures

The following tables set out how the Non-IFRS Accounting Standards Measures are calculated from figures shown in the Financial Statements:

EBITDAX

USD Thousands	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Revenues	29,425	12,644	74,643	62,566
Lifting costs	(6,330)	(4,849)	(17,377)	(22,022)
Other costs of production	(31)	(71)	(171)	(249)
General and administrative expense	(1,282)	(1,575)	(4,488)	(7,422)
Share-based payments	(273)	(315)	(2,157)	(1,688)
EBITDAX	**21,509**	**5,834**	**50,450**	**31,185**

Free cash flow before debt service

USD Thousands	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Net cash inflows from operating activities	29,127	13,126	63,272	30,658
Net cash outflows to investing activities	(7,554)	(2,955)	(7,411)	(20,507)
Free cash flow before debt service	**21,573**	**10,171**	**55,861**	**10,151**

Net debt

USD Thousands	At September 30, 2024	At December 31, 2023
Cash and cash equivalents, unrestricted	46,769	48,881
Cash and cash equivalents, restricted	9	22,841
Company-held ShaMaran Bond	-	28,400
Outstanding principal of ShaMaran Bond	(202,098)	(277,500)
Loan from related party	(15,600)	(15,600)
Net debt	**(170,920)**	**(192,978)**

All figures in the net debt calculation are based on their nominal value at the balance sheet date. See Notes 15 and 16 in the financial statements.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

	Purchase of services for periods ended September 30,				Amounts owing at the balance sheet dates	
	three months		nine months			
USD Thousands	2024	2023	2024	2023	September 30, 2024	December 31, 2023
Nemesia	940	555	1,970	1,578	736	1,123
International Petroleum Corp.	49	-	138	-	17	31
Orrön Energy AB	29	-	56	-	9	-
Namdo Management Services Ltd.	8	7	99	23	23	-
Lundin Foundation	-	-	55	65	-	-
Total	**1,026**	**562**	**2,318**	**1,666**	**785**	**1,154**

Nemesia is a company controlled by a trust settled by the estate of the late Adolf H. Lundin and is a shareholder and bondholder of the Company. The Company has a subordinated loan from Nemesia and the obligation to accrue 12% annual interest payable in cash semi-annually plus an additional interest amount of 2% per annum payable in kind based on the principal balance outstanding.

The Lundin Foundation is a non-profit organization, of which the Company is a member, that provides services for Lundin Group companies.

International Petroleum Corp., Namdo Management Services Ltd. and Orrön Energy AB are companies affiliated with shareholders of the Company and provide corporate, technical and administrative support services to the Company.

All transactions with related parties are conducted in the normal course of business and are made on an arm's length basis as with all third parties.

Outstanding Share Data, Share Units and Stock Options

Common shares

The Company had 2,835,258,599 outstanding shares (3,007,234,017 shares fully diluted) at September 30, 2024, and 2,835,258,599 outstanding shares at the date of this MD&A.

Details of share issuance in the first nine months of 2024 are as follows:

- 5,566,673 RSUs vested in accordance with the Company's Share Unit Plan and were issued to grantees. The carrying value of the RSUs has been determined based on the Company's average closing share price over the 5-day period prior to the vesting date; and
- 5,329,769 common shares were issued to grantees as a result of 11,126,334 options exercised in accordance with the Company's Share Unit Plan.

Share units and Stock options

ShaMaran has established a deferred share unit plan (the "DSU Plan"), a share unit plan (the "Share Unit Plan") and a stock option plan (the "Stock Option Plan") whereby the Company may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. At September 30, 2024, a total of 171,975,418 shares, 6% of the issued share capital, had been granted of the possible 283,525,859 shares that could be granted under the plans. Under the plans, the Company may also grant performance share units ("PSUs"), RSUs or DSUs. As at September 30, 2024, and the date of this MD&A, there are no PSUs outstanding. The DSU Plan exists for non-executive directors of the Company.

During the first nine months of 2024, the Company granted:

(i) 41,110,000 RSUs to certain senior officers and other eligible persons of the Company at a grant-date share price of CAD $0.05;

(ii) 5,239,369 DSUs to non-executive directors at a grant-date share price of CAD $0.05; and

(iii) 26,540,000 stock options to certain senior officers and other eligible persons of the Company at an exercise price of CAD $0.05.

In the first nine months of 2024, a total of 5,566,673 RSUs vested, 11,126,334 options were exercised, 1,475,335 DSUs were redeemed in cash and 1,896,666 RSUs and 2,896,666 options were cancelled. The cancellation of RSUs and options and the DSU redemption were due to the end of service of plan participants.

At September 30, 2024, there were 93,380,000 stock options outstanding under the Company's employee incentive Stock Option Plan, which represents 3.3% of the total shares outstanding at September 30, 2024.

The Company has no warrants outstanding.

Movements in the Company's outstanding options and share units in the quarter are explained below:

	Number of stock options outstanding	Number of RSUs outstanding	Number of DSUs outstanding
At December 31, 2023	**80,863,000**	**24,600,002**	**16,584,721**
Granted in the period	26,540,000	41,110,000	5,239,369
Expired/cancelled in the period	(2,896,666)	(1,896,666)	-
Options exercised	(11,126,334)	-	-
DSUs redeemed	-	-	(1,475,335)
RSUs vested	-	(5,566,673)	-
At September 30, 2024	**93,380,000**	**58,246,663**	**20,348,755**
Quantities vested and unexercised:			
At December 31, 2023	44,261,337	-	16,584,721
At September 30, 2024	59,076,674	-	20,348,755

Contractual Obligations and Commitments

Production Sharing Contracts

The Company is responsible for its pro-rata share of petroleum costs incurred in executing the development and production work programs on the Atrush and Sarsang blocks. ShaMaran also carries its pro-rata share of the KRG's petroleum costs in the Sarsang Block.

As at September 30, 2024, the outstanding commitments of the Company were as follows:

	For the year ended September 30				
USD Thousands	2025	2026	2027	Thereafter	Total
Atrush and Sarsang block development and PSC	25,276	400	400	2,400	**28,476**
Sarsang contingent consideration	-	-	-	15,000	**15,000**
Corporate office and other	27	17	-	-	**44**
Total commitments	**25,303**	**417**	**400**	**17,400**	**43,520**

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the approved 2024 work program and other obligations under the PSCs. The capital expenditure commitments in the work plans and budgets are contingent upon continuation of local sales.

The contingent consideration relates to the purchase consideration of the Sarsang Acquisition and is payable to the seller upon (i) cumulative gross oil production from the Sarsang PSC reaching 130 MMbbls and (ii) Brent crude oil prices averaging at least $60/bbl for the preceding twelve-month period. The Company estimates the fair value of this contingent consideration at the end of each quarter and treats any difference as a finance income/cost.

Critical Accounting Policies and Estimates

The Financial Statements of the Company have been prepared by Management using IFRS Accounting Standards. In preparing financial statements, Management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as at the date of the Financial Statements and affect the reported amounts of revenues and expenses during the period. Specifically, estimates are utilized in calculating depletion, asset retirement obligations, fair values of assets on acquisition of control, share-based payments, amortization and impairment write-downs as required. Actual results could differ from these estimates, and differences could be material.

Accounting for Oil and Gas Operations

The Company follows the successful efforts method of accounting for its oil and gas operations. Under this method, acquisition costs of oil and gas properties, costs to drill and equip exploratory and appraisal wells that are likely to result in proved reserves and costs of drilling and equipping development wells are capitalized and subject to annual impairment assessment.

Exploration well costs are initially capitalized and, if subsequently determined to have not found sufficient reserves to justify commercial production, are charged to exploration expense. Exploration well costs that have found sufficient reserves to justify commercial production, but whose reserves cannot be classified as proved, continue to be capitalized if sufficient progress is being made to assess the reserves and economic viability of the well or related project.

Capitalized costs of proved oil and gas properties are depleted using the unit of production method based on estimated gross proved and probable reserves of petroleum and natural gas as determined by independent engineers. Successful exploratory wells and development costs and acquired resource properties are depleted over proved and probable reserves. Acquisition costs of unproved reserves are not depleted or amortized while under active evaluation for commercial reserves. Costs associated with significant development projects are depleted once commercial production commences. A revision to the estimate of proved and probable reserves can have a significant impact on earnings as they are a key component in the calculation of depreciation, depletion and accretion.

Producing properties and significant unproved properties are assessed annually, or more frequently as economic events dictate, for potential indicators of impairment. Economic events that would indicate impairment include:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of petroleum resources in the specific area is neither budgeted nor planned;
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amounts of exploration and evaluation costs and oil and gas assets is unlikely to be recovered in full, from successful development or by sale;
- Extended decreases in prices or margins for oil and gas commodities or products; and
- A significant downwards revision in estimated volumes or an upward revision in future development costs.

For impairment testing, the assets are aggregated into Cash Generating Units ("CGU") cost pools based on their ability to generate largely independent cash flow. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction. Value in use is determined by estimating the present value of the future net cash flow expected to be derived from the continued use of the asset or CGU.

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

In 2024, all of the Company's development activities are conducted jointly with others.

FINANCIAL INSTRUMENTS

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

- Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flow where that cash flow represents solely payments of principal and interest. This includes the Company's receivables that consist of fixed or determined cash flow related solely to principal and interest amounts or contractual sales of oil. The Company's intent is to hold these receivables until cash flow is collected. Financial assets at amortized cost are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for any expected credit losses on a financial asset that is measured at amortized cost.
- Financial Assets at Fair Value through Profit or Loss ("FVTPL") – Financial assets measured at FVTPL are assets that do not qualify as financial assets at amortized cost or at fair value through other comprehensive income. The Company does not currently have any financial assets measured at FVTPL.
- Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Borrowings and accounts payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.
- Financial Liabilities at FVTPL – Financial liabilities measured at FVTPL are liabilities that include embedded derivatives and cannot be classified as amortized cost. The Company does not currently have any financial liabilities measured at FVTPL.

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

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

Financial Risk Management Objectives

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

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

Commodity price risk is a risk as the prices that the Company receives for its oil production may have a significant impact on the Company's revenues and cash flow provided by operations. During the quarter, the Company received oil sales revenues at a negotiated local sales price that was considerably less than would otherwise have been received if the ITP was open for export and sales were made at least at the KBT price. It is unclear when the ITP will re-open or a payment mechanism will be agreed so that export sales can resume at international pricing.

The Company does not hedge against commodity price risk.

Foreign currency risk is a low risk since all of the Company's revenues and most of its purchases are denominated in USD, and therefore the Company maintains a substantial portion of its cash and cash equivalents in the currency. 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, such as CHF and CAD. As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange-rate fluctuations between the foreign currencies and the USD. The Company considers its foreign currency risk to be limited because it holds relatively small amounts of foreign currencies at any point in time and because its volume of foreign currency transactions is relatively low. Therefore, the Company does not hedge its exposure to changes in foreign currency exchange rates.

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

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 through bond financing and a related-party loan at the corporate level. However, the Company is not exposed to interest-rate risks associated with its 2027 Bond or the Nemesia loan as these interest rates are fixed.

Credit risk is a risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is primarily exposed to credit risk on its cash and cash equivalents and 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 recognized bond-rating service.

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

Liquidity risk is a risk that the Company will have difficulties meeting its financial obligations as they become due. Like with many oil and gas companies, the Company raises financing for its development activities in discrete tranches to finance its activities for limited periods. The Company will seek additional funding as and when required. The Company anticipates making substantial capital expenditures in the future for the development and production of oil and gas reserves, and, as the Company continues to develop projects, 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 forecasted and actual cash flow. Annual capital expenditure budgets are prepared, monitored and updated as necessary. In addition, the Company requires authorization for expenditures on both of its non-operating projects to further manage capital expenditures.

RISK AND UNCERTAINTIES

ShaMaran is engaged in the exploration and production of crude oil and natural gas, and its operations are subject to various risks and uncertainties that include but are not limited to those listed below. Additional risks and uncertainties not presently known to the Management of the Company, or that Management of the Company presently deem to be immaterial, may also impair the business and operations of the Company and cause the price of the shares in the Company to decline. If any of the risks described below materialize, the effect on the Company's business, financial condition or operating results could be materially adverse.

Implementation of the 2023-2025 Federal Budget Law ("Federal Budget Law")
As previously noted in the Company's 2023 Annual Information Form, there has not yet been consistent monthly budget allocations paid to the KRG since the enactment of the Federal Budget Law. As at the date of this MD&A, there remains uncertainty as to the amounts and timing of the budget allocation payments, and no federal payments received have been allocated for the payment of Kurdistan PSC obligations except for the KRG's local employee salaries. There has been little progress in discussions among the relevant parties on the mechanisms for regular payments for KRI oil exports per the PSC terms and for the outstanding payables to international oil companies ("IOCs").

Continuing export pipeline shutdown
The ITP was closed on March 25, 2023, and remains shut as at the date of this MD&A. It is noted that the issue of the ITP re-opening was raised in various government-to-government meetings at the United Nations General Assembly meetings in September 2024, recognizing the importance of KRI oil exports to the international market. Despite these governmental meetings, there have been no significant steps to actually resolve the open issues so there can be no certainty when the ITP will re-open for exports or when payments at international oil market prices will resume for oil production from the KRI. The Company is working with other IOCs to find a commercial solution to reopen the ITP.

Federal Supreme Court of Iraq ruling
As previously noted in the Company's 2023 Annual Information Form, the Federal Supreme Court of Iraq ("FSC") 2022 ruling that the Kurdistan Region's 2007 Oil and Gas Law is unconstitutional and the instruction to the Ministry of Oil to take steps to implement the FSC's decision are still in place. In October 2024, a Baghdad commercial court ruled that various KRI PSCs are valid (including the Atrush and Sarsang PSCs to which a ShaMaran subsidiary is a party). It has been reported that the Ministry of Oil has appealed the October 2024 decisions. The Company continues to monitor the situation closely and will proactively protect its commercial interests.

Russia-Ukraine and Israel conflicts
At the date of this MD&A, all oil production in the KRI, including from the Atrush and Sarsang blocks, is being sold in the domestic market at local sales prices that have not been affected by the Russia-Ukraine or Israel conflicts. If these conflicts continue, they may have an adverse impact on realized pricing in the international oil markets.

The Israel conflict does not yet appear to have had any impact on the Company's operations in the KRI, nor has it, as at the date of the MD&A, had any direct impact on local sales pricing of Kurdistan oil.

For more information on risk factors that may affect the Company's business, refer also to the discussion of risks under the "*Reserves and Resources*" and "*Financial Instruments*" sections of this MD&A, as well as to the "*Risk Factors*" section of the Company's 2023 Annual Information Form.

ADDITIONAL INFORMATION

Additional information related to the Company, including its 2023 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca under the Company's profile and on the Company's website at www.shamaranpetroleum.com.

ShaMaran plans to publish its financial statements for the year ending December 31, 2024, on March 12, 2025.

OTHER SUPPLEMENTARY INFORMATION

Abbreviations

CAD	Canadian dollar
CHF	Swiss franc
EUR	Euro
USD	US dollar

Oil-related terms and measurements

bbl	Barrel (1 barrel = 159 litres)
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
Mbbl	Thousand barrels
MMbbl	Million barrels
Mboe	Thousand barrels of oil equivalent
Mboepd	Thousand barrels of oil equivalent per day
Mbopd	Thousand barrels of oil per day
Mcf	Thousand cubic feet
MMboe	Million barrels of oil equivalent

Condensed Interim Consolidated Statement of Comprehensive Income/(Loss) (unaudited)

For the three and nine months ended September 30

Expressed in thousands of United States dollars	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenues	*6*	**29,425**	**12,644**	**74,643**	**62,566**
Cost of goods sold:					
Lifting costs	*7*	(6,330)	(4,849)	(17,377)	(22,022)
Other costs of production	*7*	(31)	(71)	(171)	(249)
Depletion	*7*	(13,109)	(6,129)	(32,895)	(20,801)
Gross margin on oil sales		**9,955**	**1,595**	**24,200**	**19,494**
Credit loss provision	*13*	1,591	(644)	4,685	(13,633)
Depreciation and amortization expense		(26)	(61)	(127)	(178)
Share-based payments expense	*19*	(273)	(315)	(2,157)	(1,688)
General and administrative expense	*8*	(1,282)	(1,575)	(4,488)	(7,422)
Income / (loss) from operating activities		**9,965**	**(1,000)**	**22,113**	**(3,427)**
Bargain purchase gain on acquisitions	*5*	**70,336**	**-**	**70,336**	**360**
Finance income	*9*	384	1,774	2,687	5,703
Finance expense	*10*	(5,569)	(8,961)	(20,873)	(28,373)
Net finance expense		**(5,185)**	**(7,187)**	**(18,186)**	**(22,670)**
Income / (loss) before income tax expense		**75,116**	**(8,187)**	**74,263**	**(25,737)**
Income tax expense	*11*	(17)	(15)	(166)	(65)
Income / (loss) for the period		**75,099**	**(8,202)**	**74,097**	**(25,802)**
Other comprehensive income / (loss)					
Items that will not be reclassified to profit or loss:					
Re-measurements on defined pension plan		(1)	(1)	(179)	(65)
Items that may be reclassified to profit or loss:					
Currency translation differences		128	(49)	52	(13)
Total other comprehensive income / (loss)		**127**	**(50)**	**(127)**	**(78)**
Total comprehensive income / (loss) for the period		**75,226**	**(8,252)**	**73,970**	**(25,880)**
Income in dollars per share:					
Basic		0.03	-	0.03	(0.01)
Diluted		0.03	-	0.03	(0.01)

The accompanying Notes are an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Balance Sheet (unaudited)

As at September 30, 2024, and December 31, 2023

Expressed in thousands of United States dollars	Note	September 30, 2024	December 31, 2023
ASSETS			
Non-current assets			
Accounts receivable	*13*	22,864	35,421
Property, plant and equipment	*12*	374,295	302,192
Other non-current assets		-	69
		397,159	**337,682**
Current assets			
Cash and cash equivalents, unrestricted		46,769	48,881
Accounts receivable	*13*	41,076	38,913
Other current assets		543	2,094
Cash and cash equivalents, restricted		9	22,841
		88,397	**112,729**
TOTAL ASSETS		**485,556**	**450,411**
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	190,684	193,746
Loan from related party	*16*	16,336	16,723
Provisions	*17*	43,757	27,839
Cash-settled deferred share units	*19*	1,054	565
Other non-current liabilities		474	405
		252,305	**239,278**
Current liabilities			
Accounts payable and accrued expenses	*14*	9,710	8,047
Accrued interest expense on bond	*15*	8,354	18,509
Borrowings	*15*	-	45,000
Other current liabilities		-	146
		18,064	**71,702**
EQUITY			
Share capital	*18*	671,692	671,136
Share-based payments reserve		13,271	12,041
Cumulative translation adjustment		257	205
Accumulated deficit		(470,033)	(543,951)
		215,187	**139,431**
TOTAL EQUITY AND LIABILITIES		**485,556**	**450,411**

The accompanying Notes are an integral part of these condensed interim consolidated financial statements.

Signed on behalf of the Board of Directors

/s/Michael S. Ebsary
Michael S. Ebsary, Director

/s/Chris Bruijnzeels
Chris Bruijnzeels, Director

Condensed interim Consolidated Statement of Cash Flow (unaudited)

For the three and nine months ended September 30

Expressed in thousands of United States dollars	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Operating activities					
Income / (loss) for the period		**75,099**	**(8,202)**	**74,097**	**(25,802)**
Adjustments for non-cash related items:					
Depreciation, depletion and amortization expense		13,135	6,190	33,022	20,979
Borrowing costs – net of amount capitalized		5,430	9,874	20,729	30,016
Share-based payment expense		472	315	2,296	1,650
Foreign exchange loss/(gain)	*9/10*	102	(37)	75	(1)
Unwinding discount on decommissioning provision		36	20	60	(70)
Re-measurements on defined pension plan		(1)	(1)	(179)	(65)
Interest income	*9*	(384)	(1,737)	(2,687)	(5,702)
Bargain purchase gain		(70,336)	-	(70,336)	(360)
Changes in accounts payable and accrued expenses		3,609	3,043	1,087	(4,555)
Changes in accounts receivables on oil sales		2,341	2,438	5,054	14,262
Changes in pension liability		1	-	66	(8)
Changes in current tax liabilities		-	15	(86)	(52)
Changes in other current assets		(377)	1,208	74	366
Net cash inflows from operating activities		**29,127**	**13,126**	**63,272**	**30,658**
Investing activities					
Interest received on cash deposits		402	955	4,164	4,920
Purchase of property, plant and equipment		(7,956)	(3,910)	(11,575)	(25,427)
Net cash outflows to investing activities		**(7,554)**	**(2,955)**	**(7,411)**	**(20,507)**
Financing activities					
Principal element of lease payments		(4)	1	(60)	(71)
Bond transaction costs		(506)	-	(506)	-
Bond amortization		-	2,303	28,402	2,303
Payments to bondholders and related party – interest	*15,16*	(13,062)	(18,936)	(33,222)	(31,981)
Repayment of bond		-	(22,500)	(75,402)	(22,500)
Net cash outflows to financing activities		**(13,572)**	**(39,132)**	**(80,788)**	**(52,249)**
Effect of exchange rate changes on cash and cash equivalents		52	36	(17)	(8)
Change in cash and cash equivalents		**8,053**	**(28,925)**	**(24,944)**	**(42,106)**
Cash and cash equivalents, beginning of the period		38,725	92,549	71,722	105,730
Cash and cash equivalents, end of the period*		**46,778**	**63,624**	**46,778**	**63,624**
***Inclusive of restricted cash**		**9**	**20,320**	**9**	**20,320**

The accompanying Notes are an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Changes in Equity (unaudited)

For the nine months ended September 30

Expressed in thousands of United States dollars	Share capital	Share-based payments reserve	Cumulative translation adjustment	Accumulated deficit	Total
Balance at January 1, 2023	**670,250**	**10,621**	**21**	**(517,198)**	**163,694**
Total comprehensive loss for the period:					
Loss for the period	-	-	-	(25,802)	(25,802)
Other comprehensive income / (loss)	-	-	(13)	(65)	(78)
Transactions with owners in their capacity as owners:					
Share-based payments expense (excluding DSU, Note 19)	-	995	-	-	995
Options exercised	38	-	-	-	38
RSU Shares issued	848	-	-	-	848
	886	995	(13)	(25,867)	(23,999)
Balance at September 30, 2023	**671,136**	**11,616**	**8**	**(543,065)**	**139,695**
Balance at January 1, 2024	**671,136**	**12,041**	**205**	**(543,951)**	**139,431**
Total comprehensive loss for the period:					
Income for the period	-	-	-	74,097	74,097
Other comprehensive income / (loss)	-	-	52	(179)	(127)
Transactions with owners in their capacity as owners:					
Share-based payments expense (excluding DSU, Note 19)	-	1,230	-	-	1,230
Options exercised	280	-	-	-	280
RSU Shares issued	276	-	-	-	276
	556	1,230	52	73,918	75,756
Balance at September 30, 2024	**671,692**	**13,271**	**257**	**(470,033)**	**215,187**

The accompanying Notes are an integral part of these condensed interim consolidated financial statements.

1. General information

ShaMaran Petroleum Corp. ("ShaMaran" and, together with its subsidiaries, the "Company") is incorporated under the Business Corporations Act, British Columbia, Canada. The address of the registered office is 1075 West Georgia Street, Suite 1200, Vancouver, British Columbia V6E 3C9, Canada. The Company's shares trade on the TSX Venture Exchange in Canada and NASDAQ First North Growth Market in Sweden under the symbol "SNM".

The Company is engaged in the business of oil and gas exploration and production and holds the following interests at September 30, 2024:

- 50% non-operated working interest (66.7% paying interest) in the Atrush Block production sharing contract ("Atrush PSC") in the Kurdistan Region of Iraq ("KRI"). On August 6, 2024, the Company closed the Atrush transaction announced on January 22, 2024, with TAQA and HKN. As a result of the transaction, ShaMaran's working interest in the Atrush Block increased from 27.6% to 50%. Refer to Note 5 for additional information. The Atrush Block twenty-year development period commenced in Q4 2013 with an automatic right to a five-year extension and the possibility to extend for an additional five years. Oil production on the Atrush Block commenced in Q3 2017.

- 18% non-operated working interest (22.5% paying interest) in the Sarsang Block production sharing contract ("Sarsang PSC") in the KRI. This interest is consolidated in the Company's financial statements from September 14, 2022, when ShaMaran closed the acquisition of TEPKRI Sarsang A/S, a subsidiary of TotalEnergies S.E. (the "Sarsang Acquisition"). The Sarsang Block twenty-year development period commenced in Q2 2013 with an automatic right to a five-year extension and the possibility to extend for an additional five years. Oil production on the Sarsang Block commenced in Q1 2013.

2. Basis of preparation and going concern

a. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards"), as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, applicable to the preparation of interim financial statements including International Accounting Standard 34 "Interim Financial Reporting". The significant accounting policies of the Company have been applied consistently throughout the period. The policies applied in these unaudited condensed consolidated financial statements are based on IFRS Accounting Standards as of November 7, 2024, the date these unaudited condensed consolidated financial statements were approved and authorized for issuance by the Company's board of directors ("the Board").

b. Going concern

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and liabilities in the normal course of business as they come due in the foreseeable future.

The Company's operations have been heavily impacted by the closure of the Iraq-Türkiye pipeline ("ITP") on March 25, 2023, a situation that continues as of the date of these financial statements. The Atrush Block had no production from late March 2023 until November 7, 2023, when production restarted at a reduced rate with sales to local refineries. The Sarsang Block, after a brief shut-in during April 2023, continued producing at a reduced rate with additional oil storage capacity secured late in April 2023 and sales to local refineries on an ad hoc basis. Turkish officials stated that the ITP was ready to resume operations as of October 4, 2023. The readiness and willingness of the Iraqi side to supply oil into the pipeline remains subject to ongoing negotiations between the Government of Iraq, the Kurdistan Regional Government ("KRG") and International Oil Companies ("IOCs") operating in the KRI.

Uncertainty remains regarding the timing and viability of payments by the KRG for accounts receivable from past oil sales. As a result, the Company has adjusted the credit loss provision to reflect this uncertainty; refer to Note 13 for additional information. The Company (together with other IOCs) is still discussing the appropriate recovery mechanism for these receivables with the KRG, but full recovery is expected based on past precedents.

Considering the impact of the above, and including the current local sales situation, the Company expects to have sufficient cash in the next 12 months to fund its costs. However, if the ITP remains closed, local sales do not continue and there is no recovery of the KRG receivables, the Company could require additional liquidity to fund the remaining 2027 Bond (refer to Note 15) obligations that, as of September 30, 2024, consist of $72.8 million in interest and $202.1 million in principal payments over the life of the bond.

These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent on its ability to generate positive cash flows from operations or to secure additional funding from shareholders or lenders. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

c. Material accounting policies

These unaudited condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of application as those in the Company's audited annual consolidated financial statements for the year ended December 31, 2023.

3. Critical accounting judgments and key sources of estimation uncertainty

Areas of critical accounting judgments that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4 of the Company's audited annual consolidated financial statements for the year ended December 31, 2023.

a. Business combinations

The acquisition method of accounting is used to account for business combinations under IFRS 3, as described in Note 5. The fair value of assets acquired and liabilities assumed is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value that rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs and discount rates. Changes in these variables could significantly impact the carrying value of the net assets.

Refer to Note 2b for additional information.

4. Business and geographical segments

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

Expressed in thousands of United States dollars

5. Atrush Acquisition

a. Summary of acquisition

On August 6, 2024, the Company closed the acquisition of TAQA Atrush B.V. and the subsequent sale of an indirect interest in Atrush to HKN Energy IV, Ltd., as previously announced on January 22, 2024 (the "Atrush Acquisition"). The two-step transaction increased the Company's indirect 27.6% stake in the Atrush Block to a 50% working interest (66.67% paying interest) following the sale of an indirect 25% working interest (33.33% paying interest) to HKN Energy IV, Ltd. An affiliate of HKN Energy is now operator of the Atrush Block, and the KRG's 25% working interest in the Atrush Block has been converted to a carried interest.

The Atrush Acquisition was accounted for using the acquisition method pursuant to IFRS 3, refer to Note 3a. Under the acquisition method, assets and liabilities are recorded at fair value on the date of acquisition, and the total consideration is allocated to the assets acquired and liabilities assumed. The value of the net assets is recorded as a bargain purchase gain because the Atrush Acquisition was acquired for non-material consideration. As the only other Joint Venture partner at Atrush, the Company was able to provide the seller with a relatively quick exit and a high degree of certainty, at a time when Atrush was incurring monthly losses with production shut-in due to the ITP closure. The bargain purchase gain arises from the fact that Atrush has been able to establish, grow and maintain local sales and is expected to continue generating meaningful positive cash flows on the basis of those continued sales.

b. Identifiable assets acquired and liabilities assumed

The preliminary purchase price allocation is based on Management's best estimate of fair value. Upon finalizing the fair value of net assets acquired, adjustments to initial estimates, including the bargain purchase gain, may be required, and can be made up to twelve months from the closing date of the acquisition.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	Fair Value
Property, plant, and equipment	85,256
Decommissioning liabilities	(9,580)
Accounts receivable on oil sales adjustment	(5,340)
Net identifiable assets acquired	**70,336**
Purchase consideration	-
Bargain purchase gain	**70,336**

There were no acquisitions in the year ending December 31, 2023. However, an adjustment to the Sarsang Acquisition of $360 thousand was included in the consolidated statement of comprehensive income for the 2023 reporting period.

c. Acquisition related costs

Acquisition related costs incurred during the first nine months of 2024 of $42 thousand (2023: $315 thousand) are included in general and administrative expenses in the consolidated statement of comprehensive income.

d. Revenue and profit contribution

The acquired business contributed revenues of $5.5 million and net profit of $1.8 million to the group from the period August 7, 2024, to September 30, 2024, in the consolidated statement of comprehensive income for the reporting period. If the closing of the acquisition had occurred on January 1, 2024, the Company's consolidated pro forma revenues and net profit for the nine months ended September 30, 2024, would have been $93.8 million and $80.1 million, respectively.

This pro forma information is not necessarily indicative of the results that would have been obtained if the acquisition had occurred on January 1, 2024.

Refer also to Notes 12, 13 and 17.

Expressed in thousands of United States dollars

6. Revenues

As discussed in Note 2b, the ITP has been closed since March 25, 2023. The revenues recorded since this date relate entirely to oil sold to local refineries from the Sarsang Block since April 2023 and from the Atrush Block since November 2023. These sales are *ad hoc* and vary in quantity from week to week but are expected to continue on an *ad hoc* basis until ITP exports resume. Prices for crude oil sales to local refineries are in line with the local market and at a significant discount to international benchmark prices.

Refer also to Note 13.

7. Cost of goods sold

Lifting costs are composed of the Company's share of expenses related to the production of oil from the Atrush and Sarsang blocks, including operation and maintenance of wells and production facilities, insurance and the respective operator's related support costs as charged to the Company.

Other costs of production include the Company's share of other costs prescribed under the PSCs.

Oil and gas assets are depleted using the unit of production method based on proved and probable reserves using estimated future prices and costs and accounting for future development expenditures necessary to bring those reserves into production. There were no oil sales from Atrush in the third quarter of 2023 and therefore no related depletion.

Refer also to Notes 6 and 12.

8. General and administrative expense

General and administrative expenses principally include the Company's cost of technical and administrative personnel, travel, office, business development, stock exchange listing and regulatory costs.

9. Finance income

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Interest on deposits	384	862	2,116	2,974
Interest on Company Bond	-	875	571	2,728
Total interest income	**384**	**1,737**	**2,687**	**5,702**
Foreign exchange gain	-	37	-	1
Total finance income	**384**	**1,774**	**2,687**	**5,703**

Expressed in thousands of United States dollars

10. Finance expense

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Interest/amortization charges on bond	9,490	9,547	25,180	29,289
Amortization of the related-party loan	455	542	1,485	1,578
Adjustment of bond and loan amortization	(3,985)	-	(3,985)	-
Re-measurement of contingent consideration	341	(239)	194	(55)
Total borrowing costs	**6,301**	**9,850**	**22,874**	**30,812**
Foreign exchange loss	102	-	75	-
Unwinding discount on decommissioning provision	36	20	60	(70)
Lease – interest expense	1	3	9	8
Total finance expense before borrowing costs capitalized	**6,440**	**9,873**	**23,018**	**30,750**
Borrowing costs capitalized	(871)	(912)	(2,145)	(2,377)
Total finance expense	**5,569**	**8,961**	**20,873**	**28,373**

Interest and amortization charges relate to the Company's bond and related-party loan. The bond amendments that became effective as of July 1, 2024, as well as the extension of the repayment date of the related-party loan, were treated as a modification to the bond and loan, and the amortization schedules were adjusted accordingly. Refer to Notes 15 and 16 for additional information.

Refer to Note 17 regarding the contingent consideration and decommissioning provision.

Borrowing costs directly attributable to the preparation of development assets for their intended use have been capitalized together with the related oil and gas assets. All other borrowing costs are recognized in the income statement in the period in which they are incurred.

11. Taxation

The Company's income tax expense relates to income tax on service income generated in Switzerland and to withholding tax on the intercompany transactions from Denmark.

12. Property, plant and equipment

Property, plant and equipment ("PP&E") principally comprises development costs related to the Company's share of the Atrush PSC, before the Atrush Acquisition, and the fair values of the Sarsang Acquisition and Atrush Acquisition plus development costs related to the Company's share of the PSCs since these acquisitions.

During the first nine months of 2024, movements in PP&E comprises general additions of $19.8 million and the Atrush Acquisition addition of $85.3 million (2023 full year: $25.8 million of general additions only), which included capitalized borrowing costs of $2.1 million (2023 full year: $3.2 million), offset by depletion and depreciation expense of $33 million (2023 full year: $26.0 million), that resulted in a net increase to PP&E assets of $72.1 million.

Refer also to Notes 5 and 7.

Expressed in thousands of United States dollars

13. Accounts receivable

At September 30, 2024, the Company had outstanding receivables as follows:

	At September 30, 2024	At December 31, 2023
Accounts receivable on oil sales	82,040	95,474
Credit loss provision – transportation costs	-	(3,695)
Atrush Acquisition adjustment	(5,340)	-
Credit loss provision	(12,760)	(17,445)
Total accounts receivable, net of provisions	**63,940**	**74,334**
Current portion	41,076	38,913
Non-current portion	22,864	35,421

The accounts receivable balance at September 30, 2024, mainly relates to oil deliveries to the KRG from October 2022 through March 2023. The Company continues to discuss the recovery of these receivables with the KRG, but timing is uncertain (refer to Note 2b). The Company has reassessed the credit loss provision and has compared the carrying value of the relevant trade receivables with the present value of the estimated future cash flows based on reasonable recovery scenarios, weighted by the relative probability of these potential outcomes. A relevant discount rate has been applied to reflect counterparty credit risk to provide a reasonable approximation of the fair value of these trade receivables at September 30, 2024. The result of the Company's assessment under IFRS 9 is a $4.7 million adjustment to these trade receivables in the first nine months of 2024, included in the statement of comprehensive loss. The portion of these receivables that is estimated to be received after the first nine months of 2025 is classified as non-current owing to uncertainty in timing of recovery.

As part of the Atrush Acquisition, certain historic differences in the accounts receivable were reconciled with the KRG. The adjustments align the treatment of those items with the treatment of similar items at Sarsang.

Refer also to Notes 5 and 6.

14. Accounts payable and accrued expenses

	At September 30, 2024	At December 31, 2023
Payables to joint-operations partners	8,535	5,997
Accrued expenses	585	1,129
Trade payables	590	921
Total accounts payable and accrued expenses	**9,710**	**8,047**

Expressed in thousands of United States dollars

15. Borrowings

On June 10, 2024, the Company announced bondholder approval of certain amendments to the terms of the Company's $300 million bond, which originally matured in July 2025 (the "2025 Bond"). The new terms include a two-year extension of the maturity date to July 2027 and several other amendments. Following a successful tender on June 26, 2024, $47 million of the 2025 Bond and $5.9 million of the 2025 Bond held by the Company were cancelled. Following the tender and satisfaction of other conditions precedent, the amended terms became effective as of July 1, 2024 (the "2027 Bond"). The annual interest rate on the 2027 Bond remains the same at 12%, but the interest payment timing has changed from semi-annual to quarterly. The total outstanding amount of the new bond at September 30, 2024, was $202.1 million.

A waiver fee equal to 0.25% of the outstanding bond following the tender was paid to all bondholders in connection with the interest payment in July 2024. This fee is included in bond transaction costs along with other fees.

A key amendment to the bond terms is the replacement of the previous bond amortization schedule with a quarterly cash sweep mechanism when cash and cash equivalents exceed $50 million, starting in October 2024, with the remaining balance of the 2027 Bond due at maturity in July 2027.

The movements in borrowings are explained as follows:

	At September 30, 2024	At December 31, 2023
Opening balance:	**257,255**	**269,145**
Own bond	28,402	2,303
Interest/amortization charges	21,195	38,707
Bond transaction costs	(1,062)	-
Payments to bondholders – interest	(31,350)	(30,400)
Bond cancellation	(75,402)	(22,500)
Ending balance	**199,038**	**257,255**
Non-current portion – net borrowings	190,684	193,746
Current portion – accrued bond interest expense	8,354	18,509
Current portion – amortization instalments	-	45,000

Refer also to Notes 10 and 23.

16. Loan from related party

The loan balance with the related party Nemesia S.à.r.l. ("Nemesia") is $15.6 million, and repayment is due on January 30, 2028, six months after maturity of the 2027 Bond. This loan is subordinated to all obligations under the Company's 2027 Bond terms. The interest rate on the Nemesia loan is 12% per annum payable in cash semi-annually, plus an additional interest amount of 2% per annum payable in kind at maturity.

The 2024 movements in the Nemesia loan balance are explained as follows:

	At September 30, 2024	At December 31, 2023
Opening balance	**16,723**	**16,175**
Amortization	1,485	2,129
Payment to Nemesia – interest	(1,872)	(1,581)
Ending balance	**16,336**	**16,723**

Refer also to Notes 10 and 22.

Expressed in thousands of United States dollars

17. Provisions

	At September 30, 2024	At December 31, 2023
Opening balance	**16,585**	**22,077**
Changes in estimates and obligations incurred	176	469
Atrush Acquisition obligations acquired (Note 5)	9,580	-
Discount rate adjustment on obligations acquired	6,553	-
Unwinding discount on decommissioning provision	60	(76)
Changes in discount and inflation rates	(645)	(5,885)
Total decommissioning and site restoration provisions	**32,309**	**16,585**
Contingent consideration	11,448	11,254
Total provisions	**43,757**	**27,839**

The decommissioning and site restoration provision relates to the Company's share of future costs in respect of the Company's 50% interest (66.7% paying interest) in the Atrush Block and 18% interest (22.5% paying interest) in the Sarsang Block. The provision assumes these works will commence in 2032 for Atrush and in 2034 for Sarsang.

The decommissioning obligations associated with the Atrush Acquisition are subsequently re-measured at the end of the reporting period using a risk-free discount rate, with any changes recognized in the decommissioning liabilities and PP&E in the consolidated financial statements, in line with the Company's accounting policy for decommissioning obligations.

The contingent consideration relates to the purchase consideration of the Sarsang Acquisition and is payable to the seller upon (i) cumulative gross oil production from the Sarsang PSC reaching 130 MMbbls and (ii) Brent crude oil prices averaging at least $60/bbl for the preceding twelve-month period. The Company estimates the fair value of this contingent consideration at the end of each quarter and treats any difference as a finance income/cost.

Refer also to Notes 5 and 10.

18. Share capital

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

	Number of shares	Share capital
At January 1, 2023	**2,808,850,904**	**670,250**
RSUs	14,954,253	848
Options	557,000	38
At December 31, 2023	**2,824,362,157**	**671,136**
RSUs	5,566,673	276
Options	5,329,769	280
At September 30, 2024	**2,835,258,599**	**671,692**

During the first nine months of 2024, a total of 5,566,673 Restricted Share Units ("RSUs") vested and 5,329,769 common shares from exercised options were issued to plan participants in accordance with the Company's Share Unit Plan (2023 full year: 14,954,253 RSUs and 557,000 options). The carrying value of the RSU shares has been determined based on the Company's average closing share price over the five-day period prior to the vesting date.

Refer also to Note 19.

Expressed in thousands of United States dollars

19. Share-based payments expense

The Company has established share unit plans and a share purchase option plan whereby a committee of the Company's Board may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. At September 30, 2024, a total of 171,975,418 shares (6% of issued share capital) had been granted of the possible 283,525,859 shares that could be granted under the plans. 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. Under the plans, the Company may grant stock options, performance share units, RSUs and deferred share units ("DSUs").

In the first nine months of 2024, the Company granted 26,540,000 stock options, 41,110,000 RSUs and 5,239,369 DSUs (2023: 49,400,000 stocks options, 19,750,000 RSUs and 4,770,110 DSUs).

In the first nine months of 2024, a total of 5,566,673 RSUs vested, 11,126,334 options were exercised, 1,475,335 DSUs were redeemed in cash and 1,896,666 RSUs and 2,896,666 options were cancelled (2023: 14,954,254 RSUs vested, 557,000 stock options were exercised, 50,720,000 options and 2,319,084 RSUs were cancelled). The cancellation of RSUs and options and the DSU redemption were due to the end of service of plan participants.

The result of the movements in the first nine months of 2024 are charges to the Statement of Comprehensive Loss for options of $772 thousand (2023: $1,082 thousand), for RSUs $816 thousand (2023: $777 thousand) and for DSUs $569 thousand (2023: $(171) thousand). The carrying amount of the DSU liability at September 30, 2024, is $1,054 thousand (December 31, 2023: $565 thousand).

A summary of movements in the Company's outstanding options and share units is below:

	Number of stock options outstanding	Number of RSUs outstanding	Number of DSUs outstanding
At December 31, 2023	**80,863,000**	**24,600,002**	**16,584,721**
Granted in the period	26,540,000	41,110,000	5,239,369
Expired/cancelled in the period	(2,896,666)	(1,896,666)	-
Options exercised	(11,126,334)	-	-
DSUs redeemed	-	-	(1,475,335)
RSUs vested	-	(5,566,673)	-
At September 30, 2024	**93,380,000**	**58,246,663**	**20,348,755**
Quantities vested and unexercised:			
At December 31, 2023	44,261,337	-	16,584,721
At September 30, 2024	59,076,674	-	20,348,755
Weighted average remaining contractual life of options:			
At December 31, 2023	3.5 years		
At September 30, 2024	3.5 years		

The Company recognizes compensation expense on stock options granted to both employees and non-employees using the fair value method at the date of grant. The share-based payments expense for these options is calculated using the Black-Scholes option pricing model.

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

Expressed in thousands of United States dollars

20. Financial instruments

Financial assets

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

	Fair value hierarchy [6]	Carrying and fair values [1] At September 30, 2024	At December 31, 2023
Accounts receivable [5]	Level 3	63,940	74,334
Cash and cash equivalents, unrestricted [2]	Level 1	46,769	48,881
Other receivables [2]	Level 2	198	1,789
Cash and cash equivalents, restricted [2]	Level 1	9	22,841
Total financial assets		**110,916**	**147,845**

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

Financial liabilities

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

	Fair value hierarchy [7]	Carrying values At September 30, 2024	At December 31, 2023
Borrowings [3]	Level 2	190,684	238,746
Contingent consideration [6]	Level 2	11,448	11,254
Related-party loan [4]	Level 2	16,336	16,723
Accrued interest on bond	Level 2	8,354	18,509
Accounts payable and accrued expenses [2]	Level 2	9,710	8,047
Current tax liabilities	Level 2	-	86
Total financial liabilities		**225,084**	**282,111**

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

[1] The carrying amount of the Company's financial assets approximate their fair values at the balance sheet dates.

[2] No valuation techniques have been applied to establish the fair value of these financial instruments as they are either cash and cash equivalents, correspond to payment terms fixed by contract or, owing to the short-term nature, are readily convertible to or settled with cash and cash equivalents.

[3] The Company's estimate of the fair value of its net borrowings (the gross outstanding amount of the 2027 Bond) at the balance sheet date is $202.1 million (December 31, 2023: $225.4 million) based on recent trading in the Company's bond and indicative pricing provided by brokers.

[4] The Company's estimate of the fair value of its related-party loan at the balance sheet date is $15.6 million based on its nominal value (December 31, 2023: $15.6 million).

[5] Provisions have been made to the accounts receivable; refer to Note 13 for additional information.

[6] The Company's estimate of the fair value of its contingent consideration at the balance sheet date is $15 million based on its nominal value (December 31, 2023: $15 million); refer to Note 17 for additional information.

[7] *Fair value measurements*

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

- Level 1: fair value measurements are based on unadjusted quoted market prices;
- Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices; and
- Level 3: fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data.

Expressed in thousands of United States dollars

21. Commitments and contingencies

At September 30, 2024, the outstanding commitments of the Company were as follows:

	For the year ended September 30,				
	2025	2026	2027	Thereafter	Total
Atrush and Sarsang block development and PSC	25,276	400	400	2,400	**28,476**
Sarsang contingent consideration	-	-	-	15,000	**15,000**
Corporate office and other	27	17	-	-	**44**
Total commitments	**25,303**	**417**	**400**	**17,400**	**43,520**

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the approved 2024 work program and other obligations under the PSCs. The capital expenditure commitments in the work plans and budgets are contingent upon continuation of local sales.

For further information regarding the Sarsang contingent consideration, refer to Note 17.

22. Related-party transactions

Transactions with corporate entities

	Purchase of services for periods ended September 30,				Amounts owing at the balance sheet dates	
	three months		nine months			
	2024	2023	2024	2023	September 30, 2024	December 31, 2023
Nemesia	940	555	1,970	1,578	736	1,123
Namdo Management Services Ltd.	8	7	99	23	23	-
International Petroleum Corp.	49	-	138	-	17	31
Orrön Energy AB	29	-	56	-	9	-
Lundin Foundation	-	-	55	65	-	-
Total	**1,026**	**562**	**2,318**	**1,666**	**785**	**1,154**

Nemesia is a company controlled by a trust settled by the estate of the late Adolf H. Lundin and is a shareholder and bondholder of the Company. The Company has a subordinated loan from Nemesia and the obligation to accrue 12% annual interest payable in cash semi-annually plus an additional interest amount of 2% per annum payable in kind based on the principal balance outstanding. Refer also to Note 16.

The Lundin Foundation is a non-profit organization, of which the Company is a member, that provides services for Lundin Group companies.

International Petroleum Corp., Namdo Management Services Ltd. and Orrön Energy AB are companies affiliated with shareholders of the Company and provide corporate, technical, and administrative support services to the Company.

All transactions with related parties are conducted in the normal course of business and are made on an arm's length basis as with all third parties.

Refer also to Note 10.

23. Subsequent Events

Under the terms of the 2027 Bond, a cash sweep mechanism is in effect on each quarterly interest payment date. There was no cash swept during the interest payment quarter ending October 31, 2024.

The Company announced on October 28, 2024, the market purchase and cancellation of $2.1 million of the Company's 2027 Bond. The total outstanding amount of the 2027 Bond as of the date these financial statements were approved is $199.9 million.

Refer to Note 15.

NON-EXECUTIVE DIRECTORS

Chris Bruijnzeels
Director, Chairman

Michael Ebsary
Director

Keith Hill
Director

William Lundin
Director

OFFICERS

Garrett Soden
Director, President and Chief Executive Officer

Elvis Pellumbi
Chief Financial Officer

INVESTOR RELATIONS

Robert Eriksson

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TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, Canada

STOCK EXCHANGE LISTINGS

Toronto: TSX Venture Exchange

Stockholm: NASDAQ First North
Growth Market

Trading Symbol: SNM