2024

ShaMaran
petroleum corp

Annual Report

For the year ended December 31, 2024

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Management's Discussion and Analysis

For the three months and year ended December 31, 2024

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 March 12, 2025, 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 audited consolidated financial statements for the year ended December 31, 2024, together with the accompanying notes ("Financial Statements"), the annual information form for the year ended December 31, 2023 ("2023 Annual Information Form") and the fourth 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 ("PSCs"):

- 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 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., 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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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

2024 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., as 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 Ltd. is now operator of Atrush, and the Kurdistan Regional Government's ("KRG") 25% working interest in the block has been converted to a carried interest;
- On July 1, 2024, the Company's amended bond terms became effective, including a two-year extension of the maturity date to July 2027. During 2024, the Company repaid $77.6 million (28%) of its bond;
- 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;
- The Company's working interest proved plus probable ("2P") reserves[1] increased from 65.4 MMbbls at December 31, 2023, to 71.5 MMbbls at December 31, 2024, a replacement ratio of more than 200% for year-end 2024 ;
- The Company's working interest best estimate ("2C") contingent resource[2] volumes increased from 41.5 MMbbls at December 31, 2023, to 72.2 MMbbls at December 31, 2024;
- Average gross daily oil production from Atrush and Sarsang was 66,400 bopd in Q4 2024 on a combined basis (46% higher than the 45,400 bopd in Q4 2023) and 59,500 bopd for the full-year ("FY") 2024 (51% higher than the 39,400 bopd in FY 2023), mostly due to higher local sales from Atrush;
- Revenue was $34.7 million in Q4 2024 (71% higher than the $20.3 million in Q4 2023) and $109.4 million for the FY 2024 (32% higher than the $82.9 million in FY 2023) due to higher local oil sales, the restart of Atrush production since November 7, 2023 and the increased working and paying interest in the Atrush Block from August 7, 2024;
- Oil sales to the KRI local market in Q4 2024 averaged a net oil price of $33.74/bbl from the two blocks on a combined basis (15% lower than the $39.77/bbl in Q4 2023) and $35.65/bbl for the FY 2024 (27% lower than the $48.87/bbl in FY 2023) due to higher volumes from Atrush in the local sales mix and the lack of any exports at international prices in 2024;
- Lifting costs in Q4 2024 were $7.9 million (88% higher than the $4.2 million in Q4 2023) and $25.3 million for the FY 2024 (4% lower than the $26.2 million in FY 2023), with the increase in Q4 2024 due to increased production, as well as the higher working and paying interest in the Atrush Block;
- Gross margin on oil sales in Q4 2024 was $19.1 million (74% higher than the $11.0 million in Q4 2023) and $43.3 million for the FY 2024 (42% higher than $30.5 million in FY 2023) due to increased production and local sales and the higher working and paying interest in the Atrush Block;
- EBITDAX[3] has consistently increased since the ITP shutdown, with Q4 2024 EBITDAX of $21.9 million (71% higher than the $12.8 million in Q4 2023), and FY 2024 EBITDAX of $72.3 million (64% higher than the $44.0 million in FY 2023);
- The Company generated $34.7 million in cash flow from operating activities during Q4 2024 from local sales ($9.8 million in Q4 2023) and $98.0 million during the FY 2024 ($40.5 million in FY 2023);
- ShaMaran generated $38.0 million of free cash flow before debt service[3] in Q4 2024 ($8.0 million in Q4 2023) and $94.0 million in the FY 2024 ($18.2 million in FY 2023) due to the strength of local sales and proactive cost-cutting; and
- At December 31, 2024, the Company had cash of $76.8 million and gross debt of $215.5 million (including the $199.9 million outstanding under its corporate bond and $15.6 million related-party loan). Net debt[3] was $138.7 million.

2025 Guidance:

- Due to the continued closure of the ITP and the unpredictability of the local sales market in the KRI, the Company has not provided production guidance for 2025.

SUBSEQUENT EVENTS

- Under the terms of the Company's bond, a cash sweep mechanism is in effect on each quarterly interest payment date for cash held above $50 million. As a result, $26.8 million was swept to partially repay the bond at par during January 2025. The total outstanding amount of the Company's bond as of the date of this MD&A is $173.1 million. The next cash sweep will be in April 2025.

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[1] Reserves and contingent resources estimates were provided by McDaniel & Associates Consultants Ltd. ("McDaniel"), the Company's independent qualified resources evaluator, and were prepared in accordance with standards set out in the Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook.

[2] The Company's working interest 2C contingent resources are defined as the best estimate of working interest quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies.

[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. Refer to the "Non-IFRS Accounting Standards Measures" section of this MD&A for more information.

OPERATIONS REVIEW

Reserves and Resources

On March 12, 2025, the Company reported estimated reserves and contingent resources for the Atrush and Sarsang fields as at December 31, 2024, as reported by the Company's independent reserves and resources evaluator, McDaniel.

For 2024, total property gross production was 21.8 MMbbls, and total Company working interest production was 5.8 MMbbls. As of December 31, 2024, Atrush had achieved cumulative production of approximately 79.8 MMbbls, and Sarsang had achieved cumulative production of approximately 78.8 MMbbls since development commenced in both fields in 2013.

The Company's working interest 2P reserves increased from 65.4 MMbbls on 31 December 2023 to 71.5 MMbbls on 31 December 2024. Atrush working interest 2P reserves increased by 22.6 MMbbls. This growth reflects additional equity, strong field performance and includes the barrels produced in 2024. At Sarsang, working interest 2P reserves decreased by 16.5 MMbbls, including the barrels produced in 2024. Remapping of the Swara Tika field, based on the latest 3D seismic survey, has resulted in fewer future development drilling locations. Additionally, undeveloped volumes at East Swara Tika have been reclassified as contingent resources to better reflect the development timeline. Including the Atrush acquisition, the Company's reserve revisions for 2024 led to a reserve's replacement ratio of over 200%.

The Company's working interest 2C contingent resource volumes increased from 41.5 MMbbls at December 31, 2023, to 72.2 MMbbls at December 31, 2024. The increase reflects the additional working interest at Atrush and the reclassification of some East Swara Tika contingent resources.

For more information on reserves and resources, please reference our Form 51-101 F1 Statement of Reserves Data and Other Oil and Gas Information as at December 31, 2024, and available under the Company's profile on SEDAR+ at www.sedarplus.ca.

Production

	Three months ended Dec 31,		Year ended Dec 31,	
	2024	**2023**	**2024**	**2023**
Average daily oil production – gross 100% field (Mbopd)				
- Atrush	30.0	9.0	25.5	9.8
- Sarsang	36.4	36.4	34.0	29.6
Total	**66.4**	**45.4**	**59.5**	**39.4**
Average daily oil production – Company net (Mbopd)				
- Atrush (27.6% until August 6, 2024; 50% thereafter)	15.0	2.5	9.7	2.7
- Sarsang(18%)	6.6	6.6	6.1	5.3
Total	**21.6**	**9.1**	**15.8**	**8.0**
Oil sales – gross 100% field (Mbbl)				
- Atrush	2,764	829	9,324	3,557
- Sarsang	3,264	3,519	12,180	10,852
Total	**6,028**	**4,348**	**21,504**	**14,409**
ShaMaran oil sales entitlement (Mbbl)				
- Atrush (27.6% until August 6, 2024; 50% thereafter)	665	110	1,701	471
- Sarsang (18%)	365	401	1,372	1,225
Total	**1,030**	**511**	**3,073**	**1,696**

Atrush and Sarsang delivered substantial local sales in the fourth quarter of 2024. At Atrush, average production in Q4 2024 was 30.0 Mbopd and exceeded 32.0 Mbopd in December 2024. The 2025 investment focus on Atrush is expected to be on completing the central processing facility upgrade that will enhance its liquid processing capacity and enable the release of the early production facility from the field towards the end of 2025, which is expected to further reduce operating costs. At Sarsang, average production in Q4 2024 was 36.4 Mbopd. 2025 is expected to be a transition year for Sarsang with investment focus on the installation of above and below ground water handling facilities. This investment is designed to enable the production of incremental barrels that are currently being curtailed due to excess water production, resulting in lower current levels of production during Q1 relative to the end of 2024. The benefits of the Sarsang investment plan are expected in late 2025/early 2026.

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)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Continuing operations:								
Revenue	**34,749**	29,425	22,630	22,588	20,320	12,644	6,542	43,380
Cost of goods sold	**(15,673)**	(19,470)	(15,225)	(15,748)	(9,291)[4]	(11,049)	(10,741)	(21,282)
Bargain purchase gain on acquisitions	**-**	70,336	-	-	(360)	-	-	360
General and administrative expense	**(3,340)**	(1,282)	(1,426)	(1,780)	(2,865)	(1,575)	(2,486)	(3,361)
Share-based payments expense	**(1,533)**	(273)	(887)	(997)	(376)	(315)	(1,151)	(222)
Depreciation and amortization	**(32)**	(26)	(42)	(59)	(58)	(61)	(59)	(58)
Credit loss provision	**24**	1,591	298	2,796	(305)	(644)	(11,568)	(1,421)
Finance expense	**(6,655)**	(5,569)	(6,812)	(8,555)	(9,560)	(8,961)	(9,748)	(9,700)
Finance income	**644**	384	1,046	1,320	1,691	1,774	2,042	1,923
Income tax expense	**(65)**	(17)	(91)	(58)	(100)	(15)	(30)	(20)
Net income / (loss)	**8,119**	**75,099**	**(509)**	**(493)**	**(904)**	**(8,202)**	**(27,199)**	**9,599**
EBITDAX	**21,885**	21,509	14,707	14,234	12,839	5,834	(4,876)	30,227
Net income/(loss) in $ per share								
- Basic	**0.003**	0.026	-	-	-	(0.003)	(0.010)	0.003
- Diluted	**0.003**	0.025	-	-	-	(0.003)	(0.009)	0.003

EBITDAX is calculated as the net result before financial items, taxes, depletion of oil and gas properties, impairment costs, the gains on acquisitions, 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 Fourth Quarter Financial Information

The $8.1 million net income generated in Q4 2024 was primarily driven by increased revenue due to the Atrush Acquisition and higher production from the field during the quarter. The income and expenses in Q4 2024 are explained in more detail in the following sections.

Selected Annual Financial Information

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

USD Thousands (except per share data)	For the year ended December 31,		
	2024	**2023**	**2022**
Revenues	**109,392**	82,886	176,665
Cost of goods sold	**(66,116)**	(52,363)	(70,724)
Bargain purchase gain on acquisitions	**70,336**	-	60,081
General and administrative expense	**(7,828)**	(10,287)	(9,909)
Share-based payments expense	**(3,690)**	(2,064)	(2,338)
Depreciation and amortization expense	**(159)**	(236)	(218)
Credit loss provision	**4,709**	(13,938)	(3,873)
Finance income	**3,394**	7,393	4,909
Finance expense	**(27,591)**	(37,932)	(39,479)
Income tax expense	**(231)**	(165)	(155)
Income / (loss) for the year	**82,216**	**(26,706)**	**114,959**
Income / (loss) in $ per share:			
Basic	0.03	(0.01)	0.05
Diluted	0.03	(0.01)	0.04

	As at December 31,		
Financial position – net book value of principal items	**2024**	**2023**	**2022**
Property plant & equipment	**365,708**	302,192	302,384
Loans and receivables	**51,322**	74,334	88,279
Cash and other assets	**77,656**	73,816	107,819
Other non-current assets	**-**	69	211
Total assets	**494,686**	**450,411**	**498,693**
Net borrowings	**(188,501)**	(238,746)	(258,943)
Other liabilities	**(82,984)**	(72,234)	(76,056)
Shareholders' equity	**223,201**	**139,431**	**163,694**
Common shares outstanding (x 1,000)	**2,845,961**	2,824,362	2,808,851

Summary of Principal Changes in Annual Financial Information

The net income in 2024 of $82.2 million is attributable to a number of key drivers:

- The Atrush Acquisition, resulting in a bargain purchase gain of $70.3 million;
- Continual local sales during the year and a higher entitlement at Atrush due to the acquisition; and
- Reduced finance costs linked to faster bond repayment post amendment.

The income and expense details and the principal changes in annual financial information are further explained in the sections below.

Atrush Acquisition

On August 6, 2024, the Company closed 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. The purchase and sale were carried out simultaneously, and the net acquired position was therefore 22.4%. An affiliate of HKN Energy Ltd. is now operator of the Atrush Block, and the 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. The value of the net assets is recorded as a bargain purchase gain because the Atrush Acquisition was acquired for nominal consideration. As the only other independent 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 and the lack of trucking facilities. The bargain purchase gain arises from the fact that Atrush has been able to restart production by establishing, growing and maintaining local sales. Atrush is expected to continue generating meaningful positive cash flow on the basis of 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.

Acquisition-related costs

Acquisition-related costs incurred during 2024 of $216 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 $15 million and net profit of $4.8 million to the Company from the period August 7, 2024, to December 31, 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 year 2024 would have been $131.9 million and $91.0 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 December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Revenue from oil sales	34,749	20,320	109,392	82,886
Lifting costs	(7,881)	(4,169)	(25,258)	(26,191)
Other costs of production	(110)	(71)	(281)	(320)
Depletion costs	(7,682)	(5,051)	(40,577)	(25,852)
Cost of goods sold	**(15,673)**	**(9,291)**	**(66,116)**	**(52,363)**
Gross margin on oil sales	**19,076**	**11,029**	**43,276**	**30,523**

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 Q4 2024 compared to Q4 2023 was driven by the increased local sales volume (local sales only started in Atrush from November 2023 following the ITP closure) and the increased working interest in the Atrush Block. The revenue of $109.4 million in 2024 relates to local oil sales from Sarsang and Atrush and is 32% higher than 2023 (Q1 2023 also included some pipeline exports prior to the ITP shutdown in March 2023). The oil prices for local sales are at a significant discount to international benchmark prices. The average net oil price for 2024 was $35.65 per barrel, 27% lower than the average net oil price of $48.87 per barrel 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 2024 was 3.1 MMbbls, 82% higher than the 1.7 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 89% higher in Q4 2024 compared to Q4 2023 due to increased production and an increased working and paying interest in the Atrush Block, and 4% lower in 2024 compared to 2023 due to a focus on cost control at Atrush.

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

Depletion costs have increased 52% in Q4 2024 compared to Q4 2023, and 57% in 2024 compared to 2023, due to increased production from both assets. At Atrush, there was no production from March 25, 2023 until November 7, 2023 (due to the pipeline closure and lack of trucking facilities), and therefore no related depletion during this time.

Gross margin on oil sales was significantly higher in Q4 2024 versus Q4 2023 due to higher local oil sales from both blocks and a higher working and paying interest in the Atrush Block from August 7, 2024, resulting in the full-year gross margin on oil sales also being significantly higher on an annual basis.

General and administrative expense

USD Thousands	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Salaries and benefits	2,486	1,984	4,994	5,852
Legal, accounting and audit fees	394	464	850	1,346
Management and consulting fees	171	179	842	1,503
General and other office expenses	153	176	642	738
Travel expenses	71	28	137	280
Listing costs and investor relations	65	34	308	351
Corporate sponsorship	-	-	55	217
General and administrative expense	**3,340**	**2,865**	**7,828**	**10,287**

The decrease in general and administrative expenses in 2024 compared to 2023 is due to savings from ongoing cost reduction initiatives. In 2023, there were substantial one-off costs for the departure of the former CEO, as well as one-off business development, legal and consulting fees incurred.

Finance expense

USD Thousands	Three months ended December 31, 2024	2023	Year ended December 31, 2024	2023
Interest /amortization charges on corporate bond	6,659	9,418	31,839	38,707
Adjustment of bond and loan amortization	909	-	(3,076)	-
Amortization of the related-party loan	555	550	2,040	2,128
Finance cost for bond purchase	26	-	26	-
Total borrowing costs	**8,149**	**9,968**	**30,829**	**40,835**
Unwinding discount on decommissioning provision	21	(6)	81	(76)
Foreign exchange loss	-	252	-	251
Other interest expenses	-	69	-	69
Lease – interest expense	-	3	9	11
Re-measurement of contingent consideration	(84)	98	110	43
Total finance expense before borrowing costs capitalized	**8,086**	**10,384**	**31,029**	**41,133**
Borrowing costs capitalized	(1,293)	(824)	(3,438)	(3,201)
Total finance expense	**6,793**	**9,560**	**27,591**	**37,932**

Interest and amortization charges relate to the Company's corporate bond and related-party loan. The bond amendments effective 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, less the accumulated depletion and depreciation expense recorded on the PP&E balance.

The movements in PP&E are explained below:

	Year ended December 31, 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**
Atrush Acquisition	85,256	-	85,256	-	-	-
Additions	18,935	(2)	18,933	25,725	57	25,782
Depletion and depreciation expense	(40,577)	(96)	(40,673)	(25,851)	(123)	(25,974)
Net book value	**365,705**	**3**	**365,708**	**302,091**	**101**	**302,192**

At each reporting date, the Company assesses its cash generating units ("CGUs") for indicators of impairment or when facts and circumstances suggest the carrying amount may exceed the recoverable amount. At December 31, 2024, the Company tested the Sarsang CGU for impairment due to downward technical revisions on the 2P reserves for the CGU. The recoverable amount of the CGU was assessed using its fair value less cost of disposal (level 3 analysis) based on the McDaniel 2P reserves report, including production forecasts, forward commodity prices, production costs and future development expenditures. Assumptions included a future cost inflation factor of 2% per annum and a discount rate of 17% to calculate the net present value at December 31, 2024. The assessment concluded that there is no impairment to PP&E.

The price assumptions used for the impairment assessment performed at December 31, 2024, are based on current local sales prices continuing through 2025 until June 2026. After June 2026, sales prices were based on average Brent oil price assumptions from the McDaniel forecast less an estimated discount to Brent based on past precedent.

Year	2025	2026	2027	2028
Average price forecast $/bbl	39.83	55.50	72.73	74.32

For the Sarsang CGU, a 2% increase in the discount rate or a 5% decrease in forward commodity prices would not impact the result of the impairment test.

Financial Position and Liquidity

Accounts receivable

At December 31, 2024, the Company had the following outstanding receivables:

	For the year ended December 31,	
USD Thousands	2024	2023
Accounts receivable on oil sales	69,398	95,474
Credit Loss Provision – transportation costs	-	(3,695)
Credit Loss Provision	(12,736)	(17,445)
Atrush Acquisition adjustment	(5,340)	-
Total accounts receivable	**51,322**	**74,334**

The accounts receivable balance at December 31, 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 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 December 31, 2024. The result of the Company's assessment under IFRS 9 is a $4.7 million credit adjustment to these trade receivables in 2024, included in the statement of comprehensive loss (2023: $13.9 million debit). The portion of these receivables that is estimated to be received after 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 with the treatment of similar items previously accounted for at Sarsang.

Borrowings

On June 10, 2024, the Company announced bondholder approval for 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 on 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 December 31, 2024, was $199.9 million. This was treated as a modification to the Borrowings with the difference in fair values on modification recorded in Financing Expense.

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. Interest expenses associated with the bond are calculated using the effective interest rate method.

A key amendment to the bond terms is the replacement of the previous bond amortization schedule with a quarterly cash sweep mechanism whereby the amount by which cash and cash equivalents exceed $50 million five business days after each quarter end is used to repay bonds at par on the next quarterly interest payment date. The new mechanism started operating as of Q3 2024. Any amount of the 2027 Bond that is not repaid through the cash sweep is due at maturity in July 2027. $2.2 million bonds were acquired in the market and cancelled during the interest payment quarter ending October 31, 2024. Refer to the subsequent events for the January 2025 sweep.

Due to the uncertainty surrounding the reopening of the ITP, and the impact that continued ITP closure could have on the Company's operations, there is uncertainty around the timing and amount of bonds that will be repaid through the cash sweep over the remaining term of the 2027 Bond.

The 2027 Bond has a financial covenant which states that at all times the ratio of reserve value to net debt ("Asset Coverage Ratio") shall be a minimum of 1.25x. The reserve value is based on the latest 2P reserve value as set out in the latest published reserve value report. Net debt is calculated as the total of debt less cash and cash equivalents. The Company calculates the Asset Coverage Ratio each quarter and has been in full compliance since the 2027 Bond was issued.

The movements in borrowings are explained below:

USD Thousands	For the year ended December 31, 2024	2023
Opening balance	**257,255**	**269,145**
Interest / amortization charges	28,762	38,707
Own bond	28,402	2,303
Bond transaction costs	(1,061)	-
Payments to bondholders – interest	(37,476)	(30,400)
Bond cancellation	(77,586)	(22,500)
Ending balance	**198,296**	**257,255**
Non-current portion – net borrowings	161,730	193,746
Current portion – accrued bond interest expense	9,795	18,509
Current portion – amortization instalments	26,771	45,000

Liquidity and Capital Resources

USD Thousands	For the year ended December 31, 2024	2023
Selected liquidity indicators		
Cash flow from operations	97,965	40,482
Working capital positive	55,446	41,027
Cash in bank	76,801	71,722

Cash flow from operations of $98.0 million for the year ended December 31, 2024 is $57.5 million higher than the amount reported in 2023 due to increased production and consistent local oil sales payments.

Working capital at December 31, 2024 was positive $55.4 million compared to positive $41.0 million at December 31, 2023. The increase in working capital since December 31, 2023, is principally due to a lower amount of the Company's 2027 Bond being classified as a current liability.

Cash in bank increased by $5.1 million in 2024 compared to a decrease of $34.0 million in 2023. The main components of the movement in funds were as follows:

- The operating activities of the Company in 2024 resulted in an increase of $98.0 million in the cash position (2023: increase of $40.5 million).
- Net cash outflows for investing activities in 2024 were $4.1 million (2023: $22.3 million). Cash outflows for investing activities comprised $8.8 million for capital investments in the Atrush and Sarsang development work programs net of cash inflows of $4.7 million for interest received.
- Net cash outflows for financing activities in 2024 were $89.1 million (2023: $52.3 million) and comprised $49.2 million for the bond tender, $506 thousand of bond transaction costs, $37.5 million of interest payments to bondholders and $1.9 million of interest payments for the Nemesia loan.

The Financial Statements were prepared on a 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

This MD&A contains certain financial measures and ratios, as described below, which do not have standardized meanings prescribed by IFRS Accounting Standards or generally accepted accounting principles (GAAP). As these non-IFRS financial measures and ratios are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

The non-IFRS financial measures and ratios used in this MD&A are used by the Company as key measures of financial performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with IFRS Accounting Standards.

EBITDAX

EBITDAX is calculated as the net result before financial items, taxes, depletion of oil and gas properties, impairment costs, the gains on acquisitions, depreciation and exploration expenses and adjusted for non-recurring profit/loss on sale of assets and other income. The Company uses EBITDAX primarily as a measure of profitability and cash generation. A quantitative reconciliation to revenues, the most directly comparable IFRS Accounting Standards measure is provided below.

USD Thousands	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Revenues	34,749	20,320	109,392	82,886
Lifting costs	(7,881)	(4,169)	(25,258)	(26,191)
Other costs of production	(110)	(71)	(281)	(320)
General and administrative expense	(3,340)	(2,865)	(7,828)	(10,287)
Share-based payments	(1,533)	(376)	(3,690)	(2,064)
EBITDAX	**21,885**	**12,839**	**72,335**	**44,024**

Free cash flow before debt service

Free cash flow before debt service is a non-IFRS financial measure calculated as the sum of cash flows of operating and investment activities. The Company uses free cash flow before debt service primarily as a measure of cash generation. A quantitative reconciliation to net cash inflows from operating activities, the most directly comparable IFRS Accounting Standards measure is provided below.

USD Thousands	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Net cash inflows from operating activities	34,692	9,824	97,965	40,482
Net cash inflows from / (outflows to) investing activities	3,357	(1,770)	(4,054)	(22,277)
Free cash flow before debt service	**38,049**	**8,054**	**93,911**	**18,205**

Net debt

Net debt is a non-IFRS financial measure calculated as total debt less cash and cash equivalents. The Company uses net debt primarily as a measure of leverage. A quantitative reconciliation to total debt, the most directly comparable IFRS Accounting Standards measure is provided below.

	For the year ended December 31,	
USD Thousands	2024	2023
Cash and cash equivalents, unrestricted	76,792	48,881
Cash and cash equivalents, restricted	9	22,841
Company-held ShaMaran Bond	-	28,400
Outstanding principal of ShaMaran Bond	(199,914)	(277,500)
Loan from related party	(15,600)	(15,600)
Net debt	**(138,713)**	**(192,978)**

All figures in the net debt calculation are based on their nominal value at the balance sheet date. See Notes 16 and 17 in the Financial Statements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

	Purchase of services during the year		Amounts owing at December 31,	
USD Thousands	2024	2023	2024	2023
Nemesia	2,041	2,128	1,291	1,123
International Petroleum Corp.	206	5	23	31
Namdo Management Services Ltd.	113	31	52	-
Orrön Energy AB	93	33	-	-
Lundin Foundation	55	65	-	-
Total	**2,508**	**2,262**	**1,366**	**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 2,845,961,365 outstanding shares (3,001,633,278 shares fully diluted) at December 31, 2024, and 2,861,738,401 outstanding shares at the date of this MD&A.

Details of share issuance in the year 2024 are as follows:

- 6,873,839 common shares were issued from restricted share units ("RSUs") that vested in accordance with the Share Unit Plan (defined below) 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
- 14,725,369 common shares were issued to grantees as a result of options exercised in accordance with the Stock Option Plan (defined below).

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 December 31, 2024, a total of 152,916,896 shares, 5% of the issued share capital, had been granted of the possible 284,596,136 shares that could be granted under the plans. Under the plans, the Company may also grant performance share units ("PSUs"), RSUs or deferred share units ("DSUs"). As at December 31, 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 2024, the Company made two separate grants totaling:

(i) 62,450,000 RSUs to certain senior officers and other eligible persons of the Company. The first grant in March 2024 of 41,110,000 RSUs at a grant-date share price of CAD $0.05 and the second grant in December 2024 of 21,340,000 RSUs at a grant-date share price of CAD $0.12;

(ii) 7,160,849 DSUs to non-executive directors. The first grant in March 2024 of 5,239,369 DSUs at a grant-date share price of CAD $0.05 and the second grant in December 2024 of 1,921,480 DSUs at a grant-date share price of CAD $0.12; and

(iii) 41,680,000 stock options to certain senior officers and other eligible persons of the Company. The first grant in March 2024 of 26,540,000 stock options at a grant-date share price of CAD $0.05 and the second grant in December 2024 of 15,140,000 stock options at a grant-date share price of CAD $0.12.

During 2024, a total of 12,952,465 RSUs vested, 47,223,004 options were exercised, 1,475,335 DSUs were redeemed in cash and 8,747,540 RSUs and 10,023,332 options were forfeited. The forfeiture of RSUs and options and the DSU redemption were due to the end of service of plan participants.

At December 31, 2024, there were 65,296,664 stock options outstanding under the Company's employee incentive Stock Option Plan, which represents 2.3% of the total shares outstanding at December 31, 2024.

The Company has no warrants outstanding.

Movements in the Company's outstanding options and share units in the year ended December 31, 2024 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 year	41,680,000	62,450,000	7,160,849
Expired/forfeited in the year	(10,023,332)	(8,747,540)	-
Options exercised	(47,223,004)	-	-
DSUs redeemed	-	-	(1,475,335)
RSUs vested	-	(12,952,465)	-
At December 31, 2024	**65,296,664**	**65,349,997**	**22,270,235**
Quantities vested and unexercised:			
At December 31, 2023	80,863,000	-	16,584,721
At December 31, 2024	29,660,839	-	22,270,235

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 December 31, 2024, the outstanding commitments of the Company were as follows:

	For the year ended December 31,				
USD Thousands	2025	2026	2027	Thereafter	Total
Atrush and Sarsang block development and PSC	105,809	400	400	2,000	**108,609**
Sarsang contingent consideration	-	-	-	15,000	**15,000**
Corporate office and other	45	-	-	-	**45**
Total commitments	**105,854**	**400**	**400**	**17,000**	**123,654**

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the approved 2025 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 for 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.

Material Accounting Policies

Accounting for Oil and Gas Operations

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

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 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.

RESERVES AND RESOURCE ESTIMATES

The Company engaged McDaniel to evaluate 100% of the Company's reserves and resource data as at December 31, 2024. The conclusions of this evaluation have been presented in a detailed property report that has been prepared in accordance with standards set out in the Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGEH").

The Company's crude oil reserves as at December 31, 2024, were based on the Company's 50% working interest (66.7% paying interest) in the Atrush Block and 18% working interest (22.5% paying interest) in the Sarsang Block and estimated to be as follows:

Company estimated reserves
As at December 31, 2024

	Proved Developed	Proved Undeveloped	**Total Proved**	Probable	**Total Proved & Probable**	Possible	**Total Proved, Probable & Possible**
Light/Medium Oil (Mbbl) [1]							
Gross [2]	27,081	12,794	**39,875**	18,375	**58,251**	21,672	**79,923**
Net [3]	16,247	5,216	**21,463**	5,820	**27,283**	6,665	**33,948**
Heavy Oil (Mbbl) [1]							
Gross [2]	5,232	3,166	**8,399**	4,887	**13,286**	5,948	**19,234**
Net [3]	3,310	1,306	**4,615**	1,644	**6,260**	1,859	**8,118**
Total Oil (Mbbl)							
Gross	32,314	15,961	**48,274**	23,263	**71,537**	27,619	**99,517**
Net	19,557	6,522	**26,079**	7,464	**33,543**	8,524	**42,067**

Notes:
(1) The Atrush Field contains crude oil of variable density. Fluid type is classified according to COGEH: Light/Medium Oil is based on density less than 920 kg/m^3, and Heavy Oil is between 920 and 1000 kg/m^3.
(2) Company gross reserves are based on the Company's 50% working interest share of the property gross reserves in the Atrush Block plus an 18.0% working interest share of the property gross reserves in the Sarsang Block.
(3) Company net reserves are based on Company share of total cost and revenues. Note, as the government pays income taxes on behalf of the Company out of the government's profit-oil share, the net reserves were based on the effective pre-tax revenues by adjusting for the tax rate.

The Company's crude oil resources as at December 31, 2024, were estimated to be as follows:

Company estimated contingent resources (1) (2) (4) (5)
As at December 31, 2024

	Low Estimate (1C)	Best Estimate (2C)	High Estimate (3C)	Risked Best Estimate
Light/Medium Oil (Mbbl) (3)				
Gross (Development On Hold)	5,206	15,349	54,496	9,540
Gross (Development Not Viable)	-	-	-	-
Heavy Oil (Mbbl) (3)				
Gross (Development On Hold)	7,050	12,283	37,971	8,598
Gross (Development Not Viable)	18,571	44,543	59,791	4,454
Gross Total	**30,827**	**72,175**	**152,257**	**22,592**

Notes:
(1) Company gross interest resources are based on a 50% working interest share of the property gross resources in the Atrush Block plus an 18.0% working interest of the property gross resources in the Sarsang Block.
(2) There is no certainty that it will be commercially viable to produce any portion of the contingent resources.
(3) The Atrush Field contains crude oil of variable density. Fluid type is classified according to COGEH: Light/Medium Oil is based on a density less than 920 kg/m^3, and Heavy Oil is between 920 and 1000 kg/m^3.
(4) The "Risked Best Estimate" contingent resources account for the chance of development, which is defined as the probability of a project being commercially viable. Quantifying the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution. The chance of development was estimated to be 70% for the Light/Medium and Heavy Crude Oil Development "On Hold" contingent resources and 10% for the Heavy Crude Oil Development "Not-Viable" contingent resources.
(5) The contingent resources are sub-classified as "Development On Hold" and "Development Not Viable".

Prospective resources have not been re-evaluated since December 31, 2013.

Risks in estimating resources

There are uncertainties inherent in estimating the quantities of reserves and resources, including factors that 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 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, such as 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 respective operator; and risks associated with international operations.

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 that has been independently evaluated by McDaniel.

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 Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at Fair Value through Profit or Loss ("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.

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.

RISKS 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 the 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 some 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"), and the recent approval of the 2025 Budget Law Amendment by the Iraqi Parliament could provide an intermediate step to a full normalization of the KRI oil export and payment situation. However, there can be no certainty that the negotiations between the various parties will result in a positive outcome on this matter.

Continuing export pipeline closure
The ITP was closed on March 25, 2023, and remains shut as at the date of this MD&A. The ITP reopening was the subject of the recent approval of the 2025 Budget Law Amendment by the Iraqi Parliament. Despite several meetings between the Government of Iraq and the KRG, there are a number of unresolved issues, so there can be no certainty as to when the ITP will reopen for exports or when payments at international oil market prices will resume for oil production from the KRI. The Company is working with the various parties, including 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's ("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 failed in its appeals of the October 2024 decisions and that those decisions now stand as final, confirming the legality and validity of the KRI PSCs under Iraqi law. The Company continues to monitor the situation closely and will proactively protect its commercial interests.

Russia-Ukraine, Israel and Syria 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, Israel or Syria conflicts. If these conflicts continue, they may have an adverse impact on realized pricing in the international oil markets.

The Israel and Syria conflicts do not yet appear to have had any impact on the Company's operations in the KRI, nor have they, 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 Resource Estimates*" and "*Financial Instruments*" sections of this MD&A, as well as to the "*Risk Factors*" section of the 2023 Annual Information Form.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures.

Design of internal controls over financial reporting is the responsibility of management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. There have been no material changes to the Company's internal control over financial reporting during the three and twelve month periods ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains statements and information about expected or anticipated future events and financial results that are forward-looking in nature and, as a result, are subject to certain risks and uncertainties, including, but not limited to: legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans.

Any statements that are contained in this MD&A that are not statements of historical fact may be deemed to be forward-looking information. Forward- looking information typically contains statements with words such as "may", "will", "should", "expect", "assume", "intend", "plan", "anticipate", "believe", "estimate", "projects", "potential", "scheduled", "forecast", "outlook", "budget" or the negative of those terms or similar words suggesting future outcomes. The Company cautions readers regarding the reliance placed by them on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company.

Actual results may differ materially from those projected by management. Further, any forward-looking information is made only as of a certain date and the Company undertakes no obligation to update any forward-looking information or statements to reflect events or circumstances after the date on which such statement is made or reflect the occurrence of unanticipated events, except as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management of the Company to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to that any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information.

RESERVES AND RESOURCE ADVISORY

ShaMaran's reserve and contingent resource estimates are as at December 31, 2024, and have been prepared and audited in accordance with NI 51-101 and the COGEH. Unless otherwise stated, all reserves estimates contained herein are the aggregate of "proved reserves" and "probable reserves", together also known as "2P reserves". Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Contingent resources are those quantities of petroleum estimated, as at a given date, to be potentially recoverable from known accumulations using established technology or technology under development but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. There is no certainty that it will be commercially viable for the Company to produce any portion of the contingent resources.

Contingent resources are further categorized according to the level of certainty associated with the estimates and may be sub-classified based on a project maturity and/or characterized by their economic status. There are three classifications of contingent resources: low estimate, best estimate and high estimate. Best estimate is a classification of estimated resources described in the COGEH as the best estimate of the quantity that will be actually recovered; it is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the best estimate.

The project maturity subclasses include development pending, development on hold, development unclarified and development not viable. The contingent resources disclosed in this MD&A are classified as either development on hold or development not viable. Development on hold is defined as a contingent resource where there is a reasonable chance of development, but there are major non-technical contingencies to be resolved that are usually beyond the control of the operator. Development not viable is defined as a contingent resource where no further data acquisition or evaluation is currently planned and hence there is a low chance of development.

BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf per 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

This MD&A contains an oil and gas metric, being 2P reserves replacement ratio, which does not have a standardized meaning or a standard method of calculation and therefore such measure may not be comparable to similar measures used by other companies. This metric is commonly used in the oil and gas industry and has been included herein to provide readers with an additional measure to evaluate ShaMaran's performance; however, such measure is not a reliable indicator of the future performance of ShaMaran and future performance may not compare to the performance in previous periods.

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 three months ending March 31, 2025, on May 7, 2025.

OTHER SUPPLEMENTARY INFORMATION

Abbreviations

CAD	Canadian dollar
CHF	Swiss franc
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
kg	Kilograms
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
m^3	Cubic metres

Independent auditor's report

To the Shareholders of ShaMaran Petroleum Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ShaMaran Petroleum Corp. and its subsidiaries (together, the Company) as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statement of comprehensive income/(loss) for the year ended December 31, 2024;
- the consolidated balance sheet as at December 31, 2024;
- the consolidated statement of cash flow for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2b to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment (PP&E) assets acquired in the acquisition of the Atrush Block *Refer to note 1 – General information, note 3 – Material accounting policies, note 4 – Critical accounting judgments and key sources of estimation uncertainty, note 6 – Atrush Acquisition and note 13 – Property, plant and equipment to the consolidated financial statements.* On August 6, 2024, the Company closed the acquisition of the 22.4% working interest in the Atrush Block. The acquisition was accounted for using the acquisition method, which requires that the identifiable assets acquired and liabilities assumed be measured at their fair values at the acquisition date. The identifiable assets acquired included $85.3 million of PP&E assets. Management determined the fair value of these assets based on a fair value less cost of disposal methodology, calculating the present value of the expected future cash flows derived from the acquired oil and gas reserves (the discounted cash flow model). The assumptions and estimates used to determine the fair value of the acquired PP&E assets require critical judgment by management and include production forecasts, forward commodity prices, production costs, future development expenditures and the discount rate. The acquired oil and gas reserve estimates are prepared by the Company's independent qualified reserve evaluators (management's experts).	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of the acquired PP&E assets, which included the following: – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the acquired oil and gas reserves used to determine the fair value of the acquired PP&E assets. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of data used by management's experts and an evaluation of their findings. – Evaluated the appropriateness of the methods and the discounted cash flow model used by management in determining the fair value of the acquired PP&E assets. – Tested the data used in determining the fair value of the acquired PP&E assets. – Evaluated the reasonableness of assumptions used in determining the fair

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the critical judgment applied by management, including the use of management's experts, when developing the estimates of the acquired oil and gas reserves and the fair value of the acquired PP&E assets, including the development of assumptions; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the assumptions used by management; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	value of the acquired PP&E assets by: o Considering whether production forecasts, production costs and future development expenditures were consistent with the actual performance of the acquired PP&E assets, and whether they were consistent with evidence obtained in other areas of the audit. o Comparing forward commodity prices to reputable third party industry forecasts. o Using professionals with specialized skill and knowledge in the field of valuation, who assisted us in assessing the reasonableness of the discount rate used in the discounted cash flow model and the reasonableness of the fair value assigned to the acquired PP&E assets.
The impact of oil and gas reserves on the Company's net oil and gas assets (oil and gas assets) included in PP&E *Refer to note 3 – Material accounting policies, note 4 – Critical accounting judgments and key sources of estimation uncertainty and note 13 – Property, plant and equipment to the consolidated financial statements.* The Company had $365.7 million of oil and gas assets as at December 31, 2024, of which a portion related to the Sarsang cash generating unit (CGU). Depletion and depreciation expense for the oil and gas assets was $40.6 million for the year then ended. Oil and gas assets are depleted using the unit of production method based on proved and probable reserves. At each reporting date, oil and gas assets are assessed for indicators of impairment or when facts and circumstances suggest that the carrying amount	Our approach to addressing the matter included the following procedures, among others: • The work of management's experts was used in performing the procedures to evaluate the reasonableness of the proved and probable oil and gas reserves used to determine the depletion and depreciation expense for the oil and gas assets and the recoverable amount of the Sarsang CGU. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Key audit matter	How our audit addressed the key audit matter
may exceed its recoverable amount. Where such indicators are identified, management determines the recoverable amount. PP&E assets are grouped for recoverability assessment purposes into CGUs. Impairment is identified by comparing the recoverable amount of the CGU to its carrying amount. The recoverable amount of a CGU is the greater of its fair value less cost of disposal and its value in use. As at December 31, 2024, Management tested the Sarsang CGU for impairment. The recoverable amount of this CGU was assessed using its fair value less cost of disposal, which is based on the discounted after-tax cash flows of proved and probable oil and gas reserves. The proved and probable oil and gas reserves are prepared by the Company's independent qualified reserve evaluators (management's experts). The assumptions used by management to determine the recoverable amount of the Sarsang CGU include the proved and probable oil and gas reserves, production forecasts, forward commodity prices, production costs, future development expenditures and the discount rate. We considered this a key audit matter due to (i) the critical judgment by management, including the use of management's experts, when developing the proved and probable oil and gas reserves and the expected future cash flows to determine the recoverable amount of the Sarsang CGU; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.	• Tested how management determined the recoverable amount of the Sarsang CGU and the depletion and depreciation expense of the oil and gas assets, which included the following: – Evaluated the appropriateness of the methods used by management in making these estimates. – Tested the data used in determining these estimates. – Evaluated the reasonableness of the assumptions used by management in developing the underlying estimates, including: o Production forecasts, production costs and future development expenditures by considering the current and past performance of the oil and gas CGUs, and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable. o Forward commodity prices by comparing them to reputable third party industry forecasts. o The discount rate used to determine the recoverable amount of the Sarsang CGU, through the assistance of professionals with specialized skill and knowledge in the field of valuation. • Recalculated the unit of production rates used to calculate depletion and depreciation expense for the oil and gas assets.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 6, 2024.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alisa Sorochan.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 12, 2025

Consolidated Statement of Comprehensive Income/(Loss)

For the year ended December 31

Expressed in thousands of United States dollars	Note	2024	2023
Revenues	*7*	**109,392**	**82,886**
Cost of goods sold:			
Lifting costs	*8*	(25,258)	(26,191)
Other costs of production	*8*	(281)	(320)
Depletion	*8*	(40,577)	(25,852)
Gross margin on oil sales		**43,276**	**30,523**
Credit loss provision	*14*	4,709	(13,938)
Depreciation and amortization expense		(159)	(236)
Share-based payments expense	*20*	(3,690)	(2,064)
General and administrative expense	*9*	(7,828)	(10,287)
Income from operating activities		**36,308**	**3,998**
Bargain purchase gain on acquisition	*6*	**70,336**	**-**
Finance income	*10*	3,394	7,393
Finance expense	*11*	(27,591)	(37,932)
Net finance expense		**(24,197)**	**(30,539)**
Income / (loss) before income tax expense		**82,447**	**(26,541)**
Income tax expense	*12*	(231)	(165)
Income / (loss) for the year		**82,216**	**(26,706)**
Other comprehensive (loss) / income			
Items that will not be reclassified to profit or loss:			
Re-measurements on defined pension plan		(253)	(47)
Items that may be reclassified to profit or loss:			
Currency translation differences		(97)	184
Total other comprehensive (loss) /income		**(350)**	**137**
Total comprehensive income / (loss) for the year		**81,866**	**(26,569)**
Earnings / (loss) in dollars per share:	*19*		
Basic		0.03	(0.01)
Diluted		0.03	(0.01)

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

Consolidated Balance Sheet

As at December 31

Expressed in thousands of United States dollars	Note	2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment	*6,13*	365,708	302,192
Accounts receivable	*14*	27,358	35,421
Other non-current assets		-	69
		393,066	**337,682**
Current assets			
Cash and cash equivalents, unrestricted		76,792	48,881
Accounts receivable	*14*	23,964	38,913
Other current assets		855	2,094
Cash and cash equivalents, restricted	*16*	9	22,841
		101,620	**112,729**
TOTAL ASSETS		**494,686**	**450,411**
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	161,730	193,746
Provisions	*18*	44,336	27,839
Loan from related party	*17*	16,891	16,723
Cash-settled deferred share units	*20*	1,854	565
Other non-current liabilities		500	405
		225,311	**239,278**
Current liabilities			
Borrowings	*16*	26,771	45,000
Accrued interest expense on corporate bond	*16*	9,795	18,509
Accounts payable and accrued expenses	*15*	9,583	8,047
Other current liabilities		25	146
		46,174	**71,702**
EQUITY			
Share capital	*19*	672,530	671,136
Share-based payments reserve		12,551	12,041
Cumulative translation adjustment		108	205
Accumulated deficit		(461,988)	(543,951)
		223,201	**139,431**
TOTAL EQUITY AND LIABILITIES		**494,686**	**450,411**

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

Going concern (Note 2b)
Commitments and contingencies (Note 22)
Subsequent events (Note 25)

Signed on behalf of the Board of Directors

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

/s/Chris Bruijnzeels
Chris Bruijnzeels, Director

Consolidated Statement of Cash Flow

For the year ended December 31

Expressed in thousands of United States dollars	Note	2024	2023
Operating activities			
Income / (loss) for the year		**82,216**	**(26,706)**
Adjustments for non-cash related items:			
Depreciation, depletion and amortization expense		40,736	26,088
Borrowing costs – net of amount capitalized		27,475	37,758
Share-based payment expense		3,194	2,026
Unwinding discount on decommissioning provision		81	(76)
Foreign exchange (gain) / loss	*10/11*	(18)	251
Re-measurements on defined pension plan		(253)	(47)
Interest income	*10*	(3,376)	(7,393)
Bargain purchase gain	*6*	(70,336)	-
Changes in accounts receivable		17,672	13,945
Changes in accounts payable and accrued expenses		454	(5,330)
Changes in pension liability		126	(25)
Changes in other current assets		55	(5)
Changes in current tax liabilities		(61)	(4)
Net cash inflows from operating activities		**97,965**	**40,482**
Investing activities			
Interest received on cash deposits		4,712	6,714
Purchase of intangible assets		-	(43)
Sarsang acquisition adjustment		-	(951)
Purchase of property, plant and equipment		(8,766)	(27,997)
Net cash outflows to investing activities		**(4,054)**	**(22,277)**
Financing activities			
Bond amortization		28,402	2,303
Principal element of lease payments		(60)	(77)
Bond transaction costs		(506)	-
Payments to bondholders and related party – interest	*16,17*	(39,348)	(31,981)
Repayment of corporate bond		(77,586)	(22,500)
Net cash outflows to financing activities		**(89,098)**	**(52,255)**
Effect of exchange rate changes on cash and cash equivalents		266	42
Change in cash and cash equivalents		**5,079**	**(34,008)**
Cash and cash equivalents, beginning of the year*		71,722	105,730
Cash and cash equivalents, end of the year*		**76,801**	**71,722**
***Inclusive of restricted cash**	*16*	**9**	**22,841**

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

Consolidated Statement of Changes in Equity

For the year ended December 31

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 year:					
Loss for the year	-	-	-	(26,706)	(26,706)
Other comprehensive income / (loss)	-	-	184	(47)	137
Transactions with owners in their capacity as owners:					
Share-based payments expense (excluding DSU, Note 20)	-	1,420	-	-	1,420
Options exercised*	38	-	-	-	38
RSU Shares issued*	848	-	-	-	848
	886	1,420	184	(26,753)	(24,263)
Balance at December 31, 2023	**671,136**	**12,041**	**205**	**(543,951)**	**139,431**
Total comprehensive income for the year:					
Income for the year	-	-	-	82,216	82,216
Other comprehensive loss	-	-	(97)	(253)	(350)
Transactions with owners in their capacity as owners:					
Share-based payments expense (excluding DSU, Note 20)	-	510	-	-	510
Options exercised*	1,023	-	-	-	1,023
RSU Shares issued*	371	-	-	-	371
	1,394	510	(97)	81,963	83,770
Balance at December 31, 2024	**672,530**	**12,551**	**108**	**(461,988)**	**223,201**

*Refer to Note 19

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

1. General information

ShaMaran Petroleum Corp. ("ShaMaran" and, together with its subsidiaries, the "Company") is incorporated under the Business Corporations Act, British Columbia, Canada. The address of the registered office is 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 December 31, 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 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"). As a result of the transaction, ShaMaran's working interest in the Atrush Block increased from 27.6% to 50%. Refer to Note 6 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The significant accounting policies of the Company have been applied consistently throughout the year. The policies applied in these consolidated financial statements are based on IFRS Accounting Standards as of March 12, 2025, the date these consolidated financial statements were approved and authorized for issuance by the Company's board of directors ("the Board").

b. Going concern

These 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 recent Budget Amendment Law by the Iraqi Parliament in February 2025 has created a path to a potential reopening of the pipeline, but 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 also remains regarding the timing and viability of payments by the KRG for overdue accounts receivable from past oil sales. As a result, the Company has adjusted the credit loss provision to reflect this uncertainty. Refer to Note 14 for additional information. The Company (together with other IOCs) is still discussing the appropriate recovery mechanism for these receivables with the KRG, and while full recovery is expected based on past precedents, there is no guarantee this will be the case.
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 flow 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 was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Material accounting policies

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and entities controlled by the Company that apply accounting policies consistent with those of the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Intercompany balances and unrealized gains and losses on intercompany transactions are eliminated upon consolidation.

b. Interest in joint operations

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

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

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

c. Business combinations

The acquisition method of accounting is used to account for business combinations under IFRS 3, as described in Note 6. The consideration transferred is measured at the aggregate of the fair values at the date of acquisition of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred. 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, including analysis of the present value of the expected future cash flow derived from the acquired oil and gas reserves that rely on assumptions such as production forecasts, forward commodity prices, production costs, future development expenditures and discount rates. Changes in these variables could significantly impact the carrying value of the net assets.

d. Foreign currency translation

Functional and presentation currency

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

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

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

Transactions and balances

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

e. Property, plant and equipment

Oil and gas assets

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

Depletion of oil and gas assets

Oil and gas assets are depleted using the unit of production method based on proved and probable ("2P") reserves using estimated production forecasts, forward commodity prices, production costs and future development expenditures necessary to bring those reserves into production.

Other property, plant and equipment

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

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

The carrying amount of an item of PP&E is derecognized on disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income during the period.

PP&E assets are carried at cost less accumulated depreciation and any recognized impairment loss and are depreciated on a straight-line basis over their expected useful economic lives as follows:

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

f. Impairment of non-financial assets

Oil and gas assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Such indicators include:

- Extended decreases in prices or margins for oil and gas commodities or products.
- A significant downwards revision in estimated volumes or an upward revision in future development costs.

For impairment testing, the assets are aggregated into cash generating unit ("CGU") cost pools based on their ability to generate largely independent cash flows. The recoverable amount of a CGU is the greater of its fair value less cost of disposal 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 discounted cash flows of 2P oil and gas reserves using forward prices, development costs and operating costs consistent with estimates prepared by ShaMaran's independent qualified reserves evaluator's estimates, and may also consider an evaluation of comparable asset transactions, as applicable.

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

g. Financial instruments

Financial assets and liabilities are recognized in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to cash flows from the assets expire or the Company transfers the financial asset and substantially all the risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the consolidated statement of income. The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or expelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

Classification and measurement

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 flows where those cash flows represent solely payments of principal and interest. This includes the Company's cash and cash equivalents, as well as receivables that consist of fixed or determined cash flows related solely to principal and interest amounts or contractual sales of oil. The Company's intent is to hold these receivables until cash flows are 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 Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at Fair Value through Profit or Loss ("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.

Impairment of financial assets

The Company measures impairment of financial assets based on expected credit losses ("ECL"). Where financial assets have a significant financing component, they are assessed and a lifetime ECL is determined, measured and recognized at the date of initial recognition of the receivables. For its receivables, the Company applies the simplified approach to providing for ECLs. In estimating the lifetime ECL provision, the Company considers historical industry default rates, as well as the history of its customer.

h. Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand and demand deposits and other short-term liquid investments that are readily convertible to a known amount of cash within three months or less from the acquisition date. Restricted cash is cash held in a trust account for a specific purpose and is therefore not available for general business use.

i. Borrowings

Borrowings are recognized initially at fair value, net of any transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest rate method.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized together with the qualifying assets. Once a qualified asset is fully prepared for its intended use and is producing, borrowing costs are no longer capitalized. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

j. Taxation

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

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

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

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

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

Income tax arising from the Company's activities under production sharing contracts is settled by the KRG at no cost and on behalf of the Company. However, the Company is not able to measure with sufficient accuracy the tax that has been paid on its behalf, and consequently revenue is not reported gross of income tax paid.

k. Provisions

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

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

l. Decommissioning and site restoration

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

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

m. Pension obligations

The Company's Swiss subsidiary, ShaMaran Services SA, has a defined benefit pension plan that is managed through a private pension plan. Independent actuaries determine the cost of the defined benefit plan on an annual basis, and ShaMaran Services SA pays the annual insurance premium. The pension plan provides benefits coverage to the employees of ShaMaran Services SA in the event of retirement, death or disability. ShaMaran Services SA and its employees jointly finance retirement and risk benefits. Employees of ShaMaran Services SA pay 40% of the savings, risk and cost contributions, and ShaMaran Services SA contributes the difference between the total of all required pension plan contributions and the total of all employees' contributions.

n. Share capital

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

o. Share-based payments

The Company issues equity-settled, share-based payments to certain directors, employees and third parties. The fair value of the equity-settled, share-based payments is measured at the date of grant. The total expense is recognized over the vesting period, which is the period where all conditions to entitlement are to be satisfied. The cumulative expense recognized for equity-settled, share-based payments at each balance sheet date represents the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for the period and the corresponding adjustment to the share-based payments reserve account during the period represents the movement in the cumulative expense recognized for all equity instruments expected to vest. The fair value of equity-settled, share-based payments is determined using the Black-Scholes option pricing model.

p. Revenue recognition

Sales of oil production

Revenue for sales of oil is recognized when the significant risks and rewards of ownership are deemed to have been transferred to the buyer, the amount can be measured reliably, and it is assessed as probable that the economic benefit associated with the sale will flow to the Company. This occurs when oil reaches the delivery point enroute to the KRG's main export pipeline, or when oil loaded into a buyer's truck crosses the field boundary.

Revenue is recognized at fair value, which is composed of the Company's entitlement production due under the terms of the Atrush and Sarsang Joint Operating Agreements and the Atrush and Sarsang PSCs that have two principal components: cost oil, the mechanism by which the Company recovers qualifying costs it has incurred in exploring and developing an asset; and profit oil, the mechanism through which profits are shared between the Company, its partners and the KRG. The Company pays capacity-building payments on profit oil that are due for payment once the Company has received the related profit-oil proceeds. Profit-oil revenue is reported net of any related capacity-building payments. The revenue for local sales is recognized using the same method.

The Company's oil sales made to the KRG are under the terms of the most recently effective sales agreements that reflect a benchmark rate less estimated oil quality adjustments and all local and international transportation costs. The Company's oil sales made to local buyers are under the terms of a local sales agreement with an agreed oil price and volume nomination. The Company's single performance obligation in its contracts with its customers is the delivery of crude oil at a pre-determined price, and control is transferred to the buyer at the agreed delivery point when the revenue is recognized.

Interest income

Interest income is recognized using the effective interest method. The effective interest rate exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

q. Changes in accounting policies

IAS 1 amendment: Classification of liabilities

Effective from January 1, 2024, the guidance for classifying liabilities as current versus non-current on the balance sheet under IFRS Accounting Standards has changed. In order to classify a liability as non-current, the right to defer settlement for 12 months must exist at the reporting date and have substance, the classification of the liability must be unaffected by the likelihood that the Company will exercise that right. Previously, liabilities were classified as current unless, among other things, it had an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

The Company has assessed the non-current liabilities and their compliance in line with IAS 1 and concludes that the right to defer settlement for 12 months exists at the reporting date and has substance.

There are no other IFRS Accounting Standards or interpretations that have been issued effective for financial years beginning on or after January 1, 2024, that would have a material impact on the Company's consolidated financial statements.

r. Accounting standards issued but not yet applied

IFRS 18 Presentation and Disclosure in Financial Statements

Effective from January 1, 2027, IFRS 18 replaces IAS 1 regarding presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories (operating, investing and financing) and present subtotals for operating profit or loss and profit or loss before financing and income taxes. The new standard also provides that the aggregation and disaggregation of items of assets, liabilities, equity, revenue, expenses and cash flow are based on shared characteristics. Furthermore, in the notes to the financial statements, companies are required to aggregate or disaggregate items to provide material information, but, in doing so, must not obscure material information. Given the current presentation of the financial statements, the Company expects very few changes.

IFRS 9 amendment

In May 2024, the International Accounting Standards Board issued amendments to *IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments* relating to settling financial liabilities using electronic payment systems and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026, and the Company is still assessing the full impact of this amendment.

There are no other new accounting standards that will come into effect for annual periods beginning on or after January 1, 2025, that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable-future transactions.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

a. Fair value of assets acquired and liabilities assumed in the Atrush Acquisition

The fair value of assets acquired and liabilities in the Atrush Acquisition, as described in Note 6, is estimated based on information available at the date of the acquisition and requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E acquired generally require judgment and include estimates of total reserves acquired and discount rate. Reserve estimates are based on production forecasts, forward commodity prices, production costs and future development expenditures. These estimates were prepared by ShaMaran's independent qualified reserves evaluators.

b. Revenue recognition

As explained in Note 3(p), the Company recognizes revenues when oil reaches the delivery point on the basis that control is deemed to have passed to the buyer, and that the transaction price has been agreed upon. The conclusion that the economic benefits will flow to the Company at this point is a significant judgment and is based on management's evaluation that it is probable that the Company will collect the consideration from the KRG and/or local buyers in exchange for oil deliveries.

c. Oil and gas reserves and resources

The business of the Company is the exploration and development of oil and gas reserves in the KRI. Estimates of commercial oil and gas reserves are used in the calculations for impairment and depletion. Changes in estimates of oil and gas reserves resulting in different future production profiles will affect the discounted cash flows used for impairment testing purposes and the depletion charges based on the unit of production method. Reserves are estimated using standard recognised evaluation techniques. Assessment of reserves are determined using estimates of oil in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves.

d. Recoverability of receivables

The Company has reported non-current and current receivables composed of the Company's share of Atrush and Sarsang oil sales to the KRG and local refineries.

The recovery of the receivable amounts from the KRG depends on several factors, including the continued production and exports of oil from the Atrush and Sarang blocks, the financial environment in the KRI and global oil prices. Under the terms of the relevant agreements, the receivable balances are recoverable in several ways, including by cash settlement and/or through payment in kind of oil production.

e. Impairment of assets

IAS 36 Impairment of Assets require that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment is recorded if the net book value of the asset exceeds its recoverable amount. Refer to Note 13.

Future cash flow estimates that are used to calculate the fair value of the Company's CGUs are based on expectations about future operations, primarily comprising estimates about production and export volumes, oil prices, operating costs and capital expenditures. Changes in such estimates could impact recoverable values.

f. Decommissioning and site restoration provisions

The Company recognizes a provision for decommissioning and site restoration costs expected to be incurred to remove and dismantle production, storage and transportation facilities and to carry out site restoration work. The provisions are estimated taking into consideration existing technology and current prices after adjusting for expected inflation and discounted using rates reflecting current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company makes an estimate based on its experience and historical data. Refer also to Note 18.

5. 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.

6. Atrush Acquisition

a. Summary of acquisition

On August 6, 2024, the Company closed 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. The purchase and sale were carried out simultaneously, and the net acquired position was therefore 22.4%. An affiliate of HKN Energy Ltd ("HKN") 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 3c. Under the acquisition method, assets and liabilities are recorded at fair value on the date of acquisition. The fair value of the PP&E acquired was assessed using fair value less cost of disposal methodology (level 3 analysis) using the present value of the expected future cash flows. The expected future cash flows used as part of the fair value were derived from a reserve report prepared by ShaMaran's independent qualified reserves evaluators.

The value of the net assets is recorded as a bargain purchase gain because the Atrush Acquisition was acquired for nominal consideration. As the only other independent 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 and the lack of trucking facilities. The bargain purchase gain arises from the fact that Atrush has been able to restart production by establishing, growing and maintaining local sales. Atrush is expected to continue generating meaningful positive cash flow on the basis of 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.

c. Acquisition-related costs

Acquisition-related costs incurred during 2024 of $216 (2023: $315) 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 $15.0 million and net profit of $4.8 million to the Company from the period August 7, 2024, to December 31, 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 year 2024 would have been $131.9 million and $91.0 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 13, 14 and 18.

7. 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 14.

8. 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 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 from March 25, 2023, to November 7, 2023, and therefore no related depletion during this period.

Refer also to Notes 7 and 13.

9. 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.

10. Finance income

	For the year ended December 31,	
	2024	**2023**
Interest from deposits	2,741	3,580
Interest from own corporate bond	635	3,813
Total interest income	**3,376**	**7,393**
Foreign exchange gain	18	-
Total finance income	**3,394**	**7,393**

11. Finance expense

	For the year ended December 31,	
	2024	**2023**
Interest/amortization charges on corporate bond	31,839	38,707
Amortization of the related-party loan	2,040	2,128
Finance cost for bond purchase	26	-
Adjustment of bond and loan amortization	(3,076)	-
Total borrowing costs	**30,829**	**40,835**
Re-measurement of contingent consideration	110	43
Unwinding discount on decommissioning provision	81	(76)
Lease – interest expense	9	11
Foreign exchange loss	-	251
Other interest expenses	-	69
Total finance expense before borrowing costs capitalized	**31,029**	**41,133**
Borrowing costs capitalized	(3,438)	(3,201)
Total finance expense	**27,591**	**37,932**

Interest and amortization charges relate to the Company's bond and related-party loan. The bond amendments effective 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 16 and 17 for additional information.

Refer to Note 18 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.

12. Taxation

a. Income tax expense

The current tax expense is incurred on the profits of the Swiss administrative company and the intercompany transactions of the Danish company. The Company is not required to pay any cash corporate income taxes on its activities in the KRI, as disclosed in Note 3(j).

b. Tax losses carried forward

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

	For the year ended December 31,	
	2024	2023
Canadian losses from operations	226,196	169,486
Canadian exploration expenses	2,464	2,464
Canadian unamortized share-issue costs	1	3
Total tax losses carried forward	**228,661**	**171,953**

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2030 to 2044. The Canadian exploration expenses may be carried forward indefinitely to offset future taxable Canadian income. Canadian unamortized share-issue costs may offset future taxable Canadian income from years 2025 to 2027.

The Company has not recognized deferred tax assets amounting to approximately $62 million (2023: $46 million) as it is not probable that these amounts will be realized.

13. Property, plant and equipment

	Oil and gas assets	Computer equipment	Furniture and office equipment	Total
At January 1, 2023				
Cost	458,982	173	221	459,376
Accumulated depletion and depreciation	(156,765)	(77)	(150)	(156,992)
Net book value	**302,217**	**96**	**71**	**302,384**
For the year ended December 31, 2023				
Opening net book value	302,217	96	71	302,384
Additions	25,725	57	-	25,782
Depletion and depreciation expense	(25,851)	(86)	(37)	(25,974)
Net book value	**302,091**	**67**	**34**	**302,192**
At December 31, 2023				
Cost	484,707	140	241	485,088
Accumulated depletion and depreciation	(182,616)	(73)	(207)	(182,896)
Net book value	**302,091**	**67**	**34**	**302,192**
For the year ended December 31, 2024				
Opening net book value	302,091	67	34	302,192
Atrush Acquisition	85,256	-	-	85,256
Additions	18,935	-	(2)	18,933
Depletion and depreciation expense	(40,577)	(64)	(32)	(40,673)
Net book value	**365,705**	**3**	**-**	**365,708**
At December 31, 2024				
Cost	588,898	129	222	589,249
Accumulated depletion and depreciation	(223,193)	(126)	(222)	(223,541)
Net book value	**365,705**	**3**	**-**	**365,708**

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, less the accumulated depletion and depreciation expense recorded on the PP&E balance.

At each reporting date, the Company assesses its CGUs for indicators of impairment or when facts and circumstances suggest the carrying amount may exceed the recoverable amount. At December 31, 2024, the Company tested the Sarsang CGU for impairment due to downward technical revisions on the 2P reserves for the CGU. The recoverable amount of the CGU was assessed using its fair value less cost of disposal using its discounted after-tax cash flows (level 3 analysis) based on the McDaniel & Associates Consultants Ltd. ("McDaniel") 2P reserves report, including production forecasts, forward commodity prices, production costs and future development expenditures. Assumptions included a future cost inflation factor of 2% per annum and a discount rate of 17% to calculate the net present value at December 31, 2024. The assessment concluded that there is no impairment to PP&E.

The price assumptions used for the impairment assessment performed at December 31, 2024, are based on current local sales prices continuing through 2025 until June 2026. After June 2026, sales prices were based on average Brent oil price assumptions from the McDaniel forecast less an estimated discount to Brent based on past precedent.

Year	2025	2026	2027	2028
Average price forecast $/bbl	39.83	55.50	72.73	74.32

For the Sarsang CGU, a 2% increase in the discount rate or a 5% decrease in forward commodity prices would not impact the result of the impairment test.

Refer also to Notes 6 and 8.

14. Accounts receivable

At December 31, 2024, the Company had outstanding receivables as follows:

	For the year ended December 31,	
	2024	**2023**
Accounts receivable on oil sales	69,398	95,474
Credit loss provision – transportation costs	-	(3,695)
Credit loss provision	(12,736)	(17,445)
Atrush Acquisition adjustment	(5,340)	-
Total accounts receivable, net of provisions	**51,322**	**74,334**
Current portion	23,964	38,913
Non-current portion	27,358	35,421

The accounts receivable balance at December 31, 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 December 31, 2024. The result of the Company's assessment under IFRS 9 is a $4.7 million credit adjustment to these trade receivables in 2024, included in the statement of comprehensive loss (2023: $13.9 million debit). The portion of these receivables that is estimated to be received after 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 with the treatment of similar items previously accounted for at Sarsang.

Refer also to Notes 6 and 7.

15. Accounts payable and accrued expenses

	For the year ended December 31,	
	2024	**2023**
Payables to joint-operations partners	8,547	5,997
Accrued expenses	614	1,129
Trade payables	422	921
Total accounts payable and accrued expenses	**9,583**	**8,047**

16. 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 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 December 31, 2024, was $199.9 million. This was treated as a modification to the Borrowings with the difference in fair values on modification recorded in Financing Expense. Refer to Note 11 for more information.

The $22.8 million of restricted cash held at December 31, 2023, in the Debt Service Retention Account pledged to the Bond Trustee was fully released to utilise in the tender. 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. Interest expenses associated with the bond are calculated using the effective interest rate method.

A key amendment to the bond terms is the replacement of the previous bond amortization schedule with a quarterly cash sweep mechanism whereby the amount by which cash and cash equivalents exceed $50 million five business days after each quarter end is used to repay bonds at par on the next quarterly interest payment date. The new mechanism started operating as of Q3 2024. Any amount of the 2027 Bond that is not repaid through the cash sweep is due at maturity in July 2027. $2.2 million bonds were acquired in the market and cancelled during the interest payment quarter ending October 31, 2024. Refer to Note 25 regarding the January 2025 cash sweep.

Due to the uncertainty surrounding the reopening of the ITP, and the impact that continued ITP closure could have on the Company's operations, there is uncertainty around the timing and amount of bonds that will be repaid through the cash sweep over the remaining term of the 2027 Bond.

The 2027 Bond has a financial covenant which states that at all times the ratio of reserve value to net debt ("Asset Coverage Ratio") shall be a minimum of 1.25x. The reserve value is based on the latest 2P reserve value as set out in the latest published reserve value report. Net debt is calculated as the total of debt less cash and cash equivalents. The Company calculates the Asset Coverage Ratio each quarter and has been in full compliance since the 2027 Bond was issued.

The movements in borrowings are explained below:

	For the year ended December 31,	
	2024	**2023**
Opening balance:	**257,255**	**269,145**
Interest/amortization charges	28,762	38,707
Own bond	28,402	2,303
Bond transaction costs	(1,061)	-
Payments to bondholders – interest	(37,476)	(30,400)
Bond cancellation	(77,586)	(22,500)
Ending balance	**198,296**	**257,255**
Non-current portion – net borrowings	161,730	193,746
Current portion – accrued bond interest expense	9,795	18,509
Current portion – amortization instalments	26,771	45,000

17. 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 below:

	For the year ended December 31,	
	2024	2023
Opening balance	**16,723**	**16,175**
Amortization	2,040	2,129
Payment to Nemesia – interest	(1,872)	(1,581)
Ending balance	**16,891**	**16,723**

Refer also to Notes 11 and 24.

18. Provisions

	For the year ended December 31,	
	2024	2023
Opening balance	**16,585**	**22,077**
Changes in estimates and obligations incurred	416	469
Atrush Acquisition obligations acquired (Note 6)	9,580	-
Discount rate adjustment on obligations acquired	6,553	-
Unwinding discount on decommissioning provision	81	(76)
Changes in discount and inflation rates	(243)	(5,885)
Total decommissioning and site restoration provisions	**32,972**	**16,585**
Contingent consideration	11,364	11,254
Total provisions	**44,336**	**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 for 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 6 and 11.

19. 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	6,873,839	371
Options	14,725,369	1,023
At December 31, 2024	**2,845,961,365**	**672,530**

During 2024, a total of 6,873,839 common shares from vested Restricted Share Units ("RSUs") and 14,725,369 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 20.

Earnings per share

The earnings per share amounts were as follows:

	For the year ended December 31,	
	2024	**2023**
Net income/(loss), in dollars	82,216,000	(26,706,000)
Weighted average number of shares outstanding during the year	2,832,926,845	2,820,794,284
Weighted average diluted number of shares outstanding during the year	2,988,598,758	2,942,842,006
Basic income/(loss) per share, in dollars	0.03	(0.01)
Diluted income/(loss) per share, in dollars	0.03	(0.01)

20. Share-based payments expense

The Company has established share unit plans and a share purchase option plan whereby a committee of the Board may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees and consultants. At December 31, 2024, a total of 152,916,896 shares (5% of issued share capital) had been granted of the possible 284,596,136 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").

Stock options vest in three equal tranches over 2 years with the first vesting immediately on grant date, the next on the first anniversary date and the remaining third on the second anniversary date. RSUs vest in three equal tranches over three years with the first vesting on the first anniversary of the grant date, the next on the second anniversary date and the remaining third on the third anniversary date. The grants are subject to continued employment with the Company. DSUs vest immediately on grant but are not available until the non-executive director has left the Company.

In 2024, the Company made two separate grants totaling 41,680,000 stock options, 62,450,000 RSUs and 7,160,849 DSUs (2023 one grant: 49,400,000 stocks options, 19,750,000 RSUs and 4,770,110 DSUs). The grants were calculated as follows:

- 62,450,000 RSUs to certain senior officers and other eligible persons of the Company. The first grant in March 2024 of 41,110,000 RSUs at a grant-date share price of CAD $0.05 related to 2023 performance, and the second grant in December 2024 of 21,340,000 RSUs at a grant-date share price of CAD $0.12 related to 2024 performance;

- 7,160,849 DSUs to non-executive directors. The first grant in March 2024 of 5,239,369 DSUs at a grant-date share price of CAD $0.05, and the second grant in December 2024 of 1,921,480 DSUs at a grant-date share price of CAD $0.12; and

- 41,680,000 stock options to certain senior officers and other eligible persons of the Company. The first grant in March 2024 of 26,540,000 stock options at a grant-date share price of CAD $0.05 related to 2023 performance, and the second grant in December 2024 of 15,140,000 stock options at a grant-date share price of CAD $0.12 related to 2024 performance. Each grant was fair-valued based on the Black-Scholes option pricing model. For the first grant in March 2024, the assumptions used in the calculation of the adjusted share price included a risk-free rate of 3.33%, expected volatility of 57.64%, dividend yield of 0% and an exercise price of CAD $0.05. For the second grant in December 2024, the assumptions used in the calculation of the adjusted share price included a risk-free rate of 2.98%, expected volatility of 73.94%, dividend yield of 0% and an exercise price of CAD $0.12.

In 2024, a total of 12,952,465 RSUs vested, 47,223,004 options were exercised, 1,475,335 DSUs were redeemed in cash and 8,747,540 RSUs and 10,023,332 options were forfeited (2023: 14,954,253 RSUs vested, 557,000 options were exercised, 50,720,000 options and 2,319,084 RSUs were forfeited). The forfeiture of RSUs and options and the DSU redemption were due to the end of service of plan participants.

The result of the movements in 2024 are charges to the Statement of Comprehensive Income/(Loss) for options of $1,029 (2023: $1,331), for RSUs $1,312 (2023: $953) and for DSUs $1,349 (2023: $(220)). The carrying amount of the DSU liability at December 31, 2024, is $1,854 (December 31, 2023: $565).

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 year	41,680,000	62,450,000	7,160,849
Expired/forfeited in the year	(10,023,332)	(8,747,540)	-
Options exercised	(47,223,004)	-	-
DSUs redeemed	-	-	(1,475,335)
RSUs vested	-	(12,952,465)	-
At December 31, 2024	**65,296,664**	**65,349,997**	**22,270,235**
Quantities vested and unexercised:			
At December 31, 2023	80,863,000	-	16,584,721
At December 31, 2024	29,660,839	-	22,270,235
Weighted average remaining contractual life of options:			
At December 31, 2023	3.5 years		
At December 31, 2024	3.8 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.

21. 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 at [1]	
		December 31, 2024	December 31, 2023
Cash and cash equivalents, unrestricted [2]	Level 1	76,792	48,881
Accounts receivable [5]	Level 3	51,322	74,334
Other receivables [2]	Level 2	529	1,789
Cash and cash equivalents, restricted [2]	Level 1	9	22,841
Total financial assets		**128,652**	**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 [6]	Carrying values at	
		December 31, 2024	December 31, 2023
Borrowings [3]	Level 2	188,501	238,746
Related-party loan [4]	Level 2	16,891	16,723
Contingent consideration	Level 3	11,364	11,254
Accrued interest on bond	Level 2	9,795	18,509
Accounts payable and accrued expenses [2]	Level 2	9,583	8,047
Current tax liabilities	Level 2	25	86
Total financial liabilities		**236,159**	**293,365**

Financial liabilities other than the contingent consideration 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. The contingent consideration is recorded at its estimated fair value at the end of each quarter with any movements recorded to finance income/cost. Refer to Note 18 for additional information.

[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 $201.9 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 14 for additional information.

[6] *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.

Capital risk management

The Company manages its capital to ensure that entities within the Company will be able to continue as a going concern while maximising return to shareholders. The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Company had debt relating to borrowings and accrued interest of $224 million as at December 31, 2024 (2023: $284.3 million).

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 benefit of entering into such agreements is not considered to be significant enough as to outweigh the significant cost and administrative burden associated with such hedging contracts.

Commodity-price risk

The prices that the Company receives for its oil and gas production may have a significant impact on the Company's revenues and cash flows provided by operations. Global market prices for oil and gas are characterised by significant fluctuations that are determined by the global balance of supply and demand and worldwide geopolitical developments. The price received for the Company's oil and gas production in the KRI is dependent upon the KRG and its ability to export production outside of Iraq. A decline in the price of ICE Brent Crude oil and KBT Crude oil, a reference in determining 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 the Company's value in use calculations for impairment test purposes. Refer also to Note 4(e). The 2024 revenue is from local oil sales where the prices for crude oil sales to local refineries are in line with the local market and at a significant discount to international benchmark prices.

The Company does not hedge against commodity-price risk.

Foreign-currency risk

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 Swiss Francs ("CHF") and Canadian dollars ("CAD"). As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign-currency risk due to exchange-rate fluctuations between the foreign currencies and the USD. The Company considers its foreign-currency risk is limited because it holds relatively small amounts of foreign currencies at any point in time, and because its volume of transactions in foreign currencies is relatively low. Therefore, the Company does not hedge its exposure to changes in foreign currency exchange rates.

The carrying amounts of the Company's principal monetary assets, liabilities and equity denominated in foreign currency at the reporting date are as follows:

	Assets at December 31,		Liabilities at December 31,	
	2024	**2023**	**2024**	**2023**
Canadian dollars in thousands ("CAD 000")	299	402	115	149
Swiss francs in thousands ("CHF 000")	1,383	775	372	1,264

Interest-rate risk

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

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

The Company is highly leveraged though financing at the corporate level due to the 2027 Bond. However, the Company is not exposed to interest-rate risks associated with the bonds or the Nemesia loan as the coupon and interest rate are fixed.

Credit risk

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

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

Refer to Note 14.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties meeting its financial obligations as they become due. Like many oil and gas exploration companies, the Company raises financing for its exploration and development activities in discrete tranches to finance its activities for limited periods. The Company seeks to acquire additional funding as and when required. The Company anticipates making substantial capital expenditures in the future for the acquisition, exploration, development and production of oil and gas reserves, and, as the Company 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 flows. Annual capital expenditure budgets are prepared, which are regularly monitored and updated as necessary. In addition, the Company requires authorisations for expenditure on both operating and non-operating projects to further manage capital expenditures.

The maturity profile of the Company's financial liabilities is indicated by their classification in the consolidated balance sheet as "current" or "non-current".

The remaining maturities of financial liabilities, including associated interest, are shown in the table below:

	Less than one year	From one to two years	Total
Borrowings	48,351	209,503	**257,854**
Loan from related party	1,872	22,042	**23,914**
Payables to joint-operations partner	8,547	-	**8,547**
Trade payables and accrued expenses	1,036	-	**1,036**
Total	**59,806**	**231,545**	**291,351**

Refer to Notes 2b, 15, 16 and 17.

22. Commitments and contingencies

At December 31, 2024, the outstanding commitments of the Company were as follows:

	For the year ended December 31,				
	2025	**2026**	**2027**	**Thereafter**	**Total**
Atrush and Sarsang block development and PSC	105,809	400	400	2,000	**108,609**
Sarsang contingent consideration	-	-	-	15,000	**15,000**
Corporate office and other	45	-	-	-	**45**
Total commitments	**105,854**	**400**	**400**	**17,000**	**123,654**

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the approved 2025 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.

Refer to Note 18 for further information regarding the Sarsang contingent consideration.

23. Interests in joint operations and other entities

Interests in joint operation – Atrush Block Production Sharing Contract

ShaMaran holds a 50% participating interest (66.7% paying interest) in the Atrush PSC through ShaMaran Atrush Ltd (formerly General Exploration Partners, Inc). HKN is the Operator of the Atrush Block with a 25% direct interest (33.3% paying interest), and the KRG holds a 25% direct carried interest. HKN, the KRG and ShaMaran Atrush Ltd together are "the Contractors" to the Atrush PSC.

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

Interests in joint operation – Sarsang Block Production Sharing Contract

ShaMaran holds a 18% participating interest (22.5% paying interest) in the Sarsang PSC through ShaMaran Sarsang A/S. HKN is the Operator of the Sarsang Block with a 62% direct interest (77.5% paying interest), and the KRG holds a 20% direct carried interest. HKN, the KRG and ShaMaran Sarsang A/S together are "the Contractors" to the Sarsang PSC.

Under the terms of the Sarsang PSC, the development period is for 20 years with an automatic right to a five-year extension and the possibility to extend for an additional five years. All qualifying petroleum costs incurred by the Contractors shall be recovered from a portion of available petroleum production, defined under the terms of the Sarsang PSC. All modifications to the Sarsang PSC are subject to the approval of the KRG. The Company is responsible for its pro-rata share of the KRG's and its own pro-rata share of the costs incurred in executing the development work program on the Sarsang Block, which commenced on June 30, 2013.

Refer also to Note 8 and 18.

Information about subsidiaries

The consolidated financial statements of the Company include:

Subsidiary	Principal activities	Country of incorporation	% Equity interest as at Dec 31, 2024	Dec 31, 2023
ShaMaran Atrush Ltd	Oil exploration and production	Cayman Islands	100	100
Sunrise Atrush B.V.	Oil exploration and production	Netherlands	100	0
ShaMaran Sarsang A/S	Oil exploration and production	Denmark	100	100
ShaMaran Services S.A.	Technical and admin. services	Switzerland	100	100

ShaMaran Atrush Ltd was formerly General Explorations Partners Inc. The company name was changed during 2024.

Sunrise Atrush B.V. is the Dutch company acquired in 2024, formerly TAQA Atrush B.V. which holds no assets or liabilities. Refer to Note 6.

24. Related-party transactions

Transactions with corporate entities

	Purchase of services during the year		Amounts owing at December 31,	
	2024	2023	2024	2023
Nemesia	2,041	2,128	1,291	1,123
International Petroleum Corp.	206	5	23	31
Namdo Management Services Ltd.	113	31	52	-
Orrön Energy AB	93	33	-	-
Lundin Foundation	55	65	-	-
Total	**2,508**	**2,262**	**1,366**	**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 17.

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 11.

Key management compensation

The Company's key management included its directors and executive officers that were remunerated as follows:

	For the year ended December 31,	
	2024	**2023**
Management share-based payments	1,685	1,431
Management short-term benefits	1,623	1,952
Director share-based payments	1,413	(235)
Management salaries	1,404	1,591
Director fees	240	274
Management pension benefits	221	214
Total	**6,586**	**5,227**

Short-term employee benefits include departure costs, non-equity incentive plan compensation and other short-term benefits. Share-based payments compensation represents the portion of the Company's share-based payments expense incurred during the year attributable to key management, accounted for in accordance with *IFRS 2 'Share-Based Payments'.*

25. Subsequent Events

Under the cash sweep mechanism of the 2027 Bond, $26.8 million was utilized in January 2025 to partially repay the bond at par. The total outstanding amount of the 2027 Bond as of the date these financial statements were approved is $173.1 million.

Refer to Note 16.

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 and Corporate Secretary

INVESTOR RELATIONS

Robert Eriksson

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INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Calgary, Canada

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