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SHAMARAN
petroleum corp

Financial Report

For the three months ended March 31, 2025

(UNAUDITED)

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

Contents

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION.....	1
INTERIM MD&A QUARTERLY HIGHLIGHTS AND SUBSEQUENT EVENTS.....	2
OPERATIONS REVIEW	3
FINANCIAL REVIEW	4
• <i>Financial Results</i>	4
• <i>Capital Expenditures</i>	6
• <i>Financial Position and Liquidity</i>	7
• <i>Non-IFRS Measures</i>	9
• <i>Off Balance Sheet Arrangements</i>	10
• <i>Transactions with Related Parties</i>	10
• <i>Outstanding Share Data, Share Units and Stock Options</i>	11
• <i>Contractual Obligations and Commitments</i>	12
• <i>Critical Accounting Policies and Estimates</i>	12
FINANCIAL INSTRUMENTS	13
RISKS AND UNCERTAINTIES	14
ADDITIONAL INFORMATION	15
SUPPLEMENTARY INFORMATION	15

FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	16
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET	17
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW	18
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	20

Management's Discussion and Analysis

For the three months ended March 31, 2025

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 May 7, 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 unaudited condensed interim consolidated financial statements for the three months ended March 31, 2025, together with the accompanying notes ("Financial Statements"), the annual information form for the year ended December 31, 2024 ("2024 Annual Information Form") and the first quarter 2025 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%, and the Kurdistan Regional Government's ("KRG") 25% working interest in the block was converted to a carried interest. 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 1L1, 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").

Management's Discussion and Analysis

For the three months ended March 31, 2025

INTERIM MD&A QUARTERLY HIGHLIGHTS

- On January 30, 2025, the Company repaid \$26.8 million of the corporate bond (13% of the outstanding amount) at par pro rata to all bondholders. The total amount outstanding of the Company's corporate bond at March 31, 2025, was \$173.1 million;
- 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;
- Average gross daily oil production from Atrush and Sarsang in Q1 2025 on a combined basis was 65.2 Mbopd (14% higher than the 57.4 Mbopd in Q1 2024) due to increased production from Atrush;
- Average Company net daily oil production from Atrush and Sarsang in Q1 2025 on a combined basis was 23.0 Mbopd (90% higher than the 12.1 Mbopd in Q1 2024) due to the higher working interest in the Atrush Block and increased production from Atrush;
- Revenue in Q1 2025 was \$35.9 million (59% higher than the \$22.6 million in Q1 2024) due to higher local oil sales and the increased working interest in the Atrush Block from August 7, 2024;
- Oil sales to the KRI local market in Q1 2025 averaged a net oil price of \$33.57/bbl from the two blocks on a combined basis (8% lower than the \$36.49/bbl in Q1 2024) due to higher volumes from Atrush in the local sales mix and lower Brent oil prices;
- Lifting costs in Q1 2025 were \$9.4 million (72% higher than the \$5.5 million in Q1 2024) due to higher production, as well as the higher working and paying interest in the Atrush Block;
- Gross margin on oil sales in Q1 2025 was \$12.5 million (82% higher than the \$6.8 million in Q1 2024) due to increased production and local sales and the higher working interest in the Atrush Block;
- Adjusted EBITDAX¹ in Q1 2025 was \$24.5 million (61% higher than the \$15.2 million in Q1 2024);
- The Company generated \$32.0 million in cash flow from operating activities during Q1 2025 from local sales (75% higher than the \$18.3 million in Q1 2024) due to the higher production and sales from the increased Atrush working interest;
- ShaMaran generated \$37.8 million of free cash flow before debt service¹ in Q1 2025 (116% higher than the \$17.5 million in Q1 2024); and
- At March 31, 2025, the Company had cash of \$79.3 million and gross debt of \$188.7 million (including the \$173.1 million corporate bond and \$15.6 million related-party loan). Net debt¹ was \$109.4 million.

SUBSEQUENT EVENTS

- Under the terms of the 2027 Bond, a cash sweep mechanism is in effect on each quarterly interest payment date for cash held above \$50 million. As a result, \$29.4 million was swept to partially repay the bond at par during April 2025. This was the final mandatory cash sweep. The total outstanding amount of the Company's bond as of the date of this MD&A is \$143.8 million;
- On April 11, 2025, the Company announced that bondholders voted in favor of the previously announced amendments to the 2027 Bond, including converting the mandatory cash sweep to voluntary and extending the maturity by two years to July 2029. The amendments became effective on May 2, 2025; and
- The Company's Board of Directors has today authorized the repayment of \$5.0 million of the subordinated Nemesia loan (as permitted under the recent amendments to the bond terms), in an effort to simplify the balance sheet and reduce financing costs.

¹ 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.

Management's Discussion and Analysis

For the three months ended March 31, 2025

OPERATIONS REVIEW

	Three months ended March 31,		Three months ended Dec 31,
	2025	2024	2024
Average daily oil production – gross 100% field (Mbopd)			
- Atrush	35.3	20.0	30.0
- Sarsang	29.9	37.4	36.4
Total	65.2	57.4	66.4
Average daily oil production – Company net (Mbopd)			
- Atrush (27.6% until August 6, 2024; 50% thereafter)	17.6	5.5	15.0
- Sarsang (18%)	5.4	6.6	6.6
Total	23.0	12.1	21.6
Oil sales – gross 100% field (Mbbbl)			
- Atrush	3,175	1,817	2,764
- Sarsang	2,705	3,345	3,264
Total	5,880	5,162	6,028
ShaMaran oil sales entitlement (Mbbbl)			
- Atrush (27.6% until August 6, 2024; 50% thereafter)	764	241	665
- Sarsang (18%)	305	378	365
Total	1,069	619	1,030

Atrush and Sarsang delivered substantial local sales in the first quarter of 2025. At Atrush, average production in Q1 2025 was 35.3 Mbopd. The successful workover of the CK-8 well contributed to the excellent production performance. The facility debottlenecking project to increase Atrush liquid processing capacity is on schedule. At Sarsang, average production in Q1 2025 was 29.9 Mbopd. East Swara Tika (EST) was offline for much of the quarter due to the failure and repair of a flare flowline. EST is forecast to be back online during the second quarter of 2025. The Company and the operator are carrying out ongoing studies to identify further accretive investment opportunities at Sarsang.

Management's Discussion and Analysis

For the three months ended March 31, 2025

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)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Continuing operations:								
Revenue	35,885	34,749	29,425	22,630	22,588	20,320	12,644	6,542
Cost of goods sold	(23,409)	(15,673) ²	(19,470)	(15,225)	(15,748)	(9,291) ²	(11,049)	(10,741)
Bargain purchase gain on acquisitions	-	-	70,336	-	-	(360)	-	-
General and administrative expense	(5,076)	(3,340)	(1,282)	(1,426)	(1,780)	(2,865)	(1,575)	(2,486)
Share-based payments expense	(3,471)	(1,533)	(273)	(887)	(997)	(376)	(315)	(1,151)
Depreciation and amortization	(1)	(32)	(26)	(42)	(59)	(58)	(61)	(59)
Credit loss provision	1,314	24	1,591	298	2,796	(305)	(644)	(11,568)
Finance expense	(6,982)	(6,793)	(5,569)	(6,812)	(8,555)	(9,560)	(8,961)	(9,748)
Finance income	641	782	384	1,046	1,320	1,691	1,774	2,042
Income tax expense	(7)	(65)	(17)	(91)	(58)	(100)	(15)	(30)
Net (loss) / income	(1,106)	8,119	75,099	(509)	(493)	(904)	(8,202)	(27,199)
EBITDAX	17,777	21,885	21,509	14,707	14,234	12,839	5,834	(4,876)
Adjusted EBITDAX³	24,465	23,418	21,782	15,594	15,231	13,215	6,149	(3,725)
Net income/(loss) in \$ per share								
- Basic	-	0.003	0.026	-	-	-	(0.003)	(0.010)
- Diluted	-	0.003	0.025	-	-	-	(0.003)	(0.009)

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 First Quarter Financial Information

The \$1.1 million net loss generated in Q1 2025 was primarily driven by non-recurring, transaction-related costs and share-based payments expense, driven by the significant share price appreciation during the quarter. The income and expenses in Q1 2025 are explained in more detail in the following sections.

² Costs of goods sold at year-end includes an annual depletion true-up based on the updated year-end reserve report.

³ Adjusted EBITDAX adds back the non-cash share-based payments expense each quarter, as well as non-recurring, transaction-related expenses in Q1 2025.

Management's Discussion and Analysis

For the three months ended March 31, 2025

Gross margin on oil sales

USD Thousands	Three months ended March 31,	
	2025	2024
Revenue from oil sales	35,885	22,588
Lifting costs	(9,434)	(5,500)
Other costs of production	(127)	(77)
Depletion costs	(13,848)	(10,171)
Cost of goods sold	(23,409)	(15,748)
Gross margin on oil sales	12,476	6,840

Revenue from oil sales relates to the Company's entitlement share of local oil sales from the Atrush and Sarsang blocks. The increase in revenues in Q1 2025 compared to Q1 2024 was driven by the increased working interest in the Atrush Block. The revenue of \$35.9 million in Q1 2025 was 59% higher than Q1 2024. The average net oil price for Q1 2025 was \$33.57 per barrel, 8% lower than the average net oil price of \$36.49 per barrel in Q1 2024. The Company's entitlement share of oil sales in Q1 2025 was 2.1 MMbbls, 86% higher than the 0.6 MMbbls entitlement in Q1 2024.

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 72% higher in Q1 2025 compared to Q1 2024 due to increased production and increased working and paying interest in the Atrush Block.

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

Depletion costs increased 39% in Q1 2025 compared to Q1 2024 due to increased production and working interest in the Atrush Block.

Gross margin on oil sales was significantly higher in Q1 2025 versus Q1 2024 due to higher local oil sales and a higher working and paying interest in the Atrush Block.

General and administrative expense

USD Thousands	Three months ended March 31,	
	2025	2024
Salaries and benefits	4,093	968
Management and consulting fees	344	266
Legal, accounting and audit fees	315	198
General and other office expenses	143	159
Listing costs and investor relations	105	105
Corporate sponsorship	55	55
Travel expenses	21	29
General and administrative expense	5,076	1,780

The increase in general and administrative expenses in Q1 2025 compared to Q1 2024 is due to non-recurring, transaction-related management compensation, as well as legal and audit fees. Part of the compensation-related increase is linked to contractual obligations under employment agreements, including severance payments and M&A triggers.

Management's Discussion and Analysis

For the three months ended March 31, 2025

Finance expense

USD Thousands	Three months ended March 31,	
	2025	2024
Interest / amortization charges on corporate bond	5,886	8,751
Adjustment of bond and loan amortization	846	-
Amortization of related-party loan	535	542
Total borrowing costs	7,267	9,293
Re-measurement of contingent consideration	156	(147)
Foreign exchange loss	56	-
Unwinding discount on decommissioning provision	48	4
Lease – interest expense	-	5
Total finance expense before borrowing costs capitalized	7,527	9,155
Borrowing costs capitalized	(545)	(600)
Total finance expense	6,982	8,555

Interest and amortization charges relate to the Company's corporate bond and related-party loan. The bond amendments that became 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:

USD Thousands	Three months ended March 31, 2025			Year ended December 31, 2024		
	Oil and gas assets	Office equipment	Total	Oil and gas assets	Office equipment	Total
Opening net book value	365,705	3	365,708	302,091	101	302,192
Atrush Acquisition	-	-	-	85,256	-	85,256
(Credit)/Additions	(4,822)	-	(4,822)	18,935	(2)	18,933
Depletion and depreciation expense	(13,848)	(1)	(13,849)	(40,577)	(96)	(40,673)
Net book value	347,035	2	347,037	365,705	3	365,708

Management's Discussion and Analysis

For the three months ended March 31, 2025

Financial Position and Liquidity

Accounts receivable

At March 31, 2025, the Company had the following outstanding receivables:

USD Thousands	At March 31, 2025	At December 31, 2024
Accounts receivable on oil sales	59,588	69,398
Credit loss provision	(11,422)	(12,736)
Atrush Acquisition adjustment	(5,340)	(5,340)
Total accounts receivable	42,826	51,322

The accounts receivable balance at March 31, 2025, 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 March 31, 2025. The result of the Company's assessment under IFRS 9 is a \$1.3 million credit adjustment to these trade receivables in Q1 2025, included in the statement of comprehensive loss (Q1 2024: \$2.8 million credit). The portion of these receivables that is estimated to be received after 2025 is classified as non-current due to uncertainty in the 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 included 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 remained the same at 12%, but the interest payment timing changed from semi-annual to quarterly. This was treated as a modification to 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. 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 at March 31, 2025, was \$173.1 million. Refer to subsequent events for the April 2025 sweep.

The 2027 Bond has a financial covenant stating 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 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.

On March 27, 2025, the Company announced it had issued a summons for written resolution to all bondholders proposing amendments to the 2027 Bond, including converting the mandatory quarterly cash sweep to voluntary and extending the maturity by two years to July 2029, which was approved after the quarter end (refer to subsequent events).

Management's Discussion and Analysis

For the three months ended March 31, 2025

The movements in borrowings are explained below:

USD Thousands	At March 31, 2025	At December 31, 2024
Opening balance	198,296	257,255
Interest / amortization charges	6,732	28,762
Own bond	-	28,402
Bond transaction costs	-	(1,061)
Payments to bondholders – interest	(5,997)	(37,476)
Bond cancellation	(26,771)	(77,586)
Ending balance	172,260	198,296
Non-current portion – net borrowings	132,355	161,730
Current portion – accrued bond interest expense	10,530	9,795
Current portion – amortization instalments	29,375	26,771

Liquidity and Capital Resources

USD Thousands	For the three months ended March 31,	
	2025	2024
Selected liquidity indicators		
Cash flow from operations	32,032	18,315
Working capital	49,919	57,088
Cash in bank	79,329	71,555

Cash flow from operations of \$32.0 million for Q1 2025 compared to \$18.3 million in Q1 2024, \$13.7 million higher due to increased entitlement and consistent local oil sales payments.

Working capital of \$49.9 million at March 31, 2025, compared to \$57.1 million at March 31, 2024, \$7.2 million decrease principally due to a lower amount of the Company's receivables being classified as a current asset.

Cash in bank increased by \$2.5 million in Q1 2025 compared to a decrease of \$0.2 million in Q1 2024. The main components of the movement in funds were as follows:

- The operating activities of the Company in Q1 2025 resulted in an increase of \$32.0 million in the cash position (Q1 2024: increase of \$18.3 million).
- Net cash inflows from investing activities in Q1 2025 were \$5.7 million (Q1 2024: net cash outflow of \$0.8 million). Cash inflows from investing activities comprised \$5.1 million net credit for historic capital investments in the Atrush and Sarsang development work programs plus cash inflows of \$0.6 million for interest received.
- Net cash outflows for financing activities in Q1 2025 were \$35.2 million (Q1 2024: \$17.6 million) and comprised \$26.8 million for the quarterly bond cash sweep, \$6.0 million of interest payments to bondholders, \$0.9 million of interest payments for the Nemesis loan and \$1.5 million of cash taxes on the share and stock compensation plan.

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."

Management's Discussion and Analysis

For the three months ended March 31, 2025

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.

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

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. Adjusted EBITDAX adds back non-cash, share-based payments and non-recurring, transaction-related expenses. A quantitative reconciliation to revenues, the most directly comparable IFRS Accounting Standards measure, is provided below.

USD Thousands	Three months ended March 31,	
	2025	2024
Revenues	35,885	22,588
Lifting costs	(9,434)	(5,500)
Other costs of production	(127)	(77)
General and administrative expense	(5,076)	(1,780)
Share-based payments	(3,471)	(997)
EBITDAX	17,777	14,234
Adjusted EBITDAX	24,465	15,231

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 from 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 March 31,	
	2025	2024
Net cash inflows from operating activities	32,032	18,315
Net cash inflows from / (outflows to) investing activities	5,748	(812)
Free cash flow before debt service	37,780	17,503

Management's Discussion and Analysis

For the three months ended March 31, 2025

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.

USD Thousands	At March 31,	
	2025	2024
Outstanding principal of ShaMaran Bond	(173,143)	(255,000)
Loan from related party	(15,600)	(15,600)
Total debt	(188,743)	(270,600)
Cash and cash equivalents, unrestricted	79,320	46,231
Cash and cash equivalents, restricted	9	25,324
Company held bond	-	5,900
Net debt	(109,414)	(193,145)

All figures in the net debt calculation are based on their nominal value at the balance sheet date. See Notes 14, 15 and 19 in the Financial Statements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

USD Thousands	Purchase of services in the Three months ended March 31,		Amounts owing at the balance sheet dates	
	2025	2024	March 31, 2025	December 31, 2024
Nemesia	536	542	891	1,291
International Petroleum Corp.	76	23	75	23
Lundin Foundation	55	55	55	-
Orrön Energy AB	34	10	20	-
Namdo Management Services Ltd.	6	22	9	52
Total	707	652	1,050	1,366

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.

Management's Discussion and Analysis

For the three months ended March 31, 2025

Outstanding Share Data, Share Units and Stock Options

Common shares

The Company had 2,864,230,383 outstanding shares (2,977,540,607 shares fully diluted) at March 31, 2025, and at the date of this MD&A.

Details of share issuance in Q1 2025 are as follows:

- 9,717,846 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 five-day period prior to the vesting date; and
- 8,551,172 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 March 31, 2025, a total of 113,310,224 shares, 4% of the issued share capital, had been granted of the possible 286,423,038 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 March 31, 2025, and the date of this MD&A, there are no PSUs outstanding. The DSU Plan is for non-executive directors of the Company.

During Q1 2025, a total of 12,223,336 RSUs vested and 27,383,336 options were exercised.

At March 31, 2025, there were 37,913,328 stock options outstanding under the Company's employee incentive Stock Option Plan, which represents 1.3% of the total shares outstanding at March 31, 2025.

The Company has no warrants outstanding.

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

	Number of stock options outstanding	Number of RSUs outstanding	Number of DSUs outstanding
At December 31, 2024	65,296,664	65,349,997	22,270,235
Options exercised	(27,383,336)	-	-
RSUs vested	-	(12,223,336)	-
At March 31, 2025	37,913,328	53,126,661	22,270,235
Quantities vested and unexercised:			
At December 31, 2024	29,660,839	-	22,270,235
At March 31, 2025	9,511,671	-	22,270,235

Management's Discussion and Analysis

For the three months ended March 31, 2025

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 and Atrush block's.

As at March 31, 2025, the outstanding commitments of the Company were as follows:

USD Thousands	For the year ended March 31,				Total
	2026	2027	2028	Thereafter	
Atrush and Sarsang block development and PSC	90,136	400	400	2,000	92,936
Sarsang contingent consideration	-	-	-	15,000	15,000
Corporate office and other	36	-	-	-	36
Total commitments	90,172	400	400	17,000	107,972

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 and other economic factors.

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.

Accounting for Oil and Gas Operations

Oil and gas assets comprise 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;

Management's Discussion and Analysis

For the three months ended March 31, 2025

- 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 flows. 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 flows 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 2025, all of the Company's development activities are conducted jointly with others.

FINANCIAL INSTRUMENTS

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

- **Financial Assets at Amortized Cost** – Assets that are held for collection of contractual cash flow where that cash flow represents solely payments of principal and interest. This includes the Company's receivables that consist of fixed or determined cash flow related solely to principal and interest amounts or contractual sales of oil. The Company's intent is to hold these receivables until cash flow is collected. Financial assets at amortized cost are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for any expected credit losses on a financial asset that is measured at amortized cost.
- **Financial 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 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 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 from 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.

Management's Discussion and Analysis

For the three months ended March 31, 2025

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 in 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 corporate 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, will 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-operated 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 2024 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, the KRG and IOCs, 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 2024 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.

Management's Discussion and Analysis

For the three months ended March 31, 2025

Russia-Ukraine and other regional 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. The proximity of Kurdistan to Iran exposes the Company's operations to potential risks should there be further escalation in regional conflicts. However, no such impact has been experienced to date.

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 2024 Annual Information Form.

ADDITIONAL INFORMATION

Additional information related to the Company, including its 2024 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 six months ending June 30, 2025, on August 6, 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

Condensed Interim Consolidated Statement of Comprehensive Loss (unaudited)
For the three months ended March 31

<i>Expressed in thousands of United States dollars</i>	<i>Note</i>	2025	2024
Revenues	5	35,885	22,588
Cost of goods sold:			
Lifting costs	6	(9,434)	(5,500)
Other costs of production	6	(127)	(77)
Depletion	6	(13,848)	(10,171)
Gross margin on oil sales		12,476	6,840
Credit loss provision	12	1,314	2,796
Depreciation and amortization expense		(1)	(59)
Share-based payments expense	18	(3,471)	(997)
General and administrative expense	7	(5,076)	(1,780)
Income from operating activities		5,242	6,800
Finance income	8	641	1,320
Finance expense	9	(6,982)	(8,555)
Net finance expense		(6,341)	(7,235)
Loss before income tax expense		(1,099)	(435)
Income tax expense	10	(7)	(58)
Loss for the period		(1,106)	(493)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Currency translation differences		48	(89)
Total other comprehensive income/(loss)		48	(89)
Total comprehensive loss for the period		(1,058)	(582)
Loss in dollars per share:			
Basic		-	-
Diluted		-	-

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

Condensed Interim Consolidated Balance Sheet (unaudited)

As at March 31, 2025, and December 31, 2024

<i>Expressed in thousands of United States dollars</i>	<i>Note</i>	March 31, 2025	December 31, 2024
ASSETS			
Non-current assets			
Property, plant and equipment	11	347,037	365,708
Accounts receivable	12	22,616	27,358
		369,653	393,066
Current assets			
Cash and cash equivalents, unrestricted		79,320	76,792
Accounts receivable	12	20,210	23,964
Other current assets		639	855
Cash and cash equivalents, restricted	14	9	9
		100,178	101,620
TOTAL ASSETS		469,831	494,686
LIABILITIES			
Non-current liabilities			
Borrowings	14	132,355	161,730
Provisions	16	44,287	44,336
Loan from related party	15	16,491	16,891
Cash-settled deferred share units	18	3,423	1,854
Other non-current liabilities		512	500
		197,068	225,311
Current liabilities			
Borrowings	14	29,375	26,771
Accrued interest expense on corporate bond	14	10,530	9,795
Accounts payable and accrued expenses	13	10,354	9,583
Other current liabilities		-	25
		50,259	46,174
EQUITY			
Share capital	17	674,701	672,530
Share-based payments reserve		10,741	12,551
Cumulative translation adjustment		156	108
Accumulated deficit		(463,094)	(461,988)
		222,504	223,201
TOTAL EQUITY AND LIABILITIES		469,831	494,686

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

Going concern (Note 2b)

Commitments and contingencies (Note 20)

Subsequent events (Note 22)

Signed on behalf of the Board of Directors

/s/Michael S. Ebsary

Michael S. Ebsary, Director

/s/Chris Bruijnzeels

Chris Bruijnzeels, Director

Condensed Interim Consolidated Statement of Cash Flow (unaudited)
For the three months ended March 31

<i>Expressed in thousands of United States dollars</i>	<i>Note</i>	2025	2024
Operating activities			
Loss for the period		(1,106)	(493)
Adjustments for non-cash related items:			
Depreciation, depletion and amortization expense		13,849	10,230
Borrowing costs – net of amount capitalized		6,878	8,546
Share-based payment expense		3,471	937
Foreign exchange loss/(gain)	9/8	56	(63)
Unwinding discount on decommissioning provision		48	4
Interest income	8	(641)	(1,257)
Changes in accounts receivable		8,496	1,032
Changes in accounts payable and accrued expenses		771	(1,945)
Changes in other current assets		223	1,421
Changes in pension liability		12	-
Changes in current tax liabilities		(25)	(97)
Net cash inflows from operating activities		32,032	18,315
Investing activities			
Purchase of property, plant and equipment		5,114	(2,069)
Interest received on cash deposits		634	1,257
Net cash inflows from/(outflows to) investing activities		5,748	(812)
Financing activities			
Principal element of lease payments		-	(34)
Cash taxes on share and stock compensation plan		(1,540)	-
Payments to bondholders and related party – interest	14,15	(6,933)	(17,586)
Repayment of corporate bond		(26,771)	-
Net cash outflows to financing activities		(35,244)	(17,620)
Effect of exchange rate changes on cash and cash equivalents		(8)	(50)
Change in cash and cash equivalents		2,528	(167)
Cash and cash equivalents, beginning of the period*		76,801	71,722
Cash and cash equivalents, end of the period*		79,329	71,555
*Inclusive of restricted cash		9	25,324

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

Condensed interim Consolidated Statement of Changes in Equity (unaudited)
For the three months ended March 31

	Share capital	Share-based payments reserve	Cumulative translation adjustment	Accumulated deficit	Total
<i>Expressed in thousands of United States dollars</i>					
Balance at January 1, 2024	671,136	12,041	205	(543,951)	139,431
Total comprehensive loss for the period:					
Loss for the period	-	-	-	(493)	(493)
Other comprehensive loss	-	-	(89)	-	(89)
Transactions with owners in their capacity as owners:					
Share-based payments expense	-	472	-	-	472
RSU Shares issued*	129	-	-	-	129
	129	472	(89)	(493)	19
Balance at March 31, 2024	671,265	12,513	116	(544,444)	139,450
Balance at January 1, 2025	672,530	12,551	108	(461,988)	223,201
Total comprehensive loss for the period:					
Loss for the period	-	-	-	(1,106)	(1,106)
Other comprehensive income	-	-	48	-	48
Transactions with owners in their capacity as owners:					
Share-based payments expense (excluding DSU, Note 18)	-	(1,810)	-	-	(1,810)
Options exercised*	978	-	-	-	978
RSU Shares issued*	1,193	-	-	-	1,193
	2,171	(1,810)	48	(1,106)	(697)
Balance at March 31, 2025	674,701	10,741	156	(463,094)	222,504

*Refer to Note 17

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

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

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 March 31, 2025:

- 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%. The Atrush Block twenty-year development period commenced in Q4 2013 with an automatic right to a five-year extension and the possibility to extend for an additional five years. Oil production on the Atrush Block commenced in Q3 2017.
- 18% non-operated working interest (22.5% paying interest) in the Sarsang Block production sharing contract (“Sarsang PSC”) in the KRI. This interest is consolidated in the Company’s financial statements from September 14, 2022, when ShaMaran closed the acquisition of TEPKRI Sarsang A/S, a subsidiary of TotalEnergies S.E. (the “Sarsang Acquisition”). The Sarsang Block twenty-year development period commenced in Q2 2013 with an automatic right to a five-year extension and the possibility to extend for an additional five years. Oil production on the Sarsang Block commenced in Q1 2013.

2. Basis of preparation and going concern

a. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 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 unaudited condensed consolidated financial statements are based on IFRS Accounting Standards as of May 7, 2025, the date these unaudited condensed consolidated financial statements were approved and authorized for issuance by the Company’s board of directors (“the Board”).

b. Going concern

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

The Company’s operations have been heavily impacted by the closure of the Iraq-Türkiye pipeline (“ITP”) on March 25, 2023, a situation that continues as of the date of these financial statements. The Atrush Block had no production from late March 2023 until November 7, 2023, when production restarted at a reduced rate with sales to local refineries. The Sarsang Block, after a brief shut-in during April 2023, continued producing at a reduced rate with additional oil storage capacity secured late in April 2023 and sales to local refineries on an ad hoc basis. Turkish officials stated that the ITP was ready to resume operations as of October 4, 2023. The 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.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

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 12 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 unaudited interim 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.

c. Significant accounting policies

These unaudited condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of application as those in the Company's audited annual consolidated financial statements for the year ended December 31, 2024.

3. Critical accounting judgments and key sources of estimation uncertainty

Areas of critical accounting judgments that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4 of the Company's audited annual consolidated financial statements for the year ended December 31, 2024.

4. Business and geographical segments

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

5. 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 12.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

6. 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.

Refer also to Notes 5 and 11.

7. 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.

8. Finance income

For the three months ended March 31,

	2025	2024
Interest from deposits	641	855
Interest from own corporate bond	-	402
Total interest income	641	1,257
Foreign exchange gain	-	63
Total finance income	641	1,320

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

9. Finance expense

	For the three months ended March 31,	
	2025	2024
Interest/amortization charges on corporate bond	5,886	8,751
Adjustment of bond and loan amortization	846	-
Amortization of related-party loan	535	542
Total borrowing costs	7,267	9,293
Re-measurement of contingent consideration	156	(147)
Foreign exchange loss	56	-
Unwinding discount on decommissioning provision	48	4
Lease – interest expense	-	5
Total finance expense before borrowing costs capitalized	7,527	9,155
Borrowing costs capitalized	(545)	(600)
Total finance expense	6,982	8,555

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 14 and 15 for additional information.

Refer to Note 16 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.

10. Taxation

The current tax expense is incurred on the profits of the Swiss administrative company and the intercompany transactions of the Danish company.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

11. Property, plant and equipment

PP&E principally comprises development costs related to the Company's share of the Atrush PSC, before the Atrush Acquisition, and the fair values of the Sarsang Acquisition and Atrush Acquisition plus development costs related to the Company's share of the PSCs since these acquisitions, less the accumulated depletion and depreciation expense recorded on the PP&E balance.

During the first three months of 2025, movements in PP&E include a net credit in general additions of \$4.8 million (2024 full year: \$18.9 million of general additions cost and \$85.3 million of acquisition cost), which included capitalized borrowing costs of \$0.5 million (2024 full year: \$3.4 million), plus depletion and depreciation expense of \$13.9 million (2024 full year: \$40.7 million), that resulted in a net decrease to PP&E assets of \$18.7 million.

Refer also to Note 6.

12. Accounts receivable

At March 31, 2025, the Company had outstanding receivables as follows:

	At March 31, 2025	At December 31, 2024
Accounts receivable on oil sales	59,588	69,398
Credit loss provision	(11,422)	(12,736)
Atrush Acquisition adjustment	(5,340)	(5,340)
Total accounts receivable, net of provisions	42,826	51,322
Current portion	20,210	23,964
Non-current portion	22,616	27,358

The accounts receivable balance at March 31, 2025, 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 March 31, 2025. The result of the Company's assessment under IFRS 9 is a \$1.3 million credit adjustment to these trade receivables in the first quarter of 2025, included in the statement of comprehensive loss (2024: \$2.8 million credit). The portion of these receivables that is estimated to be received after 2025 is classified as non-current due to uncertainty in the 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 Note 5.

13. Accounts payable and accrued expenses

	At March 31, 2025	At December 31, 2024
Payables to joint-operations partners	9,029	8,547
Accrued expenses	1,089	614
Trade payables	236	422
Total accounts payable and accrued expenses	10,354	9,583

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

14. 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 included 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 remained the same at 12%, but the interest payment timing changed from semi-annual to quarterly. This was treated as a modification to the Borrowings with the difference in fair values on modification recorded in Financing Expense. Refer to Note 9 for more information.

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 was 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. 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 at March 31, 2025, was \$173.1 million. Refer to Note 22 regarding the April 2025 cash sweep and further bond amendments.

The 2027 Bond has a financial covenant stating 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 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.

On March 27, 2025, the Company announced it had issued a summons for written resolution to all bondholders proposing amendments to the 2027 Bond, including converting the mandatory quarterly cash sweep to voluntary and extending the maturity by two years to July 2029, refer to Note 22.

The movements in borrowings are explained below:

	At March 31, 2025	At December 31, 2024
Opening balance:	198,296	257,255
Interest/amortization charges	6,732	28,762
Own bond	-	28,402
Bond transaction costs	-	(1,061)
Payments to bondholders – interest	(5,997)	(37,476)
Bond cancellation	(26,771)	(77,586)
Ending balance	172,260	198,296
Non-current portion – net borrowings	132,355	161,730
Current portion – accrued bond interest expense	10,530	9,795
Current portion – amortization instalments	29,375	26,771

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

15. 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 movements in the Nemesia loan balance are explained below:

	At March 31, 2025	At December 31, 2024
Opening balance	16,891	16,723
Amortization	536	2,040
Payment to Nemesia – interest	(936)	(1,872)
Ending balance	16,491	16,891

Refer also to Notes 9 and 21.

16. Provisions

	At March 31, 2025	At December 31, 2024
Opening balance	32,972	16,585
Changes in estimates and obligations incurred	191	416
Unwinding discount on decommissioning provision	48	81
Atrush Acquisition obligations acquired	-	9,580
Discount rate adjustment on obligations acquired	-	6,553
Changes in discount and inflation rates	(443)	(243)
Total decommissioning and site restoration provisions	32,768	32,972
Contingent consideration	11,519	11,364
Total provisions	44,287	44,336

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.

In 2024, the decommissioning obligations associated with the Atrush Acquisition were 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 Note 9.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

17. 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, 2024	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
RSUs	9,717,846	1,193
Options	8,551,172	978
At March 31, 2025	2,864,230,383	674,701

During the first quarter of 2025, a total of 9,717,846 common shares from vested Restricted Share Units ("RSUs") and 8,551,172 common shares from exercised options were issued to plan participants in accordance with the Company's Share Unit Plan (2024 full year: 6,875,839 RSUs and 14,725,369 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 18.

18. 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 March 31, 2025, a total of 113,310,224 shares (4% of issued share capital) had been granted of the possible 286,423,038 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 two 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 leaves the Company.

In the first quarter of 2025, a total of 12,223,336 RSUs vested, 27,383,336 options were exercised and no DSUs were redeemed (2024: 3,086,670 RSUs vested, no options exercised and 1,475,335 DSUs were redeemed in cash).

The result of the movements in the first quarter of 2025 are charges to the Statement of Comprehensive Loss for options of \$191 (2024: \$433), for RSUs \$1,711 (2024: \$168) and for DSUs \$1,569 (2024: \$396). The carrying amount of the DSU liability at March 31, 2025, is \$3,423 (December 31, 2024: \$1,854), which is valued at the quarter's closing share price.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

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, 2024	65,296,664	65,349,997	22,270,235
Options exercised	(27,383,336)	-	-
RSUs vested	-	(12,223,336)	-
At March 31, 2025	37,913,328	53,126,661	22,270,235
Quantities vested and unexercised:			
At December 31, 2024	29,660,839	-	22,270,235
At March 31, 2025	9,511,671	-	22,270,235
Weighted average remaining contractual life of options:			
At December 31, 2024	3.8 years		
At March 31, 2025	3.9 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.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

19. 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	
		March 31, 2025	December 31, 2024
Cash and cash equivalents, unrestricted ²	Level 1	79,320	76,792
Accounts receivable ⁵	Level 3	42,826	51,322
Other receivables ²	Level 2	324	529
Cash and cash equivalents, restricted ²	Level 1	9	9
Total financial assets		122,479	128,652

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	
		March 31, 2025	December 31, 2024
Borrowings ³	Level 2	161,730	188,501
Related-party loan ⁴	Level 2	16,491	16,891
Contingent consideration	Level 3	11,519	11,364
Accrued interest on bond	Level 2	10,530	9,795
Accounts payable and accrued expenses ²	Level 2	10,354	9,583
Current tax liabilities	Level 2	-	25
Total financial liabilities		210,624	236,159

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 16 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, due 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 \$179.6 million (December 31, 2024: \$201.9 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, 2024: \$15.6 million).

⁵ Provisions have been made to the accounts receivable. Refer to Note 12 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.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

20. Commitments and contingencies

At March 31, 2025, the outstanding commitments of the Company were as follows:

	2026	For the year ended March 31,			Total
		2027	2028	Thereafter	
Atrush and Sarsang block development and PSC	90,136	400	400	2,000	92,936
Sarsang contingent consideration	-	-	-	15,000	15,000
Corporate office and other	36	-	-	-	36
Total commitments	90,172	400	400	17,000	107,972

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 and other economic factors.

Refer to Note 16 for further information regarding the Sarsang contingent consideration.

21. Related-party transactions

Transactions with corporate entities

	Purchase of services in the three months ended March 31,		Current amounts owing at the balance sheet dates	
	2025	2024	March 31, 2025	December 31, 2024
Nemesia	536	542	891	1,291
International Petroleum Corp.	76	23	75	23
Lundin Foundation	55	55	55	-
Orrön Energy AB	34	10	20	-
Namdo Management Services Ltd.	6	22	9	52
Total	707	652	1,050	1,366

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 15.

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 9.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

22. Subsequent events

Under the cash sweep mechanism of the 2027 Bond, \$29.4 million was utilized in April 2025 to partially repay the bond at par. This was the final mandatory cash sweep. The total outstanding amount of the 2027 Bond as of the date these financial statements were approved is \$143.8 million.

On April 11, 2025, the Company announced that bondholders voted in favor of the previously announced amendments to the 2027 Bond, including converting the mandatory cash sweep to voluntary and extending the maturity by two years to July 2029. The amendments became effective on May 2, 2025.

Refer to Note 14.

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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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