

2025

SHAMARAN
petroleum corp

Annual Report

For the year ended December 31, 2025

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Management's Discussion and Analysis

For the three months and year ended December 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 March 4, 2026, 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, 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 fourth 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% 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, and 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, and oil production on the Sarsang Block commenced in Q1 2013.

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").

Management's Discussion and Analysis

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2025 HIGHLIGHTS

- International oil exports from the KRI through the Iraq-Türkiye pipeline ("ITP") restarted on September 27, 2025, and continued uninterrupted during Q4 2025, in line with the interim agreements executed between the Kurdistan Regional Government ("KRG"), Government of Iraq and several international oil companies ("IOCs"), including ShaMaran.
 - IOCs are entitled to receive export payments "in kind" under the interim agreements, with cargoes sold by the IOC-appointed marketing firm on a regular basis, and payments for the sales received approximately 30 days after each lifting.
 - The interim agreements were extended to March 31, 2026, in order to facilitate the reconciliation of IOC invoices with the respective PSCs by the appointed international consulting firm. Payment for each participating IOC's full PSC entitlement is expected when the review is completed.
- The Company's working interest proved plus probable ("2P") reserves¹ decreased from 71.5 MMbbls at December 31, 2024, to 67.1 MMbbls at December 31, 2025, primarily due to produced volumes offset by positive technical revisions, representing a replacement ratio of 42% for year-end 2025;
- The Company's working interest best estimate ("2C") contingent resource² volumes increased from 72.2 MMbbls at December 31, 2024, to 72.8 MMbbls at December 31, 2025;
- Average gross daily oil production from Atrush and Sarsang in Q4 2025 on a combined basis was 57.3 Mbopd (14% lower than the 66.4 Mbopd in Q4 2024) and 58.4 Mbopd for the full-year ("FY") 2025 (2% lower than the 59.5 Mbopd in FY 2024) primarily due to lower production at the Sarsang Block and the impact of the drone strike in July 2025;
- Average Company net daily oil production from Atrush and Sarsang in Q4 2025 on a combined basis was 20.0 Mbopd (7% lower than the 21.6 Mbopd in Q4 2024) and 20.9 Mbopd for FY 2025 (32% higher than the 15.8 Mbopd in FY 2024) primarily due to a planned shutdown at the Atrush Block during the quarter as part of the central processing facility ("CPF") debottlenecking project, lower production at the Sarsang block and higher working interest in Atrush for FY 2025;
- Revenue in Q4 2025 was \$54.7 million (57% higher than the \$34.7 million in Q4 2024) and \$154.9 million for FY 2025 (42% higher than the \$109.4 million in FY 2024) primarily due to oil sales at international prices following the restart of pipeline exports;
- Oil sales in Q4 2025 averaged a net oil price of \$58.17/bbl from the two blocks on a combined basis (72% higher than the \$33.74/bbl in Q4 2024) and \$39.61/bbl for FY 2025 (11% higher than the \$35.65/bbl in FY 2024) due to international pricing since the restart of pipeline exports;
- Lifting costs in Q4 2025 were \$11.5 million (46% higher than the \$7.9 million in Q4 2024) and \$39.2 million for FY 2025 (55% higher than the \$25.3 million in FY 2024) mainly due to the impact of the Q3 2025 drone attack and a full year of a higher working and paying interest in the Atrush Block;
- Gross margin on oil sales in Q4 2025 was \$30.5 million (60% higher than the \$19.1 million in Q4 2024) and \$65.0 million for FY 2025 (50% higher than \$43.3 million in FY 2024) mainly due to Q4 2025 pipeline export sales at international pricing, higher local oil sales during the year and a higher working and paying interest in the Atrush Block;
- Adjusted EBITDAX³ in Q4 2025 was \$39.9 million (71% higher than the \$23.4 million in Q4 2024) and \$107.1 million for FY 2025 (41% higher than the \$76.0 million in FY 2024) due to a combination of the effects described above;
- The Company generated \$4.7 million in cash flow from operating activities during Q4 2025 mainly from local sales and pipeline interim payments (86% lower than the \$34.7 million in Q4 2024) and \$69.1 million during FY 2025 (29% lower than the \$98.0 million in FY 2024). The decrease is due to timing of cash receipts for pipeline export sales, as well as higher expenditures related to drilling, debottlenecking and maintenance works on both blocks; and
- At December 31, 2025, the Company had cash of \$42.1 million and gross debt (corporate bond) of \$143.8 million. Net debt³ was \$101.6 million.

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.

Management's Discussion and Analysis

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SUBSEQUENT EVENTS:

- On January 19, 2026, the Company announced that it is pursuing a change in the Company's primary listing on the TSXV to the Euronext Growth Oslo market operated by the Oslo Stock Exchange. The Company will continue to fully support the secondary listing on Nasdaq First North Growth Market in Stockholm. ShaMaran plans to simultaneously effect a corporate continuance from Canada to Bermuda to have a more efficient corporate structure. If ShaMaran completes both transactions, the Company will no longer be incorporated in British Columbia and subject to the laws of Canada, it will cease to be listed on the TSXV, and it will no longer be a reporting issuer in any jurisdiction in Canada. ShaMaran will instead be incorporated in and subject to the laws of Bermuda. ShaMaran intends to hold a special meeting of shareholders on March 10, 2026, to seek approval of a special resolution approving the continuance of the Company from British Columbia, Canada to Bermuda (the "Continuance"). If approved by shareholders, the continuance is expected to be effective on or around March 16, 2026; and
- On March 2, 2026, the Company announced a temporary production shut-in at both the Atrush and Sarsang blocks as a precautionary measure due to the regional security environment. HKN plans to restart production as soon as possible.

OPERATIONS REVIEW

Reserves and Resources

On March 4, 2026, the Company reported estimated reserves and contingent resources for the Atrush and Sarsang fields as at December 31, 2025, as reported by the Company's independent reserves and resources evaluator, McDaniel.

For 2025, total property gross production was 21.3 MMbbls, and total Company working interest production was 7.6 MMbbls. As of December 31, 2025, Atrush had achieved cumulative production of approximately 91.5 MMbbls, and Sarsang had achieved cumulative production of approximately 86.8 MMbbls since development commenced in both fields in 2013.

The Company's working interest 2P reserves decreased from 71.5 MMbbls on December 31, 2024 to 67.1 MMbbls on December 31, 2025. Atrush working interest 2P reserves decreased by 2.5 MMbbls, reflecting a reserve replacement ratio of 58%. The reserve change is due to strong field performance resulting in a technical increase in reserves, offset by barrels produced during 2025. At Sarsang, working interest 2P reserves decreased by 2.0 MMbbls, including the barrels produced during 2025, representing a reserves replacement ratio of minus 14%. The Company's 2P reserves revisions for 2025 led to an overall reserves replacement ratio of 42%.

The Company's working interest 2C contingent resource volumes increased from 72.2 MMbbls at December 31, 2024, to 72.8 MMbbls at December 31, 2025.

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, 2025, and available under the Company's profile on SEDAR+ at www.sedarplus.ca.

Management's Discussion and Analysis

For the three months and year ended December 31, 2025

Production

	Three months ended Dec 31,		Year ended Dec 31,	
	2025	2024	2025	2024
Average daily oil production – gross 100% field (Mbopd)				
- Atrush	30.2	30.0	32.5	25.5
- Sarsang	27.1	36.4	25.9	34.0
Total	57.3	66.4	58.4	59.5
Average daily oil production – Company net (Mbopd)				
- Atrush (27.6% until August 6, 2024; 50% thereafter)	15.1	15.0	16.2	9.7
- Sarsang (18%)	4.9	6.6	4.7	6.1
Total	20.0	21.6	20.9	15.8
Oil sales – gross 100% field (Mbbl)				
- Atrush	2,775	2,764	11,843	9,324
- Sarsang	2,451	3,264	9,418	12,180
Total	5,226	6,028	21,261	21,504
ShaMaran oil sales entitlement (Mbbl)				
- Atrush (27.6% until August 6, 2024; 50% thereafter)	665	665	2,848	1,701
- Sarsang (18%)	275	365	1,062	1,372
Total	940	1,030	3,910	3,073

Atrush and Sarsang delivered international exports via the ITP in the fourth quarter of 2025.

At Atrush, average production in Q4 2025 was 30.2 Mbopd. Production was lower than potential during this period due to planned downtime in connection with the commissioning of new facilities as part of the Atrush CPF debottlenecking project and the workover of wells CK-18 and CK-19 to replace ageing electrical submersible pumps ("ESPs"). Following the commissioning of the CPF enhancement project, the successful completion of the CK-21 well and the replacement of three ESPs (CK-10 ESP replaced in early 2026), Atrush production reached 40.0 Mbopd in mid-February 2026. Assuming continued export sales and receipt of full PSC entitlement post reconciliation of invoices, drilling is planned to continue in the field in order to keep the facility full at plateau production.

At Sarsang, average production in Q4 2025 was 27.1 Mbopd. Sarsang gas generators were commissioned during the quarter. The B1(25k) facility is now running fully on fuel gas for the hot oil system and power generation. Sarsang production during January 2026 was stable at approximately 24.0 Mbopd, a decrease since the previous quarter due to field decline and the suspension of the ST-2 well pending installation of water handling facilities later in 2026.

During 2025, the major event impacting production at both blocks was the drone attack at the start of Q3 2025. At the Atrush Block, the focus during the year was to debottleneck the CPF and "drill-to-fill" with minimal cost. At the Sarsang Block, the focus during the year was to optimize the water handling solution and production costs.

Management's Discussion and Analysis

For the three months and year ended December 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)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Continuing operations:								
Revenue	54,663	28,936	35,385	35,885	34,749	29,425	22,630	22,588
Cost of goods sold	(24,146)	(19,658)	(22,610)	(23,409)	(15,673) ⁴	(19,470)	(15,225)	(15,748)
Bargain purchase gain on acquisitions	-	-	-	-	-	70,336	-	-
General and administrative expense	(4,592)	(1,492)	(1,552)	(5,076)	(3,340)	(1,282)	(1,426)	(1,780)
Share-based payments expense	1,115	(1,477)	(1,004)	(3,471)	(1,533)	(273)	(887)	(997)
Depreciation and amortization	(27)	(20)	(37)	(1)	(32)	(26)	(42)	(59)
Credit loss provision	(420)	(390)	1,042	1,314	24	1,591	298	2,796
Finance expense	(4,625)	(4,594)	(8,286)	(6,982)	(6,793)	(5,569)	(6,812)	(8,555)
Finance income	582	584	655	641	782	384	1,046	1,320
Income tax expense	(7)	(18)	(75)	(7)	(65)	(17)	(91)	(58)
Net income/(loss)	22,543	1,871	3,518	(1,106)	8,119	75,099	(509)	(493)
EBITDAX⁵	39,568	16,391	23,846	17,777	21,885	21,509	14,707	14,234
Adjusted EBITDAX⁶	39,887	17,868	24,850	24,465	23,418	21,782	15,594	15,231
Earnings per share in \$								
- Basic	0.008	0.001	0.001	-	0.003	0.026	-	-
- Diluted	0.008	0.001	0.001	-	0.003	0.025	-	-

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 \$22.5 million net income generated in Q4 2025 was primarily driven by the increase in revenue as the Q4 2025 oil sales are recorded at the Kirkuk blend official selling price. The income and expenses in Q4 2025 are explained in more detail in the following sections.

⁴ Costs of goods sold at year-end includes an annual depletion true-up based on the updated year-end reserve report.

⁵ 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.

⁶ Adjusted EBITDAX adds back the non-cash share-based payments expense each quarter, as well as non-recurring, transaction and project related expenses in 2025.

Management's Discussion and Analysis

For the three months and year ended December 31, 2025

Selected Annual Financial Information

USD Thousands
(except per share data)

	For the year ended December 31,		
	2025	2024	2023
Revenues	154,869	109,392	82,886
Cost of goods sold	(89,823)	(66,116)	(52,363)
Bargain purchase gain on acquisitions	-	70,336	-
General and administrative expense	(12,712)	(7,828)	(10,287)
Share-based payments expense	(4,837)	(3,690)	(2,064)
Depreciation and amortization expense	(85)	(159)	(236)
Credit loss provision	1,546	4,709	(13,938)
Finance income	2,370	3,394	7,393
Finance expense	(24,394)	(27,591)	(37,932)
Income tax expense	(107)	(231)	(165)
Income/(loss) for the year	26,827	82,216	(26,706)
Earnings per share in \$:			
Basic	0.01	0.03	(0.01)
Diluted	0.01	0.03	(0.01)

	As at December 31,		
	2025	2024	2023
Financial position – net book value of principal items			
Property, plant & equipment	324,505	365,708	302,192
Loans and receivables	84,903	51,322	74,334
Cash and other assets	42,620	77,656	73,816
Other non-current assets	735	-	69
Total assets	452,763	494,686	450,411
Net borrowings	(131,799)	(188,501)	(238,746)
Other liabilities	(71,187)	(82,984)	(72,234)
Shareholders' equity	249,777	223,201	139,431
Common shares outstanding ('000)	2,875,449	2,845,961	2,824,362

Summary of Principal Changes in Annual Financial Information

The net income in 2025 of \$26.8 million is attributable to a number of key drivers:

- Continual local sales during the year until the start of ITP export sales at the end of Q3 2025, then a full quarter of ITP export sales at international prices;
- A full year of higher entitlement at Atrush due to the acquisition in 2024; and
- Reduced finance costs linked to the bond repayments.

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

Management's Discussion and Analysis

For the three months and year ended December 31, 2025

Gross margin on oil sales

USD Thousands	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Revenue from oil sales	54,663	34,749	154,869	109,392
Lifting costs	(11,503)	(7,881)	(39,240)	(25,258)
Other costs of production	(115)	(110)	(498)	(281)
Depletion costs	(12,528)	(7,682)	(50,085)	(40,577)
Cost of goods sold	(24,146)	(15,673)	(89,823)	(66,116)
Gross margin on oil sales	30,517	19,076	65,046	43,276

Revenue from oil sales relates to the Company's entitlement share of local oil sales until September 26, 2025, and then ITP export sales for the rest of the year, from the Atrush and Sarsang blocks. Revenue was 57% higher in Q4 2025 compared to Q4 2024. The revenue of \$154.9 million in the 2025 was 42% higher than 2024, driven by the increased working interest in the Atrush Block from August 2024 and the higher international prices of ITP export sales. The average net oil price in Q4 2025 was \$58.17/bbl from the two blocks on a combined basis (72% higher than the \$33.74/bbl in Q4 2024). The average net oil price for the year 2025 was \$39.61 /bbl, 11% higher than the average net oil price of \$35.65 /bbl for the year 2024. The Company's entitlement share of oil sales in 2025 was 3.9 MMbbls, 26% higher than the 3.1 MMbbls entitlement in 2024.

Lifting costs comprise the Company's share of expenses related to the production of oil from the Atrush and Sarsang blocks, including operations and maintenance of wells and production facilities, insurance and the operator's related support costs as charged to the Company. Lifting costs were 46% higher in Q4 2025 compared to Q4 2024, and 55% higher in 2025 compared to 2024, mainly due to the impact of the Q3 2025 drone attack and a full year of increased working and paying interest in the Atrush Block (as the KRG working interest was converted to a carried interest during the Atrush Acquisition).

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

Depletion costs were 63% higher in Q4 2025 compared to Q4 2024, and 23% higher in 2025 compared to 2024, due to an annual depletion true-up based on the updated year-end reserve report resulting in a credit in Q4 2024 and higher production in the year due to the higher working interest in the Atrush Block.

Gross margin on oil sales was 60% higher in Q4 2025 versus Q4 2024, and 50% higher in 2025 versus 2024, due to ITP export sales at international prices from the end of Q3 2025, higher local oil sales during the year and a higher working and paying interest in the Atrush Block.

General and administrative expense

USD Thousands	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Salaries and benefits	2,602	2,486	8,227	4,994
Legal, accounting and audit fees	1,325	394	2,164	850
Management and consulting fees	404	171	1,319	842
General and other office expenses	105	153	451	642
Travel expenses	86	71	181	137
Listing costs and investor relations	69	65	350	308
Corporate sponsorship	1	-	20	55
General and administrative expense	4,592	3,340	12,712	7,828

The increase in general and administrative expenses in the quarter is mainly due to legal costs associated with the proposed continuance to Bermuda and primary listing move to Oslo. The increase in the year 2025 compared to the year 2024 is due to non-recurring, transaction-related management compensation, as well as consulting, 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.

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Finance expense

USD Thousands	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Interest/amortization charges on bonds	4,858	6,659	21,078	31,839
Amortization of related-party loan	-	555	1,326	2,040
Finance cost for bond purchase	-	26	-	26
Adjustment of bond and loan amortization	(392)	909	2,499	(3,076)
Total borrowing costs	4,466	8,149	24,903	30,829
Re-measurement of contingent consideration	552	(84)	663	110
Unwinding discount on decommissioning provision	255	21	1,000	81
Interest expense	19	-	19	-
Lease – interest expense	15	-	58	9
Total finance expense before borrowing costs capitalized	5,307	8,086	26,643	31,029
Borrowing costs capitalized	(682)	(1,293)	(2,249)	(3,438)
Total finance expense	4,625	6,793	24,394	27,591

Interest and amortization charges relate to the Company's bond and related-party loan. The bond amendments effective May 2, 2025, as well as the repayments of the related-party loan, were treated as a modification to the bond and loan, and the amortization schedules were adjusted accordingly.

Interest charges were lower in 2025 than 2024 due to the repayments made during these years.

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".

Management's Discussion and Analysis

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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	Year ended December 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
Additions/(credit)	8,883	-	8,883	18,935	(2)	18,933
Atrush Acquisition	-	-	-	85,256	-	85,256
Depletion and depreciation expense	(50,085)	(1)	(50,086)	(40,577)	(96)	(40,673)
Net book value	324,503	2	324,505	365,705	3	365,708

Financial Position and Liquidity

Accounts receivable

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

USD Thousands	For the year ended December 31,	
	2025	2024
Accounts receivable on oil sales	96,093	64,058
Credit loss provision	(11,190)	(12,736)
Total accounts receivable	84,903	51,322

The accounts receivable balance at December 31, 2025, relates to \$52.8 million in oil deliveries to the KRG from October 2022 through March 2023 (the "Overdue Receivables") and \$43.3 million representing the remaining PSC entitlement amounts owed for the 2025 ITP export sales. It is Management's view that the counterparty risk related to oil sales under the 2025 interim agreements is better diversified than that of the Overdue Receivables from the KRG. The compensation for the Company's sales under the interim agreements is paid by the Iraqi State Organization for Marketing of Oil ("SOMO") on behalf of the KRG in barrels allocated to the IOC-appointed trader, and the Company benefits from contractual recourse against both the KRG and/or SOMO for non-payment. There have been no delays in receiving payment from SOMO as part of the interim agreements since the start of exports in September 2025. The Company continues to discuss recovery of the Overdue Receivables with the KRG, but timing is uncertain. The Company has reassessed the credit loss provision for the Overdue Receivables 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, 2025. The result of the Company's assessment under IFRS 9 is a \$1.5 million credit adjustment to these trade receivables in 2025, included in the Statement of Comprehensive Income (2024: \$4.7 million).

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 amended 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. A key amendment in the 2027 Bond terms was a mandatory quarterly cash sweep mechanism as of Q3 2024 that resulted in partial bond repayments at par of \$26.8 million in January 2025 and a further \$29.4 million in April 2025.

On April 11, 2025, the Company announced bondholder approval of certain further amendments to the terms of the Company's outstanding bond. The new amendments became effective on May 2, 2025, and included converting the mandatory cash sweep to voluntary and extending the maturity by an additional two years to July 2029 (the "2029 Bond"). All amendments to the bond have been treated as a modification to the Borrowings with the difference in fair values on modification recorded in Financing Expense.

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The 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 total debt less cash and cash equivalents. The Company calculates the Asset Coverage Ratio each quarter and has been in full compliance since the covenant was included in the bond terms.

The movements in borrowings are explained below:

USD Thousands	For the year ended December 31,	
	2025	2024
Opening balance	198,296	257,255
Interest/amortization charges	23,572	28,762
Own bond	-	28,402
Bond transaction costs	(556)	(1,061)
Payments to bondholders – interest	(19,818)	(37,476)
Bond cancellation	(56,146)	(77,586)
Ending balance	145,348	198,296

Liquidity and Capital Resources

Cash in the bank at December 31, 2025, was \$42.1 million, compared to \$76.8 million at December 31, 2024. In the year 2025, the balance decreased by \$34.7 million compared to an increase of \$5.1 million in the year 2024. The main components of the movement in funds during 2025 were as follows:

- The operating activities of the Company in 2025 resulted in an increase of \$69.1 million in the cash position (2024: increase of \$98.0 million);
- Net cash outflows related to investing activities in 2025 were \$6.1 million (2024: net cash outflows of \$4.1 million). Cash outflows to investing activities comprised \$8.5 million for capital investments in the Atrush and Sarsang development work programs, plus cash inflows of \$2.4 million for interest received; and
- Net cash outflows for financing activities in 2025 were \$97.8 million (2024: \$89.1 million) and comprised \$56.2 million for the quarterly bond cash sweeps, \$19.8 million of interest payments to bondholders, \$2.6 million of interest payments and the \$15.6 million repayment of the Nemesia loan, \$0.6 million of bond transaction costs and \$3.0 million of cash taxes on the share and stock compensation plan.

Repayment of related party loan

The Company had a loan from a related party, Nemesia S.à.r.l. ("Nemesia"), with an interest rate of 12% per annum payable in cash semi-annually, plus an additional interest amount of 2% per annum payable in kind at maturity. In May 2025, the Company elected to make a partial repayment of the loan of \$5.0 million, as permitted under the amendments to the bond terms. In August 2025, the remaining \$10.6 million balance of the loan was repaid plus all accrued and unpaid interest.

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

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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 and project related expenses. 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,	
	2025	2024	2025	2024
Revenues	54,663	34,749	154,869	109,392
Lifting costs	(11,503)	(7,881)	(39,240)	(25,258)
Other costs of production	(115)	(110)	(498)	(281)
General and administrative expense	(4,592)	(3,340)	(12,712)	(7,828)
Share-based payments	1,115	(1,533)	(4,837)	(3,690)
EBITDAX	39,568	21,885	97,582	72,335
Share-based payments	(1,115)	1,533	4,837	3,690
Non-recurring costs	1,434	0	4,651	0
Adjusted EBITDAX	39,887	23,418	107,070	76,025

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 December 31,		Year ended December 31,	
	2025	2024	2025	2024
Net cash inflows from operating activities	4,671	34,692	69,074	97,965
Net cash inflows from investing activities	(12,196)	3,357	(6,118)	(4,054)
Free cash flow before debt service	(7,525)	38,049	62,956	93,911

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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	For the year ended December 31,	
	2025	2024
Outstanding principal of ShaMaran Bond	(143,768)	(199,914)
Loan from related party	-	(15,600)
Total debt	(143,768)	(215,514)
Cash and cash equivalents	42,131	76,801
Net debt	(101,637)	(138,713)

All figures in the net debt calculation are based on their nominal value at the balance sheet date. See Notes 17, 18 and 22 in the Financial Statements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

USD Thousands	Payments during the year		Amounts owing at December 31,	
	2025	2024	2025	2024
Nemesia	17,785	2,041	-	1,291
Orrön Energy AB	202	93	1	-
International Petroleum Corp.	347	206	36	23
Namdo Management Services Ltd.	31	113	74	52
Lundin Foundation	19	55	-	-
Total	18,384	2,508	111	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 had a 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. In May 2025, the Company elected to make a partial repayment of the loan of \$5.0 million, as permitted under the recent amendments to the bond terms. In August 2025, the remaining \$10.6 million balance of the loan was repaid plus all accrued and unpaid interest.

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 and year ended December 31, 2025

Outstanding Share Data, Share Units and Stock Options

Common shares

The Company had 2,875,449,249 outstanding shares and 2,977,536,136 fully-diluted shares at December 31, 2025, and 2,878,272,704 outstanding shares and 2,973,104,241 fully-diluted shares at the date of this MD&A.

A summary of the share issuances in the year 2025 is below:

- 12,753,177 common shares were issued from restricted share units ("RSUs") that vested in accordance with the Share Unit Plan (defined below). 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
- 16,734,707 common shares were issued 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, 2025, a total of 102,086,887 shares, 4% of the issued share capital, had been granted of the potential 287,544,924 shares that could be granted under the plans. Under the plans, the Company may also grant performance share units ("PSUs") or RSUs. As at December 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 the year 2025, a total of 24,476,673 RSUs vested, and 46,193,336 options were exercised.

At December 31, 2025, there were 27,403,328 stock options outstanding under the Company's employee incentive Stock Option Plan, which represents 1% of the total shares outstanding at December 31, 2025.

The Company has no warrants outstanding.

Movements in the Company's outstanding options and share units in the year 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
Granted in the year	8,300,000	11,540,000	-
Options exercised	(46,193,336)	-	-
RSUs vested	-	(24,476,673)	-
At December 31, 2025	27,403,328	52,413,324	22,270,235
Quantities vested and unexercised:			
At December 31, 2024	29,660,839	-	22,270,235
At December 31, 2025	9,816,670	-	22,270,235

Management's Discussion and Analysis

For the three months and year ended December 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 blocks.

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

USD Thousands	For the year ended December 31,				Total
	2026	2027	2028	Thereafter	
Atrush and Sarsang block development and PSC	101,117	400	400	1,800	103,717
Sarsang contingent consideration	-	-	-	15,000	15,000
Corporate office and other	73	63	63	382	581
Total commitments	101,190	463	463	17,182	119,298

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the approved 2026 work program and other obligations under the PSCs. The capital expenditure commitments in the work plans and budgets are contingent upon continuation of 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 based on forecasted results from the reserves report 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, 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;

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- 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 were 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, 2025. 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, 2025, 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, 2025

	Proved Developed	Proved Undeveloped	Total Proved	Probable	Total Proved & Probable	Possible	Total Proved, Probable & Possible
Light/Medium Oil (Mbbl) ⁽¹⁾							
Gross ⁽²⁾	25,785	11,006	36,791	16,429	53,220	18,604	71,824
Net ⁽³⁾	12,902	3,706	16,609	5,098	21,707	4,650	26,358
Heavy Oil (Mbbl) ⁽¹⁾							
Gross ⁽²⁾	6,439	2,633	9,072	4,824	13,896	5,462	19,358
Net ⁽³⁾	3,346	743	4,089	1,518	5,607	1,287	6,894
Total Oil (Mbbl)							
Gross	32,224	13,639	45,863	21,253	67,116	24,066	91,182
Net	16,248	4,449	20,697	6,617	27,314	5,937	33,251

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/m³, and Heavy Oil is between 920 and 1000 kg/m³.
- (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.

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The Company's crude oil resources as at December 31, 2025, were estimated to be as follows:

Company estimated contingent resources ^{(1) (2) (4) (5)} As at December 31, 2025

	Low Estimate (1C)	Best Estimate (2C)	High Estimate (3C)	Riskd Best Estimate
Light/Medium Oil (Mbbbl) ⁽³⁾				
Gross (Development On Hold)	5,444	16,830	57,112	10,573
Gross (Development Not Viable)	-	-	-	-
Heavy Oil (Mbbbl) ⁽³⁾				
Gross (Development On Hold)	7,752	13,013	37,948	9,109
Gross (Development Not Viable)	16,769	43,002	59,963	4,300
Gross Total	29,966	72,845	155,023	23,982

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/m³, and Heavy Oil is between 920 and 1000 kg/m³.
- (4) The "Riskd 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 between 60% and 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.

Management's Discussion and Analysis

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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.

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 in relatively short-term deposits.

ShaMaran is leveraged through bond financing at the corporate level. However, the Company is not exposed to interest-rate risks associated with its corporate bond as the interest rate is 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.

Management's Discussion and Analysis

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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")

On September 25, 2025, the Company announced that interim agreements were executed between the KRG, Government of Iraq and several IOCs, including Shamaran. These agreements enabled the restart of international oil exports from the KRI via the ITP on September 27, 2025. The agreements are based on the Iraqi Budget Law amendment in February 2025 and Iraq's recognition of the KRI PSCs. The agreements were extended until March 31, 2026, to allow the international consultant to complete a reconciliation of export invoices to PSC terms for each block that is party to the export agreements. There is no certainty that the interim agreements entered into will be implemented as agreed or extended beyond the expiry date of March 31, 2026, especially in light of the ongoing negotiations regarding the formation of a new government in Iraq following parliamentary elections in November 2025. If the implementation of all material aspects of the interim agreements fails, or if there is no extension of these agreements, KRI oil exports may stop again.

2026 ITP renegotiation

On July 26, 2025, Türkiye notified Iraq of its intent to terminate the ITP agreement on the maturity date of July 27, 2026. Following various press reports, it is expected that Türkiye and Iraq will enter negotiations on a new ITP agreement (where Türkiye would like a non-exclusive deal) before the expiration of the current contract. It may also be possible for the KRG to enter negotiations with Türkiye on a new export deal via the ITP. There is a risk that exports via the ITP could stop in their current form if there is no new agreement reached between Türkiye and Iraq by the time the ITP agreement expires in July 2026.

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 interim agreements signed by the KRG, Government of Iraq and several IOCs in September 2025 confirm the validity of KRI PSCs under Iraqi law.

Iran conflict, Russia-Ukraine war and other regional escalations

At the date of this MD&A, most of the oil production in the KRI, including from the Atrush and Sarsang blocks, is being sold at international prices via the ITP. The impact of Russia-Ukraine and Israel-Palestine conflicts has been limited on the oil market to date. The more recent conflict between Iran, Israel and the United States, and its spillover into neighboring Gulf states, however, could have more serious implications, both in terms of market pricing and the ability of KRI-based producers to safely operate their fields. If these conflicts continue or escalate, they may have further adverse impacts on production volumes and realized pricing for international oil markets.

The evolving situation in Iran has already had an impact on the Company's operations in the KRI. The proximity of Kurdistan to Iran and the presence of pro-Iranian militias in Iraq exposes the Company's operations to potential risks, such as the temporary production shut-in announced in March 2026. Although the actual impact of regional geopolitics on physical infrastructure has been limited to date, the closure of Iraqi airspace, recent rocket and drone attacks reported on US forces stationed in the KRI and drone attacks on several KRI fields, including Sarsang in July 2025, highlight the potential risk of injury to personnel and disruption to production. It is possible that further disruptions may be experienced during times of heightened geopolitical tensions, and the Company continues to work closely with HKN and the local government and security forces to minimize the impact of any such activities.

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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2025

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, 2025, 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, 2025, 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2025

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 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 three months ending March 31, 2026, on May 6, 2026.

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, 2025 and 2024, and its financial performance and its cash flows for the years 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 statements of comprehensive income for the years ended December 31, 2025 and December 31, 2024;
- the consolidated balance sheets as at December 31, 2025 and 2024;
- the consolidated statements of cash flow for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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

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.

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, 2025. 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 matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
The impact of oil and gas reserves on the Company's net oil and gas assets included in Property, Plant and Equipment (PP&E) Refer to note 3 – Material accounting policies, note 4 – Critical accounting judgments and key sources of estimation	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

Key audit matter	How our audit addressed the key audit matter
uncertainty and note 13 – Property, plant and equipment to the consolidated financial statements. The Company had \$324.5 million of oil and gas assets as at December 31, 2025. Depletion and depreciation expense for the oil and gas assets was \$50.1 million for the year then ended. Oil and gas assets are depleted using the unit of production method based on proved and probable 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 proved plus probable reserves include production forecasts, forward commodity prices, production costs and future development expenditures. 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 (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the assumptions.	reserves used to determine the depletion and depreciation expense for the oil and gas 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 the data used by management's experts and an evaluation of their findings. • Tested how management determined the proved plus probable reserves used to determine 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; and - o forward commodity prices by comparing them to reputable third party industry forecasts. • Recalculated the unit of production rates used to calculate depletion and depreciation expense for the oil and gas assets.

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 4, 2026

Consolidated Statement of Comprehensive Income

For the year ended December 31

<i>Expressed in thousands of United States dollars</i>	<i>Note</i>	2025	2024
Revenues	6	154,869	109,392
Cost of goods sold:			
Lifting costs	7	(39,240)	(25,258)
Other costs of production	7	(498)	(281)
Depletion	7	(50,085)	(40,577)
Gross margin on oil sales		65,046	43,276
Credit loss provision	14	1,546	4,709
Depreciation and amortization expense		(85)	(159)
Share-based payments expense	21	(4,837)	(3,690)
General and administrative expense	8	(12,712)	(7,828)
Income from operating activities		48,958	36,308
Bargain purchase gain on acquisition	9	-	70,336
Finance income	10	2,370	3,394
Finance expense	11	(24,394)	(27,591)
Net finance expense		(22,024)	(24,197)
Income before income tax expense		26,934	82,447
Income tax expense	12	(107)	(231)
Income for the year		26,827	82,216
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss:			
Re-measurements on defined pension plan		139	(253)
Items that may be reclassified to profit or loss:			
Currency translation differences		84	(97)
Total other comprehensive income / (loss)		223	(350)
Total comprehensive Income for the year		27,050	81,866
Earnings in dollars per share (Note 20):			
Basic		0.01	0.03
Diluted		0.01	0.03

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

Consolidated Balance Sheet

As at December 31

<i>Expressed in thousands of United States dollars</i>	<i>Note</i>	2025	2024
ASSETS			
Non-current assets			
Property, plant and equipment	13	324,505	365,708
Accounts receivable	14	22,938	27,358
Right-of-use asset	15	656	-
Intangible assets		79	-
		348,178	393,066
Current assets			
Accounts receivable	14	61,965	23,964
Cash and cash equivalents, unrestricted		41,150	76,792
Cash and cash equivalents, restricted		981	9
Other current assets		489	855
		104,585	101,620
TOTAL ASSETS		452,763	494,686
LIABILITIES			
Non-current liabilities			
Borrowings	17	131,799	161,730
Provisions	19	44,212	44,336
Cash-settled deferred share units	21	3,904	1,854
Lease liability	15	625	-
Pension liability		402	500
Loan from related party	18	-	16,891
		180,942	225,311
Current liabilities			
Accrued interest expense on corporate bond	17	13,549	9,795
Accounts payable and accrued expenses	16	8,474	9,583
Other current liabilities		21	25
Borrowings	17	-	26,771
		22,044	46,174
EQUITY			
Share capital	20	674,622	672,530
Share-based payments reserve		9,985	12,551
Cumulative translation adjustment		192	108
Accumulated deficit		(435,022)	(461,988)
		249,777	223,201
TOTAL EQUITY AND LIABILITIES		452,763	494,686

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

Going concern (Note 2b)
 Commitments and contingencies (Note 23)
 Subsequent events (Note 26)

Signed on behalf of the Board of Directors

/s/Michael Ebsary

Michael Ebsary, Director

/s/Chris Bruijnzeels

Chris Bruijnzeels, Director

Consolidated Statement of Cash Flow

For the year ended December 31

<i>Expressed in thousands of United States dollars</i>	<i>Note</i>	2025	2024
Operating activities			
Income for the year		26,827	82,216
Adjustments for non-cash related items:			
Depreciation, depletion and amortization expense		50,170	40,736
Borrowing costs – net of amount capitalized		23,317	27,475
Share-based payment expense		4,597	3,194
Unwinding discount on decommissioning provision		1,000	81
Re-measurements on defined pension plan		139	(253)
Bargain purchase gain	9	-	(70,336)
Foreign exchange gain	10	(102)	(18)
Interest income	10	(2,268)	(3,376)
Changes in other current assets		240	55
Changes in current tax liabilities		(58)	(61)
Changes in pension liability		(98)	126
Changes in accounts payable and accrued expenses		(1,109)	454
Changes in accounts receivables on oil sales		(33,581)	17,672
Net cash inflows from operating activities		69,074	97,965
Investing activities			
Interest received on cash deposits		2,394	4,712
Purchase of intangible assets		(89)	-
Purchase of property, plant and equipment		(8,423)	(8,766)
Net cash outflows to investing activities		(6,118)	(4,054)
Financing activities			
Bond amortization		-	28,402
Principal element of lease payments		(49)	(60)
Bond transaction costs		(556)	(506)
Cash taxes on share and stock compensation plan		(3,021)	-
Related-party loan repayment	18	(15,600)	-
Payments to bondholders and related party – interest	17,18	(22,435)	(39,348)
Repayment of bonds		(56,146)	(77,586)
Net cash outflows to financing activities		(97,807)	(89,098)
Effect of exchange rate changes on cash and cash equivalents		181	266
Change in cash and cash equivalents		(34,670)	5,079
Cash and cash equivalents, beginning of the year*		76,801	71,722
Cash and cash equivalents, end of the year*		42,131	76,801
*Inclusive of restricted cash		981	9

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

Consolidated Statement of Changes in Equity

For the year ended December 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 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 DSUs, Note 21)	-	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
Total comprehensive income for the year:					
Income for the year	-	-	-	26,827	26,827
Other comprehensive income	-	-	84	139	223
Transactions with owners in their capacity as owners:					
Share-based payments expense (excluding DSUs, Note 21)	-	(2,566)	-	-	(2,566)
Options exercised*	2,524	-	-	-	2,524
RSU shares issued*	(432)	-	-	-	(432)
	2,092	(2,566)	84	26,966	26,576
Balance at December 31, 2025	674,622	9,985	192	(435,022)	249,777

*Refer to Note 20

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

Notes to the Consolidated Financial Statements

For the year ended December 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 (“TSXV”) 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, 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, and 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, and 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 4, 2026, 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 a 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 closure of the Iraq-Türkiye pipeline (“ITP”) on March 25, 2023, heavily impacted the Company’s operations. On September 25, 2025, the Company announced that interim agreements were executed between the Kurdistan Regional Government (“KRG”), Government of Iraq and several international oil companies (“IOCs”), including Shamaran. These agreements enabled the restart of international oil exports by pipeline from the KRI on September 27, 2025. The agreements to resume oil exports from the KRI are based on the Iraqi Budget Law amendment in February 2025 and Iraq’s recognition of the KRI PSCs. The Budget Law provides for an initial period of approximately three months, later extended to six months, during which IOCs are compensated at \$16 per barrel for the cost of production and transportation, resulting in similar economics to the recent KRI local oil sales, with a reconciliation to full PSC entitlement following a review of the IOC invoices and contractual entitlements by an industry consultant. The Iraqi State Organization for Marketing of Oil (“SOMO”) is marketing the KRI crude at the Kirkuk blend official selling price, and IOCs are being paid in arrears from the sale of their allocation at Ceyhan via their nominated trader.

The agreements also provide that the IOCs and KRG will continue discussions about recovering outstanding accounts receivable from past oil sales. As uncertainty remains regarding the timing and viability of payments by the KRG for these receivables, the Company has adjusted the credit loss provision to reflect this. Refer to Note 14 for additional information.

Notes to the Consolidated Financial Statements

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Management believes that the signing of the interim agreements and restart of pipeline exports are positive steps towards improving the operating environment for IOCs with assets in the KRI. However, long-term agreements are needed with regular payments for oil sales based on PSC invoices before the Company can be confident that the uncertainties introduced by the ITP closure are resolved. Additionally, on March 2, 2026, the Company announced a temporary production shut-in at both the Atrush and Sarsang blocks as a precautionary measure due to the security environment, and there is no certainty as to the duration of the shut-in (refer to Note 26). 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. 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.

Notes to the Consolidated Financial Statements

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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.

Notes to the Consolidated Financial Statements

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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.

Notes to the Consolidated Financial Statements

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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 in Kurdistan is settled by the KRG on behalf of the Company as part of the compensation arrangements under the production sharing contracts. 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.

Notes to the Consolidated Financial Statements

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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, depletion 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 cash and equity-settled, share-based payments to certain directors, employees and third parties. The fair value of the cash-settled, share-based payments is remeasured at the end of each quarter at the closing share price until settled. 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.

Notes to the Consolidated Financial Statements

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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 was 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 were 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 the agreed delivery point (currently the block boundary) where control is transferred to the buyer and revenue is recognized for crude that will be compensated on the basis of an agreed pricing mechanism.

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

There are no IFRS Accounting Standards or interpretations that have been issued effective for financial years beginning on or after January 1, 2025, 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

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which will replace IAS 1 and includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expenses in the statements of comprehensive income, as well as classification changes to the consolidated statements of cash flows. IFRS 18 also requires disclosures of management-defined performance measures ("MPMs") and additional requirements regarding the aggregation and disaggregation of certain information. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, and must be adopted on a retrospective basis.

Shamaran is currently assessing system changes, preparing draft disclosures and planning comparative restatements ahead of the 2027 effective date.

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 has assessed the impact that are not material.

Notes to the Consolidated Financial Statements

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There are no other new accounting standards that will come into effect for annual periods beginning on or after January 1, 2026, 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. 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 mechanism for calculating 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 in exchange for oil deliveries.

b. 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. Key assumptions used in estimating reserve volumes include the following: production forecasts, production costs, future development expenditures and forward commodity pricing. The Company uses independent qualified evaluators to evaluate the reserves.

c. 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.

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 with oil production.

d. 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.

Notes to the Consolidated Financial Statements

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e. 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 data from the operator. Refer also to Note 19.

5. Business and geographical segments

The Company operates in one business segment, oil and gas exploration and production, and 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. Revenues

As discussed in Note 2b, the ITP was closed from March 25, 2023, until September 27, 2025. The revenues recorded during this period relate entirely to oil sold to local refineries from the Sarsang Block since April 2023 and from the Atrush Block since November 2023. Prices for these crude oil sales to local refineries were in line with the local market and at a significant discount to international benchmark prices but with upfront or prompt payment. From September 27, 2025, all oil sales are to the KRG, and revenues are recorded as per the interim agreements at the Kirkuk blend official selling price, with payments in arrears.

Refer also to Note 14.

7. Cost of goods sold

Lifting costs are composed of the Company's share of expenses related to the production of oil from the Atrush and Sarsang blocks, including operation and maintenance of wells and production facilities, insurance and the 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 6 and 13.

8. General and administrative expense

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

Notes to the Consolidated Financial Statements

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Expressed in thousands of United States dollars, unless otherwise noted

9. 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 was 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 was 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 arose from the fact that Atrush was able to restart production by establishing, growing and maintaining local sales.

b. Identifiable assets acquired and liabilities assumed

The preliminary purchase price allocation was 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. No adjustments have been made.

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, 2025.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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10. Finance income

	For the year ended December 31,	
	2025	2024
Interest on deposits	2,268	2,741
Interest from own corporate bond	-	635
Total interest income	2,268	3,376
Foreign exchange gain	102	18
Total finance income	2,370	3,394

11. Finance expense

	For the year ended December 31,	
	2025	2024
Interest/amortization charges on bonds	21,078	31,839
Adjustment of bond and loan amortization	2,499	(3,076)
Amortization of related-party loan	1,326	2,040
Finance cost for bond purchase	-	26
Total borrowing costs	24,903	30,829
Unwinding discount on decommissioning provision	1,000	81
Re-measurement of contingent consideration	663	110
Lease – interest expense	58	9
Interest expenses	19	-
Total finance expense before borrowing costs capitalized	26,643	31,029
Borrowing costs capitalized	(2,249)	(3,438)
Total finance expense	24,394	27,591

Interest and amortization charges relate to the Company's bond and related-party loan. The bond amendments effective May 2, 2025, as well as the repayments 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 17 and 18 for additional information.

Refer to Note 19 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.

Refer also to Note 15 regarding lease interest.

Notes to the Consolidated Financial Statements

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12. Taxation

a. Income tax expense

The current tax expense is incurred on the profits of the Swiss administrative company and the Danish company that is currently winding down. 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,	
	2025	2024
Canadian losses from operations	136,945	226,196
Canadian exploration expenses	2,464	2,464
Canadian unamortized share-issue costs	2	1
Total tax losses carried forward	139,411	228,661

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2031 to 2045. 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 2026 to 2028.

The Company has not recognized deferred tax assets amounting to approximately \$38 million (2024: \$62 million) as it is not probable that these amounts will be realized.

Notes to the Consolidated Financial Statements

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13. Property, plant and equipment

	Oil and gas assets	Computer equipment	Furniture and office equipment	Total
At January 1, 2024				
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
For the year ended December 31, 2025				
Opening net book value	365,705	3	-	365,708
Additions	8,883	-	-	8,883
Depletion and depreciation expense	(50,085)	(1)	-	(50,086)
Net book value	324,503	2	-	324,505
At December 31, 2025				
Cost	597,781	22	19	597,822
Accumulated depletion and depreciation	(273,278)	(20)	(19)	(273,317)
Net book value	324,503	2	-	324,505

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, 2025, there was no indicator for impairment and the carrying amounts did not exceed the recoverable amounts.

Refer also to Notes 6 and 7.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

14. Accounts receivable

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

	For the year ended December 31,	
	2025	2024
Accounts receivable on oil sales	96,093	64,058
Credit loss provision	(11,190)	(12,736)
Total accounts receivable, net of provisions	84,903	51,322
Current portion	61,965	23,964
Non-current portion	22,938	27,358

The accounts receivable balance at December 31, 2025, relates to \$52.8 million in oil deliveries to the KRG from October 2022 through March 2023 (the "Overdue Receivables") and \$43.3 million representing the remaining PSC entitlement amounts owed for the 2025 ITP export sales. The Company continues to discuss recovery of the Overdue Receivables with the KRG, but timing is uncertain. Refer to Note 2b. The Company has reassessed the credit loss provision for the Overdue Receivables 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, 2025. The result of the Company's assessment under IFRS 9 is a \$1.5 million credit adjustment to these trade receivables in 2025, included in the Statement of Comprehensive Income (2024: \$4.7 million). The portion of these receivables that is estimated to be received after 2026 is classified as non-current due to uncertainty in the timing of recovery.

The remaining PSC entitlement amounts owed for the 2025 ITP export sales are all classified as current receivables. Following the review of the IOC invoices and contractual entitlements by an industry consultant at the end of March 2026, it is expected that the remaining amounts will be paid.

Refer also to Note 6.

15. Right-of-use asset and lease liability

The right-of-use asset relates to the ten-year office lease for the Company's technical and administrative services office in Vésenaz, Switzerland. At December 31, 2025, the balance sheet shows a value of \$656 for the right-of-use asset and a total lease liability value of \$679; split \$54 as a current liability (within other current liabilities) and \$625 as a non-current liability. The income statement for the year 2025 includes the depreciation charge of the right-of-use asset of \$59 plus an interest expense of \$58 included in the finance cost. There were no right-of use assets or lease liabilities in the year 2024.

Refer also to Note 11.

16. Accounts payable and accrued expenses

	For the year ended December 31,	
	2025	2024
Payables to joint-operations partners	5,583	8,547
Accrued expenses	2,372	614
Trade payables	519	422
Total accounts payable and accrued expenses	8,474	9,583

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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17. 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 amended 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. A key amendment in the 2027 Bond terms was a mandatory quarterly cash sweep mechanism as of Q3 2024 that resulted in partial bond repayments at par of \$26.8 million in January 2025 and a further \$29.4 million in April 2025.

On April 11, 2025, the Company announced bondholder approval of certain further amendments to the terms of the Company's outstanding bond. The new amendments became effective on May 2, 2025, and included converting the mandatory cash sweep to voluntary and extending the maturity by an additional two years to July 2029 (the "2029 Bond"). All amendments to the bond have been 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 total outstanding nominal amount of the 2029 Bond as of the date these financial statements were approved is \$143.8 million.

The 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 total debt less cash and cash equivalents. The Company calculates the Asset Coverage Ratio each quarter and has been in full compliance since the covenant was included in the bond terms.

The movements in borrowings are explained below:

	For the year ended December 31,	
	2025	2024
Opening balance:	198,296	257,255
Interest/amortization charges	23,572	28,762
Own bond	-	28,402
Bond transaction costs	(556)	(1,061)
Payments to bondholders – interest	(19,818)	(37,476)
Bond cancellation	(56,146)	(77,586)
Ending balance	145,348	198,296
Non-current portion – net borrowings	131,799	161,730
Current portion – accrued bond interest expense	13,549	9,795
Current portion – amortization instalments	-	26,771

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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18. Loan from related party

The Company had a loan from a related party, Nemesia S.à.r.l. ("Nemesia"), with an interest rate of 12% per annum payable in cash semi-annually, plus an additional interest amount of 2% per annum payable in kind at maturity. In May 2025, the Company elected to make a partial repayment of the loan of \$5.0 million, as permitted under the amendments to the bond terms. In August 2025, the remaining \$10.6 million balance of the loan was repaid plus all accrued and unpaid interest.

The movements in the Nemesia loan balance are explained below:

	For the year ended December 31,	
	2025	2024
Opening balance	16,891	16,723
Amortization	1,326	2,040
Repayment	(15,600)	-
Payment to Nemesia – interest	(2,617)	(1,872)
Ending balance	-	16,891

Refer also to Notes 11 and 25.

19. Provisions

	For the year ended December 31,	
	2025	2024
Opening balance	32,972	16,585
Unwinding discount on decommissioning provision	1,000	81
Atrush Acquisition obligations acquired	-	9,580
Discount rate adjustment on obligations acquired	-	6,553
Changes in estimates and obligations incurred	(698)	416
Changes in discount and inflation rates	(1,089)	(243)
Total decommissioning and site restoration provisions	32,185	32,972
Contingent consideration	12,027	11,364
Total provisions	44,212	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 2038 for Sarsang and will take ten years to abandon. The undiscounted provision at December 31, 2025, is \$34.0 million (2024: \$33.8 million), and was discounted using a risk-free rate of 3.24% for the Atrush Block and 3.8% for the Sarsang Block (2024: both blocks 3.12%), and an inflation rate of 2.68% (2024: 2.89%).

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 based on forecasted results from the reserves report at the end of each quarter and treats any difference as a finance income/cost.

Refer also to Note 11.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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20. 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	12,753,177	(432)
Options	16,734,707	2,524
At December 31, 2025	2,875,449,249	674,622

During 2025, a total of 12,753,177 common shares from vested Restricted Share Units ("RSUs") and 16,734,707 common shares from exercised options were issued to plan participants in accordance with the Company's Share Unit Plan (2024 full year: 6,873,839 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 21.

Earnings per share

	For the year ended December 31,	
	2025	2024
Net income, in dollars	26,827,000	82,216,000
Weighted average number of shares outstanding during the year	2,866,319,855	2,832,926,845
Weighted average diluted number of shares outstanding during the year	2,968,406,742	2,988,598,758
Basic income per share, in dollars	0.01	0.03
Diluted income per share, in dollars	0.01	0.03

21. 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, 2025, a total of 102,086,887 shares (4% of the issued share capital) had been granted of the potential 287,544,925 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"). The DSU Plan is for non-executive directors of the Company.

Stock options vest in three equal tranches over two years with the first vesting immediately on the 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 2025, a total of 24,476,673 RSUs vested, 46,193,336 options were exercised and no DSUs were redeemed (2024: 12,952,465 RSUs vested, 47,223,004 options were exercised and 1,475,335 DSUs were redeemed in cash, and 8,747,540 RSUs and 10,023,332 options were forfeited).

The result of the movements in 2025 resulted in charges to the Statement of Comprehensive Income for options of \$893 (2024: \$1,029), for RSUs of \$1,654 (2024: \$1,312) and for DSUs of \$2,290 (2024: \$1,349). The carrying amount of the DSU liability at December 31, 2025, is \$3,904 (December 31, 2024: \$1,854), which is valued at the year-end closing share price.

Notes to the Consolidated Financial Statements

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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
Granted in the year	8,300,000	11,540,000	-
Options exercised	(46,193,336)	-	-
RSUs vested	-	(24,476,673)	-
At December 31, 2025	27,403,328	52,413,324	22,270,235
Quantities vested and unexercised:			
At December 31, 2024	29,660,839	-	22,270,235
At December 31, 2025	9,816,670	-	22,270,235
Weighted average exercise price of options exercised in the year:			
2024	CAD 0.06		
2025	CAD 0.07		
Weighted average remaining contractual life of options:			
At December 31, 2024	3.8 years		
At December 31, 2025	4.1 years		
Weighted average exercise price of outstanding options:			
At December 31, 2024	CAD 0.08		
At December 31, 2025	CAD 0.14		

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.

The Company's stock options granted in 2025 were calculated using a risk-free rate of 2.77% (2024: 2.98%), volatility rate of 72.96% (2024: 73.94%) and have a strike price of CAD 0.245 (2024: CAD 0.12) which represents the share price at grant.

Notes to the Consolidated Financial Statements

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22. 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, 2025	December 31, 2024
Accounts receivable ⁵	Level 3	84,903	51,322
Cash and cash equivalents, unrestricted ²	Level 1	41,150	76,792
Cash and cash equivalents, restricted ²	Level 1	981	9
Other receivables ²	Level 2	142	529
Total financial assets		127,176	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	
		December 31, 2025	December 31, 2024
Borrowings ³	Level 2	131,799	188,501
Accrued interest on bond	Level 2	13,549	9,795
Contingent consideration	Level 3	12,027	11,364
Accounts payable and accrued expenses ²	Level 2	8,474	9,583
Related-party loan ⁴	Level 2	-	16,891
Current tax liabilities	Level 2	-	25
Total financial liabilities		165,849	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 19 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 2029 Bond) at the balance sheet date is \$150.6 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 related-party loan was fully repaid at the balance sheet date (Estimated fair value at December 31, 2024: \$15.6 million, based on its nominal value).

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.

Notes to the Consolidated Financial Statements

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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 \$146.6 million as at December 31, 2025 (2024: \$224.0 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 international oil prices and the KRG's ability to continue exporting production outside of Iraq. A decline in the price of ICE Brent crude oil and Kirkuk blend crude oil official selling price, 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(d).

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 to be 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,	
	2025	2024	2025	224
Canadian dollars in thousands ("CAD '000")	138	299	394	115
Swiss francs in thousands ("CHF '000")	312	1,383	814	372

Notes to the Consolidated Financial Statements

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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 through financing at the corporate level due to the 2029 Bond. However, the Company is not exposed to interest-rate risks associated with the bonds as the coupon rate is fixed.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the 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	17,252	191,212	208,464
Payables to joint-operations partner	5,583	-	5,583
Trade payables and accrued expenses	2,891	-	2,891
Total	25,726	191,212	216,938

Refer to Notes 2b, 16 and 17.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

Expressed in thousands of United States dollars, unless otherwise noted

23. Commitments and contingencies

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

	2026	For the year ended December 31,			Total
		2027	2028	Thereafter	
Atrush and Sarsang block development and PSC	101,117	400	400	1,800	103,717
Sarsang contingent consideration	-	-	-	15,000	15,000
Corporate office and other	73	63	63	382	581
Total commitments	101,190	463	463	17,182	119,298

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the approved 2026 work program and other obligations under the PSCs. The capital expenditure commitments in the work plans and budgets are contingent upon continuation of sales and other economic factors.

Refer to Note 19 for further information regarding the Sarsang contingent consideration.

24. 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 KRG's costs and its own 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 an 18% participating interest (22.5% paying interest) in the Sarsang PSC through Shamaran Sarsang Ltd. 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 Ltd. together are "the Contractors" to the Sarsang PSC.

Under the original 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 costs 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 Notes 7 and 19.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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Information about subsidiaries

The consolidated financial statements of the Company include:

Subsidiary	Principal activities	Country of incorporation	% Equity interest as at	
			Dec 31, 2025	Dec 31, 2024
Shamaran Atrush Ltd.	Oil exploration and production	Cayman Islands	100	100
Sunrise Atrush B.V.	Oil exploration and production	Netherlands	0	100
Shamaran Sarsang A/S	Oil exploration and production	Denmark	100	100
Shamaran Sarsang Ltd.	Oil exploration and production	Cayman Islands	100	0
Shamaran Services S.A.	Technical and admin. services	Switzerland	100	100

Sunrise Atrush B.V. is the Dutch company acquired in 2024, formerly TAQA Atrush B.V., which was liquidated in 2025.

Shamaran Sarsang Ltd. is a newly created company in 2025 to which all the assets and liabilities of Shamaran Sarsang A/S were sold at the end of June 2025. Shamaran Sarsang A/S is in the process of liquidation.

25. Related-party transactions

Transactions with corporate entities

	Payments during the year		Amounts owing at December 31,	
	2025	2024	2025	2024
Nemesia	17,785	2,041	-	1,291
International Petroleum Corp.	347	206	36	23
Orrön Energy AB	202	93	1	-
Namdo Management Services Ltd.	31	113	74	52
Lundin Foundation	19	55	-	-
Total	18,384	2,508	111	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 had a 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 loan plus all outstanding interest was fully repaid in 2025. Refer also to Note 18 for further details.

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.

Notes to the Consolidated Financial Statements

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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,	
	2025	2024
Management short-term benefits	4,240	1,623
Management share-based payments	3,818	1,685
Director share-based payments	2,140	1,413
Management salaries	1,088	1,404
Director fees	335	240
Management pension benefits	213	221
Total	11,834	6,586

Short-term employee benefits include 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'*.

26. Subsequent Events

On January 19, 2026, the Company announced that it is pursuing a change in the Company's primary listing on the TSXV to the Euronext Growth Oslo market operated by the Oslo Stock Exchange. The Company will continue to fully support the secondary listing on Nasdaq First North Growth Market in Stockholm. ShaMaran plans to simultaneously effect a corporate continuance from Canada to Bermuda to have a more efficient corporate structure. If ShaMaran completes both transactions, the Company will no longer be incorporated in British Columbia and subject to the laws of Canada, it will cease to be listed on the TSXV, and it will no longer be a reporting issuer in any jurisdiction in Canada. ShaMaran will instead be incorporated in and subject to the laws of Bermuda. ShaMaran intends to hold a special meeting of shareholders on March 10, 2026, to seek approval of a special resolution approving the continuance of the Company from British Columbia, Canada to Bermuda. If approved by shareholders, this is expected to be effective on or around March 16, 2026.

On March 2, 2026, the Company announced a temporary production shut-in at both the Atrush and Sarsang blocks as a precautionary measure due to the regional security environment.

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