ShaMaran petroleum corp

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ShaMaran petroleum corp

Financial Report

For the three and nine months ended September 30, 2022 (UNAUDITED)

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

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For the three and nine months ended September 30, 2022

INTRODUCTION

Management's discussion and analysis ("MD&A") of the financial and operating results of ShaMaran Petroleum Corp. (together with its subsidiaries, "ShaMaran" or the "Company") is prepared with an effective date of November 9, 2022 and is intended to provide an overview of the Company's operations, financial performance and current and future business opportunities. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, together with the accompanying notes ("Financial Statements").

Company Overview

ShaMaran is in the business of developing and producing oil and gas. The Company has a 27.6% participating interest in the Atrush block, Kurdistan Region of Iraq through its wholly owned subsidiary General Exploration Partners, Inc. ("GEP"). On September 14, 2022, the Company announced that it successfully closed the acquisition of TEPKRI Sarsang A/S (the "Sarsang Acquisition"), a wholly owned subsidiary of TotalEnergies S.E. ("TTE"). The Company now also holds an 18% participating interest in the Sarsang block, Kurdistan Region of Iraq through its wholly owned subsidiary ShaMaran Sarsang A/S (the change of name was made immediately after closing).

The Company'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. The address of its registered and records office is 550 Burrard Street, Suite 2900, Vancouver, BC Canada V6C 0A3 and its business address is 885 West Georgia Street, Suite 2000, Vancouver, BC Canada V6C 3E8.

Basis of Preparation

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

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

Management's Discussion and Analysis
For the three and nine months ended September 30, 2022

THIRD QUARTER 2022 HIGHLIGHTS AND KEY EVENTS

The third quarter of 2022 transformed ShaMaran with the successful closing of the Sarsang Acquisition that enhances the Company's production and reserve profiles, as further detailed below, as well as the Company's merger of its two outstanding bonds into a single $300 million issue with a 4-year tenor due July 2025 (the "2025 bond"). The Company continued to deliver strong results in the third quarter; as gross margin on oil sales, cash flow from operations and EBITDAX[1] all more than doubled from third quarter of 2021. This strong cash generation enabled the Company to purchase more of its own bonds at commercially attractive prices during the quarter resulting in the Company now owning in excess of 10% of the 2025 Bond; and immediately following the quarter end the Company prepaid in full (together with applicable interest) the Convertible Loan Note issued to an affiliate of TTE in connection with the closing of the Sarsang Acquisition.

Corporate Highlights - the Sarsang Acquisition:

On September 14, 2022 the Company announced the closing of the Sarsang Acquisition. No longer a single asset company (from effective date of January 1, 2021) ShaMaran's portfolio has stakes in three world class producing oil fields (Atrush, Swara Tika and East Swara Tika) in Kurdistan with improved oil qualities and complementary production horizons. The additional interest in Sarsang Block:

(i) adds immediate incremental participating interest production of over 5,000 bopd of light crude oil (36-39° API);

(ii) is expected to double ShaMaran's average net production by the end of 2022;

(iii) enhances ShaMaran's oil reserves through the addition of high API and low sulphur oil that achieves a low discount compared to other producers; and

(iv) the combined business is forecast to result in a 2022 year end unrestricted cash balance of up to $105 million (up to $155 million when taking into account the bond buybacks and the early repayment of the Convertible Loan Note issued to TTE) [2]. This cash balance combined with the $36 million held as restricted cash in line with the 2025 bond agreement is forecast to result in leverage of below 1x net debt to EBITDAX at year end 2022 (pro forma for the Sarsang Acquisition).

Financial Highlights:

	Three months ended September 30		Nine months ended September 30	
USD Thousands	**2022**	**2021**	**2022**	**2021**
Revenue	39,812	29,070	123,492	74,884
Gross margin on oil sales	28,860	12,020	90,747	37,227
Net result	66,428	19	102,678	9,322
Cash flow from operations	28,250	12,544	92,732	40,567
EBITDAX	32,626	16,017	100,436	47,919

- The Company delivered oil sales in Q3 2022 of $40 million, 37% higher than Q3 2021;
- Cash flow from operations for Q3 2022 was $28 million, over twice that of Q3 2021;
- EBITDAX in Q3 2022 was very strong at $33 million, over double the EBITDAX of Q3 2021;
- Merger of existing bonds into one single $300 million issue bond, interest on all bonds fully paid on September 26, 2022;
- During Q3 2022 the Company bought back more of its own bonds, and currently owns in excess of 10% of the 2025 bond; and
- On October 3, 2022, the Company announced that it had prepaid, 11 months ahead of the original maturity date, in full (together with applicable interest) the $20 million Convertible Loan Note issued to an affiliate of TTE in connection with the Sarsang Acquisition closing.

Operational Highlights:

- The 50MM bbl cumulative production milestone for Sarsang was reached during September 2022;
- During Q3 2022 the commissioning of a new 25,000 bopd facility at Sarsang and commencement of oil export via pipeline from that facility;
- Q3 2022 gross average production of approximately 71,358 bopd , resulting in 16,206 bopd net to ShaMaran; and
- Q3 2022 lifting costs per barrel of $4.76 is higher than Q3 2021 lifting costs of $4.34 per barrel. This increase is mainly due to higher diesel prices, but within our 2022 Atrush guidance which takes into account cost inflation.

[1] Earnings before interest, tax, depreciation, amortization, and exploration expense.
2 Assuming continued payment by the KRG for crude oil sales invoices within 90 days of receipt.

OPERATIONS REVIEW

Business Overview

The third quarter of 2022 has seen a continuation of strong market conditions for oil producers. Average Brent oil price invoiced for the third quarter of this year was $101.02/bbl vs $113.66/bbl average price for the second quarter of 2022.

As recently announced by the company, the commissioning of Sarsang's new production facility and the commencement of export via pipeline for oil produced from that facility were the operational highlights of Q3 2022. With the commissioning of the new Sarsang 25,000 bpd processing facility this year and the 2017 Atrush 40,000 bpd processing facility, ShaMaran has been the engine for capacity growth in Kurdistan these past five years and looking forward will continue to look for expansion opportunities.

The Russian invasion of Ukraine in late February 2022 and the continued conflict has triggered a severe response from the international community further exacerbating global oil market supply shortage. The profound effects of this crisis could be long lasting as consumers and producers alike reshape their thinking around access to resources and security of supply. The Company notes the implications for commodity prices and potential interruptions of supply chains and third-party services from this ongoing conflict. The Company is also monitoring international sanctions and trade control legislation in order to mitigate any potential impact on the Company's operations. To date, the Russia-Ukraine conflict has had no direct material adverse impact on Company operations. However, since the Kurdistan Regional Government ("KRG") buys all oil production from Atrush and Sarsang fields and sells it at Ceyhan primarily in the Mediterranean crude market, the Russia-Ukraine conflict is indirectly impacting the Company's results. Russian sales of heavily discounted Urals crude barrels in the Mediterranean crude market have resulted in lower realized prices for KRG crude, an impact that is expected may dissipate post the imposition of EU sanctions in late 2022 and early 2023.

ShaMaran remains optimistic that oil prices will remain strong in the fourth quarter 2022 despite uncertainties in demand and supply in the global market. However, the Company will continue to maintain its financial discipline and is very well positioned to further grow as new market opportunities present themselves in Kurdistan and elsewhere. Going forward the Company's financial metrics will strengthen even further and in the current oil price environment, we expect strong cashflows from our three producing oil fields. We look forward to seeing the value created through our successful operations, further organic growth and potential future acquisitions to translate into much stronger growth in shareholder value for years to come. We are executing on our strategic vision to be a world class producer in Kurdistan with sustainable growth, low-leverage and significant cash flow generation. We have a strong cash position, and in the current oil price environment, we expect continued strengthening of our financial and operational metrics.

Environmental, social and governance considerations are important to ShaMaran and as previously announced this year, ShaMaran entered into an initial three (3) year commitment as exclusive corporate sponsor of the Hasar 2025 Vision (including the Million Tree Project) being developed and administered by Hasar for Earth Sciences ("Hasar"), a non-governmental organization formed in Kurdistan Region of Iraq. The planting of trees in Erbil and its vicinity by Hasar has already commenced. ShaMaran's sponsorship of Hasar with support from the Company's technical, legal, financial and administrative sources have worked on enhancing the goals of these projects and developed the "Erbil 2030 Strategy", a significant reforestation project which according to Hasar aims to plant in excess of 100 million indigenous trees in and around Erbil over the next decade. ShaMaran intends to continue providing financial, technical, legal and administrative support to Hasar for the Erbil 2030 Strategy Project as well as assistance in working with local authorities on green belt/reforestation efforts to ensure the project's success. ShaMaran has started the process for certification of carbon credits for this significant reforestation project and related activities which is a first-of-its kind in Kurdistan. These credits will be used by the Company to offset its carbon emissions in the Atrush and Sarsang Blocks. According to the Company's environmental consultants the Erbil reforestation project is breaking new ground and is unique in the MENA region on many levels, not least in the intent to offset Scope 1 and 2 emissions through a local, in country initiative. Over the next year ShaMaran plans to develop a detailed energy transition strategy to achieve net carbon neutrality. Future potential investment decisions by the Company in its growth plans will be carefully evaluated for alignment with that strategy and its objectives.

ShaMaran as part of the Atrush joint venture has been advancing the deployment of a gas solution to meet its commitment to bettering the environment in Kurdistan. The Sarsang joint venture is working to define the scope, alternatives and costs to advance a gas handling solution as per agreed terms with the KRG for Sarsang Block.

During the third quarter of 2022 the Company joined HSBC's Green Deposit program, an opportunity to invest surplus cash balances into environmentally friendly projects and initiatives in Canada financed by the HSBC bank. The Company has deposited an initial $15 million in a Green Deposit account further demonstrating the Company's commitment to environmental, social and governance considerations in Canada as well as Kurdistan.

With the risks and uncertainties disclosed in this MD&A, together with the risks disclosed in the Company's Annual Information Form dated April 25, 2022, management has not identified other trends or events that are expected to have a material adverse effect on the financial performance of the Company.

For additional background and history on the Company's Atrush ownership, please refer to the Company's Annual Information Form for the year ended December 31, 2021 , which is available for viewing both on the Company's website at www.shamaranpetroleum.com and on SEDAR at www.sedar.com, under the Company's profile. The Company in its next Annual Information Form for the year ended December 31, 2022 will incorporate relevant information on its newly acquired Sarsang assets together with its Atrush asset.

Operations Overview

Reserves and Resources

On April 25, 2022, the Company reported estimated reserves and contingent resources for the Atrush field as at December 31, 2021, as reported by the Company's independent reserves and resources evaluator, McDaniel & Associates Consultants Ltd. ("McDaniel").

Total field proven plus probable ("2P") reserves on a Company gross basis for Atrush increased from 30.3 million barrels reported as at December 31, 2020, to 30.4 million barrels as at December 31, 2021, being a 102% reserves replacement of 2021 production.

Total field unrisked best estimate contingent oil resources ("2C")[3] on a Company gross basis for Atrush decreased from the 2020 estimate of 60.6 million barrels to 34.8 million barrels as at December 31, 2021, due to updates to the Atrush structural model resulting from geological data obtained during the drilling of CK-17.

Total discovered oil in place in the Atrush Block is a low estimate of 1.3 billion barrels, a best estimate of 1.5 billion barrels and a high estimate of 2.0 billion barrels.

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, 2021 and available in the Company's profile on SEDAR at www.sedar.com. The Company in its next Form 51-101 F1 Statement of Reserves Data and Other Oil and Gas Information as at December 31, 2022 will incorporate relevant information on its newly acquired Sarsang assets together with its Atrush asset.

Production

	WI	Three months ended Sep 30 2022	Three months ended Sep 30 2021	Nine months ended Sep 30 2022	Nine months ended Sep 30 2021
Average daily oil production – gross 100% field (Mbopd)					
- Atrush		35.0	41.3	37.0	39.7
- Sarsang		36.3	-	36.3	-
Total		**71.3**	**41.3**	**71.3**	**39.7**
Oil sales – gross 100% field (Mbbl)					
- Atrush		3,222	3,797	10,093	10,834
- Sarsang (from September 15, 2022)		489	-	489	-
Total		**3,711**	**3,797**	**10,582**	**10,834**
ShaMaran's oil sales entitlement (Mbbl)					
- Atrush	27.6%	428	504	1,340	1,438
- Sarsang (from September 15, 2022)	18%	47	-	47	-
Total		**475**	**504**	**1,387**	**1,438**

Atrush production and ShaMaran's entitlement of oil sales for the nine months were 7% lower in 2022 than 2021 and 15% lower in Q3 2022 compared to Q3 2021. The explanation as to the reduction is discussed below in the "Operational Outlook".

The Atrush production well CK-18 , spudded from the Chamanke G Pad, was drilled to total depth in September 2022 with a 950m section drilled horizontally through the Lower Jurassic Mus formation. The well is currently being completed and is forecast to commence production in Q4 2022.

In October 2022 the Atrush production well, CK-19, was spudded from the Chamanke C Pad. Targeting the Upper Jurassic Sargelu formation, the well is forecast to commence production in Q1 2023.

Sarsang production and ShaMaran's entitlement of oil sales for Q3 2022 is only from after the closing of the acquisition on September 14,2022, therefore this is not a full quarter and there are no previous year comparisons.

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

Operational Outlook

With continuing high oil prices in 2022 the Company anticipates a continuation of strong operating cash flow, supporting prudent capital deployment in the year. The Company reiterates the Atrush guidance set for 2022 provided in its news release of April 25, 2022, as follows:

- 2022 average production guidance of 36,000 to 41,000 bopd, current 2022 production is within guidance;
- Resumption of suspended 2020 capital program with Atrush capital expenditures for 2022 planned at $116 million ($32 million net to ShaMaran), as outlined below actual capital expenditure is anticipated to be below guidance. This capital program includes:
  - The drilling and completion of three development wells.
  - Initiation of the gas solution project which will significantly reduce emissions by using existing infrastructure to generate electrical power from produced gas. As the Atrush field is currently dependent on diesel-fueled generators for all electrical power, this project will also therefore greatly reduce future operating costs.
- Atrush operating expenditure is forecast to be $76 million ($21 million net to ShaMaran) for 2022; and
- Atrush average lifting costs per barrel are estimated to range from $4.80 to $5.80. Atrush lifting costs are mainly fixed costs and dollar-per-barrel estimates should decrease with increasing levels of production and operational efficiencies; however rising oil prices do have a negative impact on lifting costs as diesel is an important element of operating costs.

As previously announced in September 2021, TAQA Atrush B.V. ("TAQA" a subsidiary of Abu Dhabi National Energy Company PJSC, and the "Atrush Operator") conducted a strategic review of their oil and gas buisness during which period their worldwide capex spend decreased, resulting in a slowdown of production growth including in the Atrush field. As announced on July 5, 2022, TAQA have decided to remain in the oil and gas business and have begun to re-engage with their partners on further investments and future production growth; however, the impact of the capex slowdown in the 2022 budget will likely require a few quarters to reverse and this has been reflected in the Company's production guidance for 2022. The Company is fully engaged with the Atrush Operator and the Government to maximize production from the Atrush field.

Shortly following the end of the third quarter if 2022, the Company confirmed that the Sarsang operator, on behalf of itself and the Company's wholly-owned subsidiary, ShaMaran Sarsang A/S, has signed an amendment to the Sarsang Block Lifting Agreement with the KRG regarding the sale and purchase of all crude oil production from Sarsang Block. This amendment became effective retroactively to September 1, 2022. The primary effect of the new Lifting Agreement is to change the reference price for Sarsang crude oil sales payments from Dated Brent to KBT (Kurdistan Blend) in order to reflect current market conditions for oil sales at Ceyhan, together with the necessary adjustments for crude quality due to the crude benchmark change.

During the third quarter the Company announced the commissioning of Sarsang's 25,000 bopd production facility and the commencement of export via pipeline for oil produced from that facility. Production rates from the new wells and facility are expected to be up to 20,000 bopd by the end of October 2022.

Sarsang guidance will be published by the Company with the next annual guidance of the Company currently scheduled in February 2023.

FINANCIAL REVIEW

Financial Results

Selected Quarterly Financial Information

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

USD Thousands (except per share data)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Continuing operations:								
Revenue	**39,812**	44,844	38,836	27,439	29,070	25,208	20,606	14,081
Cost of goods sold	**(10,952)**	(10,636)	(11,157)	(14,777)	(17,050)	(10,255)	(10,352)	(3,828)[4]
Net Gain on Sarsang Acquisition	**50,852**	-	-	-	-	-	-	-
General and admin expense	**(2,275)**	(2,359)	(1,593)	(2,645)	(1,844)	(1,804)	(1,543)	(2,115)
Share based payments	**(212)**	(176)	(1,401)	(295)	(198)	(469)	(665)	(258)
Depreciation and amortization	**(55)**	(55)	(54)	(51)	(56)	(55)	(57)	(54)
Credit loss provision	**(1,492)**	(1,897)	(611)	2,038	-	-	-	(3,201)
Finance cost	**(11,809)**	(8,972)	(9,060)	(7,638)	(9,904)	(6,054)	(6,167)	(6,441)
Finance income	**2,601**	435	139	26	9	276	669	2
Income tax expense	**(42)**	(14)	(19)	(36)	(8)	(13)	(22)	29
Net income / (loss)	**66,428**	**21,170**	**15,080**	**4,061**	**19**	**6,834**	**2,469**	**(1,785)**
EBITDAX	**32,626**	37,339	30,471	18,456	16,017	18,402	13,500	6,614
Basic and diluted net inc / (loss) in $ per share	**0.024**	0.009	0.007	0.002	-	0.003	0.001	(0.001)

EBITDAX[5] is calculated as the net result before financial items, taxes, depletion of oil and gas properties, impairment costs, depreciation and exploration expenses and adjusted for non-recurring profit/loss on sale of assets and other income. Explanations of the significant variances between periods are provided in the following sections.

Summary of Principal Changes in the Third Quarter Financial Information

The $66 million net income generated in Q3 2022 was primarily driven by the bargain purchase gain on the Sarsang Acquisition of $51 million, for further details please refer to the section below "Net gain on Sarsang Acquisition". The quarter also included an increase in finance income, mainly due to the interest received on the bonds owned by the Company and interest received on cash deposit balances. The income and expenses in the third quarter are explained in more detail in the following sections.

[4] The exceptionally low Atrush cost of goods sold in Q4 2020 is the result of low depletion costs due to a positive adjustment made to cumulative depletion for the increase in reserves at 2020 year-end which spread depletion costs over an increased number of barrels.

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

EBITDAX - Non-IFRS Measures

The Company generated a strong $32.6 million of EBITDAX in Q3 2022, as shown in the following table, continuing to underline the profitability of the Company in the current oil price environment.

	Three months ended September 30		Nine months ended September 30	
USD Thousands	**2022**	**2021**	**2022**	**2021**
Revenues	39,812	29,070	123,492	74,884
Lifting costs	(4,647)	(4,551)	(14,908)	(13,868)
Other costs of production	(52)	(6,460)	(132)	(6,574)
General and administrative expense	(2,275)	(1,844)	(6,227)	(5,191)
Share based payments	(212)	(198)	(1,789)	(1,332)
EBITDAX	**32,626**	**16,017**	**100,436**	**47,919**

Gross margin on oil sales

	Three months ended September 30		Nine months ended September 30	
USD Thousands	**2022**	**2021**	**2022**	**2021**
Revenue from oil sales	39,812	29,070	123,492	74,884
Lifting costs	(4,647)	(4,551)	(14,908)	(13,868)
Other costs of production	(52)	(6,460)	(132)	(6,574)
Depletion costs	(6,253)	(6,039)	(17,705)	(17,215)
Cost of goods sold	**(10,952)**	**(17,050)**	**(32,745)**	**(37,657)**
Gross margin on oil sales	**28,860**	**12,020**	**90,747**	**37,227**

Revenue from oil sales relates to the Company's entitlement share of oil sales from the Atrush and Sarsang blocks (Sarsang sales are included from September 15,2022). The increase in revenues in Q3 2022 as compared to Q3 2021 was driven by higher average net oil prices. Overall Q3 2022 production was sold at an average net oil price of $83.94 per barrel after deducting the discount for oil quality and transportation costs which compares to $57.68 for oil sales made in Q3 2021. The higher oil prices resulted in increased revenues of $12.5 million which the lower production decreased by $1.7 million, compared to the same quarter the previous year.

Lifting costs are comprised of the Company's share of expenses related to the production of oil from the Atrush and Sarsang blocks including operation and maintenance of wells and production facilities, insurance and the respective Operator's related support costs as charged to the Company. The average lifting cost per barrel of oil produced was $4.76 per barrel in Q3 2022 (Q3 2021: $4.34 per barrel). The increase per barrel related mainly to higher diesel prices in the quarter.

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

Depletion costs per entitlement barrel in Q3 2022 was $13.07 (Q3 2021: $11.99), the increase is due to the impact of including Sarsang and as in previous quarters for Atrush due to the 2021 year end reserves report; higher inflation rates increasing the abandonment provision and an increase in future development costs of the Atrush field.

Gross margin on oil sales was significantly higher in Q3 2022 mainly due to the increased net oil sales as detailed above.

Net gain on Sarsang Acquisition

On September 14, 2022, the Company announced the closing of the Sarsang Acquisition. The Company purchased TEPKRI Sarsang A/S, now ShaMaran Sarsang A/S, which holds an 18% non-operated participating interest in the Sarsang PSC in Kurdistan. The Sarsang Acquisition has an effective date of January 1, 2021. Details of the purchase consideration, the net assets acquired and bargain purchase gain are as follows:

Purchase consideration:	
Cash paid [1]	142,096
Deferred payment [2]	22,918
Contingent consideration[2]	10,950
Total purchase consideration	**175,964**

[1] The cash paid represents an upfront payment of $135 million plus $7.096 million of working capital adjustments on closing.

[2] The deferred payment and contingent consideration amounts mainly represent the $20 million convertible promissory note issued to the seller at closing and a potential additional contingent consideration of $15 million. The convertible promissory note was originally negotiated as a 12-month maturity note but was later issued to the seller with a 1-month maturity from the date of closing; at the date of these financials statements this note plus interest has been paid in full. The contingent consideration is payable to the seller upon (i) cumulative gross oil production from the Sarsang PSC reaching 130 MMbbls and (ii) subject to Brent crude oil prices averaging at least $60/bbl for the preceding twelve-month period. The Company has estimated the fair value at the date of the acquisition as $10.95 million, there was no material gain or loss to be reported for the period between acquisition date and balance sheet date.

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair Value
Property, plant and equipment [5]	178,487
Accounts receivables on oil sales [6]	34,420
Cash	31,659
Other receivables	2
Payables to joint operating partner	(10,017)
Provision for decommissioning and site restoration [7]	(7,735)
Net identifiable assets acquired	**226,816**
Less: bargain purchase gain [4]	(50,852)
Net assets acquired	**175,964**

[4] The bargain purchase gain is due to the Sarsang Acquisition having an effective date of January 1, 2021, and the purchase price agreed on signing the agreement July 12, 2021. The acquisition closed September 14, 2022, during this time the Brent price of oil has increased.

[5] The fair value of the property, plant and equipment acquired is based on development costs related to the Company's share of the Sarsang PSC proved and probable reserves as estimated by the Company's independent qualified reserves evaluator, McDaniel. The estimate takes into account the production until closing of the acquisition, a prudent average Brent oil price of $60 per barrel, the impact of the new lifting agreement and has been discounted at 17%.

[6] The fair value of acquired trade receivables is $34.420 million. The gross contractual amount for trade receivables is $36.586 million, with a loss allowance of $2.166 million recognized on acquisition.

[7] The fair value of the provision for decommissioning and site restoration was based on the estimated future cash flows to retire the acquired portion of the oil and gas property at the end of its useful life. The discount rate used to determine the net present value of the provision was a rate of 3.09 percent (the Bank of Canada's long-term bond yield rate).

Up to twelve months from the closing date of the acquisition, further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed, as well as to the fair value of the consideration transferred.

General and administrative expense

USD Thousands	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
Salaries and benefits	964	578	2,480	1,961
Management and consulting fees	600	186	1,670	1,045
Legal, accounting and audit fees	315	824	690	1,403
General and other office expenses	177	177	531	461
Listing costs and investor relations	132	51	373	264
Travel expenses	87	28	283	57
Corporate Sponsorship	-	-	200	-
General and administrative expense	**2,275**	**1,844**	**6,227**	**5,191**

The increase in general and administrative expenses in the nine months of 2022 compared to 2021 is mainly due to the Hasar corporate sponsorship, one-off business development management and consulting fees incurred in 2022 and an increase in travel expenses as business travel returns to pre-pandemic levels.

Share based payments expense

USD Thousands	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
RSU expense	160	90	796	407
Option expense	155	123	760	541
DSU (recovery)/expense	(103)	(15)	233	384
Total share-based payments	**212**	**198**	**1,789**	**1,332**

The share-based payments expense relates to the vesting of stock options, granted deferred share units ("DSUs") and restricted share units ("RSUs"). At September 30, 2022 there was in total 77,740,000 outstanding stock options (September 30, 2021: 61,990,000), 22,123,339 RSUs (September 30, 2021: 22,103,334) granted to certain senior officers and other eligible persons of the Company and 13,381,443 DSUs (September 30, 2021: 12,406,477) granted to ShaMaran's non-executive directors. DSUs are revalued each quarter end resulting in an increase or decrease to their valuation depending on the share price. Also refer to the discussion under the "Outstanding share data, share units and stock options" section below.

Depreciation and amortization expense

USD Thousands	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
Depreciation and amortization expense	55	56	164	168

Depreciation and amortization expense correspond to cost of use of the office, furniture and IT equipment at the Company's technical and administrative offices located in Switzerland and Kurdistan.

Credit Loss Provision

USD Thousands	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Credit Loss Provision – transportation costs	1,023	-	3,226	-
Credit Loss Provision – general	469	-	774	-
Total credit loss provision	**1,492**	**-**	**4,000**	**-**

A provision has been made in the first nine months of 2022 to account for a possible increase in Atrush transportation and access fees of $3.2 million. According to the KRG these costs were added as a result of increased pipeline costs and other tariffs, this increase has yet to be agreed between the parties.

The Company has also provided for a general credit loss provision for all receivables owed to the Company from the KRG. The Company expects to recover the full nominal value of receivables, however a provision is in place to reflect credit risk, the provision is reassessed each quarter end.

Finance income

USD Thousands	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Interest on deposits	1,429	4	1,923	14
Net gain from settlement of debt	1,138	-	1,138	792
Total interest income	**2,567**	**4**	**3,061**	**806**
Foreign exchange gain	34	5	114	82
Total finance income	**2,601**	**9**	**3,175**	**888**

Interest on deposits in the first nine months of 2022 includes $483 thousand of interest from the $30.7 million of the Company bonds that were purchased but not retired.

The net gain on settlement of debt is due to the Company purchasing its bonds in the market at commercially attractive rates, as permitted by the bond terms.

Finance cost

USD Thousands	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Interest /amortization charges on bonds	8,529	7,764	25,659	18,784
Re-measurement of bond debt and Nemesia loan	2,465	-	2,465	-
Amortization of 2023 bond transaction costs	734	159	1,223	472
Amortization of the related party loan	727	648	2,105	1,865
Call premium on new bond	-	1,672	-	1,672
Total borrowing costs	**12,455**	**10,243**	**31,452**	**22,793**
Lease – interest expense	1	5	12	15
Interest expenses	-	-	35	-
Unwinding discount on decommissioning provision	(259)	(222)	(826)	(405)
Total finance costs before borrowing costs capitalized	**12,197**	**10,026**	**30,673**	**22,403**
Borrowing costs capitalized	(388)	(122)	(832)	(344)
Finance cost	**11,809**	**9,904**	**29,841**	**22,059**

Interest and amortization charges include interest on the initial issue amount of $111.5 million of the 2025 bond issued on July 30, 2021. From September 27, 2022, these costs represent the amortization of the full $300 million 2025 bond related transaction costs and interest.

Re-measurement of bond debt and Nemesia loan relates to the de-recognition of the accounting for the bonds and loan prior to September 27, 2022.

Borrowing costs directly attributable to the Sarsang Acquisition and 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" and "Loan from related party".

Income tax expense

USD Thousands	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Income tax expense	42	8	75	43

Income tax expense relates to provisions for income taxes on service income generated in Switzerland which is based on costs incurred in procuring the services.

Capital Expenditure

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

The net book value of PP&E is principally comprised of development costs related to the Company's share of Atrush and Sarsang PSC proved and probable reserves as estimated by McDaniel. The movements in PP&E are explained as follows:

	Nine months ended September 30, 2022			Year ended December 31, 2021		
USD Thousands	Oil and gas assets	Office equipment	Total	Oil and gas assets	Office equipment	Total
Opening net book value	**138,804**	**167**	**138,971**	**145,875**	**171**	**146,046**
Additions	13,870	14	13,884	18,878	59	18,937
Sarsang Acquisition	178,487	-	178,487	-	-	-
Depletion and depreciation expense	(17,705)	(56)	(17,761)	(25,949)	(63)	(26,012)
Net book value	**313,456**	**125**	**313,581**	**138,804**	**167**	**138,971**

The net book value of property, plant and equipment ("PP&E") is principally comprised of development costs related to the Company's share of Atrush and Sarsang PSC proved and probable reserves as estimated by the Company's independent qualified reserves evaluator, McDaniel. During the first nine months of 2022, movements in PP&E were comprised of the Sarsang Acquisition of $178.5 million (2021: $nil), general additions of $13.9 million (2021 full year: $18.9 million), which included capitalized borrowing costs of $832 thousand (2021 full year: $523 thousand), net of depletion of $17.8 million (2021 full year: $26.0 million) which resulted in a net increase to PP&E assets of $174.6 million.

Capital Expenditures on Intangible Assets

The net book value of intangible assets at September 30, 2022 relates to computer software. The movements in Intangible assets are explained as follows:

	Nine months ended September 30, 2022	Year ended December 31, 2021
USD Thousands	Software & Licences	Software & Licences
Opening net book value	**37**	**70**
Addition / (reversal)	-	(5)
Amortization expense	(21)	(28)
Net book value	**16**	**37**

Financial Position and Liquidity

Loans and receivables

At September 30, 2022, the Company had loans and receivables outstanding as follows:

USD Thousands	At September 30, 2022	At December 31, 2021
Accounts receivable on oil sales	92,992	40,599
Atrush Exploration Costs receivable	-	8,813
Credit Loss Provision – general	(3,145)	(1,163)
Credit Loss Provision – transportation costs	(4,183)	-
Total loans and receivables	**85,664**	**48,249**

The $93.0 million of accounts receivable on oil sales at September 30, 2022, relates to deliveries from June 2022 through to September 2022 for Atrush and Sarsang

The Atrush Exploration Costs receivable was fully repaid during 2022.

The Company has provided for a general credit loss provision for all the loans and receivables owed to the Company from the KRG. The Company expects to recover the full nominal value of loans and receivables, however a provision is in place to reflect credit risk. The provision is reassessed each quarter end.

A further provision has been made in the first nine months of 2022 to account for a possible increase in transportation and access fees of $4.2 million (2021: $nil). According to the KRG these costs were added as a result of increased pipeline costs and other tariffs; this increase has yet to be approved.

In the period from the balance sheet date up to the date of this MD&A the Company had received $26.62 million in total payments for receivables balances outstanding at September 30, 2022.

Borrowings

The ShaMaran bond issued in 2018 carried a 12% fixed semi-annual coupon and was due to mature on July 5, 2023 (the "2023 Bond"). The Company fulfilled an obligation under the 2023 Bond Terms to make the amortization payment of $15 million by December 2021, reducing the outstanding principal amount of the 2023 Bond to $175 million.

On July 16, 2021, the Company announced the successful placement of a new $300 million bond, with a 4-year tenor due July 2025 and priced at 12% fixed semi-annual coupon (the "2025 Bond"). The 2025 Bond shall be partially amortized in instalments with $22.5 million due every 6 months from July 2023 and the remaining balance due at maturity. The 2025 Bond was issued at a price of 98.5% of nominal value which was applicable to both new money under the Initial Issue Amount of $111.5 million in July 2021 and the refinancing of $175 million of existing debt in September 2022. Following the closing of the Sarsang Acquisition the Company announced on September 27, 2022, that the Company's 2023 Bond was exchanged for its 2025 Bond at 2% premium, in accordance with the Bond Terms, and that accrued interest was paid in full at September 26, 2022, to all bondholders.

The existing debt that was refinanced into the new bond included $7.2 million of the total $22.8 million debt currently owed by the Company to Nemesia S.à.r.l. ("Nemesia") with the $15.6 million balance remaining on amended terms. Refer below to "loan from related party" for further detail.

At the end of 2021 the Company had purchased in the market at a commercially attractive rate the principal amount of $3 million of its 2023 Bond and in the third quarter of 2022 the Company purchased an additional $4.4 million of its 2023 Bond. At September 27, 2022, all of the 2023 Bond exchanged into a total of $7.6 million of 2025 Bond. During the third quarter of 2022 the Company also purchased $23.1 million of its 2025 Bond. At September 30, 2022, the Company held $30.7 million of its own 2025 Bond, these Bonds have not been retired.

Following the exchange of the 2023 Bond for the 2025 Bond, the put option in the 2023 Bond Terms no longer exists. Therefore, all the borrowings are now classified as non-current at September 30, 2022, except for the first amortization payment of $22.5 million due July 2023.

At September 30, 2022, $36 million of restricted cash is held in a Debt Service Retention Account ("DSRA") to cover the interest relating to the 2025 bond. This amount represents a full year of interest payments as per the Bond Terms and is required to be increased to $58.5 million in January 2023.

The movements in borrowings are explained as follows:

USD Thousands	At September 30, 2022	At December 31, 2021
Opening balance	**296,839**	**199,561**
2025 bond issued	188,528	111,472
Interest/amortization charges	25,659	27,419
Amortization of bond transaction costs	2,486	771
2025 bond discount	(4,092)	-
2025 bond transaction costs	(6,261)	(1,672)
Bond purchases	(27,717)	(2,988)
Payments to 2023 bondholders – interest	(41,182)	(22,724)
2023 bond amount retired	(175,000)	(15,000)
Ending balance	**259,620**	**296,839**
Non-current portion: borrowings	236,443	-
Current portion: borrowings	22,500	280,999
Current portion: accrued bond interest expense	317	15,840

Loan from related party

In July 2020, the Company announced a full drawdown of the $22.8 million of Nemesia's liquidity guarantee followed by the full and final discharge of such liquidity guarantee by the Bond Trustee. In exchange for the drawdown of funds the Company was required to issue monthly to Nemesia 50,000 ShaMaran shares for each $500 thousand drawn down and outstanding until the drawn amount is repaid in full together with interest (the "Loan Shares"). In addition, the Company was required to accrue interest on the amount due to Nemesia at an annual rate of 5%. Repayment of the accrued interest and principal by the Company to Nemesia was payable on or before July 5, 2023, and such claim for repayment was subordinated to all obligations under the Company's 2023 and 2025 bond terms.

In accordance with IFRS 9 Financial Instruments the liquidity guarantee was a compound financial instrument which had two parts: a liability component and an equity component. The fair value of the liability component was presented on the balance sheet as "loan from related party". The fair value of the equity was presented on the balance sheet as "Loan Share reserve". As Nemesia was issued the Company shares each month the Loan Share reserve value was transferred into share capital on a straight-line basis. During 2022 $1,297 thousand (full year 2021: $1,573 thousand) had been transferred into share capital.

After the successful closing of the Acquisition and the Bond conversion on September 27, 2022, see Note 16, $7.2 million of the existing $22.8 million debt was refinanced into the new 2025 Bond, the balance of $15.6 million remains as the Nemesia loan with new terms. The interest rate on the Nemesia Loan has been adjusted to match the interest rate on the new bond of 12% (which will be payable in cash semi-annually) plus an additional interest amount of 2% per annum payable in kind. The monthly common share allotment has been eliminated.

Following the changes above, the Nemesia loan accounting has been changed accordingly. The liability component has been split into the part to converted to the 2025 Bond and the part to be carried forward into the new loan, the difference between the values is the re-measurement of debt. The equity component no longer exists from September 27, 2022, the last share issue occurred after the balance sheet date in October 2022. The remaining $1.2 million has been expensed to retained earnings.

The 2022 movements in the liquidity guarantee loan balance are explained as follows:

USD Thousands	At September 30, 2022	At December 31, 2021
Opening balance	**21,748**	**19,215**
Recognize Nemesia loan on new terms	15,600	-
Amortization	2,105	2,533
Derecognize Nemesia loan on old terms	(23,835)	-
Ending balance	**15,618**	**21,748**

Liquidity and Capital Resources

USD Thousands	Nine months ended September 30 2022	2021
Selected liquidity indicators		
Cash flow from operations	101,492	40,567
Cash in bank	104,176	151,048
Positive / (negative) working capital	115,995	(87,370)

Cash flow from operations of $101.5 million for the nine months of 2022 is up by $60.9 million from $40.6 million reported in the same period of 2021 principally due to higher oil sales and increased realized pricing in the first nine months of 2022.

Working capital at September 30, 2022, was positive $116 million compared to negative $87.4 million at September 30, 2021. The increase in working capital since September 30, 2021 is principally due to the Company's bonds are now classed as a non-current liability after the closing of the Sarsang Acquisition.

The overall cash position of the Company decreased by $67.5 million during the first nine months of 2022, as compared to an increase of $122.6 million during the same period of 2021. The main components of the movement in funds were as follows:

- The operating activities of the Company during the first nine months of 2022 resulted in an increase of $92.7 million in the cash position (2021: increase of $40.6 million). The change in cash from operations is explained by the higher revenues/gross margin from oil sales.
- Net cash out to investing activities during the first nine months of 2022 were $112.8 million (2021: cash inflows from of $4.1 million). Cash out to investing activities were comprised of $110.4 million of Sarsang Acquisition payments, $13.1 million for investments in the Atrush and Sarsang Block development work program net of cash inflows of $8.8 million in payments by the KRG of Atrush loans and receivables and $1.9 million interest received.
- Net cash outflows to financing activities in the nine months were $47.4 million (2021: cash inflows from 78.0 million) and comprised of $27.4 million of purchases of ShaMaran Bonds, $41.2 million of interest payments to ShaMaran bondholders in 2022, $6.3 million of 2025 Bond transaction costs offset by the net proceeds from the rights offering of $27.5 million.

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

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

USD Thousands	Purchase of services for periods ended September 30, three months 2022	three months 2021	nine months 2022	nine months 2021	Amounts owing at the balance sheet dates September 30, 2022	December 31, 2021
Nemesia	525	680	1,883	2,029	136	1,830
Namdo Management Services Ltd	9	9	25	25	-	-
Total	**534**	**689**	**1,908**	**2,054**	**136**	**1,830**

Nemesia is a company controlled by a trust settled by the estate of the late Adolf H. Lundin and is a shareholder of the Company. The Company has had a change to the Nemesia loan obligation from September 27, 2022, to accrue 12% (which will be payable in cash semi-annually) plus accrue an additional interest amount of 2% per annum payable in kind based on the principal balance outstanding.

Namdo Management Services Ltd. is a private corporation affiliated with a shareholder of the Company and has provided corporate administrative support and investor relations services to the Company.

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm's length.

Outstanding Share Data, Share Units and Stock options

Common shares

The Company had 2,805,232,072 outstanding shares at September 30, 2022, 2,918,476,854 outstanding shares after dilution and 2,807,284,072 outstanding shares at the date of this MD&A.

Details of share issuance in the first nine months of 2022 are as follows:

- 20,520,000 common shares were issued to Nemesia, and a further 2,052,000 up to the date of this MD&A, in accordance with the loan repayment terms between the Company and Nemesia. The loan has been amended and has new repayment terms from September 27, 2022, the monthly common share allotment has been eliminated. See "Transactions with Related Parties".
- 11,119,995 Restricted Share Units ("RSUs") vested in accordance with the Company's Share Unit Plan and were issued to grantees. The carrying value of the RSU Shares has been determined based on the Company's average closing share price over the 5-day period prior to the vesting date.
- 558,242,414 common shares were issued on May 25, 2022, in connection with the rights offering to shareholders of record on April 13, 2022 to purchase additional common shares in the Company.

Share units and Stock options

The Company has established share unit plan and a stock option plan whereby a committee of the Company's Board may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. At September 30, 2022, a total of 113,244,782 shares, 4% of issued share capital, had been granted of the possible 280,523,207 shares that could be granted under the plans. Under the share unit plan the Company may grant performance share units ("PSU"), and restricted share units ("RSU"). As at September 30, 2022 and the date of this MD&A there are no PSUs outstanding. A deferred share unit ("DSU") plan exists for non-executive directors of the Company.

On March 24, 2022, the Company granted

(i) 10,890,000 RSUs to certain senior officers and other eligible persons of the Company at a grant date share price of CAD 0.10. In 2022 a total of 10,869,995 RSUs vested, and the same quantity of shares were issued to plan participants. The Statement of Comprehensive Income includes RSU related charges of $797 thousand (2021: $407 thousand) for the first nine months of 2022.

(ii) 2,287,620 DSUs to non-executive directors have been granted and 1,312,654 have been exercised. The Statement of Comprehensive Income includes DSU related charges of $233 thousand for the first nine months of (2021: $384 thousand). The carrying amount of the DSU liability at September 30, 2022 is $779 thousand.

(iii) 15,750,000 stock options to certain senior officers and other eligible persons of the Company at a strike price of CAD 0.10. The Statement of Comprehensive Income includes option related charges of $760 thousand (2021: $541 thousand) for the first nine months.

At September 30, 2022 there were 77,740,000 stock options outstanding under the Company's employee incentive stock option plan, which represents 2.8% of the total shares outstanding at September 30,2022. No stock options were exercised in 2022 (year 2021: nil).

The Company has no warrants outstanding.

Movements in the Company's outstanding options and share units in the year are explained as follows:

	Number of share options outstanding	Number of RSUs outstanding	Number of DSUs outstanding
At December 31, 2021	**61,990,000**	**22,103,334**	**12,406,477**
Granted in the period	15,750,000	10,890,000	2,287,620
Expired/cancelled in the period	-	-	(1,312,654)
RSU Shares issued in the period	-	(10,869,995)	-
At September 30, 2022	**77,740,000**	**22,123,339**	**13,381,443**
Quantities vested and unexercised:			
At December 31, 2021	43,069,995	-	12,406,477
At September 30, 2022	62,273,328	-	13,381,443

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 block and, similarly in Sarsang block but it also carries its pro rata share of the KRG's petroleum costs in Sarsang Block.

As at September 30, 2022, the outstanding commitments of the Company were as follows:

	For the year ended September 30,				
USD Thousands	2023	2024	2025	Thereafter	**Total**
Atrush and Sarsang block developments	66,272	166	166	1,324	**67,928**
Corporate office and other	133	82	-	-	**215**
Total commitments	**66,405**	**248**	**166**	**1,324**	**68,143**

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the approved 2022 work program and other obligations under the Atrush and Sarsang PSCs.

Critical Accounting Policies and Estimates

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

Accounting for Oil and Gas Operations

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

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

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

Producing properties and significant unproved properties are assessed annually, or more frequently as economic events dictate, for potential indicators of impairment. Economic events which 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 mineral resources in the specific area is neither budgeted nor planned;
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amounts of E&E and oil and gas assets is unlikely to be recovered in full, from successful development or by sale;
- Extended decreases in prices or margins for oil and gas commodities or products; and
- A significant downwards revision in estimated volumes or an upward revision in future development costs.

For impairment testing the assets are aggregated into cash generating 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 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 depreciation that would have been charged since the impairment. In 2022 all the Company's development activities are conducted jointly with others.

Risks in estimating resources

There are uncertainties inherent in estimating the quantities of reserves and resources including factors which are beyond the control of the Company. Estimating reserves and resources is a subjective process and the results of drilling, testing, production and other new data after the date of an estimate may result in revisions to original estimates.

Reservoir parameters may vary within reservoir sections. The degree of uncertainty in reservoir parameters used to estimate the volume of hydrocarbons, such as porosity, net pay and water saturation, may vary. The type of formation within a reservoir section, including rock type and proportion of matrix or fracture porosity, may vary laterally and the degree of reliability of these parameters as representative of the whole reservoir may be proportional to the overall number of data points (wells) and the quality of the data collected. Reservoir parameters such as permeability and effectiveness of pressure support may affect the recovery process. Recovery of reserves and resources may also be affected by the availability and quality of water, fuel gas, technical services and support, local operating conditions, security, performance of the operating company and the continued operation of well and plant equipment.

Additional risks associated with estimates of reserves and resources include risks associated with the oil and gas industry in general which include normal operational risks during drilling activity, development and production; delays or changes in plans for development projects or capital expenditures; the uncertainty of estimates and projections related to production, costs and expenses; health, safety, security and environmental risks; drilling equipment availability and efficiency; the ability to attract and retain key personnel; the risk of commodity price and foreign exchange rate fluctuations; the uncertainty associated with dealing with governments and obtaining regulatory approvals; performance and conduct of the respective Operator; and risks associated with international operations.

The Company's project is in the development stage and, as such, additional information must be obtained by further drilling and testing to ultimately determine the economic viability of developing any of the contingent or prospective resources. There is no certainty that the Company will be able to commercially produce any portion of its contingent or prospective resources. Any significant change, in particular if the volumetric resource estimates were to be materially revised downwards in the future, could negatively impact investor confidence and ultimately impact the Company's performance, share price and total market capitalization.

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

FINANCIAL INSTRUMENTS

The Company's financial instruments currently consist of cash, cash equivalents, advances to joint operations, other receivables, borrowings, related party loan, 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 flows where those cash flows represent solely payments of principal and interest. This includes the Company's loans and receivables which 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 Assets at Fair Value through Profit or Loss ("FVTPL") – Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income. The Company does not currently have any financial assets measured at FVTPL.
- Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Borrowings and accounts payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.
- Financial Liabilities at FVTPL – Financial liabilities measured at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost. The Company does not currently have any financial liabilities measured at FVTPL.

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

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

Financial Risk Management Objectives

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

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

Commodity price risk is a risk as the prices that the Company receives for its oil production may have a significant impact on the Company's revenues and cash flows provided by operations. World prices for oil and gas are characterized by significant fluctuations that are determined by the global balance of supply and demand and worldwide political developments and in particular the price received for the Company's oil production in Kurdistan is dependent upon the KRG as the sole buyer of the oil production from both Atrush and Sarsang Blocks and its ability to export and sell production outside of Iraq. Recently the KRG asked that the reference price in the lifting agreements for all Kurdistan producing fields be changed to KBT, the Kurdish blend sold at Ceyhan Turkey, instead of Dated Brent. The partners in the Atrush JV are considering this request, whereas the partners in the Sarsang JV have signed an amended lifting agreement effective from September 1, 2022 reflecting, among other items, principally this change in requested pricing reference. A decline in the price of KBT or Dated Brent l, the references 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.

The Company does not hedge against commodity price risk.

Foreign currency risk is a risk due to the substantial portion of the Company's operations require purchases denominated in USD, which is the functional and reporting currency of the Company and the currency in which the Company maintains the substantial portion of its cash and cash equivalents. Certain of its operations require the Company to make purchases denominated in foreign currencies, which are currencies other than USD and correspond to the various countries in which the Company conducts its business, most notably, 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 is limited because it holds relatively insignificant amounts of foreign currencies at any point in time and since its volume of transactions in foreign currencies is currently relatively low. The Company has elected not to hedge its exposure to the risk of changes in foreign currency exchange rates.

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

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

ShaMaran is leveraged through bond financing at the corporate level. However, the Company is not exposed to interest rate risks associated with its 2025 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, loans 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 consolidated financial statements represent the Company's maximum exposure to credit risk.

Liquidity risk is a risk that the Company will have difficulties meeting its financial obligations as they become due. In common 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 seeks to acquire 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's project moves further into the development stage, specific financing, including the possibility of additional debt, may be required to enable future development to take place. The financial results of the Company will impact its access to the capital markets necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash generated by operations, would be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

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

RISK AND UNCERTAINTIES

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

Federal Supreme Court of Iraq Ruling

In February 2022, the Federal Supreme Court of Iraq ruled that the Kurdistan Region's 2007 Oil and Gas Law is unconstitutional. The ruling also instructed the Ministry of Oil of Iraq ("MoO") to take steps to implement the court's decision and certain actions were launched in the Karkah Commercial Court in Baghdad. The Company nor any of its subsidiaries has by the date of this MD&A been served any court summons regarding these actions by the MoO. Dialogue between the KRG and the MoO on this issue and the court case in particular has commenced and is continuing. It is noted that all Kurdistan PSCs are governed by English law and dispute/enforcement actions (if any) are mandated as per Kurdistan PSC terms to be conducted in London under London International Court of Arbitration rules. At the date of this MD&A, the court's ruling has not impacted the Company's operations and the Company is continuing to monitor the situation closely.

Political uncertainty in Kurdistan and Iraq where ShaMaran's assets are located exist. While Kurdistan is a federally recognized semi-autonomous political region in Iraq, ShaMaran's business in Kurdistan may be influenced by political developments between the KRG and the Iraq Federal Government, as well as political developments of neighbouring states within the MENA region, Turkey, and surrounding areas. Kurdistan and Iraq have a history of political and social instability. As a result, the Company is subject to political, economic and other uncertainties that are not within its control. These uncertainties include, but are not limited to, changes in government policies and legislation, adverse legislation or determinations or rulings by governmental and judicial authorities and disputes between the KRG and Iraq Federal Government and politically-motivated militia activity such as drone attacks against oil and gas facilities in Kurdistan. There is a risk that some levels of authority of the KRG, and corresponding systems in place, could be transferred in the future to the Iraq Federal Government or one of its ministries or authorities or new modes of administering the Kurdistan oil and gas industry might be agreed. Changes to the incumbent political regime could result in delays in operations and additional costs which could materially adversely impact the operations and future prospects of the Company and could have a material adverse effect on the Company's business and financial condition.

Russia-Ukraine conflict

The Russian invasion of Ukraine in late February 2022 and the continued conflict has triggered a severe response from the international community further exacerbating global oil market supply shortage and the profound effects of this crisis are likely to be long lasting as consumers and producers alike reshape their thinking around access to resources and security of supply. The Company notes the implications for commodity prices and potential interruptions of supply chains and third-party services from this ongoing conflict. The Company is also monitoring international sanctions and trade control legislation in order to mitigate any potential impact on the Company's operations. However, since the KRG buys all oil production from Atrush and Sarsang Blocks and sells it at Ceyhan primarily in the Mediterranean crude market, the Russia-Ukraine conflict is indirectly impacting the Company's results. Russian sales of heavily discounted Urals crude barrels in the Mediterranean crude market have resulted in lower realized prices for the KRG crude, an impact that may continue in the future.

For more information on risk factors which may affect the Company's business refer also to the discussion of risks under the "Reserves and Resources" and "Financial Instruments" sections of this MD&A, as well as to the "Risk Factors" section of the Company's Annual Information Form, which is available for viewing both on the Company's web-site at www.shamaranpetroleum.com and on SEDAR at www.sedar.com under the Company's profile.

ADDITIONAL INFORMATION

Additional information related to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's web-site at www.shamaranpetroleum.com.

The Company plans to publish on or about March 8, 2023 its financial statements for the year ending December 31, 2022.

OTHER SUPPLEMENTARY INFORMATION

Abbreviations

CAD	Canadian dollar
CHF	Swiss Franc
EUR	Euro
USD	US dollar

Oil related terms and measurements

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

Condensed Interim Consolidated Statement of Comprehensive Income (unaudited)

For the three and nine months ended September 30,

Expressed in thousands of United States dollars	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months Ended September 30, 2022	Nine months Ended September 30, 2021
Revenues	6	**39,812**	**29,070**	**123,492**	**74,884**
Cost of goods sold:					
Lifting costs	7	(4,647)	(4,551)	(14,908)	(13,868)
Other costs of production	7	(52)	(6,460)	(132)	(6,574)
Depletion	7	(6,253)	(6,039)	(17,705)	(17,215)
Gross margin on oil sales		**28,860**	**12,020**	**90,747**	**37,227**
Depreciation and amortization expense		(55)	(56)	(164)	(168)
Share based payments expense	20	(212)	(198)	(1,789)	(1,332)
Credit loss provision		(1,492)	-	(4,000)	-
General and administrative expense	8	(2,275)	(1,844)	(6,227)	(5,191)
Income from operating activities		**24,826**	**9,922**	**78,567**	**30,536**
Bargain purchase gain on acquisition	5	50,852	-	50,852	-
Finance income	9	2,601	9	3,175	888
Finance cost	10	(11,809)	(9,904)	(29,841)	(22,059)
Net finance cost		**(9,208)**	**(9,895)**	**(26,666)**	**(21,171)**
Income before income tax expense		**66,470**	**27**	**102,753**	**9,365**
Income tax expense	11	(42)	(8)	(75)	(43)
Income for the period		**66,428**	**19**	**102,678**	**9,322**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Re-measurements on defined pension plan		(4)	(2)	424	474
Items that may be reclassified to profit or loss:					
Currency translation differences		(39)	(14)	(104)	(96)
Total other comprehensive (income)/loss		**(43)**	**(16)**	**320**	**378**
Total comprehensive income for the period		**66,385**	**3**	**102,998**	**9,700**
Income in dollars per share:					
Basic and diluted		0.03	-	0.04	-

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

Condensed Interim Consolidated Balance Sheet (unaudited)

As at September 30, 2022 and December 31, 2021

Expressed in thousands of United States dollars	Note	September 30, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	313,581	138,971
Right-of-use asset		218	57
Intangible assets		16	37
		313,815	**139,065**
Current assets			
Loans and receivables	*13*	85,664	48,249
Cash and cash equivalents, unrestricted		68,043	43,589
Cash and cash equivalents, restricted	*16*	36,132	128,077
Other current assets	*14*	831	9,485
		190,670	**229,400**
TOTAL ASSETS		**504,485**	**368,465**
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	236,443	-
Provisions	*18*	36,842	18,984
Loan from related party	*17*	15,618	21,748
Cash-settled deferred share units	*20*	779	635
Pension liability		516	1,023
Lease liability		83	-
		290,281	**42,390**
Current liabilities			
Accounts payable and accrued expenses	*15*	40,693	10,589
Borrowings	*16*	22,500	280,999
Accrued interest expense on bonds	*16*	317	15,840
Lease liability		131	51
Current tax liabilities		83	58
		63,724	**307,537**
EQUITY			
Share capital	*19*	670,021	640,521
Share based payments reserve	*20*	10,187	9,446
Loan Share reserve	*17*	-	2,490
Cumulative translation adjustment		(124)	(20)
Accumulated deficit		(529,604)	(633,899)
		150,480	**18,538**
TOTAL EQUITY AND LIABILITIES		**504,485**	**368,465**

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

Signed on behalf of the Board of Directors

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

/s/Chris Bruijnzeels
Chris Bruijnzeels, Director

Condensed Interim Consolidated Statement of Cash Flow (unaudited)

For the three and nine months ended September 30,

Expressed in thousands of United States dollars	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Operating activities					
Income for the period		**66,428**	**19**	**102,678**	**9,322**
Adjustments for non-cash related items:					
Borrowing costs – net of amount capitalized		12,067	10,121	30,620	22,449
Depreciation, depletion and amortization expense		6,308	6,095	17,869	17,383
Share based payment expense		212	198	1,701	1,332
Re-measurements on defined pension plan		(4)	(2)	424	474
Foreign exchange gain	*9*	(34)	(5)	(114)	(82)
Unwinding discount on decommissioning provision		(259)	(222)	(826)	(405)
Net gain from settlement of debt	*9*	(1,138)	-	(1,138)	(792)
Interest income	*9*	(1,429)	(4)	(1,923)	(14)
Bargain purchase gain	*5*	(50,852)	-	(50,852)	-
Changes in accounts payable and accrued expenses		44,607	11,301	41,054	10,966
Changes in other current assets		(2,434)	(5,073)	(106)	(5,231)
Changes in current tax liabilities		33	-	25	(6)
Changes in pension liability		4	1	(452)	(526)
Changes in accounts receivables on oil sales		(45,259)	(9,885)	(46,228)	(14,303)
Net cash inflows from operating activities		**28,250**	**12,544**	**92,732**	**40,567**
Investing activities					
Interest received on cash deposits	*9*	1,429	4	1,923	14
Loans – payments received	*13*	-	4,669	8,813	14,137
Purchase of intangible assets		-	(5)	-	(7)
Purchase of property, plant and equipment		(7,353)	(2,588)	(13,051)	(10,036)
Purchase of acquisition net of cash received	*5*	(110,437)	-	(110,437)	-
Net cash (outflows to) / inflows from investing activities		**(116,361)**	**2,080**	**(112,752)**	**4,108**
Financing activities					
Principal element of lease payments		15	(31)	(46)	(96)
Proceeds received from shares issued on Rights Offering	*19*	-	-	29,572	-
Proceeds received on new bond issue		-	109,800	-	109,800
2023 Bond retirement		-	-	-	(9,208)
Rights offering transaction costs	*19*	(130)	-	(2,067)	-
2025 Bond transaction costs		(6,261)	-	(6,261)	-
Payments to bondholders – interest	*16*	(23,994)	(10,800)	(41,182)	(22,465)
Bond purchases		(27,456)	-	(27,456)	-
Net cash (outflows to)/inflows from financing activities		**(57,826)**	**98,969**	**(47,440)**	**78,031**
Effect of exchange rate changes on cash and cash equivalents		(17)	(21)	(31)	(76)
Change in cash and cash equivalents		**(145,954)**	**113,572**	**(67,491)**	**122,630**
Cash and cash equivalents, beginning of the period		250,129	37,476	171,666	28,418
Cash and cash equivalents, end of the period*		**104,175**	**151,048**	**104,175**	**151,048**
***Inclusive of restricted cash**	*16*	**36,132**	**116,345**	**36,132**	**116,345**

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

Condensed Interim Consolidated Statement of Changes in Equity (unaudited)

For the year 2021 and nine months ended September 30,

Expressed in thousands of United States dollars	Share capital	Share based payments reserve	Loan Share reserve	Cumulative translation adjustment	Accumulated deficit	Total
Balance at January 1, 2021	**638,434**	**8,766**	**4,063**	**50**	**(647,646)**	**3,667**
Total comprehensive income / (loss) for the period:						
Income for the period	-	-	-	-	9,322	9,322
Other comprehensive loss	-	-	-	(96)	474	378
Transactions with owners in their capacity as owners:						
Share based payments expense	-	433	-	-	-	433
Loan Shares issued	1,180	-	(1,180)	-	-	-
RSU Shares issued	514	-	-	-	-	514
	1,694	433	(1,180)	(96)	9,796	10,647
Balance at September 30, 2021	**640,128**	**9,199**	**2,883**	**(46)**	**(637,850)**	**14,314**
Balance at December 31, 2021	**640,521**	**9,446**	**2,490**	**(20)**	**(633,899)**	**18,538**
Total comprehensive income / (loss) for the period:						
Income for the period	-	-	-	-	102,678	102,678
Other comprehensive (loss) / income	-	-	-	(104)	424	320
Transactions with owners in their capacity as owners:						
Share based payments expense (excluding DSU, Note 20)	-	741	-	-	-	741
Loan Shares issued (Note 17)	1,179	-	(2,490)	-	1,193	(118)
Shares issued on Rights Offering	29,571	-	-	-	-	29,571
Transaction costs	(2,066)	-	-	-	-	(2,066)
RSU Shares issued	816	-	-	-	-	816
	29,500	741	(2,490)	(104)	104,295	131,942
Balance at September 30, 2022	**670,021**	**10,187**	**-**	**(124)**	**(529,604)**	**150,480**

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

1. General information

ShaMaran Petroleum Corp. ("ShaMaran" and together with its subsidiaries the "Company") is incorporated under the Business Corporations Act, British Columbia, Canada. The address of the registered office is Suite 2900, 550 Burrard Street, Vancouver, British Columbia V6C 0A3. The Company's shares trade on the TSX Venture Exchange and NASDAQ First North Growth Market (Sweden) under the symbol "SNM".

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

- An 27.6% non-operated participating interest in the Atrush block production sharing contract ("Atrush PSC") related to a petroleum property located in the Kurdistan Region of Iraq ("Kurdistan"). The Atrush block is currently in the eighth year of a twenty-year development period with an automatic right to a five-year extension and the possibility to extend for an additional five years. Oil production on the Atrush block commenced in July 2017.
- On September 14, 2022, the Company announced that it closed the acquisition of TEPKRI Sarsang A/S, a subsidiary of TotalEnergies S.E. (the "Sarsang Acquisition"). The Company now holds, through a wholly owned subsidiary, an 18% non-operated participating interest in the Sarsang Production Sharing Contract ("Sarsang PSC") in Kurdistan. Oil production on the Sarsang block commenced in Q1 2013. Refer to Note 5: Sarsang Acquisition for further detail.

2. Basis of preparation and going concern

a. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee. 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 which were outstanding and effective as of November 9, 2022, the date these interim consolidated financial statements were approved and authorized for issuance by the Company's board of directors ("the Board").

The disclosures provided below are incremental to those included with the Company's annual consolidated financial statements. Certain information and disclosures normally included in the Notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021.

b. Going concern

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

The Company has forecasted to have sufficient cash in the next 12 months to fund the Company's costs. Following the closing of the Sarsang Acquisition on September 14, 2022, a new bond (the "2025 Bond") with new terms has been settled. Therefore, the previous going concern issues due to the old bond terms (the "2023 Bond"), regarding the possible exercise of a put option and the breach of a financial covenant, are no longer relevant.

Refer to Notes 5 and 16 for additional information.

c. Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of application as those in the Company's audited annual consolidated financial statements for the year ended December 31, 2021.

Expressed in thousands of United States dollars

3. Critical accounting judgments and key sources of estimation uncertainty

Areas of critical accounting judgments that have the most significant effect on the amounts recognized in the financial statements are mainly disclosed in Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2021.

(a) Fair value of assets acquired and liabilities assumed in the Sarsang Acquisition

The fair value of assets acquired and liabilities assumed in the Sarsang Acquisition, as described in Note 5, is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value including market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs and discount rates. Changes in these variables could significantly impact the carrying value of the net assets.

Refer to Note 2b for additional information.

4. Business and geographical segments

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

5. Sarsang Acquisition

a. Summary of acquisition

On September 14, 2022, the Company announced the closing of the Sarsang Acquisition. The Company purchased 100% of the shares of TEPKRI Sarsang A/S, now ShaMaran Sarsang A/S, which holds an 18% non-operated participating interest in the Sarsang PSC in Kurdistan. Details of the purchase consideration, the net assets acquired and bargain purchase gain are as follows:

Purchase consideration:

Cash paid [1]	142,096
Deferred payment [2]	22,918
Contingent consideration [2]	10,950
Total purchase consideration	**175,964**

[1] The cash paid represents an upfront payment of $135 million plus $7.096 million of working capital adjustments on closing.

[2] The deferred payment and contingent consideration amounts mainly represent the $20 million convertible promissory note issued to the seller at closing and a potential additional contingent consideration of $15 million. The convertible promissory note was originally negotiated as a 12-month maturity note but was later issued to the seller with a 1-month maturity from the date of closing; at the date of these financials statements this note plus interest has been paid in full. The contingent consideration is payable to the seller upon (i) cumulative gross oil production from the Sarsang PSC reaching 130 MMbbls and (ii) subject to Brent crude oil prices averaging at least $60/bbl for the preceding twelve-month period. The Company has estimated the fair value at the date of the acquisition as $10.95 million, there was no material gain or loss to be reported for the period between acquisition date and balance sheet date.

Expressed in thousands of United States dollars

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair Value
Property, plant and equipment [5]	178,487
Accounts receivables on oil sales [6]	34,420
Cash	31,659
Other receivables	2
Payables to joint operating partner	(10,017)
Provision for decommissioning and site restoration [7]	(7,735)
Net identifiable assets acquired	**226,816**
Less: bargain purchase gain [4]	(50,852)
Net assets acquired	**175,964**

[4] The bargain purchase gain is primarily driven by the Sarsang Acquisition having an effective date of January 1, 2021, and the purchase price agreed on signing the agreement July 12, 2021. The acquisition closed September 14, 2022, during which time the Brent price of oil has increased.

[5] The fair value of the property, plant and equipment acquired is based on development costs related to the Company's share of the Sarsang PSC proved and probable reserves as estimated by the Company's independent qualified reserves evaluator, McDaniel & Associates Consultants Ltd. ("McDaniel"). The estimate takes into account the production until closing of the acquisition, an assumed average Brent oil price of $60 per barrel, the impact of the new lifting agreement (see Note 24) and has been discounted at 17%.

[6] The fair value of acquired trade receivables is $34.420 million. The gross contractual amount for trade receivables is $36.586 million, with a loss allowance of $2.166 million recognized on acquisition.

[7] The fair value of the provision for decommissioning and site restoration was based on the estimated future cash flows to retire the acquired portion of the oil and gas property at the end of its useful life. The discount rate used to determine the net present value of the provision was a rate of 3.09 percent (the Bank of Canada's long-term bond yield rate).

Up to twelve months from the closing date of the acquisition, further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed, as well as to the fair value of the consideration transferred.

There were no acquisitions in the year ending 31 December 2021.

Revenue and profit contribution

The acquired business contributed revenues of $3.4 million and net profit of $1.7 million to the group from the period September 15 to September 30, 2022, in the consolidated statement of comprehensive income for the reporting period.

b. Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired

Cash consideration	142,096
Less: Balance acquired	
Cash	31,659
Net outflow of cash – investing activities	**110,437**

The cash consideration was partly paid from the proceeds of the initial 2025 Bond issue that were placed in escrow subject to release following the satisfaction of conditions precedent to completion of the Sarsang Acquisition. This unrestricted cash held in escrow totalled $108.2 million at closing, the additional $33.9 million of the cash consideration was paid from the Company's unrestricted cash balance.

Acquisition related costs

Acquisition-related costs, incurred during 2022, of $261 thousand (2021: $1,094 thousand) are included in general and administrative expenses in the income statement and in operating cash flows in the statement of cash flows.

Refer also to Notes 13, 15, 16, 17, 18 and 24.

Expressed in thousands of United States dollars

6. Revenues

Revenues relate to the Company's entitlement share of oil from Atrush sold to the KRG during the year to date and the Company's entitlement share of oil from Sarsang sold to the KRG from September 15 to September 30, 2022. The Company holds a 27.6% interest in Atrush and a 18% interest in Sarsang. Production from the fields is delivered to the KRG's Feeder Pipeline at the block boundaries for onward export to Ceyhan, Turkey. Gross exported oil volumes in the first nine months of 2022, including 16 days from Sarsang, were 10.6MMbbls (2021: 10.8MMbbls) and the Company's entitlement share was approximately 1.4MMbbls (2021: 1.4MMbbls) which were sold with an average netback price of $89.07 per barrel (2021: $52.07). Export prices are based on Dated Brent oil price for Atrush and Kurdistan Blend for Sarsang, with a discount for estimated oil quality adjustments and all local and international transportation costs. ShaMaran's oil entitlement share is based on export prices and on PSC terms covering allocation of profit oil, cost oil and capacity building payments owed to the KRG.

Refer also to Note 5, 13 and 24.

7. Cost of goods sold

Lifting costs are comprised of the Company's share of expenses related to the production of oil from the Atrush and Sarsang blocks including operation and maintenance of wells and production facilities, insurance, and the respective operator's related support costs as charged to the Company. The increase in the first nine months of 2022 lifting costs over the amount in the first nine months of 2021 was mainly due to increased diesel prices and include 16 days of Sarsang's lifting costs. Other costs of production include the Company's share of production bonuses and its share of other costs prescribed under the PSC's.

Oil and gas assets are depleted using the unit of production method based on proved and probable reserves using estimated future prices and costs and accounting for future development expenditures necessary to bring those reserves into production.

Refer also to Notes 5, 6 and 12.

8. General and administrative expense

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

9. Finance income

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Interest on deposits	1,429	4	1,923	14
Net gain on settlement of debt	1,138	-	1,138	792
Total gain and interest income	**2,567**	**4**	**3,061**	**806**
Foreign exchange gain	34	5	114	82
Total finance income	**2,601**	**9**	**3,175**	**888**

Interest on deposits in the first nine months of 2022 includes $483 thousand of interest from the $30.7 million of the Company bonds that were purchased but not retired.

The net gain on settlement of debt is due to the Company purchasing its bonds in the market at commercially attractive rates, as permitted by the bond terms.

Refer also to Note 16.

Expressed in thousands of United States dollars

10. Finance cost

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Interest/amortization charges on bonds	8,529	7,764	25,659	18,784
Re-measurement of bond debt and Nemesia loan	2,465	-	2,465	-
Amortization of 2023 Bond transaction costs	734	159	1,223	472
Amortization of the related party loan	727	648	2,105	1,865
Call premium on new bond	-	1,672	-	1,672
Total borrowing costs	**12,455**	**10,243**	**31,452**	**22,793**
Lease – interest expense	1	5	12	15
Interest expenses	-	-	35	-
Unwinding discount on decommissioning provision	(259)	(222)	(826)	(405)
Total finance costs before borrowing costs capitalized	**12,197**	**10,026**	**30,673**	**22,403**
Borrowing costs capitalized	(388)	(122)	(832)	(344)
Total finance cost	**11,809**	**9,904**	**29,841**	**22,059**

Interest and amortization charges include interest on the initial issue amount of $111.5 million of the 2025 bond issued on July 30, 2021. From September 27, 2022, these costs represent the amortization of the full $300 million 2025 bond, related transaction costs and interest. Refer to Note 16.

Re-measurement of bond debt and Nemesia loan relates to the derecognition of the accounting for the bonds and loan prior to September 27, 2022.

Refer to Notes 16 and 17 regarding the 2023 Bond transaction costs and related party loan.

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

11. Taxation

The Company's income tax expense relates to a provision for income tax on service income generated in Switzerland.

12. Property, plant and equipment

The net book value of property, plant and equipment ("PP&E") is principally comprised of development costs related to the Company's share of Atrush and Sarsang PSC proved and probable reserves as estimated by the Company's independent qualified reserves evaluator, McDaniel. During the first nine months of 2022, movements in PP&E were comprised of the Sarsang Acquisition of $178.5 million (2021: $nil), general additions of $13.9 million (2021 full year: $18.9 million), which included capitalized borrowing costs of $832 thousand (2021 full year: $523 thousand), net of depletion of $17.8 million (2021 full year: $26.0 million) which resulted in a net increase to PP&E assets of $174.6 million.

Refer also to Note 7.

Expressed in thousands of United States dollars

13. Loans and receivables

At September 30, 2022, the Company had loans and receivables outstanding as follows:

	At September 30, 2022	At December 31, 2021
Accounts receivable on oil sales	93,093	40,599
Atrush Exploration Costs receivable	-	8,813
Credit Loss Provision -general	(2,853)	(1,163)
Credit Loss Provision – transportation costs	(4,576)	-
Total loans and receivables, net of provision	**85,664**	**48,249**

The $93.0 million of accounts receivable on oil sales at September 30, 2022, relates to deliveries from June 2022 through to September 2022 for Atrush and Sarsang. At the date these financial statements were approved the Company had received a total of $26.6 million in payments relating to the receivable's balances outstanding at September 30, 2022.

The Atrush Exploration Costs receivable was fully repaid during 2022.

The Company has provided for a general credit loss provision for all receivables owed to the Company from the KRG. The Company expects to recover the full nominal value of receivables, however a provision is in place to reflect credit risk. The provision is reassessed each quarter end.

A further provision has been made in the first nine months of 2022 to account for a possible increase in transportation and access fees of $4.6 million (2021: $nil). According to the KRG these costs were added as a result of increased pipeline costs and other tariffs; this increase has yet to be agreed between the parties.

Refer also to Note 6.

14. Other current assets

	At September 30, 2022	At December 31, 2021
Prepaid expenses	533	9,102
Other receivables	298	383
Total other current assets	**831**	**9,485**

The prepaid expenses balance at December 31, 2021, included $8.9 million relating to the refinancing of the Company debt and to the rights offering to shareholders of the Company. At September 30, 2022, all the expenses relating to the refinancing of the Company debt have been capitalized along with the 2025 Bond and all of the expenses relating to the rights offering have been charged directly to equity as part of the rights offering closing.

Refer also to Notes 16 and 19.

15. Accounts payable and accrued expenses

	At September 30, 2022	At December 31, 2021
Accrued expenses	23,997	7,150
Payables to joint operations partner	14,988	3,021
Trade payables	1,708	418
Total accounts payable and accrued expenses	**40,693**	**10,589**

Accrued expenses includes $23 million of deferred payments in connection with the closing of the Sarsang acquisition, of which $20 million has been full in paid after the date of the financial statements.

Payables to joint operations partner includes the Sarsang Acquisition liabilities.

Refer to Notes 5 and 24.

Expressed in thousands of United States dollars

16. Borrowings

The ShaMaran bond issued in 2018 carried a 12% fixed semi-annual coupon and was due to mature on July 5, 2023 (the "2023 Bond"). The Company fulfilled an obligation under the 2023 Bond Terms to make the amortization payment of $15 million by December 2021, reducing the outstanding principal amount of the 2023 Bond to $175 million.

On July 16, 2021, the Company announced the successful placement of a new $300 million bond, with a 4-year tenor due July 2025 and priced at 12% fixed semi-annual coupon (the "2025 Bond"). The 2025 Bond shall be partially amortized in instalments with $22.5 million due every 6 months from July 2023 and the remaining balance due at maturity. The 2025 Bond was issued at a price of 98.5% of nominal value which was applicable to both new money under the Initial Issue Amount of $111.5 million in July 2021 and the refinancing of $175 million of existing debt in September 2022. Following the closing of the Sarsang Acquisition the Company announced on September 27, 2022, that the Company's 2023 Bond was exchanged for its 2025 Bond at 2% premium, in accordance with the Bond Terms, and that accrued interest was paid in full at September 26, 2022, to all bondholders.

The existing debt that was refinanced into the new bond included $7.2 million of the total $22.8 million debt currently owed by the Company to Nemesia S.à.r.l. ("Nemesia") with the $15.6 million balance remaining on amended terms. Refer to Note 17 for further detail.

At the end of 2021 the Company had purchased in the market at a commercially attractive rate the principal amount of $3 million of its 2023 Bond and in the third quarter of 2022 the Company purchased an additional $4.4 million of its 2023 Bond. At September 27, 2022, all of the 2023 Bond exchanged into a total of $7.6 million of 2025 Bond. During the third quarter of 2022 the Company also purchased $23.1 million of its 2025 Bond. At September 30, 2022, the Company held $30.7 million of its own 2025 Bond, these Bonds have not been retired.

Following the exchange of the 2023 Bond for the 2025 Bond, the put option in the 2023 Bond Terms no longer exists. Therefore, all the borrowings are now classified as non-current at September 30, 2022, except for the first amortization payment of $22.5 million due July 2023.

At September 30, 2022, $36.1 million of restricted cash is held in a Debt Service Retention Account ("DSRA") to cover the interest relating to the 2025 bond. As per the Bond Terms, this amount represents a full year of interest payments and is required to be increased to $58.5 million in January 2023.

The movements in borrowings are explained as follows:

	At September 30, 2022	At December 31, 2021
Opening balance from January 1:	**296,839**	**199,561**
Interest/amortization charges	25,659	27,419
Amortization of bond transaction costs	2,486	771
2025 bond issued	188,528	111,472
2025 bond transaction costs	(6,261)	(1,672)
2025 bond discount	(4,092)	-
Bond purchases	(27,717)	(2,988)
2023 bond amount retired	(175,000)	(15,000)
Payments to bondholders – interest	(41,182)	(22,724)
Ending balance	**259,620**	**296,839**
Non-current portion: net borrowings	236,443	-
Current portion: borrowings	22,500	280,999
Current portion: accrued bond interest expense	317	15,840

Refer also to Note 10.

Expressed in thousands of United States dollars

17. Loan from related party

In July 2020, the Company announced a full drawdown of the $22.8 million of Nemesia's liquidity guarantee followed by the full and final discharge of such liquidity guarantee by the Bond Trustee. In exchange for the drawdown of funds the Company was required to issue monthly to Nemesia 50,000 ShaMaran shares for each $500 thousand drawn down and outstanding until the drawn amount is repaid in full together with interest (the "Loan Shares"). In addition, the Company was required to accrue interest on the amount due to Nemesia at an annual rate of 5%. Repayment of the accrued interest and principal by the Company to Nemesia was payable on or before July 5, 2023, and such claim for repayment was subordinated to all obligations under the Company's 2023 and 2025 bond terms.

In accordance with IFRS 9 Financial Instruments the liquidity guarantee was a compound financial instrument which had two parts: a liability component and an equity component. The fair value of the liability component was presented on the balance sheet as "loan from related party". The fair value of the equity was presented on the balance sheet as "Loan Share reserve". As Nemesia was issued the Company shares each month the Loan Share reserve value was transferred into share capital on a straight-line basis. During 2022 $1,297 thousand (full year 2021: $1,573 thousand) had been transferred into share capital.

After the successful closing of the Acquisition and the Bond conversion on September 27, 2022 (see Note 16) $7.2 million of the existing $22.8 million debt was refinanced into the new 2025 Bond, the balance of $15.6 million remains as the Nemesia loan with new terms. The interest rate on the Nemesia Loan has been adjusted to match the interest rate on the new bond of 12% (which will be payable in cash semi annually) plus an additional interest amount of 2% per annum payable in kind. The monthly common share allotment has been eliminated.

Following the changes above, the Nemesia loan accounting has been changed accordingly. The liability component has been split into the part which was converted to the 2025 Bond and the part to be carried forward into the new loan, the difference between the values is the re-measurement of debt. The equity component no longer exists from September 27, 2022, the final share issue occurred after the balance sheet date in October 2022. The remaining $1.2 million has been expensed to retained earnings.

The first nine months of 2022 movements in the liquidity guarantee loan balance are explained as follows:

	At June 30, 2022	At December 31, 2021
Opening balance	**21,748**	**19,215**
Amortization	2,105	2,533
Derecognize Nemesia loan on old terms	(23,835)	-
Recognize Nemesia loan on new terms	15,600	-
Ending balance	**15,618**	**21,748**

Refer also to Notes 10, 16, 19 and 23.

18. Provisions

	At September 30, 2022	At December 31, 2021
Decommissioning and site restoration	25,892	18,984
Contingent consideration	10,950	-
Total provisions	**36,842**	**18,984**

The decommissioning and site restoration provision relates to the Company's share of future costs in respect of the Company's 27.6% interest in the Atrush block and 18% interest in the Sarsang block. The provision assumes these works will commence in the year 2032 for Atrush and the year 2039 for Sarsang.

The contingent consideration relates to the Sarsang Acquisition, refer to Note 5 for details.

Expressed in thousands of United States dollars

19. Share capital

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

	Number of shares	Share capital
At January 1, 2021	**2,175,868,201**	**638,434**
Loan Shares issued	27,360,000	1,572
RSU Shares issued	12,121,462	515
At December 31, 2021	**2,215,349,663**	**640,521**
Loan Shares issued	20,520,000	1,179
RSU Shares issued	11,119,995	816
Right Offering Shares issued, net of issuance costs	558,242,414	27,505
At September 30, 2022	**2,805,232,072**	**670,021**

On May 25, 2022, in connection with an offering of rights to shareholders of record on April 13, 2022 to purchase additional common shares in the Company ("Common Shares") at a subscription price of CAD 0.06825 per share (the "Rights Offering"), the Company issued an aggregate of 558,242,414 Common Shares, resulting in total gross proceeds (including FX hedging gains) of $30.15 million.

Refer to Notes 17 and 20.

20. Share based payments expense

The Company has established share unit plans and a share purchase option plan whereby a committee of the Company's Board may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. At September 30, 2022, a total of 113,244,782 shares, 4% of issued share capital, had been granted of the possible 280,523,207 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 share unit plans the Company may grant performance share units ("PSU"), restricted share units ("RSU") or deferred share units ("DSU").

On March 24, 2022, the Company granted a total of 15,750,000 stock options, 10,890,000 RSUs and 2,287,620 DSUs to certain senior officers and other eligible persons of the Company (2021 full year: a total of 15,590,000 stock options, 8,950,000 RSUs and 5,059,600 DSUs were granted). The options vest over a period of two years and are exercisable over a period of five years at a strike price of CAD 0.10 per share. The RSU grants were based on the grant share price of CAD 0.10, vest over a period of three years and are redeemable in cash or shares of the Company up to five years after the grant date.

In the first nine months of 2022 a total of 10,869,995 RSUs vested and the same quantity of shares were issued to plan participants, and 1,312,654 DSUs were exercised and redeemed in cash. (2021 full year: a total of 12,121,462 RSUs vested, and shares were issued, and 14,210,000 stock options and 3,418,537 RSUs expired or were cancelled).

The result of the movements in the first nine months of 2022, are charges to the Statement of Comprehensive Income for options of $760 thousand (2021: $541 thousand), for RSUs $796 thousand (2021: $407 thousand) and for DSUs $233 thousand (2021: $384 thousand). The carrying amount of the DSU liability at September 30, 2022, is $779 thousand (December 31, 2021: $635 thousand).

Expressed in thousands of United States dollars

A summary of movements in the Company's outstanding options and share units are as follows:

	Number of share options outstanding	Number of RSUs outstanding	Number of DSUs outstanding
At December 31, 2021	**61,990,000**	**22,103,334**	**12,406,477**
Granted in the year	15,750,000	10,890,000	2,287,620
DSU Shares exercised	-	-	(1,312,654)
RSU Shares vested and issued	-	(10,869,995)	-
At September 30, 2022	**77,740,000**	**22,123,339**	**13,381,443**
Quantities vested and unexercised:			
At December 31, 2021	43,069,995	-	12,406,477
At September 30, 2022	62,273,328	-	13,381,443
Weighted average remaining contractual life of options:			
At December 31, 2021	2.98 years		
At September 30, 2022	2.30 years		

The Company recognizes compensation expense on share options granted to both employees and non-employees using the fair value method at the date of grant, which the Company records as an expense. 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 share options.

Expressed in thousands of United States dollars

21. Financial instruments

Financial assets

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

	Fair value hierarchy [6]	Carrying and fair values [1] At September 30, 2022	At December 31, 2021
Loans and receivables[2 5]		85,664	48,249
Cash and cash equivalents, unrestricted [2]		68,043	43,589
Cash and cash equivalents, restricted [2]		36,132	128,077
Other receivables [2]		298	383
Total financial assets		**190,137**	**220,298**

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 September 30, 2022	At December 31, 2021
Borrowings [3 6]	Level 2	258,943	280,999
Accounts payable and accrued expenses [2]		51,643	10,589
Related party loan[4]	Level 2	15,618	21,748
Accrued interest on bonds		317	15,840
Current tax liabilities		83	58
Total financial liabilities		**326,604**	**329,234**

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

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

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

[3] The Company estimates the fair value of its net borrowings at the balance sheet date is $269.3 million (December 31, 2021: $283.5 million) based on recent trades of the Company's bonds.

[4] The Company estimates the fair value of its related party loan at the balance sheet date is $15.6 million.

[5] An impairment and provision has been made to the loans and receivables, see Note 13 for details.

[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;
- Level 3: fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data.

Expressed in thousands of United States dollars

22. Commitments and contingencies

At September 30, 2022, the outstanding commitments of the Company were as follows:

	For the year ended September 30,				
	2023	2024	2025	Thereafter	Total
Atrush and Sarsang block development and PSC	66,272	166	166	1,324	**67,928**
Sarsang contingent consideration	-	-	-	10,950	**10,950**
Corporate office and other	133	82	-	-	**215**
Total commitments	**66,405**	**248**	**166**	**12,274**	**79,093**

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the approved 2022 work program and other obligations under the PSC's.

Refer to Note 5 regarding the Sarsang contingent consideration.

23. Related party transactions

Transactions with corporate entities

	Purchase of services for periods ended September 30,				Amounts owing at the balance sheet dates	
	three months		nine months			
	2022	2021	2022	2021	September 30, 2022	December 31, 2021
Nemesia	525	680	1,883	2,029	136	1,830
Namdo Management Services Ltd	9	9	25	25	-	-
Total	**534**	**689**	**1,908**	**2,054**	**136**	**1,830**

Nemesia is a company controlled by a trust settled by the estate of the late Adolf H. Lundin and is a shareholder of the Company. The Company has had a change to the Nemesia loan obligation from September 27, 2022, to accrue 12% (which will be payable in cash semi annually) plus accrue an additional interest amount of 2% per annum payable in kind based on the principal balance outstanding. Refer to note 17.

Namdo Management Services Ltd. is a private corporation affiliated with a shareholder of the Company and has provided corporate administrative support and investor relations services to the Company.

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm's length.

Refer also to Notes 10 and 19.

24. Subsequent events

The Company announced on October 3, 2022, that it had prepaid in full (together with the applicable interest) the $20 million Convertible Loan Note issued to an affiliate of TotalEnergies SE in connection with the closing of the Sarsang acquisition.

On October 4, 2022, the Company announced that the Sarsang operator, on behalf of itself and the Company's wholly owned subsidiary, ShaMaran Sarsang A/S, has signed an amendment to the Sarsang block Lifting Agreement with the Kurdistan Regional Government regarding the sale and purchase of all crude oil production from Sarsang block. This amendment became effective retroactively to September 1, 2022. The primary effect of the new Lifting Agreement is to change the reference price for Sarsang crude oil sales payments from Dated Brent to Kurdistan Blend in order to reflect current market conditions for oil sales at Ceyhan, together with the necessary adjustments for crude quality due to the crude benchmark change. The impact of Sarsang September oil sales invoice reflecting these changes for September 1 - 30 2022, is included in the financial statements.

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Director

Keith C. Hill
Director

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