ShaMaran petroleum corp

2020

ShaMaran petroleum corp

Annual Report

For the year ended December 31, 2020

Contents

Management's Discussion and Analysis

For the three months ended and year ended December 31, 2020

INTRODUCTION

Management's discussion and analysis ("MD&A") of the financial and operating results of ShaMaran Petroleum Corp. (together with its subsidiaries, "ShaMaran" or the "Company") is prepared with an effective date of March 3, 2021 and is intended to provide an overview of the Company's operations, financial performance and current and future business opportunities. The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020, 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% ownership interest in the Atrush Block, Kurdistan Region of Iraq through its wholly owned subsidiary General Exploration Partners, Inc. ("GEP").

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 office is 25th Floor 666 Burrard Street Vancouver, BC Canada V6C 2X8 and its business address is Suite 2000, 885 West Georgia Street, 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").

2020 HIGHLIGHTS

2020 has been a challenging year, due to the global coronavirus pandemic ("COVID-19")[1] and the collapse of crude oil prices. Despite the turmoil Atrush has continued to meet production targets while reducing lifting costs and has also been able to sustain replaced produced volumes in the Atrush block despite the significantly reduced 2020 development program. The Company also during the year successfully completed measures that resolved the liquidity shortfall and strengthened the Company's financial position enabling it to meet its bond interest obligations.

2020 Operational Highlights

- 2020 oil production increase of 39% (2020 vs 2019);
- Cumulative production of 40 million barrels achieved on January 4, 2021 despite a significantly reduced 2020 development program due to the global pandemic and the first quarter 2020 collapse of crude oil prices;
- Average production of approximately 40,800 barrels of oil per day ("bopd") for the fourth quarter of 2020; lower than the year's average due deferral of capital development wells, and operational interventions aggregated in this quarter;
- Full year 2020 average production of approximately 45,100 bopd in line with 2020 guidance;
- Full year 2020 lifting costs per barrel of $5.08 in line with 2020 guidance and a 31% decrease vs. 2019 lifting costs;
- Full year 2020 capital expenditure of $34 million ($9.4 million net to ShaMaran) in line with the capex program as revised in April 2020 in response to the global pandemic and collapse of oil prices;
- Progression of Atrush subsurface de-risking continued in 2020 with latest revisions of static and dynamic modelling resulting in joint venture alignment to progress an Atrush "integrated oil column" development approach;
- Atrush Property gross 2P reserves[2] increased to 109.9 MMbbls as at December 31, 2020 from 108.5 in 2019 being a 108% reserves replacement and Company's gross 2P reserves from 29.9 MMbbls to 30.3 MMbbls;

2020 Financial Highlights

	Three months ended Dec 31		Year ended Dec 31	
USD Thousands	2020	2019	2020	2019
Revenue	14,081	24,345	56,673	70,291
Gross margin on oil sales	10,253	10,274	7,106	20,032
Net result	(1,785)	1,586	(144,425)	(13,397)
Cash flow from operations	5,350	1,882	12,860	14,629
EBITDA	6,614	14,833	20,052	36,378

- Liquidity shortfall successfully resolved and strengthened Company financial position;
- Consistent oil sales and entitlement payments from the KRG for the months March to December 2020;
- Full year 2020 operating cash flow of $12.9 million and $5.4 million for the fourth quarter 2020; and
- Full year 2020 net result of ($144 million) and ($2 million) for the fourth quarter 2020 including a non-cash impairment charge of $116 million made to oil and gas assets in the first quarter of 2020.

2021 Guidance

- Resumption of suspended 2020 capital program including drilling and completion of one highly deviated production well;
- 2021 average net production guidance of 39,000 to 44,000 bopd;
- 2021 lifting costs guidance per barrel at $4.70 to $5.70;
- Full year 2021 Atrush capital expenditure budget of $53.2 million ($14.7 million net to ShaMaran), an increase of 55% vs. 2020; and
- Full year 2021 corporate budget of $5.6 million, a reduction of 30% over 2020, including staff reductions and a continuation of prudent corporate management.

[1]In March 2020 the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of COVID-19. The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil.
The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact.
The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

[2]Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of ShaMaran's oil and gas assets in the Atrush Block are effective as at December 31, 2020, and are included in the report prepared by McDaniel & Associates Consultants Ltd. (McDaniel), an independent qualified reserves evaluator, in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) and the Canadian Oil and Gas Evaluation Handbook (the COGE Handbook) and using McDaniel's January 1, 2021 price forecasts. Certain abbreviations and technical terms used in this MD&A are defined or described under the heading "Other Supplementary Information".

OPERATIONS REVIEW

Business Overview

2020 was a challenging year for the oil industry in Kurdistan and other parts of the world due to the collapse in world oil prices in the early part of the year which was then compounded by the COVID-19 global pandemic and its adverse effect on world demand for oil. However, ShaMaran together with its partner in the Atrush Block was able to weather those challenges by drastically reducing expenditures with a deferral of scheduled capital expenditure projects until such time as oil prices rebound. As the early days of 2021 have seen a rebound in world oil prices and with an increase in the roll-out globally of vaccinations against the COVID-19 virus, ShaMaran is cautiously optimistic that worldwide demand for oil will continue to grow so that capital expenditures can be revived in Atrush Block.

The Company sees sustainable 2021 production in the Atrush field and progressing plans which meet the Company's commitment towards the environment. As cited in the Company's guidance for 2021, provided in its news release of February 15, 2021, the Company expects 2021 will again be a year of cash flow harvest and measured capital deployment to continue to give shareholders a clear and socially responsible path to sustained production and reserves maturation.

However, the timing and execution of the Atrush capital expenditure program may also be affected by the availability of third party contractor services in Kurdistan should there be a continuation of COVID-19 related travel, quarantine and other related restrictions.

Since first oil occurred in July 2017, Atrush oil production has been consistently delivered to the KRG at the Atrush Block boundary and transported by pipeline for the KRG's onward sale in the international market from Ceyhan, Turkey. ShaMaran is not aware of the official allocation to the KRG of export pipeline capacity to Ceyhan but management expects no change in 2021 on the KRG's ability to access of export pipeline capacity in Turkey. However, due to possible unforeseen political developments in Iraq, Turkey and/or Kurdistan arrangements currently in place to export oil produced from the Atrush Block may not continue to be in effect. Also, there remains an on-going risk that any renewed tensions in the regional political and security situation could have a material adverse effect on the financial performance of ShaMaran.

ShaMaran in 2020 faced a liquidity problem but management successfully negotiated terms with our bondholders that have resulted in a stronger financial position for the Company. ShaMaran will continue to implement prudent management of its cashflow in 2021 with an annual corporate budget of $5.6 million, a 30% reduction in spending over 2020.

Following the amendment of the ShaMaran bond terms in January 2021 the Company intends to use its free cash flow to buy its bonds should commercially attractive rates be available in the market and as a result will be reducing its debt burden over the coming year, the Company will update the market of such activity on a quarterly basis.

With the appointment in January 2021 of a new Minister for the Ministry of Natural Resources ("MNR") of the KRG there are expectations for the coming year for continued stewardship of the Kurdistan oil industry by the MNR and continued collegiality with the MNR to address industry issues as they may arise.

With the exception of the items set forth above together with the risks disclosed in the Company's Annual Information Form dated March 3, 2021, 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, 2020 , 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.

Operations Overview

COVID-19 Response

With the objectives of ensuring operations personnel safety and wellbeing as well as assuring business continuity, a COVID-19 action plan was implemented in February 2020. These policies and procedures initially looked to reduce exposure potential through;

- Minimization and deferment of non-critical field activities to reduce exposure potential;
- Reduction to minimum staff levels with demobilization of non production-critical staff; and
- Extension of rotations due to curfews, closure of airports and governments-imposed quarantines.

These initial actions enabled a secure foundation for ramping up field operations during Q3 and Q4 of 2020 with a view towards returning to normal operational levels during 2021 with the resumption of the deferred capital programs through;

- Quarantine procedures and testing implementation for all rotating staff, local nationals and expats;
- Special measures taken to ensure staff wellbeing during extended rotations;
- Field activities prepared with the consideration and minimization of exposure points as a primary concern; and
- Preparation of a COVID-19 compliant 2021 Work Plan & Budget ("WP&B").

Reserves and Resources

Subsequent to year end, on February 15, 2021, the Company reported estimated reserves and contingent resources for the Atrush field as at December 31, 2020, as reported by the Company's independent reserves and resources evaluator, McDaniel.

Total field proven plus probable ("2P") reserves on a Company gross basis for Atrush increased from 29.9 million barrels reported as at December 31, 2019, to 30.3 million barrels as at December 31, 2020.

Total field unrisked best estimate contingent oil resources ("2C")[3] on a Company gross basis for Atrush decreased from the 2019 estimate of 67.2 million barrels to 60.6 million barrels as at December 31, 2020.

Total discovered oil in place in the Atrush block is a low estimate of 1.7 billion barrels, a best estimate of 2.0 billion barrels and a high estimate of 2.3 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, 2020 and available in the Company's profile on SEDAR at www.sedar.com.

Production

	Three months ended Dec 31		Year ended Dec 31	
	2020	2019	**2020**	**2019**
Atrush average daily oil production – gross 100% field (Mbopd)	40.8	41.7	45.1	32.4
Atrush oil sales – gross 100% field (Mbbl)	3,752	3,832	16,508	11,823
ShaMaran's entitlement in Atrush oil sales (Mbbl)	498	508	2,158	1,450

Atrush production for the year was up 39% over 2019 due to:

- Additional production from new wells Chiya Khere-6, Chiya Khere-10, Chiya Khere-11, Chiya Khere-12, Chiya Khere-13 and Chiya Khere-15;
- Debottlenecking of the Atrush production facility; and
- Expansion of the Early Production Facility ("EPF").

Due to the suspension of most of the capital programs in 2020, Atrush was unable to maintain the quarter-on-quarter growth in production volumes achieved since field startup in 2017. Therefore, the Atrush production remained relatively flat Q4 2020 compared to Q4 2019.

ShaMaran's entitlement in oil sales, year on year, was up 49% from 2019 to 2020, due to the increased production capacity, mentioned above and also the larger Atrush interest (27.6% vs 20.1%) from June 2019 onwards.

[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.

Field Development Planning

Progression of Atrush subsurface de-risking continued in 2020 with latest revisions of static and dynamic modelling resulting in joint venture alignment to progress an Atrush "integrated oil column" development approach. This approach anticipates full recovery of the 2P oil volumes, full recovery of the 2C medium oil volumes as well as a significant recovery of the 2C heavy oil volumes through a continuation of the current conventional field development program. Complete recovery of the 2C heavy oil volumes would likely be associated with an Enhanced Oil Recovery ("EOR") project, which will require future de-risking to define the oil price environment at which an EOR project becomes commercially viable in Atrush Block.

Due to the unprecedented volatility in oil prices during 2020, the planned amendment to the Atrush Field Development Plan ("FDP") has been deferred in order to allow oil prices to stabilize and to ensure all elements of the plan amendment that will be proposed will be operationally and commercially optimized.

Operational Outlook

With improving oil prices in 2021 the Company anticipate a continuation of strong operating cash flow that will be supported with prudent capital deployment in the coming year. The Company reiterates the guidance for 2021 provided in its news release of February 15, 2021, as follows:

- Resumption of suspended 2020 capital program with Atrush capital expenditures for 2021 planned at $53.2 million ($14.7 million net to ShaMaran). This capital program includes:
    - Drilling and completion of one highly deviated production well (P-117) with targeted offtake rates of over 4,000 bopd. The P-117 well will be drilled West-South-West from the Chamanke A pad and is expected to recover over 9MM stb from the upper Jurassic reservoir; and
    - 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 dependant on rented diesel-fuelled generators for all electrical power, this project will also therefore greatly enhance operating costs.
- Resumption of deferred drilling and completion spending in 2021 is expected to generate quarter-on-quarter production growth and Atrush field gross average daily production is therefore expected to range from 39,000 barrels of oil per day ("bopd") to 44,000 bopd;
- Atrush operating expenditure is forecast to be $80 million ($22 million net to ShaMaran) for 2021, in line with 2020 actual operating costs; and
- Atrush average lifting costs per barrel are estimated to range from $4.70 to $5.70. Atrush lifting costs are mainly fixed costs and dollar-per-barrel estimates should decrease with increasing levels of production and operational efficiencies.

FINANCIAL REVIEW

Financial Results

Selected Quarterly Financial Information

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

USD Thousands (except per share data)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Continuing operations:								
Revenue	**14,081**	15,358	7,393	19,841	24,345	18,804	15,071	12,071
Cost of goods sold	**(3,828)**	(11,406)	(13,562)	(20,771)	(14,071)	(13,648)	(12,233)	(10,307)
General and admin expense	**(2,115)**	(1,678)	(2,512)	(1,876)	(2,975)	(1,881)	(1,996)	(1,580)
Share based payments	**(258)**	(283)	(406)	(716)	(205)	(339)	(400)	-
Depreciation and amortization	**(54)**	(52)	(50)	(49)	(46)	(52)	(3)	(2)
Impairment loss	**-**	-	-	(116,164)	-	-	-	-
Impairment loss – Trade receivables	**(3,201)**	-	-	-	-	-	-	-
Finance cost	**(6,441)**	(4,654)	(5,469)	(5,479)	(5,507)	(5,402)	(5,449)	(9,067)
Finance income	**2**	-	1	34	71	112	235	408
Net gain on Atrush acquisition	**-**	-	-	-	-	-	750	-
Income tax expense	**29**	(18)	(26)	(31)	(26)	(14)	(43)	(18)
Net (loss)/Income	**(1,785)**	**(2,733)**	**(14,631)**	**(125,211)**	**1,586**	**(2,420)**	**(4,068)**	**(8,495)**
EBITDAX	**6,614**	8,707	(1,882)	6,613	14,833	9,424	6,536	5,585
Basic and diluted net inc / (loss) in $ per share	**(0.001)**	(0.001)	(0.007)	(0.058)	0.001	(0.001)	(0.002)	(0.004)

Earnings before interest, tax, depreciation, amortisation, and exploration expense ("EBITDAX")[4] 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 Fourth Quarter Financial Information

The $1.8 million net loss in Q4 2020 was primarily driven by the $3.2 million provision made against the long-term receivables and financing costs of $6.4 million which relate mainly to the Company's bonds. These costs were partly offset by a positive adjustment made to the cumulative depletion costs in the quarter, due to the new reserves report figures.

The Company generated a strong $6.6 million of EBITDAX in the quarter, as explained in the following section, underlining the capacity of the Company to generate positive operational cash in a lower oil price environment.

The income and expenses in the fourth quarter are explained in more detail along with the annual financial information in the following sections.

[4] 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

Selected Annual Financial Information

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

USD Thousands (except per share data)	For the year ended December 31, 2020	2019	2018
Revenues	**56,673**	70,291	69,600
Cost of goods sold	**(49,567)**	(50,259)	(42,072)
General and administrative expense	**(8,181)**	(8,432)	(4,564)
Share based payments expense	**(1,663)**	(944)	-
Depreciation and amortisation expense	**(205)**	(103)	(8)
Impairment	**(116,164)**	-	-
Impairment loss – Trade receivables	**(3,201)**	-	-
Finance income	**5**	790	2,091
Finance cost	**(22,076)**	(25,389)	(23,114)
Net gain on Atrush acquisition	**-**	750	-
Income tax expense	**(46)**	(101)	(64)
(Loss) / income for the year	**(144,425)**	**(13,397)**	**1,869**
Basic and diluted loss in $ per share:	**(0.07)**	(0.01)	-

Financial position – net book value of principal items	As at December 31, 2020	2019	2018
Property plant & equipment	**146,046**	207,903	195,908
Loans and receivables	**68,069**	77,317	61,283
Exploration and evaluation assets	**70**	67,649	67,829
Cash and other assets	**28,989**	15,837	94,756
Right of use asset	**199**	309	-
Total assets	**243,373**	**369,015**	**419,776**
Borrowings	**(188,416)**	(189,546)	(236,717)
Other liabilities	**(51,290)**	(37,333)	(28,860)
Shareholders' equity	**3,667**	**142,136**	**154,199**
Common shares outstanding (x 1,000)	**2,173,365**	2,160,632	2,158,632

Summary of Principal Changes in Annual Financial Information

The net loss in 2020 of $144.4 million is attributable to a number of key drivers, several of which are no longer relevant going forward. Oil sales at a significantly lower average annual oil price tightened the gross margin. An adjustment to the cumulative depletion costs, due to the new reserves report figures, helped offset this negative. Significant higher management and consulting fees were incurred in 2020 related to the Company reviewing strategic and financial options to address the liquidity risk at the start of the year. An impairment was made to oil and gas assets in the first quarter of 2020 due to the significant decline in world oil prices. At the end of 2020 a provision was made against long-term receivables in line with IFRS accounting, however, the full amount is expected to be recovered.

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

EBITDAX - Non-IFRS Measures

USD Thousands	Three months ended Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Revenues	14,081	24,345	56,673	70,291
Lifting costs	(5,279)	(5,624)	(23,154)	(21,640)
Other costs of production	185	(708)	(3,623)	(2,897)
General and administrative expense	(2,115)	(2,975)	(8,181)	(8,432)
Share based payments	(258)	(205)	(1,663)	(944)
EBITDAX	**6,614**	**14,833**	**20,052**	**36,378**

Gross margin on oil sales

USD Thousands	Three months ended Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Revenue from Atrush oil sales	14,081	24,345	56,673	70,291
Lifting costs	(5,279)	(5,624)	(23,154)	(21,640)
Other costs of production	185	(708)	(3,623)	(2,897)
Depletion costs	1,266	(7,739)	(22,790)	(25,722)
Cost of goods sold	**(3,828)**	**(14,071)**	**(49,567)**	**(50,259)**
Gross margin on oil sales	**10,253**	**10,274**	**7,106**	**20,032**

Revenue from Atrush oil sales relates to the Company's entitlement share of oil sales from the Atrush Block. The decrease in revenues between the years 2020 and 2019 were driven by lower average net oil prices but were somewhat offset by higher average daily production (45.1 Mbopd vs 32.4 Mbopd). 2020 production was sold at an average net oil price of $26.26 per barrel after deducting $15.78 per barrel average discount for oil quality and transportation costs which compares, respectively, to $48.48 and $15.43 for oil sales made in the year of 2019. The higher Atrush production resulted in increased revenues of $34.3 million (39%) which was offset by $47.9 million of negative impact on revenues due to sales of oil at a lower average price by $22.22 per barrel. The significant decrease between the Q4 revenues was mainly due to the lower average net oil price by $19.65 per barrel, resulting in $9.8 million of the decrease.

Lifting costs are comprised of the Company's share of expenses related to the production of oil from the Atrush Block including operation and maintenance of wells and production facilities, insurance, and the Operator's related support costs. The average lifting cost per barrel of Atrush oil produced was $5.10 per barrel in Q4 2020 (Q4 2019: $5.32 per barrel). The decrease per barrel related to lower total lifting costs which in Q4 2019 included additional costs to manage salt issues, water handling and well workovers.

For the year 2020 there was an 7% increase in total lifting costs over 2019 relating mainly to a full year at the higher working interest, partially offset by reductions in production costs which were as a result of revised 2020 spending and less well workover costs in 2020. Lifting costs averaged $5.08 per barrel over the year 2020 compared to $7.33 per barrel in the year 2019 and were within the 2020 updated guidance range which was $4.50 per barrel to $5.10 per barrel.

Other costs of production include the Company's share of production bonuses paid to the KRG and other costs prescribed under the Atrush PSC. Other costs of production in the year 2020 included $3.7 million due to the KRG for the Company's share of the production bonus related to cumulative oil production from Atrush of 25 million barrels which was reached in February 2020. 2019 other costs of production mostly consisted of costs related to heavy oil extended well testing.

Depletion costs per entitlement barrel in Q4 2020 was negative $2.54 (Q4 2019: $15.23). The credit in the quarter is due to an increase in reserves determined in the 2020 year-end reserves report which spread depletion cost over more barrels and adjusted the cumulative depletion cost.

Over the year 2020 the depletion cost per entitlement barrel averaged $10.56 per barrel compared to $17.74 per barrel in the year 2019. The decrease is mainly due to the increase in reserves and the decrease of the asset base due to the quarter one impairment.

Gross margin on oil sales was similar in Q4 both years, however in Q4 2020 the lower revenues related to lower oil prices was offset by the lower depletion costs due to the reserves adjustment mentioned above.

The gross margin was lower in 2020 by $12.9 million mainly because of the lower revenue driven by lower average net oil prices, offset to an extent by the higher production in the year.

General and administrative expense

USD Thousands	Three months ended Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Salaries and benefits	1,266	1,645	3,671	4,244
Management and consulting fees	449	684	2,700	2,269
Legal, accounting and audit fees	177	216	894	793
General and other office expenses	128	172	463	441
Listing costs and investor relations	89	43	341	277
Travel expenses	6	215	112	408
General and administrative expense	**2,115**	**2,975**	**8,181**	**8,432**

The lower general and administrative expense incurred in the quarter and the year 2020 compared to the same period of 2019 was principally due to reduced costs for personnel, salaries and benefits, and low travel costs due to COVID-19. During the year 2020 the Company incurred significant one-off legal and consulting fees related to the Company reviewing strategic and financial options to address the liquidity risk.

Share based payments expense

USD Thousands	Three months ended Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Option expense	199	141	1,269	653
RSU expense	132	61	347	92
DSU expense / (recovery)	(73)	3	47	199
Total share-based payments	**258**	**205**	**1,663**	**944**

The share-based payments expense relates to the vesting of stock options, granted deferred share units ("DSUs") and restricted share units ("RSUs"). At December 31, 2020 there was in total 60,610,000 outstanding stock options (December 31, 2019: 47,070,000), 28,693,333 RSUs (December 31, 2019: 11,660,000) granted to certain senior officers and other eligible persons of the Company and 7,346,877 DSUs (December 31, 2019: 2,880,212) granted to ShaMaran's non-executive directors. 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 Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Depreciation and amortization expense	54	46	205	103

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. The increase from 2019 to 2020 in the year is due to the purchase of new furniture and IT equipment in the newly leased Geneva office, during the second half of 2019, and the treatment of the Swiss office lease under the new 2019 accounting standard IFRS 16 Leases. A right-of-use asset for the lease has been recognized on the balance sheet and is depreciated over the term of the lease.

Impairment loss

USD Thousands	Three months ended Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Impairment loss	-	-	116,164	-

Due to the significant decline in world oil prices at the end of the first quarter of 2020 IFRS required that the Company undertake an impairment assessment of the recoverability of the net book value of its oil and gas assets. Accordingly, in the first quarter the Company recorded a $48.5 million impairment loss on the book value of PP&E relating to the Company's Atrush 2P reserves base and a $67.6 million impairment loss on the book value of intangible exploration and evaluation costs relate to the Company's Atrush 2C resource base. Refer to the "Capital Expenditures on Property, Plant & Equipment" and "Capital Expenditures on Intangible Assets" sections below for additional information.

Impairment loss on trade receivables

USD Thousands	Three months ended Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Impairment loss on trade receivables	3,201	-	3,201	-

At the end of 2020 a provision of $3.2 million was made against the long-term receivables that represent the $41.7 million owed to the Company by the KRG for $34 million of deliveries from November 2019 to February 2020 and an additional $7.7 million of Atrush Exploration Costs receivable invoiced over the same period. The provision reflects counterparty discounting and credit risk in order for the receivables to be a reasonable approximation of their fair value in line with IFRS accounting, however the full amount is expected to be recovered.

Finance income

USD Thousands	Three months ended Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Interest on deposits	2	66	5	375
Interest on Atrush Feeder Pipeline Cost Loan	-	4	-	173
Interest on Atrush Development Cost Loan	-	1	-	242
Total finance income	**2**	**71**	**5**	**790**

Both the Atrush Development Cost Loan and the Atrush Feeder Pipeline Cost Loan were fully repaid in 2019.

Interest on deposits represents bank interest earned on cash, investments and restricted cash held in interest bearing funds. The decrease in interest income reported to date in 2020 relative to the amount reported in 2019 is due to a higher level of interest-bearing funds held in 2019.

Finance cost

USD Thousands	Three months ended Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Interest charges on bonds at coupon rate	5,763	5,764	22,800	23,417
Amortization of the related party loan	590	-	1,132	-
Amortization of bond transaction costs	159	33	375	848
Bond remeasurement	-	-	(1,505)	2,131
Total borrowing costs	**6,512**	**5,797**	**22,802**	**26,396**
Foreign exchange loss	106	91	171	55
Lease – interest expense	4	1	12	2
Unwinding discount on decommissioning provision	(4)	(15)	(1)	(14)
Total finance costs before borrowing costs capitalized	**6,618**	**5,874**	**22,984**	**26,439**
Borrowing costs capitalized	(177)	(367)	(908)	(1,050)
Finance cost	**6,441**	**5,507**	**22,076**	**25,389**

Borrowing costs are capitalized where they are directly attributable to the acquisition of, and preparation for their intended use, Atrush development assets. The significant decrease in capitalized borrowing costs in 2020, compared to 2019, is due to a significant number of development projects having been completed for their intended use. All other borrowing costs are recognized in profit or loss 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 Dec 31		Year ended Dec 31	
	2020	**2019**	**2020**	**2019**
Income tax expense	(29)	26	46	101

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. The decrease in tax expense reported 2020 compared to 2019 is primarily due to a reduction in the effective tax rate in the Switzerland jurisdiction from 24% in 2019 to 13.7% in 2020. This correction was made in Q4 of 2020.

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 PSC proved and probable reserves as estimated by McDaniel. The movements in PP&E are explained as follows:

	Year ended December 31, 2020			Year ended December 31, 2019		
USD Thousands	Oil and gas assets	Office equipment	Total	Oil and gas assets	Office equipment	Total
Opening net book value	**207,695**	**208**	**207,903**	**195,897**	**11**	**195,908**
Additions	9,520	2	9,522	25,971	224	26,195
Atrush acquisition	-	-	-	11,549	-	11,549
Depletion and depreciation expense	(22,790)	(39)	(22,829)	(25,722)	(27)	(25,749)
Impairment	(48,550)	-	(48,550)	-	-	-
Net book value	**145,875**	**171**	**146,046**	**207,695**	**208**	**207,903**

During the 12 months of 2020 movements in PP&E were comprised of Atrush block development cost additions of $9.5 million (2019: $37.7 million), which included capitalized borrowing costs of $908 thousand (2019: $1.0 million), net of depletion of $22.8 million (2019: $25.7 million) and an impairment of $48.6 million (2019: $nil) which resulted in a net decrease to PP&E assets of $61.9 million.

Due to a significant decline in world oil prices in the first quarter of 2020 the Company conducted an impairment test as at March 31, 2020 to assess if the net book value of its oil and gas assets was fully recoverable. This led to a non-cash impairment charge of $48.6 million which is included in the statement of comprehensive income for the year ended December 31, 2020.

Capital Expenditures on Intangible Assets

The net book value of intangible assets at December 31, 2020 relates to computer software. The net book value at December 31, 2019 was principally comprised of exploration and evaluation ("E&E") assets which represented the Atrush Block exploration and appraisal costs related to the Company's share of Atrush Block contingent resources as estimated by McDaniel. The movements in Intangible assets are explained as follows:

	Year ended December 31, 2020			Year ended December 31, 2019		
USD Thousands	E&E assets	Software & Licences	Total	E&E assets	Software & Licences	Total
Opening net book value	**67,616**	**33**	**67,649**	**67,825**	**4**	**67,829**
Addition / (reversal)	-	51	51	(209)	39	(170)
Amortization expense	-	(14)	(14)	-	(10)	(10)
Impairment loss	(67,616)	-	(67,616)	-	-	-
Net book value	**-**	**70**	**70**	**67,616**	**33**	**67,649**

During the year 2020 movements in E&E assets related to an impairment loss.

Due to a significant decline in world oil prices in the first quarter of 2020 the Company conducted an impairment test as at March 31, 2020 to assess if the net book value of its E&E assets was recoverable. This led to a non-cash impairment charge of $67.6 million which is included in the statement of comprehensive income for the year ended December 31, 2020.

Financial Position and Liquidity

Loans and receivables

In November 2016 the Company entered into certain agreements with the KRG and other Atrush contractors for the reimbursement by the KRG to the Non-Government Contractors of certain costs incurred by KRG in the years 2013 through 2017 which were funded by the Atrush Non-Government Contractors. The Atrush Exploration Costs receivable, which relates to a share of the KRG's development costs paid for on behalf of the KRG by ShaMaran prior to the year 2016 which, for the purposes of repayment, are governed under the Atrush PSC and the related Facilitation Agreement and deemed to be Exploration Costs repaid through an accelerated petroleum cost recovery arrangement based on an agreed amount of the KRG's share of oil sales for each month's deliveries.

At December 31, 2020, the Company had loans and receivables outstanding as follows:

	For the year ended December 31	
USD Thousands	2020	2019
Accounts receivable on Atrush oil sales	38,584	35,535
Atrush Exploration Costs receivable	32,686	41,782
Provision for impairment	(3,201)	-
Total loans and receivables	**68,069**	**77,317**

In the period from the balance sheet date up to the date of this MD&A the Company received $6.5 million in total payments for receivables balances outstanding at December 31, 2020, comprised of $5.4 million in total payments for its entitlement share of oil sales for the month of December 31, 2020 and $1.1 million in reimbursements of the Atrush Exploration Costs receivable.

The KRG has committed to a repayment mechanism for the $41.7 million owed to the Company for $34 million of deliveries from November 2019 to February 2020 and an additional $7.7 million of Atrush Exploration Costs receivable invoiced over the same period. The Company remains actively engaged with the KRG to improve the terms of the repayment mechanism. However, since definitive repayment terms have not yet been established, and the amount is dependent on the Brent oil price, this amount is presented net of a provision of $3.2 million to reflect discounting and credit risk and is a reasonable approximation of their fair value in line with IFRS accounting, however the full amount is expected to be recovered.

Borrowings

The ShaMaran bonds have one amortization and carry 12% fixed semi-annual coupon and mature on July 5, 2023. At December 31, 2020 there were $190 million of ShaMaran bonds outstanding.

On July 5, 2020, the Company and the Bond Trustee on behalf of the Bondholders executed an amendment and restatement agreement as well as related supporting documentation which provided for principal changes to previously agreed bond terms as follows:

- Full and final discharge of the liquidity guarantee given by Nemesia S.à.r.l. ("Nemesia"), a company controlled by a trust settled by the estate of the late Adolf H. Lundin, agreed in favour of the Bond Trustee (for the benefit of the Bondholders) in consideration for Nemesia making a payment of $22.8 million to the Company's Debt Service Retention Account ("DSRA");
- $11.4 million of the amounts credited to the DSRA were used by the Company to pay the interest on the Bonds due on the interest payment date in July 2020, the residual $11.4 million will remain in the DSRA as restricted cash to provide credit support for any future payment obligations of the Company under the Bond Terms. These funds were used to pay coupon interest due on January 5, 2021;
- The Company's obligations to make the $15 million amortization payment due on July 5, 2020 has been deferred until December 5, 2021, and substituted with a cash sweep mechanism whereby the Company, on each interest payment date, will use any amount exceeding a free cash amount of $15 million in repayment of the Bonds, and any amount of free cash so used to redeem Bonds will correspondingly reduce the deferred amortization payment amount;
- Temporary waiver until July 5, 2021 granted with respect to the existing breach of the financial covenant relating to the equity ratio; and
- In conjunction with the temporary waivers of the amortization payment requirement and financial covenant breach, the Bond Terms were amended to provide for a put option in favour of the Bondholders to require that the Company purchase the Bonds (at par plus accrued interest and the existing call premium) at any time on ten (10) business days' notice subject to the affirmative vote by holders of 50.01% of the Bonds.

The amendments to the ShaMaran bonds agreement in July 2020, most notably the deferral of the $15 million amortization payment, has resulted in changes to expected future cashflows related to the bonds and requires the Company, in accordance with IFRS 9 Financial Instruments, to re-measure the carrying value of the bond debt. The value of the ShaMaran bonds has been determined based on the net present value of future cash flows, discounted at the original effective interest rate resulting in a gain of $1.5 million which has been included as an offset to finance cost in the statement of comprehensive income in 2020. As the put option is outside of management's control all of the borrowings have been classified as current.

The movements in borrowings are explained as follows:

	For the year ended December 31, 2020	2019
Opening balance	200,693	250,797
Interest charges at coupon rate	22,800	23,417
Amortization of bond transaction costs	375	848
Bond transaction costs	-	(150)
Bonds retired	-	(50,000)
Bond remeasurement	(1,505)	2,131
Payments to Bondholders – interest and call premiums	(22,802)	(26,350)
Ending balance	**199,561**	**200,693**
Current portion: borrowings	188,416	15,000
Current portion: accrued bond interest expense	11,145	11,147
Non-current portion: borrowings	-	174,546

Loan from related party

On July 2, 2020 the Company announced full drawdown of the $22.8 million of funds from Nemesia for a full and final discharge of the liquidity guarantee provided to the Bond Trustee on behalf of the bondholders by Nemesia on behalf of the Company to secure the Company's obligations under the ShaMaran bond agreement. On July 5, 2020. $11.4 million of the funds were used to pay the July 2020 bond coupon interest payment of the same amount with the remaining $11.4 million deposited in the DSRA as restricted cash. These funds were then used to pay bond coupon interest due on January 5, 2021. In exchange for the drawdown of funds the Company has agreed with Nemesia to repay the drawdown amount by July 2023, plus 5% interest and to issue common shares of the Company which has resulted in a non-current liability at the balance sheet date measured in accordance with IFRS as explained hereafter.

The Company is required to issue to Nemesia 50,000 shares of ShaMaran for each $500 thousand drawn down per month until the drawn amount is repaid (the "Loan Shares"). At the current full $22.8 million level of draw down the Company is required to issue to Nemesia 2,280,000 ShaMaran shares per month. In addition, the Company is 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 is payable on or before July 5, 2023 and such claim for repayment is subordinated to all obligations under the Company's bond agreement.

In accordance with IFRS 9 Financial Instruments the liquidity guarantee is a compound financial instrument which has two parts: a liability component and an equity component. IAS 32 Financial Instruments Presentation requires that the component parts be accounted for and presented separately. The split is made at issuance and will not be revised for subsequent changes in market interest rates or share prices. The fair value of the liability component of $18.1 million at initial drawdown has been determined based on the net present value of future cash flows, is amortized over the three-year term using the effective interest rate of 13.19% and is presented on the balance sheet as "loan from related party". The fair value of the equity component at initial drawdown of $4.7 million is presented on the balance sheet as "loan share reserve". As Nemesia are issued the Company shares each month the Loan Share reserve value is transferred into share capital on a straight-line basis. During 2020 $655 thousand has been transferred into share capital.

The 2020 movements in the liquidity guarantee loan balance are explained as follows:

USD Thousands	For the year ended December 31, 2020
Opening balance	**-**
Cash received: full amount of the liquidity guarantee	22,800,000
FV of the equity component	(4,717,855)
Amortization of the liability component	1,132,450
Ending balance	**19,214,595**
Non-current liability: loan from related party	19,214,595

Liquidity and Capital Resources

USD Thousands	For the year ended December 31 2020	2019
Selected liquidity indicators		
Cash flow from operations	12,860	14,629
Cash in bank	28,418	15,530
Positive working capital	17,254	36,822

Cash flow from operations of $12.9 million for the year ended December 31, 2020 is down by $1.8 million from $14.6 million reported in the year 2019 principally due to $47.9 million relating to reduced margins on significantly lower oil prices (average netback price per entitlement barrel $26.27 v $48.48) which has more than offset the $34.3 million of positive cash flow effects relating to higher production (average daily production 45.1 Mbopd v 32.4 Mbopd).

Working capital at December 31, 2020 was positive $17.3 million compared to positive $36.8 at December 31, 2019. The decrease in working capital since December 31, 2019 is principally due to the delay in payments for November 2019 through February 2020 oil sales.

The overall cash position of the Company increased by $12.9 million during the twelve months of 2020, compared with a decrease of $76.9 million during the same period of 2019. The decrease in 2019 is principally due to the repayment of $50 million of ShaMaran Bonds in February 2019 and the total cash out of $27.2 million on the acquisition of an additional interest in Atrush completed in May 2019. The main components of the movement in funds in 2020 were as follows:

- The operating activities of the Company in 2020 resulted in an increase of $12.9 million in the cash position (2019: increase of $14.6 million). The change in cash from operations is explained by the net loss of $144.4 million less $157.3 million of net positive cash adjustments from working capital items, net borrowing costs and non-cash expenses including the $116 million net loss on the asset impairment and the $3.2 million net loss in the trade receivables impairment.
- Net cash inflows to investing activities in 2020 were $0.2 million (2019: outflows of $15.1 million). Cash outflows from investing activities in the year 2020 were comprised of $8.9 million for the investments in the Atrush Block development work program net of cash inflows of $9.1 million in payments by the KRG of Atrush loans and receivables.
- Net cash outflows from financing activities in the year were $0.1 million (2019: cash outflows of $76.4 million) and comprised of the $22.8 million of cash inflows of the Nemesia guarantee drawdown, offset by $22.9 million of cash outflows, mainly the semi-annual interest payments to ShaMaran bondholders in January 2020 and July 2020.

The 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

Nemesia, a company controlled by a trust settled by the estate of the late Adolf H. Lundin and a shareholder of the Company, funded its $22.8 million liquidity guarantee on behalf of the Company in July 2020 and monthly thereafter receives 2,280,000 common shares of the Company until such loan is repaid in full with 5% interest in July 2023.

Namdo Management Services Ltd., a private corporation affiliated with a shareholder of the Company, has charged the Company $46 thousand in 2020 for corporate administrative support and investor relations services.

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 2,175,868,201 outstanding shares at December 31, 2020, 2,272,518,411 outstanding shares after dilution and 2,182,708,201 outstanding shares at the date of this MD&A.

Details of share issuance in 2020 and since December 31, 2020 are as follows:

- 11,400,000 common shares were issued in 2020 to Nemesia [in accordance with the loan repayment terms between the Company and Nemesia]. The carrying value of the shares has been determined based on the total loan share reserve value and is amortized over the three-year life of the loan. See "loan from related party";
- On August 12, 2020, 3,836,667 Restricted Share Units ("RSUs") vested in accordance with the Company's Share Unit Plan and were issued to grantees of the 2019 RSU grant on September 25, 2020 (the "RSU Shares"). 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; and
- 6,840,000 common shares have been issued in quarter one 2021 to Nemesia.

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. Under the share unit plan the Company may grant performance share units ("PSU"), and restricted share units ("RSU"). As at December 31, 2020 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 3, 2020, the Company granted

(i) 21,250,000 RSUs to certain senior officers and other eligible persons of the Company at a grant date share price of CAD 0.06. In 2020 a total of 380,000 RSU's were cancelled due to the end of service of a plan participant, a total of 3,836,667 RSUs vested and the same quantity of shares were issued to plan participants. The Statement of Comprehensive Income includes RSU related charges of $347 thousand (2019: $92 thousand) for the year 2020 relating to 2020 and 2019 RSU grants;

(ii) 4,466,665 of DSUs to non-executive directors. In 2019 a total of 3,600,265 DSUs were granted. The total DSU grants resulted in charges to the Statement of Comprehensive Income of $47 thousand for the year 2020 (2019: $199 thousand). The carrying amount of the DSU liability at December 31, 2020 is $202 thousand.

(iii) 35,840,000 stock options to certain senior officers and other eligible persons of the Company. In 2020 a total of 22,000,000 stock options expired and 300,00 were cancelled due to the end of service of a grantee.

At December 31, 2020 there were 60,610,000 stock options outstanding under the Company's employee incentive stock option plan. No stock options were exercised in 2020 (year 2019: 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, 2019	**47,070,000**	**11,660,000**	**2,880,212**
Granted in the period	35,840,000	21,250,000	4,466,665
Expired/cancelled in the period	(22,300,000)	(380,000)	-
RSU Shares issued in the period	-	(3,836,667)	-
At December 31, 2020	**60,610,000**	**28,693,333**	**7,346,877**
Quantities vested and unexercised:			
At December 31, 2019	30,356,662	-	2,880,212
At December 31, 2020	28,950,000	-	7,346,877

Contractual Obligations and Commitments

Atrush Block Production Sharing Contract

The Company is responsible for its *pro-rata* share of the costs incurred in executing the development work program on the Atrush Block which commenced on October 1, 2013.

As at December 31, 2020, the outstanding commitments of the Company were as follows:

	For the year ended December 31,				
USD Thousands	2021	2022	2023	Thereafter	Total
Atrush Block development	36,793	166	166	1,490	38,615
Corporate office and other	146	57	-	-	203
Total commitments	**36,939**	**223**	**166**	**1,490**	**38,818**

Amounts relating to Atrush Block development represent the Company's unfunded paying interest share of the approved 2021 work program and other obligations under the Atrush PSC.

Under the terms of the Atrush PSC the Company will owe a share of production bonuses payable to the KRG when cumulative oil production from Atrush reaches production milestones defined in the Atrush PSC. The remaining production bonus payable is $23.3 million at the 50 million barrel milestone (ShaMaran share: $6.43 million) and will not be cash settled but is to be treated as an offset against amounts owed to ShaMaran currently by the KRG under the proposed repayment mechanism. This final production milestone is expected to be achieved during the second half of 2021.

Critical Accounting Policies and Estimates

The 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.

Significant Accounting Policies

There are no IFRS or interpretations that have been issued effective for financial years beginning on or after January 1, 2020 that would have a material impact on the Company's consolidated financial statements.

New Accounting Standards Issued but not yet applied

There are no new accounting standards which will come into effect for annual periods beginning on or after January 1, 2021, that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2020, all of the Company's development activities are conducted jointly with others.

RESERVES AND RESOURCE ESTIMATES

The Company engaged McDaniel to evaluate 100% of the Company's reserves and resource data as at December 31, 2020. The conclusions of this evaluation have been presented in a Detailed Property Report which has been prepared in accordance with standards set out in the Canadian National Instrument NI 51-101 and COGEH.

The Company's crude oil reserves as at December 31, 2020 were, based on the Company's working interest of 27.6 % in the Atrush Block, estimated to be as follows:

Company estimated reserves (diluted)
As at December 31, 2020

	Proved Developed	Proved Undeveloped	**Total Proved**	Probable	**Total Proved & Probable**	Possible	**Total Proved, Probable & Possible**
Light/Medium Oil (Mbbl)(1)							
Gross (2)	9,254	4,929	**14,184**	9,982	**24,165**	10,142	**34,307**
Net (3)	5,089	2,654	**7,743**	5,341	**13,084**	4,819	**17,904**
Heavy Oil (Mbbl) (1)							
Gross (2)	1,823	957	**2,780**	3,382	**6,162**	3,253	**9,416**
Net (3)	1,003	515	**1,518**	1,819	**3,337**	1,577	**4,914**

Notes:
(1) The Atrush Field contains crude oil of variable density. Fluid type is classified according to COGEH: Light/Medium Oil is based on density less than 920 kg/m3 and Heavy Oil is between 920 and 1000 kg/m3.
(2) Company gross reserves are based on the Company's 27.6 % working interest share of the property gross reserves.
(3) Company net reserves are based on Company share of total Cost and Profit Revenues. Note, as the government pays income taxes on behalf of the Company out of the government's profit oil share, the net reserves were based on the effective pre-tax profit revenues by adjusting for the tax rate.

The Company's crude oil and natural gas contingent resources as at December 31, 2020, were estimated to be as follows:

Company estimated contingent resources (diluted) (1) (2)(4)(5)
As at December 31, 2020

	Low Estimate (1C)	Best Estimate (2C)	High Estimate (3C)	Risked Best Estimate
Light/Medium Oil (Mbbl) (3)				
Gross (Development On Hold)	3,407	8,300	11,559	5,810
Gross (Development Not Viable)	0	0	0	0
Heavy Oil (Mbbl) (3)				
Gross (Development On Hold)	5,965	11,510	27,282	
Gross (Development Not Viable)	21,822	40,832	46,994	
Gross Total	27,787	52,342	74,276	12,140
Natural Gas (MMcf)				
Gross	5,393	10,127	14,393	506

Notes:
(1) Company gross interest resources are based on a 27.6 % working interest share of the property gross resources.
(2) There is no certainty that it will be commercially viable to produce any portion of the contingent resources.
(3) The Atrush Field contains crude oil of variable density. Fluid type is classified according to COGEH: Light/Medium Oil is based on a density less than 920 kg/m3 and Heavy Oil is between 920 and 1000 kg/m3.
(4) The "Risked Best Estimate" contingent resources account for the chance of development, which is defined as the probability of a project being commercially viable. Quantifying the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution. The chance of development was estimated to be 70 % for the Light/Medium and Heavy Crude Oil Development On Hold contingent resources, 10 % for the Heavy Oil Crude Oil Development Not Viable contingent resources and 5 % for the Natural Gas.
(5) The contingent resources are sub-classified as "development unclarified" with an "undetermined" economic status.

The contingent resources represent the likely recoverable volumes associated with further phases of development during Phase 1 ("Development On Hold") which differ from reserves mainly due to the uncertainty over the future development plan which will be associated with an increase in the oil price from 2020 levels ("Development Not Viable").

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

Risks in estimating resources

There are uncertainties inherent in estimating the quantities of reserves and resources including factors 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 Operator; and risks associated with international operations.

The Company's project is in the early production 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 and gas 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 and gas production in Kurdistan is dependent upon the Kurdistan government and its ability to export production outside of Iraq. A decline in the price of Dated Brent Crude oil, a reference in determining the price at which the Company can sell future oil production, could adversely affect the amount of funds available for capital reinvestment purposes as well as the Company's value in use calculations for impairment test purposes.

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, Swiss Francs ("CHF") and Canadian dollars ("CAD"). As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange rate fluctuations between the foreign currencies and the USD. The Company considers its foreign currency risk is limited because it holds relatively 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 bonds as the interest rate is fixed until July 2023.

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 operating and 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.

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", "Financial Instruments" and "Cautionary Statement Regarding Forward-Looking Information" 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.

Impact of COVID-19

The Covid-19 virus and the restrictions and disruptions related to it have had a drastic adverse effect on the world demand for, and prices of, oil and gas as well as the market price of the shares of oil and gas companies generally, including ShaMaran's common shares. There can be no assurance that these adverse effects will not continue or that commodity prices will not decrease or remain volatile in the future. These factors are beyond the control of the Company and it is difficult to assess how these, and other factors, will continue to affect ShaMaran and the market price of ShaMaran's common shares. In light of the current situation, as at the date of this MD&A, the Company continues to review and assess its business plans and assumptions regarding the business environment, as well as its estimates of future production, cash flows, operating costs and capital expenditures.

The current and any future Covid-19 outbreaks may increase ShaMaran's exposure to, and magnitude of, each of the risks and uncertainties identified below that result from a reduction in demand for oil and gas consumption and/or lower commodity prices and/or reliance on third parties. The extent to which Covid-19 impacts ShaMaran's business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the current and any future Covid-19 outbreaks, their severity, the actions taken to contain such outbreaks or treat their impact, and how quickly and to what extent normal economic and operating conditions resume and their impacts to ShaMaran's business, results of operations and financial condition which could be more significant in upcoming periods as compared with previous periods. Even after the Covid-19 outbreaks have subsided, ShaMaran may continue to experience materially adverse impacts to its' business as a result of the global economic impact.
As a result of these developments ShaMaran announced revised 2020 Atrush spending plans in April 2020 and actual 2020 spending was in line with the revised plans. ShaMaran will continue to monitor this situation and work to adapt its business to further developments as determined necessary or appropriate.

Political and Regional Risks

International operations of oil and gas companies in emerging countries are subject to significant political, social and economic uncertainties which are beyond ShaMaran's control. Uncertainties include, but are not limited to, the risk of war, terrorism, criminal activity, expropriation, nationalization, renegotiation or nullification of existing or future contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, a limitation on the KRG's ability to export oil, and the imposition of currency controls. The materialization of these uncertainties could adversely affect the Company's business including, but not limited to, increased costs associated with planned projects, impairment or termination of future revenue generating activities, impairment of the value of the Company's assets and or its ability to meet its contractual commitments as they become due.

Political uncertainty in Kurdistan and Iraq where ShaMaran's assets and operations are located. While Kurdistan is a federally recognized semi-autonomous political region in Iraq, ShaMaran's business in Kurdistan may be influenced by political developments between Kurdistan 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 authorities and disputes between the Iraq federal government and Kurdistan.

There is a risk that levels of authority of the KRG, and corresponding systems in place, could be transferred to the Iraq Federal Government. 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. Refer also to the discussion in the section below under "Risks associated with petroleum contracts in Kurdistan."

International boundary disputes involving Kurdistan even though it is recognized by the Iraq constitution as a semi-autonomous region, its geographical extent is neither defined in the Iraq constitution nor agreed in practice between the Iraq Federal Government and the KRG. There have been unresolved differences between the KRG and the Iraq Federal Government regarding certain areas which are commonly known as "disputed territories". The Company believes that its current area of operation is not within the "disputed territories".

Industry and Market Risks

Exploration, development and production risks are inherent in ShaMaran's business and also the marketing of oil and natural gas, many of which cannot be overcome even with a combination of experience, knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include drilling of unsuccessful wells, fire, explosion, blow-outs, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property or the environment, or in personal injury. The Company is not fully insured against all of these risks, nor are all such risks insurable and, as a result, these risks could still result in adverse effects to the Company's business not fully mitigated by insurance coverage including, but not limited to, increased costs or losses due to events arising from accidents or other unforeseen outcomes including clean-up, repair, containment and or evacuation activities, settlement of claims associated with injury to personnel or property, and or loss of revenue as a result of downtime due to accident.

General market conditions in ShaMaran's business and operations depend upon conditions prevailing in the oil and gas industry including the current and anticipated prices of oil and gas and the global economic activity. A reduction of the oil price, a general economic downturn, or a recession could result in adverse effects to the Company's business including, but not limited to, reduced cash flows associated with the Company's future oil and gas sales. Worldwide crude oil commodity prices are expected to remain volatile in the near future as a result of COVID-19's adverse effect on global supply and demand balances, actions taken (or not taken) by the Organization of the Petroleum Exporting Countries Plus, and ongoing global credit and liquidity concerns. This volatility may affect the Company's ability to obtain equity or debt financing on acceptable terms.

Competition in the petroleum industry is intense in all aspects including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. ShaMaran competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. ShaMaran's competitors include oil companies which have greater financial resources, staff and facilities than those of the Company. ShaMaran's ability to increase reserves in the future will depend on its ability to develop its present property and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas.

Reliance on key personnel to continue ShaMaran's success depends in large measure on certain key personnel, officers and directors. The loss of the services of such key personnel could negatively affect ShaMaran's ability to deliver projects according to plan and result in increased costs and delays. ShaMaran has not obtained key person insurance in respect of the lives of any key personnel. In addition, competition for qualified personnel in the oil and gas industry is intense and there can be no assurance that ShaMaran will be able to attract and retain the skilled personnel necessary for its business.

Business Risks

Risks associated with petroleum contracts in Kurdistan stem from the Iraq oil ministry's historical disputes over the validity of the KRG's production sharing contracts and, as a result indirectly, the Company's right and title to its oil and gas asset. The KRG has consistently disputed such claims and has maintained that the Kurdistan PSCs are compliant with the Iraq constitution. There is currently no assurance that production sharing contracts agreed with the KRG are enforceable or binding in accordance with ShaMaran's interpretation of their terms or that, if breached, the Company would have enforceable remedies. The Company believes that it has valid title to its oil and gas asset in Kurdistan and the right to develop and produce oil and gas from such asset under the Atrush PSC. However, should the Iraq Federal Government pursue and be successful in a claim that the production sharing contracts agreed with the KRG are invalid, or should any unfavourable changes develop which impact on the economic and operating terms of the Atrush PSC, it could result in adverse effects to the Company's business including, but not limited to, impairing the Company's claim and title to the asset held, and or increasing the obligations required, under the Atrush PSC.

Government regulations, licenses and permits may affect the Company by changes in taxes, regulations and other laws or policies affecting the oil and gas industry generally as well as changes in taxes, regulations and other laws or policies applicable to oil and gas exploration and development in Kurdistan specifically. The Company's ability to execute its projects may be hindered if it cannot secure the necessary approvals or the discretion is exercised in a manner adverse to the Company. The taxation system applicable to the operating activities of the Company in Kurdistan is pursuant to the Oil and Gas Law governed by general Kurdistan tax law and the terms of its production sharing contracts. However, it is possible that the arrangements under the production sharing contracts may be overridden or negatively affected by the enactment of any future oil and gas or tax law in Iraq or Kurdistan which could result in adverse effects to the Company's business including, but not limited to, increasing the Company's expected future tax obligations associated with its activities in Kurdistan. However, the Company has no reason to believe at this time that the fiscal stability clause set forth in Article 42 of the Atrush PSC would not be honored by the KRG in the future.

Marketing, markets and transportation for the export of oil and gas deliveries from Kurdistan remains subject to uncertainties which could negatively impact on ShaMaran's ability to deliver Atrush oil for export by the KRG and to receive payments from the KRG relating to such deliveries for export. Potential government regulation relating to price, quotas and other aspects of the oil and gas business could result in adverse effects to the Company's business including, but not limited to, impairing the Company's ability to sell Atrush oil and receive full payment for all deliveries of Atrush oil.

Payments to IOCs for oil deliveries to the KRG for export have since 2Q 2020 and beyond been consistent. Nevertheless, there remains a risk that the Company may face significant delays in the receipt of cash for its entitlement share of future oil exports.

KRG paying interest in Atrush Block commenced with the exercise by the KRG of its back-in right under the terms of the Atrush PSC. The KRG has, since the commencement of oil production exports from Atrush Block, paid for its share of project development costs in connection with the payment cycle for oil deliveries except for the four-month period of November 2019 to February 2020. While a mechanism exists for the recovery of such unpaid cash calls, expected to be satisfied in April 2021, there is a risk that the Non-Government Contractors in Atrush may again be exposed to funding the KRG 25% share of future Atrush costs.

Default under the Atrush PSC and Atrush JOA if the Company fails to meet its obligations under the Atrush PSC and/or Atrush Block joint operating agreement ("Atrush JOA") which could result in adverse effects to the Company's business including, but not limited to, a loss of the Company's rights and interests in Atrush Block, the termination of future revenue generating activities of the Company and impairment of the Company's ability to meet its contractual commitments as they become due.

Kurdistan's legal system is a less developed legal system than that found in many more established oil producing areas in the world. This could result in risks associated with predicting how existing laws, regulations and contractual obligations will be interpreted, applied or enforced. In addition, it could make it more difficult for the Company to obtain effective legal redress in courts in case of breach of law, regulation or contract and to secure the enforcement of arbitration awards and may give rise to inconsistencies or conflicts among various laws, regulations, decrees or judgments. The Company's recourse may be limited in the event of a breach by a Kurdistan government authority of an agreement in which ShaMaran holds an interest.

Enforcement of judgments in foreign jurisdictions since the Company is party to contracts with counterparties located in a number of countries, most notably Kurdistan. Certain of its contracts are subject to English law with legal proceedings to be conducted in England. However, the enforcement of any judgments thereunder against a losing counterparty will be a matter of the laws of the jurisdictions where such losing counterparty is domiciled.

Change of control in respect of the Atrush PSC includes if a change of voting majority in the Contractor, or in a parent company occurs, provided the value of the interest in the Atrush Block represents more than 50% of the market value of assets in the party. Due to the limited amount of other assets held by the Company this will apply to a change of control in GEP or to ShaMaran as its sole parent company. A Change of control requires the consent of the KRG or it will trigger a default under the Atrush PSC and potential termination of GEP's interest in Atrush PSC if not remedied in the cure period of time specified.

Project and Operational Risks

Shared ownership and dependency on partners as ShaMaran's operations are conducted together with the Atrush Operator and the KRG in accordance with the terms of the Atrush PSC, Atrush JOA and the Atrush Facilitation Agreement (entered into in November 2016). As a result, ShaMaran has limited ability to exercise a veto over most Atrush operations or their associated costs and this could adversely affect ShaMaran's financial performance. If the Atrush Operator or the KRG fail to perform, ShaMaran may, among other things, risk losing rights or revenues or incur additional obligations or costs to itself perform in place of its partners. If a dispute would arise with the Atrush Operator or the KRG such dispute may have significant negative effects on the Company's financial performance.

Security risks in Kurdistan and other parts of Iraq have a history of political and social instability which have culminated in security problems which may put at risk the safety of the Company's personnel, interfere with the efficient and effective execution of the Atrush operations and ultimately result in significant losses to the Company. In 2020 there have been no significant security incidents in the Atrush Block.

Risks relating to infrastructure may occur as the Company is dependent on access to available and functioning infrastructure (including third party services in Kurdistan) relating to the Atrush Block, such as roads, power and water supplies, pipelines and gathering systems. If any infrastructure or systems failures occur or access is not possible or does not meet the requirements of the Atrush joint venture, the Atrush operations may be significantly hampered which could result in lower production and sales and or higher costs.

Environmental regulation and liabilities regarding drilling for and producing, handling, transporting and disposing of oil and gas and petroleum by-products are activities that are subject to extensive regulation under national and local environmental laws, including in Kurdistan. During the times the Company had exploration operations it implemented health, safety and environment policies since its incorporation, complied with industry environmental practices and guidelines for its operations wherever located and, to its knowledge and belief, the Atrush operations in Kurdistan is currently in compliance with these obligations in all material aspects. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures and competitive position of ShaMaran. Future changes in environmental or health and safety laws, regulations or community expectations governing the Company's operations could result in adverse effects to the Company's business including, but not limited to, increased monitoring, compliance and remediation costs and or costs associated with penalties or other sanctions imposed on the Company for non-compliance or breach of environmental regulations.

Risk relating to community relations / labor disruptions as the Company's operations may be in or near communities that may regard operations as detrimental to their environmental, economic or social circumstances. Negative community reactions and any related labor disruptions or disputes could increase operational costs and result in delays in the execution of projects.

Petroleum Costs and cost recovery are defined under the terms of the Atrush PSC which provide the KRG the right to conduct an audit to verify the validity of incurred petroleum costs which the Atrush Operator has reported to the KRG and is therefore entitled under the terms of the Atrush PSC to recover through cash payments from future petroleum production. No such audit has yet taken place regarding the Atrush Petroleum Costs. Should any future audits result in negative findings concerning the validity of reported incurred petroleum costs the Company's petroleum cost recovery entitlement could ultimately be reduced.

Legal claims and disputes may cause the Company to suffer unexpected costs or other losses if a counterparty to any contractual arrangement entered into by the Company does not meet its obligations under such agreements.

Uninsured losses and liabilities may occur even though the Company maintains insurance in accordance with industry standards to address risks relating to its operations, the insurance coverage may under certain circumstances not protect it from all potential losses and liabilities that could result from its operations.

Availability of equipment and third party services are crucial for progressing Atrush development activities, such as drilling and related equipment and qualified staff in the areas where such activities are or will be conducted. Shortages of such equipment or staff may affect the availability of such equipment for Atrush operations and may delay and or increase the cost of the Atrush development activities.

Financial and Other Risks

Financial statements prepared on a going concern basis under which an entity is able to realize its assets and satisfy its liabilities in the ordinary course of business. Management has made assumptions regarding projected oil sale volumes and pricing, and the timing and extent of capital, operating, and general and administrative expenditures. Should production be materially less than anticipated or in case there are extended delays to the forecasted receipt of cash from the sale of oil exports or in the magnitude of those cash receipts, which are under the control of the KRG, and the Company was unable to defer certain planned cost activities, the Company could require additional liquidity to fund the forecasted Atrush operating and development costs and its commitments under the bond agreement in the next 12 months. The Company's future operations may be dependent upon certain factors such as the identification and successful completion of additional equity or debt financing or the re-financing or restructuring of the Company's current debt and the continued achievement of profitable operations. There can be no assurances that the Company will be successful in completing additional debt or equity financing or re-financing or achieving continued profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should ShaMaran be unable to continue as a going concern.

Substantial capital requirements in the future for the development and production of oil and gas in Atrush Block. ShaMaran's results could impact its access to the capital necessary to participate in future drilling and development programs. To meet its operating costs and planned capital expenditures, ShaMaran may require financing from external sources, including from the sale of equity and debt securities. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to ShaMaran.

Dilution may occur if the Company makes future acquisitions or enters into financings or other transactions involving the issuance of additional securities of the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of ShaMaran may be diluted.

Changes in tax legislation or tax practices applicable to the Company due to its entities incorporated and resident for tax purposes in Canada, the Cayman Islands, the Kurdistan Region of Iraq, Switzerland and the United States of America may increase the Company's expected future tax obligations associated with its activities in such jurisdictions.

Capital and lending markets as a result of general economic uncertainties and, in particular, the potential lack of risk capital available to the junior resource sector, the Company, along with other junior resource entities, may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings if available, and possible issuances of debt or equity securities, the Company's ability to do so is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry generally, and the Company's securities in particular. To the extent that external sources of capital become limited or unavailable or available only on onerous terms, the Company's ability to invest and to maintain its existing business may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Uncertainty in financial markets may impact the Company's future ability to secure financing to grow its business. The uncertainty which periodically affects financial markets and the possibility that financial institutions may consolidate or go bankrupt has reduced levels of activity in the credit markets which could diminish the amount of financing available to companies. The Company's liquidity and its ability to access the credit or capital markets may also be adversely affected by changes in the financial markets and the global economy.

Conflict of interests may result ascertain directors of ShaMaran are also directors or officers of other companies, including oil and gas companies, the interests of which may, in certain circumstances, come into conflict with those of ShaMaran. If a conflict arises with respect to a particular transaction, the affected directors must disclose the conflict and abstain from voting with respect to matters relating thereto.

Risks Related to the Company's Bonds

Possible termination of Atrush PSC / bond agreements in event of default scenario should ShaMaran default its obligations under the bond agreement ShaMaran may also not be able to fulfil its obligations under the Atrush PSC and/or Atrush JOA, with the effect that these contracts may be terminated or the prescribed benefits to ShaMaran limited. In addition, should ShaMaran default its obligations under the Atrush PSC and/or Atrush JOA, with the effect that the rights of ShaMaran under these contracts may be terminated or limited, ShaMaran may also default in respect of its obligations under the bond agreement. Either default scenario could result in the cessation of the Company's future revenue generating activities and impair the Company's ability to meet its contractual commitments as they become due.

Ability to service bond indebtedness or to refinance its obligations under the bond agreement will depend on ShaMaran's financial and operating performance which, in turn, will be subject to prevailing economic and competitive conditions beyond ShaMaran's control. It is possible that ShaMaran's activities will not generate sufficient funds to make the required interest payments which could, among other things, result in an event of default under the bond agreement.

Significant operating and financial restrictions are set out in the terms and conditions of the bond agreement regarding ShaMaran's and the Guarantors' activities which restrictions may prevent ShaMaran and the Guarantors from taking actions that it believes would be in the best interest of ShaMaran's business and may make it difficult for ShaMaran to execute its business strategy successfully or compete effectively with companies that are not similarly restricted. No assurance can be given that it will be granted the necessary waivers or amendments if for any reason ShaMaran is unable to comply with the terms of the bond agreement. A breach of any of the covenants and restrictions could result in an event of default under the bond agreement.

Mandatory prepayment events are set out in the terms of the bond agreements on the occurrence of certain specified events, including if (i) the ownership in the Atrush Block is reduced to below 27.6% or (ii) an event of default occurs under the bond agreement or (iii) the affirmative vote of 50.1% of the bondholders exercise the put option. Following an early redemption after the occurrence of a mandatory prepayment event, it is possible that ShaMaran will not have sufficient funds to make the required redemption of the bonds which could, among other things, result in an event of default under the bond agreement.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Design of internal controls over financial reporting is the responsibility of Management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. There have been no material changes to the Company's internal control over financial reporting during the three and twelve month periods ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFOMATION

This report contains statements and information about expected or anticipated future events and financial results that are forward-looking in nature and, as a result, are subject to certain risks and uncertainties, such as legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management’s capacity to execute and implement its future plans.

The Covid-19 virus and the restrictions and disruptions related to it have had a drastic adverse effect on the world demand for, and prices of, oil and gas as well as the market price of the shares of oil and gas companies generally, including the Company’s common shares. There can be no assurance that these adverse effects will not continue or that commodity prices will not decrease or remain volatile in the future. These factors are beyond the control of ShaMaran and it is difficult to assess how these, and other factors, will continue to affect the Company and the market price of ShaMaran’s common shares. In light of the current situation, as at the date of this news release, the Company continues to review and assess its business plans and assumptions regarding the business environment, as well as its estimates of future production, cash flows, operating costs and capital expenditures.

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

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

RESERVES AND RESOURCE ADVISORY

ShaMaran's reserve and contingent resource estimates are as at December 31, 2020 and have been prepared and audited in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the COGE Handbook. Unless otherwise stated, all reserves estimates contained herein are the aggregate of "proved reserves" and "probable reserves", together also known as "2P reserves". Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

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

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

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 May 6, 2021 its financial statements for the three months ended March 31, 2021.

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

Independent auditor's report

To the Shareholders of ShaMaran Petroleum Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ShaMaran Petroleum Corp. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statement of comprehensive income for the years ended December 31, 2020 and 2019;
- the consolidated balance sheet as at December 31, 2020 and 2019;
- the consolidated statement of cash flows for the years then ended;
- the consolidated statement of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

PricewaterhouseCoopers SA, Avenue Giuseppe-Motta 50 CH-1211 Genève 2, Switzerland Telephone: +41 58 792 91 00, Facsimile: +41 58 792 91 10, www.pwc.ch

Material uncertainty related to going concern

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

Other information

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

PricewaterhouseCoopers SA

Luc Schulthess

March 3, 2021

Colin Johnson

Qualified electronic signature · Swiss law
Signed on Skribble.com

Consolidated Statement of Comprehensive Income

For the year ended December 31,

Expressed in thousands of United States dollars	Note	For the year ended December 31, 2020	2019
Revenues	6	**56,673**	**70,291**
Cost of goods sold:			
Lifting costs	7	(23,154)	(21,640)
Other costs of production	7	(3,623)	(2,897)
Depletion	7	(22,790)	(25,722)
Gross margin on oil sales		**7,106**	**20,032**
Depreciation and amortization expense		(205)	(103)
Share based payments expense	23	(1,663)	(944)
Impairment loss on trade receivables	9	(3,201)	-
General and administrative expense	8	(8,181)	(8,432)
Impairment loss	14,15	(116,164)	-
(Loss)/Income from operating activities		**(122,308)**	**10,553**
Finance income	10	5	790
Finance cost	11	(22,076)	(25,389)
Net finance cost		**(22,071)**	**(24,599)**
Bargain purchase gain		-	9,500
Acquisition related costs		-	(8,750)
Net gain on Atrush acquisition	12	**-**	**750**
Loss before income tax expense		**(144,379)**	**(13,296)**
Income tax expense	13	(46)	(101)
Loss for the year		**(144,425)**	**(13,397)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		33	29
Items that will not be reclassified to profit or loss:			
Re-measurements on defined pension plan		(411)	409
Total other comprehensive (loss)/income		**(378)**	**438**
Total comprehensive loss for the year		**(144,803)**	**(12,959)**
Loss in dollars per share:			
Basic and diluted		(0.07)	(0.01)

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

Consolidated Balance Sheet

As at December 31, 2020

Expressed in thousands of United States dollars	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	146,046	207,903
Loans and receivables	*17*	49,941	21,386
Right-of-use asset	*16*	199	309
Intangible assets	*15*	70	67,649
		196,256	**297,247**
Current assets			
Loans and receivables	*17*	18,128	55,931
Cash and cash equivalents, unrestricted		16,967	15,480
Cash and cash equivalents, restricted	*20*	11,451	50
Other current assets		571	307
		47,117	**71,768**
TOTAL ASSETS		**243,373**	**369,015**
LIABILITIES			
Non-current liabilities			
Borrowings	*19*	-	174,546
Loan from related party	*20*	19,215	-
Provisions	*21*	15,479	15,715
Pension liability	24	1,477	969
Cash-settled deferred share units	23	202	155
Lease liability	16	54	171
		36,427	**191,556**
Current liabilities			
Borrowings	*19*	188,416	15,000
Accrued interest expense on bonds	*19*	11,145	11,147
Accounts payable and accrued expenses	*18*	3,578	9,002
Lease liability	*16*	134	132
Current tax liabilities		6	42
		203,279	**35,323**
EQUITY			
Share capital	*22*	638,434	637,688
Share based payments reserve		8,766	7,241
Loan Share reserve	*20*	4,063	-
Cumulative translation adjustment		50	17
Accumulated deficit		(647,646)	(502,810)
		3,667	**142,136**
TOTAL EQUITY AND LIABILITIES		**243,373**	**369,015**

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

Signed on behalf of the Board of Directors

/s/Terry L. Allen
Terry L. Allen, Director

/s/Chris Bruijnzeels
Chris Bruijnzeels, Director

Consolidated Statement of Cash Flow

For the year ended December 31,

Expressed in thousands of United States dollars	Note	For the year ended December 31, 2020	2019
Operating activities			
Loss for the year		**(144,425)**	**(13,397)**
Adjustments for:			
Impairment loss	*14,15*	116,164	-
Depreciation, depletion and amortization expense		22,995	25,825
Borrowing costs – net of amount capitalized		21,894	25,346
Share based payment expense		1,663	944
Foreign exchange loss	*11*	171	55
Bargain purchase gain	*12*	-	(9,500)
Unwinding discount on decommissioning provision		(1)	(14)
Interest income	*10*	(5)	(790)
Re-measurements on defined pension plan		(411)	409
Changes in pension liability		387	(377)
Changes in accounts receivables on Atrush oil sales		152	(21,004)
Changes in current tax liabilities		(36)	26
Changes in other current assets		(264)	1,979
Changes in accounts payable and accrued expenses		(5,424)	5,127
Net cash inflows from operating activities		**12,860**	**14,629**
Investing activities			
Loans and receivables – payments received	*17*	9,096	21,735
Interest received on cash deposits	*10*	5	375
Purchase of additional interest in Atrush	*12*	-	(18,431)
(Purchases)/credits of intangible assets		(51)	176
Purchase of property, plant and equipment		(8,849)	(18,975)
Net cash inflows from/ (outflows to) investing activities		**201**	**(15,120)**
Financing activities			
Proceeds on loan from related party	*20*	22,800	-
Bonds retired	*19*	-	(50,000)
Principal element of lease payments		(145)	(81)
Payments to bondholders - interest	*19*	(22,802)	(26,350)
Net cash outflows to financing activities		**(147)**	**(76,431)**
Effect of exchange rate changes on cash and cash equivalents		(26)	(18)
Change in cash and cash equivalents		**12,888**	**(76,940)**
Cash and cash equivalents, beginning of the year		15,530	92,470
Cash and cash equivalents, end of the year*		**28,418**	**15,530**
***Inclusive of restricted cash**		**11,451**	**50**

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

Consolidated Statement of Changes in Equity
For the year ended December 31,

Expressed in thousands of United States dollars	Share capital	Share based payments reserve	Loan Share reserve	Cumulative translation adjustment	Accumulated deficit	Total
Balance at January 1, 2019	**637,538**	**6,495**	**-**	**(12)**	**(489,822)**	**154,199**
Total comprehensive loss for the year:						
Loss for the year	-	-	-	-	(13,397)	(13,397)
Other comprehensive income	-	-	-	29	409	438
Transactions with owners in their capacity as owners:						
Bond transaction costs	150	-	-	-	-	150
Share based payments expense	-	746	-	-	-	746
	150	746	-	29	(12,988)	(12,063)
Balance at December 31, 2019	**637,688**	**7,241**	**-**	**17**	**(502,810)**	**142,136**
Total comprehensive (loss) / income for the year:						
Loss for the period	-	-	-	-	(144,425)	(144,425)
Other comprehensive gain / (loss)	-	-	-	33	(411)	(378)
Transactions with owners in their capacity as owners:						
Share based payments expense (excluding DSU, Note 23)	-	1,525	-	-	-	1,525
Reserve for Loan Shares to be issued (Note 20)	-	-	4,063	-	-	4,063
Loan Shares issued	655	-	-	-	-	655
RSU Shares issued	91	-	-	-	-	91
	746	1,525	4,063	33	(144,836)	(138,469)
Balance at December 31, 2020	**638,434**	**8,766**	**4,063**	**50**	**(647,646)**	**3,667**

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

1. General information

ShaMaran Petroleum Corp. ("ShaMaran" and together with its subsidiaries the "Company") is incorporated under the Business Corporations Act, British Columbia, Canada. The address of the registered office is 25th Floor, 666 Burrard Street, Vancouver, British Columbia V6C 2X8. 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 an 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.

2. Basis of preparation and going concern

a. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("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 March 3, 2021, the date these consolidated financial statements were approved and authorized for issuance by the Company's board of directors ("the Board").

b. Going concern

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

Should there be delays to the forecasted receipt of cash from the sale of oil exports or in the magnitude of those cash receipts, which are under the control of the Kurdistan Regional Government ("KRG"), and the Company was unable to defer certain planned cost activities, the Company could require additional liquidity in the next 12 months to fund the forecasted Atrush operating and development costs thereafter. Failure to meet development commitments could put the Atrush PSC and the Company's bond agreements at risk of forfeiture. Further, as per Note 19, the Bond Terms were amended to provide for a put option in favour of the Bondholders to require that the Company purchase the Bonds (at par plus accrued interest and the existing call premium) at any time on ten (10) business days' notice subject to the affirmative vote by holders of 50.01% of the Bonds. Exercise of this put option would require immediate and significant additional liquidity. The Bond Terms were also amended with a temporary waiver until July 5, 2021 granted with respect to the existing breach of the financial covenant relating to the equity ratio. Although there may be the possibility that the Company could be in breach of this covenant at July 5, 2021, management thinks there is a very low likelihood of this occurring given the current global context with improved oil prices and sustained oil production.

In case the Company could not secure external financing in sufficient amount and in time to meet its obligations as they come due, the Company may be required to take measures such as divestment of assets and or further renegotiation of its existing debt. Should this not be successful, there is a risk that the Company would be subject to a partial or complete reorganization, or that the Company is declared bankrupt. The potential that the Company's financial resources are insufficient to fund its appraisal, development and production activities for the next 12 months, particularly in case the Company is unable to finance the maturing bonds and coupon interest payment when they come due and or there are any unforeseen delays in receipt of funds from oil sales, indicates a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. Therefore, the Company might be unable to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern.

Refer to Note 29 for additional information regarding the impact of COVID-19.

3. Significant accounting policies

(a) Basis of consolidation

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

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

(b) Interest in joint operations

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

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

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

(c) Business combinations

The acquisition method of accounting is used to account for business combinations. The consideration transferred is measured at the aggregate of the fair values at the date of acquisition of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs are expensed as incurred. The identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognized at their fair value at the acquisition date.

If the Company acquires control of an entity in more than one transaction the related investment held by the Company immediately before the last transaction when control is acquired is considered sold and immediately repurchased at the fair value of the investment on the date of acquisition. Any difference between the fair value and the carrying amount of the investment results in income or loss recognized in the statement of comprehensive income.

(d) Foreign currency translation

Functional and presentation currency

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

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

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

Transactions and balances

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

(e) Exploration and evaluation costs and other intangible assets

Exploration and evaluation assets

The Company applies the full cost method of accounting for exploration and evaluation ("E&E") costs in accordance with the requirements of *IFRS 6 Exploration for and Evaluation of Mineral Resources*. All costs of exploring and evaluating oil and gas properties are accumulated and capitalized to the relevant property contract area and are tested on a cost pool basis as described below.

Pre-license costs:

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the statement of comprehensive income.

Exploration and evaluation costs:

All E&E costs are initially capitalized as E&E assets and include payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing.

Tangible assets used in E&E activities such as the joint venture's vehicles, drilling rigs, seismic equipment and other property, plant and equipment ("PP&E") used by the Company's exploration function are classified as PP&E. To the extent that such tangible assets are consumed in exploring and evaluating a property the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overhead including the depreciation of PP&E utilised in E&E activities together with the cost of other materials consumed during the E&E phases such as tubulars and wellheads.

E&E costs are not depreciated prior to the commencement of commercial production.

Treatment of E&E assets at conclusion of appraisal activities:

E&E assets are carried forward until commercial viability has been established for a contractual area which normally coincides with the commencement of commercial production. The E&E assets are then assessed for impairment and the carrying value after any impairment loss is then reclassified as oil and gas assets within PP&E. Until commercial viability has been established E&E assets remain capitalized at cost and are subject to the impairment test set out below.

Other intangible assets

Other intangible assets are carried at measured cost less accumulated amortisation and any recognized impairment loss and are amortised on a straight-line basis over their expected useful economic lives as follows:

- Computer software 3 years

(f) Property, plant and equipment

Oil and gas assets

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

Depletion of oil and gas assets:

Oil and gas assets are depleted using the unit of production method based on proved and probable reserves using estimated future prices and costs and accounting for future development expenditures necessary to bring those reserves into production. The reserves correspond to the Company's entitlement to oil under the terms of the PSC.

Other property, plant and equipment

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

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

The carrying amount of an item of PP&E is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income during the period.

Other property, plant and equipment assets are carried at cost less accumulated depreciation and any recognized impairment loss and are depreciated on a straight-line basis over their expected useful economic lives as follows:

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

(g) Impairment of non-financial assets

E&E assets and oil and gas assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators 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 amount of either of the E&E or the 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.
- 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.

(h) Financial instruments

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

Classification and measurement

The Company classifies its financial assets and liabilities at initial recognition in the following categories:

- Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. This includes the Company’s 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 amortised 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.

Impairment of financial assets

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

(i) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits and other short-term liquid investments that are readily convertible to a known amount of cash within three months or less from the acquisition date. Restricted cash is cash held in a trust account for a specific purpose and is therefore not available for general business use. Additional disclosure related to the Company's restricted cash is included in Note 20.

(j) Borrowings

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

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

(k) Taxation

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

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

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

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

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

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

(l) Provisions

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

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

Decommissioning and site restoration

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

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

(m) Pension obligations

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

(n) Share capital

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

(o) Share-based payments

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

(p) Revenue recognition

Sales of oil production:

Revenue for sales of oil is recognized when the significant risks and rewards of ownership are deemed to have been transferred to the KRG, the amount can be measured reliably, and it is assessed as probable that economic benefit associated with the sale will flow to the Company. This occurs when oil reaches the delivery point at the Atrush Block boundary in route to the KRG's main export pipeline.

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

The Company's oil sales are made to the KRG under the terms of a sales agreement which allows for Atrush oil volumes to be sold to the KRG at the Atrush Block boundary at a discount to the Dated Brent oil price for estimated oil quality adjustments and all local and international transportation costs. The Company's single performance obligation in its contract with its customer is the delivery of crude oil at a pre-determined netback adjustment to Dated Brent and the control is transferred to the buyer at the metering point when the revenue is recognized.

Interest income:

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

(q) Changes in accounting policies

There are no IFRS or interpretations that have been issued effective for financial years beginning on or after January 1, 2020 that would have a material impact on the Company's consolidated financial statements.

(r) Accounting standards issued but not yet applied

There are no new accounting standards which will come into effect for annual periods beginning on or after January 1, 2021, that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

(a) Revenue Recognition

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

(b) Oil and gas reserves and resources

The business of the Company is the exploration and development of oil and gas reserves in Kurdistan. Estimates of commercial oil and gas reserves are used in the calculations for impairment, depreciation and amortisation and decommissioning provisions. Changes in estimates of oil and gas reserves resulting in different future production profiles will affect the discounted cash flows used for impairment purposes, the anticipated date of site decommissioning and restoration and the depreciation charges based on the unit of production method.

In February 2021 the Company received an independent reserves and resources report from McDaniel & Associates Consultants Ltd. ("McDaniel") which estimates the Proven plus Probable Oil Reserves on a Company gross basis for the Atrush Block as of December 31, 2020, have increased from 29.9 million barrels reported as at December 31, 2019, to 30.3 million barrels as of December 31, 2020. Total unrisked best estimate contingent oil resources on a Company gross basis for Atrush decreased from the 2019 estimate of 67.2 million barrels to 60.6 million barrels as of December 31, 2020.

(c) Loans and receivables

The Company has reported receivables of $68 million (2019 $77.3 million), $50 million non-current and $18 million current (2019 $21 million and $56 million respectively), comprised of the Company's share of Atrush oil sales and the Atrush Exploration Costs receivables, which relate to a share of the KRG's development costs carried by ShaMaran prior to the year 2016 and deemed to be exploration costs under the Atrush PSC, and which are repaid through an accelerated petroleum cost recovery arrangement. The recovery of these amounts depends on several factors, including: the continued production and exports of petroleum from the Atrush Block; oil price, and; the financial environment in Kurdistan and the financial budget of the KRG. Up to the date these financial statements were approved, the Company has received payments from the KRG for its entitlement revenues in respect of petroleum production up to December 2020 with the exception of the deferred payments for oil deliveries made from November 2019 to February 2020. Refer to Notes 9 and 17 for more information regarding these deferred payments.

In the year 2021 up to the date these financial statements were approved, the Company received a total of $6.5 million in payments relating to the loans and receivables balances outstanding at December 31, 2020. Under the terms of the relevant agreements the loans and receivable balances are recoverable in several ways including by cash settlement and or through payment in kind of petroleum production.

(d) Impairment of assets

IAS 36 Impairment of Assets and *IFRS 6 Exploration of and Evaluation of Mineral Resources* require that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Due to a significant decline in world oil prices in the first quarter of 2020 the Company conducted an impairment test as at March 31, 2020 to assess if the net book value of its Atrush assets was fully recoverable. The results of the assessment led to a non-cash impairment loss of the Company's PP&E and E&E assets that was recognized and included in the statement of comprehensive income for the quarter ended March 31, 2020. Refer to Notes 14 and 15 for additional information on the impairment assessment.

As described in Notes 3(g) and 3(h) management has considered whether there is any objective evidence to indicate that the carrying value of any of its Atrush related assets as at the balance sheet date were impaired and has concluded that facts and circumstances do not suggest that the carrying amount exceeds its recoverable amount. In reaching its conclusion management has considered factors which could impact the ability of the assets to generate future cash flows including the following key items:

- *Reserves:* there has been an increase, taking into account 2020 production, in the Company's share of the latest estimated proved and probable reserves for Atrush and the related production curve estimates as determined by McDaniel.
- *NPV calculations:* the net present value of the Company's share of 2P reserves, as determined by McDaniel and based on a forecasted Brent oil price, supports the book value of oil and gas assets included in property, plant and equipment.
- *Oil price:* improvement in the forecast Brent oil prices since the assessment performed as at March 31, 2020.
- *Costs per barrel:* the forecasted costs per barrel required to recover the Atrush oil reserves have remained consistent to last year;
- *Market:* there continues to be an active market and capacity for Atrush oil sales as demonstrated by the current and future expected levels of oil exports from Kurdistan.
- *Independent valuations:* the average fair value of the Atrush asset as published by an independent market broker, support the carrying values of the Atrush oil and gas assets.

While the factors above support management's determination that no impairment indicators existed at the balance sheet date, management did not yet consider it appropriate to reverse impairment charges taken as at March 31, 2020 given the period of time that has elapsed.

(e) Decommissioning and site restoration provisions

The Company recognizes a provision for decommissioning and site restoration costs expected to be incurred to remove and dismantle production, storage and transportation facilities and to carry out site restoration work. The provisions are estimated taking into consideration existing technology and current prices after adjusting for expected inflation and discounted using rates reflecting current market assessments of the time value of money and where appropriate, the risks specific to the liability. The Company makes an estimate based on its experience and historical data. Refer also to Note 21.

5. 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.

6. Revenues

Revenues relate entirely to the Company's entitlement share of oil from Atrush sold to the KRG during the year to date. The Company held a 20.1% interest in Atrush up to May 30, 2019 when the Company increased its interest to 27.6%. Production from the Atrush field is delivered to the KRG's Feeder Pipeline at the Atrush block boundary for onward export to Ceyhan, Turkey. Gross exported oil volumes from Atrush in the year 2020 were 16.50MMbbls (2019: 11.8MMbbls) and the

Company's entitlement share was approximately 2.2MMbbls (2019: 1.5MMbbls) which were sold with an average netback price of $26.26 per barrel (2019: $48.48). Export prices are based on Dated Brent oil price 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 bonuses owed to the KRG.

Refer also to Notes 17 and 25.

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 Block including operation and maintenance of wells and production facilities, insurance, and the operator's related support costs. The slight increase in 2020 lifting costs over the amount in 2019 was due a full year of a higher working interest in Atrush, offset by reductions in production costs, as a result of revised spending due to COVID-19, and less well workover costs. Other costs of production include the Company's share of production bonuses paid to the KRG and its share of other costs prescribed under the Atrush PSC. A production bonus of $3.7 million was incurred in the first quarter of 2020 (2019 nil).

Oil and gas assets are depleted using the unit of production method based on proved and probable reserves using estimated future prices and costs and accounting for future development expenditures necessary to bring those reserves into production. Refer also to Notes 6, 14 and 29.

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. The lower general and administrative expense in the year 2020 compared to the year 2019 was principally due to lower personnel costs and less travel expenditure due to COVID-19. Refer also to note 29.

9. Impairment loss on trade receivables

In December 2020 the KRG proposed a repayment mechanism for the $41.7 million owed to the Company for $34 million of deliveries from November 2019 to February 2020 and an additional $7.7 million of Atrush Exploration Costs receivable invoiced over the same period. This proposal states that a mechanism will be in place for repayment of amounts owed once the Brent oil price is over $50 per barrel in any month and that various dues owed to the KRG will be offset against the amounts owed from the KRG. The Company remains actively engaged with the KRG to improve the terms of the repayment mechanism. Consequently, the Company compared the carrying value of the relevant trade receivables with the present value of the estimated future cash flows based on the KRG's initial proposal. Because timing and terms of recovery are likely to be different from what has been proposed, the Company has considered additional reasonable scenarios using a range of parameters that would impact the expected recovery and has weighted the expected recovery of these outcomes according to the relative probability. A discount rate of 12% has been applied to reflect counterparty discounting and credit risk to provide a reasonable approximation of the fair value of these trade receivables at December 31, 2020. The result of the Company's assessment under IFRS 9 is a $3.2 million adjustment to these trade receivables included in the statement of comprehensive income for the year ended December 31, 2020.

Refer also to Note 17.

Expressed in thousands of United States dollars

10. Finance income

	For the year ended December 31, 2020	2019
Interest on deposits	5	375
Interest on Atrush Development Cost Loan	-	242
Interest on Atrush Feeder Pipeline Cost Loan	-	173
Total finance income	**5**	**790**

Both the Atrush Development Cost Loan and the Atrush Feeder Pipeline Cost Loan were fully repaid in 2019.

11. Finance cost

	For the year ended December 31, 2020	2019
Interest charges on bonds at coupon rate	22,800	23,417
Amortization of the related party loan	1,132	-
Amortization of bond transaction costs	375	848
Bond remeasurement	(1,505)	2,131
Total borrowing costs	**22,802**	**26,396**
Foreign exchange loss	171	55
Lease – interest expense	12	2
Unwinding discount on decommissioning provision	(1)	(14)
Total finance costs before borrowing costs capitalized	**22,984**	**26,439**
Borrowing costs capitalized	(908)	(1,050)
Total finance cost	**22,076**	**25,389**

Refer to Notes 19 and 20 regarding the related party loan, bond transaction costs and bond remeasurement.

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

Refer also to Note 16.

12. Increase of participating interest in the Atrush block

On May 30, 2019 ShaMaran completed its acquisition of an additional 7.5% participating interest in the Atrush block. Under two separate sale and purchase agreements, done in contemplation of one another, (“SPA”s) ShaMaran’s wholly owned subsidiary, General Exploration Partners, Inc. (“GEP”), acquired directly Marathon Oil KDV B.V.’s (“MOKDV”) full 15% participating interest in the Atrush Block and immediately thereafter sold a 7.5% Atrush participating interest to TAQA Atrush B.V. (“TAQA” and Operator of the Atrush Block), bringing the Company’s total interest in Atrush up to 27.6%. The total consideration paid to complete the acquisition was $27.2 million, comprised of $17.4 million paid to Marathon, $1 million of PSC capacity building bonuses accounts payable paid to the KRG on direct behalf of MOKDV and in conjunction with the payment to MODKV, and $8.8 million of net acquisition related costs. The $8.8 million of net acquisition related costs were comprised of $9.5 million of PSC capacity building bonuses paid to the KRG and $750 thousand of payments received from TAQA and were not considered part of the purchase price of the acquisition in line with IFRS 3 and have been expensed as incurred within the Statement of Comprehensive Income in 2019. The fair value of the net identifiable assets and liabilities acquired exceeded the $18.4 million purchase price paid resulting in a bargain purchase gain of $9.5 million in the year 2019.

Expressed in thousands of United States dollars

13. Taxation

(a) Income tax expense

The current tax expense is incurred on the profits of the Swiss administrative company. The Company is not required to pay any cash corporate income taxes on its activities in Kurdistan as disclosed in Note 3(k).

There were no deferred tax assets recognized for losses incurred during the period as it is currently not probable that they will be recovered in subsequent years.

(b) Tax losses carried forward

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

	For the year ended December 31,	
	2020	**2019**
Canadian losses from operations	89,740	65,218
Canadian exploration expenses	2,395	2,427
Canadian unamortised share issue costs	279	492
U.S. Federal losses from operations	173,375	173,327
U.S. Federal tax basis in excess of carrying values of properties	3,654	3,654
Total tax losses carried forward	**269,443**	**245,118**

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2027 to 2040. The Canadian exploration expenses may be carried forward indefinitely to offset future taxable Canadian income. Canadian unamortised share issue costs may offset future taxable Canadian income of years 2021 to 2023. The U.S. Federal losses may be available to offset future taxable income in the United States through 2032.

The Company has not recognized any deferred tax assets amounting to approximately $72 million (2019: $66 million) as it is not probable that these amounts will be realized.

Expressed in thousands of United States dollars

14. Property, plant and equipment

	Oil and gas assets	Computer equipment	Furniture and office equipment	Total
At January 1, 2019				
Cost	231,833	274	156	232,263
Accumulated depletion and depreciation	(35,936)	(264)	(155)	(36,355)
Net book value	**195,897**	**10**	**1**	**195,908**
For the year ended December 31, 2019				
Opening net book value	195,897	10	1	195,908
Additions	25,971	43	181	26,195
Acquisition of additional Atrush Interest	11,549	-	-	11,549
Depletion and depreciation expense	(25,722)	(10)	(17)	(25,749)
Net book value	**207,695**	**43**	**165**	**207,903**
At December 31, 2019				
Cost	269,353	317	337	270,007
Accumulated depletion and depreciation	(61,658)	(274)	(172)	(62,104)
Net book value	**207,695**	**43**	**165**	**207,903**
For the year ended December 31, 2020				
Opening net book value	207,695	43	165	207,903
Additions	9,520	4	(2)	9,522
Impairment	(48,550)	-	-	(48,550)
Depletion and depreciation expense	(22,790)	(16)	(23)	(22,829)
Net book value	**145,875**	**31**	**140**	**146,046**
At December 31, 2020				
Cost	230,325	75	217	230,617
Accumulated depletion and depreciation	(84,450)	(44)	(77)	(84,571)
Net book value	**145,875**	**31**	**140**	**146,046**

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 PSC proved and probable reserves as estimated by the Company’s independent qualified reserves evaluator, McDaniel & Associates Consultants Ltd. (“McDaniel”). During the year 2020 movements in PP&E were comprised of additions of $9.5 million (2019: $37.7 million), which included capitalized borrowing costs of $908 thousand (2019: $1.0 million), net of depletion of $22.8 million (2019: $25.7 million) and an impairment of $48.6 million (2019: nil) which resulted in a net decrease to PP&E assets of $61.9 million.

Due to a significant decline in world oil prices in the first quarter of 2020 the Company conducted an impairment test to assess if the net book value of its oil and gas assets was fully recoverable. The impairment test was based on McDaniel’s production and cost profiles related to proved and probable reserves and uses oil price forecasts as of March 31, 2020, the revised 2020 operating budget, a future cost inflation factor of 2% per annum and a discount rate of 15.5% to calculate the net present value at March 31, 2020 of the Company’s projected share of future cash flows of the Atrush 2P reserves, and was weighted with additional business continuity risk. This led to a non-cash impairment charge of $48.6 million which is included in the statement of comprehensive income for the year ended December 31, 2020.

The average Brent oil price assumptions used for the impairment assessment performed at March 31, 2020 were based on a McDaniel forecast for the next four years and thereafter prices are inflated by 2% per year:

Year	**2020**	**2021**	**2022**	**2023**
Forecast $/bbl	35.50	46.41	55.14	61.55

A sensitivity analysis showed that a $5/bbl decrease in the oil price would increase the impairment loss by $19 million whereas a $5/bbl increase in the oil price would decrease the impairment loss by $15.5 million. Using a 1% increase in the discount rate used to calculate the net present value would increase the impairment loss by $3.9 million while a 1% decrease in the discount rate would decrease the impairment loss by $3.7 million.

Refer also to Notes 7 and 15.

Expressed in thousands of United States dollars

15. Intangible assets

	Exploration and evaluation assets	Other intangible assets	Total
At January 1, 2019			
Cost	67,825	307	68,132
Accumulated amortisation	-	(303)	(303)
Net book value	**67,825**	**4**	**67,829**
For the year ended December 31, 2019			
Opening net book value	67,825	4	67,829
(Credits)/additions	(209)	39	(170)
Amortisation expense	-	(10)	(10)
Net book value	**67,616**	**33**	**67,649**
At December 31, 2019			
Cost	67,616	346	67,962
Accumulated amortisation	-	(313)	(313)
Net book value	**67,616**	**33**	**67,649**
For the year ended December 31, 2020			
Opening net book value	67,616	33	67,649
Additions	-	51	51
Impairment	(67,616)	-	(67,616)
Amortisation expense	-	(14)	(14)
Net book value	**-**	**70**	**70**
At December 31, 2020			
Cost	-	92	92
Accumulated amortisation	-	(22)	(22)
Net book value	**-**	**70**	**70**

The net book value of intangible assets at December 31, 2020 relates to computer software. The net book value at December 30, 2019 was principally comprised of exploration and evaluation (“E&E”) assets which represented the Atrush Block exploration and appraisal costs related to the Company’s share of Atrush Block contingent resources as estimated by McDaniel.

Due to a significant decline in world oil prices in the first quarter of 2020 the Company conducted an impairment test as at March 31, 2020 to assess if the net book value of its E&E assets was recoverable. The impairment test was based on management’s production and cost profiles related to the Atrush contingent oil resources (“2C”) and used oil price forecasts as of March 31, 2020, the revised 2020 operating budget, a future cost inflation factor of 2% per annum and a discount rate of 15.5% to calculate the net present value at March 31, 2020 of the Company’s projected share of future cash flows of the Atrush 2C resources, and was weighted with additional business continuity risk to determine a nil recoverable value. This led to a non-cash impairment charge of $67.6 million which is included in the statement of comprehensive income for the year ended December 31, 2020.

The average Brent oil price assumptions used for the impairment assessment were consistent with the McDaniel forecast provided in Note 14. A sensitivity analysis showed that a $5/bbl increase in the oil price would not result in a reduction to the impairment loss nor would a 1% decrease in the discount rate.

Refer also to Note 14.

Expressed in thousands of United States dollars

16. Right-of-use asset and lease liability

The right-of-use asset relates to the three-year office lease for the Company's technical and administrative services office in Vésenaz, Switzerland. At December 31, 2020, the balance sheet shows a value of $199 thousand (2019: $309 thousand) for the right-of-use asset with depreciation in the year 2020 of $110 thousand (2019: $75 thousand), and a total lease liability value of $188 thousand (2019: $303 thousand); split $134 thousand (2019: $132 thousand) as a current liability and $54 thousand (2019: $171 thousand) as a non-current liability. The income statement in the year 2020, includes the depreciation charge of the right-of-use asset of $110 thousand (2019: $75 thousand) plus an interest expense of $12 thousand (2019: $2 thousand) included in the finance cost.

Refer also to Note 11.

17. Loans and receivables

At December 31, 2020, the Company had loans and receivables outstanding as follows:

	For the year ended December 31,	
	2020	**2019**
Accounts receivable on Atrush oil sales	38,584	35,535
Atrush Exploration Costs receivable	32,686	41,782
Provision for impairment	(3,201)	-
Total loans and receivables, net of provision	**68,069**	**77,317**
Current portion	18,128	55,931
Non-current portion	49,941	21,386

At December 31, 2020, $41.7 million of non-current loans and receivables relating to invoices from November 2019 to February 2020 was overdue and has required impairment of $3.2 million. Explanation of the assumptions and estimates in assessing the net present value of the deferred receivables are provided in Note 9. The Company expects to recover the full nominal value of $41.7 million receivables owed from the KRG. However, since the definitive repayment terms have not been established and the amount is dependent on the future price of oil a provision for impairment of $3.2 million has been applied to reflect discounting and credit risk.

In the year 2021 up to the date these financial statements were approved the Company received a total of $6.5 million in payments relating to the loans and receivables balances outstanding at December 31, 2020. The KRG has in the following month paid for oil deliveries from March 2020 to December 2020.

Refer also to Notes 6 and 9.

18. Accounts payable and accrued expenses

	For the year ended December 31,	
	2020	**2019**
Payables to joint operations partner	2,067	6,828
Accrued expenses	983	1,511
Trade payables	528	663
Total accounts payable and accrued expenses	**3,578**	**9,002**

In the year 2020 the lower payables to joint operations partner were due to reduced spending in 2020 on the Atrush asset and therefore lower payables due.

Expressed in thousands of United States dollars

19. Borrowings

The ShaMaran bonds have one amortization and carry 12% fixed semi-annual coupon and mature on July 5, 2023. At December 31, 2020 there were $190 million of ShaMaran bonds outstanding.

On July 5, 2020, the Company and the Bond Trustee on behalf of the Bondholders executed an amendment and restatement agreement as well as related supporting documentation which provided for principal changes to previously agreed bond terms as follows:

- Full and final discharge of the liquidity guarantee given by Nemesia S.à.r.l. (“Nemesia”), a company controlled by a trust settled by the estate of the late Adolf H. Lundin, agreed in favour of the Bond Trustee (for the benefit of the Bondholders) in consideration for Nemesia making a payment of $22.8 million to the Company's Debt Service Retention Account ("DSRA");
- $11.4 million of the amounts credited to the DSRA were used by the Company to pay the interest on the Bonds due on the interest payment date in July 2020, the residual $11.4 million will remain in the DSRA as restricted cash to provide credit support for any future payment obligations of the Company under the Bond Terms. These funds were used to pay coupon interest due on January 5, 2021;
- The Company's obligations to make the $15 million amortization payment due on July 5, 2020 has been deferred until December 5, 2021, and substituted with a cash sweep mechanism whereby the Company, on each interest payment date, will use any amount exceeding a free cash amount of $15 million in repayment of the Bonds, and any amount of free cash so used to redeem Bonds will correspondingly reduce the deferred amortization payment amount;
- Temporary waiver until July 5, 2021 granted with respect to the existing breach of the financial covenant relating to the equity ratio; and
- In conjunction with the temporary waivers of the amortization payment requirement and financial covenant breach, the Bond Terms were amended to provide for a put option in favour of the Bondholders to require that the Company purchase the Bonds (at par plus accrued interest and the existing call premium) at any time on ten (10) business days' notice subject to the affirmative vote by holders of 50.01% of the Bonds.

The amendments to the ShaMaran bonds agreement in July 2020, most notably the deferral of the $15 million amortization payment, has resulted in changes to expected future cashflows related to the bonds and requires the Company, in accordance with *IFRS 9 Financial Instruments, to* re-measure the carrying value of the bond debt. The value of the ShaMaran bonds has been determined based on the net present value of future cash flows, discounted at the original effective interest rate resulting in a gain of $1.5 million which has been included as an offset to finance cost in the statement of comprehensive income in 2020. As the put option is outside of management’s control all of the borrowings have been classified as current.

For further information on liquidity payments refer to Note 25.

The movements in borrowings are explained as follows:

	For the year ended December 31,	
	2020	2019
Opening balance	**200,693**	**250,797**
Interest charges at coupon rate	22,800	23,417
Amortization of bond transaction costs	375	848
Bond transaction costs	-	(150)
Bonds retired	-	(50,000)
Bond remeasurement	(1,505)	2,131
Payments to Bondholders – interest and call premiums	(22,802)	(26,350)
Ending balance	**199,561**	**200,693**
Current portion: borrowings	188,416	15,000
Current portion: accrued bond interest expense	11,145	11,147
Non-current portion: borrowings	-	174,546

Refer also to Notes 11, 20 and 30.

Expressed in thousands of United States dollars

20. Loan from related party

On July 2, 2020 the Company announced full drawdown of the $22.8 million of funds from Nemesia for a full and final discharge of the liquidity guarantee provided to the Bond Trustee on behalf of the bondholders by Nemesia on behalf of the Company to secure the Company's obligations under the ShaMaran bond agreement. On July 5, 2020 $11.4 million of the funds were used to pay the July 2020 bond coupon interest payment of the same amount with the remaining $11.4 million deposited in the DSRA as restricted cash. These funds were then used to pay bond coupon interest due on January 5, 2021. In exchange for the drawdown of funds the Company has agreed with Nemesia to repay the drawdown amount by July 2023, plus 5% interest and to issue common shares of the Company which has resulted in a non-current liability at the balance sheet date measured in accordance with IFRS as explained hereafter.

The Company is required to issue to Nemesia 50,000 shares of ShaMaran for each $500 thousand drawn down per month until the drawn amount is repaid (the "Loan Shares"). At the current full $22.8 million level of draw down the Company is required to issue to Nemesia 2,280,000 ShaMaran shares per month. In addition, the Company is 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 is payable on or before July 5, 2023 and such claim for repayment is subordinated to all obligations under the Company's bond agreement.

In accordance with *IFRS 9 Financial Instruments* the liquidity guarantee is a compound financial instrument which has two parts: a liability component and an equity component. IAS 32 *Financial Instruments Presentation* requires that the component parts be accounted for and presented separately. The split is made at issuance and will not be revised for subsequent changes in market interest rates or share prices. The fair value of the liability component of $18.1 million at initial drawdown has been determined based on the net present value of future cash flows, is amortized over the three-year term using the effective interest rate of 13.19% and is presented on the balance sheet as "loan from related party". The fair value of the equity component at initial drawdown of $4.7 million is presented on the balance sheet as "Loan Share reserve". As Nemesia are issued the Company shares each month the Loan Share reserve value is transferred into share capital on a straight-line basis. During 2020 $655 thousand has been transferred into share capital.

The 2020 movements in the liquidity guarantee loan balance are explained as follows:

	For the year ended December 31, 2020	2019
Opening balance	**-**	**-**
Cash received: full amount of the liquidity guarantee	22,800,000	-
FV of the equity component	(4,717,855)	-
Amortization of the liability component	1,132,450	-
Ending balance	**19,214,595**	**-**
Non-current liability: loan from related party	19,214,595	-

Refer also to Notes 11, 19, 22, 23, 28 and 30.

21. Provisions

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

The estimated costs have been discounted to net present value using a Bank of Canada long term bond yield rate of 1.21% (2019 year-end: 1.76%) and an inflation rate of 1.362% (2019 year-end: 2.285%).

	For the year ended December 31, 2020	2019
Opening balance	15,715	9,559
Changes in estimates and obligations incurred	460	4,830
Changes in discount and inflation rates	(695)	1,340
Unwinding discount on decommissioning provision	(1)	(14)
Total decommissioning and site restoration provisions	**15,479**	**15,715**

The changes in estimates and obligations incurred in 2019 includes an increase of $4 million due to the acquisition of an additional 7.5% participating interest in the Atrush block.

Expressed in thousands of United States dollars

22. Share capital

The Company is authorised 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, 2019	**2,158,631,534**	**637,538**
Shares issued as borrowing cost	2,000,000	150
At December 31, 2019	**2,160,631,534**	**637,688**
Loan Shares issued	11,400,000	655
RSU Shares issued	3,836,667	91
At December 31, 2020	**2,175,868,201**	**638,434**

As described in Note 20, the Company is required to issue to Nemesia 50,000 shares of ShaMaran for each $500 thousand drawn down per month until the drawn amount is repaid, which resulted in a total of 11,400,000 Loan Shares being issued during the year. The carrying value of the shares has been determined based on the total Loan Share reserve value and is amortized over the three-year life of the loan.

On August 12, 2020 a quantity of 3,836,667 Restricted Share Units ("RSUs") vested in accordance with the Company's Share Unit Plan and this quantity of the Company's shares were issued to plan participants on September 25, 2020 (the "RSU Shares"). The carrying value of the shares has been determined based on the Company's closing share price on the vesting date.

Refer to Notes 20, 23, 28 and 30.

Earnings per share

The earnings per share amounts were as follows:

	For the year ended December 31, 2020	2019
Net loss, in dollars	(144,425,000)	(13,397,000)
Weighted average number of shares outstanding during the year	2,164,389,339	2,160,505,507
Weighted average diluted number of shares outstanding during the year	2,261,039,549	2,222,115,719
Basic and diluted income loss per share, in dollars	(0.07)	(0.01)

23. 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. 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"). PSU grants may be awarded annually to employees, directors or consultants ("Participants") based on the fulfilment of defined Company and individual performance parameters. RSU grants may be awarded to Participants annually based on the fulfilment of defined Company performance parameters. RSUs and PSUs will vest based on the conditions described in the relevant grant agreement and, in any case, no later than the end of the third calendar year following the date of the grant. DSU's may be awarded annually to non-employee directors of the Company based on the performance of the Company and vest immediately at the time of grant, however DSUs may not be redeemed until a minimum period of three months has passed following the end of service as a director of the Company. The share unit plans provide for redemption of the share units by way of payment in cash, shares or a combination of cash and shares. Under the option plan the term of any options granted under the option plan will be fixed by the Board and may not exceed five years from the date of grant. A four month hold period may be imposed by the stock exchange from the date of grant. Vesting terms are at the discretion of the Board. All issued share options have terms of five years and vest over two years from grant date. The exercise prices reflect trading values of the Company's shares at grant date.

On March 3, 2020, the Company granted a total of 35,840,000 stock options and 21,250,000 RSUs to certain senior officers and other eligible persons of the Company. The options vest over a period of two years and are exercisable over a period of five years at a strike price of CAD 0.06 per share. In 2019 a total of 25,070,00 incentive stock options were granted. In 2020 a total of 22,000,000 stock options expired and 300,000 were cancelled due to the end of service of a plan participant.

Expressed in thousands of United States dollars

The result of the option movements was a total charge to the Statement of Comprehensive Income of $1.3 million for the year 2020 (2019: $653 thousand). The RSU grants were based on the grant date share price of CAD 0.06, 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 2020 a total of 380,000 RSU's were cancelled due to the end of service of a plan participant, a total of 3,836,667 RSUs vested and the same quantity of shares were issued to plan participants. The Statement of Comprehensive Income includes RSU related charges of $346 thousand (2019: $92 thousand) for the year 2020 relating to 2020 and 2019 RSU grants.

On March 3, 2020, the Company granted a total of 4,466,665 of deferred share units ("DSU") to non-employee directors. The fair value of the DSU's are fully expensed in the period granted, based on the grant date share price of CAD 0.06, at each quarter end the carrying value of the DSU liability is revalued based on the change in the share price, any gains or losses are charged to the Income Statement. In 2019 a total of 3,600,265 DSUs were granted. The total DSU grants resulted in charges to the Statement of Comprehensive Income of $47 thousand for the year 2020 (2019: $199 thousand). The carrying amount of the DSU liability at December 31, 2020 is $202 thousand. The DSUs may not be redeemed until a minimum period of three months has passed following the end of service as a director of the Company and are to be settled in cash thereafter.

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, 2019	**47,070,000**	**11,660,000**	**2,880,212**
Granted in the year	35,840,000	21,250,000	4,466,665
Expired/cancelled in the year	(22,300,000)	(380,000)	-
RSU Shares issued in the year	-	(3,836,667)	-
At December 31, 2020	**60,610,000**	**28,693,333**	**7,346,877**
Quantities vested and unexercised:			
At December 31, 2019	30,356,662	-	2,880,212
At December 31, 2020	28,950,000	-	7,346,877
Weighted average remaining contractual life of options:			
At December 31, 2019		1.28 years	
At December 31, 2020		3.79 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

24. Pension liability

The Company operates a pension plan in Switzerland that is managed through a private pension plan and accounts for its pension plan in accordance with IAS 19. The amount recognized in the balance sheet associated with the Swiss pension plan is as follows:

	For the year ended December 31,	
	2020	2019
Present value of defined benefit obligation	3,539	2,352
Fair value of plan assets	(2,061)	(1,383)
Pension liability	**1,478**	**969**

The movement in the defined benefit obligation over the year is as follows:

	For the year ended December 31,	
	2020	2019
Opening balance	2,352	7,376
Actuarial loss / (gain) on defined benefit obligation	417	(420)
Foreign exchange loss	292	26
Additional contributions paid by employees	220	-
Current service cost	210	169
Ordinary contributions paid by employees	139	102
Interest expense on defined benefit obligation	7	62
Administration costs	5	4
Past service cost	(34)	-
Benefits paid from plan assets	(69)	(4,967)
Defined benefit obligation, ending balance	**3,539**	**2,352**

The weighted average duration of the defined benefit obligation is 19.28 years. There is no maturity profile since the average remaining life before active employees reach final age according to the plan is 10.10 years.

The movement in the fair value of the plan assets over the year is as follows:

	For the year ended December 31,	
	2020	2019
Opening balance	1,383	6,046
Additional contributions paid by employees	220	-
Ordinary contributions paid by employer	209	153
Foreign exchange gain	170	9
Ordinary contributions paid by employees	139	102
Return on plan assets excluding interest income	5	(11)
Interest income on plan assets	4	51
Benefits paid from plan assets	(69)	(4,967)
Fair value of plan assets, ending balance	**2,061**	**1,383**

The plan assets are under an insurance contract comprised entirely of free funds and reserves, such as fluctuation reserves and employer contribution reserves, for which there is no quoted price in an active market.

The amount recognized in the income statement associated with the Company's pension plan is as follows:

	For the year ended December 31,	
	2020	2019
Current service cost	210	169
Interest expense on defined benefit obligation	7	62
Administration costs	5	4
Interest income on plan assets	(4)	(51)
Past service cost	(34)	-
Total expense recognized	**184**	**184**

The expense associated with the Company's pension plan of $184 thousand was included within general and administrative expenses. The Company also recognized in other comprehensive loss a $411 thousand net actuarial gain on defined benefit obligations and pension plan assets.

Expressed in thousands of United States dollars

The principal actuarial assumptions used to estimate the Company's pension obligation are as follows:

	For the year ended December 31,	
	2020	**2019**
Discount rate	0.20%	0.30%
Inflation rate	1.00%	1.00%
Future salary increases	1.00%	1.00%
Future pension increases	0.00%	0.00%
Retirement ages, male ('M') and female ('F')	M65/F64	M65/F64

Assumptions regarding future mortality are set based on actuarial advice in accordance with the BVG 2015 GT generational published statistics and experience in Switzerland. The discount rate is determined by reference to the yield on high-quality corporate bonds. The rate of inflation is based on the expected value of future annual inflation adjustments in Switzerland. The rate for future salary increases is based on the expected average increase in salaries to be paid by the Company, and the rate of pension increases is based on the annual increase in risk, retirement and survivors' benefits. Contributions to the Company's pension plan during 2021 are expected to total $0.4 million.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	decrease by 9.1%	increase by 10.5%
Salary growth rate	0.50%	increase by 0.8%	decrease by 0.7%
Life expectancy	1 year	increase by 1.9%	decrease by 1.9%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognized within the consolidated balance sheet. There have been no changes to the sensitivity analysis method this year.

Expressed in thousands of United States dollars

25. 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 December 31, 2020	At December 31, 2019
Loans and receivables [5]	Level 3	68,069	35,535
Cash and cash equivalents, unrestricted [2]		16,967	15,480
Cash and cash equivalents, restricted [2]		11,451	50
Other receivables [2]		354	78
Total financial assets		**96,841**	**51,143**

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

Financial liabilities

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

	Fair value hierarchy [6]	Carrying values	
		At December 31, 2020	At December 31, 2019
Borrowings [6]	Level 2	188,416	189,546
Related party loan[4]	Level 2	19,215	-
Accrued interest on bonds		11,145	11,147
Accounts payable and accrued expenses [2]		3,578	9,002
Current tax liabilities		6	42
Total financial liabilities		**222,360**	**209,737**

Financial liabilities are initially recognized at the fair value of the amount expected to be paid and are subsequently measured at amortised 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 borrowings at the balance sheet date is $171 million (December 31, 2019: $190 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 $22.8 million.

[5] An impairment has been made to the loans and receivables, see Note 9 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.

Capital risk management

The Company manages its capital to ensure that entities within the Company will be able to continue as a going concern, while maximising return to shareholders. The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Company had debt relating to borrowings and accrued interest of $218.8 million as at December 31, 2020 (2019: $200.7 million). Refer also to Notes 19 and 20.

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

The prices that the Company receives for its oil and gas production may have a significant impact on the Company's revenues and cash flows provided by operations. World prices for oil and gas are characterised 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 and gas production in Kurdistan is dependent upon the Kurdistan government and its ability to export production outside of Iraq. A decline in the price of ICE Brent Crude oil, a reference in determining the price at which the Company can sell future oil production, could adversely affect the amount of funds available for capital reinvestment purposes as well as the Company's value in use calculations for impairment test purposes. Refer also to Notes 4(d) and 29.

The table below summarises the effect that a change in the Dated Brent oil price would have had on the net loss during the year ended December 31, 2020:

Net loss reported in the financial statements	(144,425)	(144,425)
Possible shift - (decrease) / increase in Dated Brent oil price in %	(15%)	15%
Total (increase) / decrease in the net loss	**(13,532)**	**13,840**

The Company does not hedge against commodity price risk.

Foreign currency risk

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, Swiss Francs ("CHF") and Canadian dollars ("CAD"). As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange rate fluctuations between the foreign currencies and the USD. The Company considers its foreign currency risk is limited because it holds relatively 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.

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

	Assets December 31,		Liabilities December 31,		Equity December 31,	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Canadian dollars in thousands ("CAD 000")	14	71	259	325	225,801	224,126
Swiss francs in thousands ("CHF 000")	632	353	948	668	-	-

Expressed in thousands of United States dollars

Foreign currency sensitivity analysis

The Company is exposed to movements in CHF and CAD against the USD, the presentational currency of the Company. Sensitivity analyses have been performed to indicate how the profit or loss would have been affected by changes in the exchange rates between the USD and CHF and CAD. The analysis below is based on a strengthening of the CHF and CAD by 10% against the USD in which the Company has assets, liabilities and equity at the end of respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three to five-year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 10% change in foreign currency rates.

A positive number in the table below indicates an increase in profit where USD weakens 10% against the CHF or CAD based on the CHF and CAD assets, liabilities and equity held by the Company at the balance sheet dates. For a 10% strengthening of the USD against the CHF or CAD there would be an equal and opposite impact on the profit or loss.

	Assets		Liabilities		Equity	
	2020	2019	2020	2019	2020	2019
Statement of comprehensive income - CAD	1	5	(17)	(21)	(14,996)	(14,217)
Statement of comprehensive income - CHF	91	42	(137)	(79)	-	-

Interest rate risk

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

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

The Company is highly leveraged though financing at the project level, for the continuation of Atrush project, and at the corporate level due to the $190 million of bond which have been issued since July 2018. However, the Company is not exposed to interest rate risks associated with the bonds as the interest rate is fixed.

Interest rate sensitivity analysis

Based on exposure to the interest rates for cash and cash equivalents at the balance sheet date an increase or decrease of 1% in the interest rate would not have a material impact on the Company's profit or loss for the year. An interest rate of 1% is used as it represents management's assessment of the reasonably possible changes in interest rates.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is primarily exposed to credit risk on its cash and cash equivalents, loans and receivables and other receivables.

The Company manages credit risk by monitoring counterparty ratings and credit limits and by maintaining excess cash and cash equivalents on account in instruments having a minimum credit rating of R-1 (mid) or better (as measured by Dominion Bond Rate Services) or the equivalent thereof according to a recognized bond rating service.

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

Liquidity risk

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

Expressed in thousands of United States dollars

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

The remaining maturities of financial liabilities are shown in the table below. Borrowings reflect the classification of the ShaMaran bonds as "less than one year" due to the put option described in Note 19 and thus does not include anticipated interest payments of $53.7 million over the life of the bonds. The Company does not anticipate the put option to be exercised.

	Less than one year	From one to two years	From three to four years	Total
Borrowings	201,145	-	-	**201,145**
Loan from related party	-	-	26,220	**26,220**
Payables to joint operations partner	2,067	-	-	**2,067**
Trade payables and accrued expenses	1,511	-	-	**1,511**
Total	**204,723**	**-**	**26,220**	**230,943**

Refer to Notes 18, 19 and 20.

26. Commitments and contingencies

As at December 31, 2020 the outstanding commitments of the Company were as follows:

	For the year ended December 31,				
	2021	2022	2023	Thereafter	Total
Atrush Block development and PSC	36,793	166	166	1,490	38,615
Corporate office and other	146	57	-	-	203
Total commitments	**36,939**	**223**	**166**	**1,490**	**38,818**

Amounts relating to Atrush Block development represent the Company's unfunded paying interest share of the approved 2021 work program and other obligations under the Atrush PSC.

Under the terms of the Atrush PSC the Company will owe a share of production bonuses payable to the KRG when cumulative oil production from Atrush reaches production milestones defined in the Atrush PSC. The remaining production bonus payable is $23.3 million at 50 million barrels (ShaMaran share: $6.43 million) and will not be cash settled but is to be treated as an offset against amounts owed currently by the KRG under the proposed repayment mechanism. This production milestone is expected to be achieved during the second half of 2021. The production bonuses represent an outflow of Company resources as an economic benefit to the KRG, rather than as an exchange for a service, and are therefore accounted for in accordance with *IFRIC 21 Levies* which requires that the obligation be recognized on the date at which the production milestone is reached.

27. Interests in joint operations and other entities

Interests in joint operations - Atrush Block Production Sharing Contract

ShaMaran holds a 27.6% interest in the Atrush PSC through GEP. TAQA Atrush B.V. is the Operator of the Atrush Block with a 47.4% direct interest and the KRG holds a 25% direct interest. TAQA, the KRG and GEP together are "the Contractors" to the Atrush PSC.

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

Refer also to Notes 12, 17 and 26.

Information about subsidiaries

Expressed in thousands of United States dollars

The consolidated financial statements of the Company include:

Subsidiary	Principal activities	Country of Incorporation	% equity interest as at 31 Dec 2020	31 Dec 2019
General Exploration Partners, Inc.	Oil exploration and production	Cayman Islands	100	100
ShaMaran Services S.A.	Technical and admin. services	Switzerland	100	100
Bayou Bend Petroleum U.S.A. Ltd	Petroleum activities	United States	100	100
0781756 B.C. Ltd	Petroleum activities	Canada	100	100
ShaMaran Ventures B.V.	Oil exploration and production	The Netherlands	0	100
ShaMaran Petroleum B.V.	Oil exploration and production	The Netherlands	0	100

During the year 2020 ShaMaran Ventures B.V. and ShaMaran Petroleum B.V. were liquidated in conjunction with the Company's initiative to eliminate redundancies in its legal structure.

28. Related party transactions

Transactions with corporate entities

	Purchase of services during the year		Amounts owing at the balance sheet dates	
	2020	**2019**	**2020**	**2019**
Nemesia	1,215	-	690	-
Namdo Management Services Ltd	46	50	-	-
Total	**1,261**	**50**	**690**	**-**

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 an obligation to issues shares each month to Nemesia based on the $22.8 million drawn down on the liquidity guarantee and accrue 5% interest 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.

Refer to Notes 11 ,19 and 20.

Key management compensation

The Company's key management was comprised of its directors and executive officers who have been remunerated as follows:

	For the year ended December 31, 2020	2019
Management's share-based payments	1,177	568
Management's salaries	1,065	845
Management's short-term benefits	324	1,227
Directors' fees	300	282
Management's pension benefits	184	68
Directors' share-based payments	47	199
Total	**3,097**	**3,189**

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

29. Impact of COVID-19

In March 2020 the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“COVID-19”). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. Since the onset of COVID-19, industry led production curtailment as well as government stimulus programs and other improvements in general economic conditions have resulted in a strengthening of commodity prices, although still below levels existing prior to March 2020. The potential for the COVID-19 pandemic to continue creates an inherent level of uncertainty and may increase ShaMaran’s exposure to, and magnitude of, the risks and uncertainties identified in ShaMaran’s 2020 Annual Information Form and previous financial reports and management’s discussion and analysis that result from a reduction in demand for oil and gas consumption and/or lower commodity prices and/or reliance on third parties. The extent to which COVID-19 impacts ShaMaran’s business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the current and any future COVID-19 outbreaks, their severity, the actions taken to contain such outbreaks or treat their impact, and how quickly and to what extent normal economic and operating conditions resume and their impacts to ShaMaran’s business, results of operations and financial condition which could be more significant in upcoming periods as compared to date. Even after the COVID-19 outbreaks have subsided, ShaMaran may continue to experience materially adverse impacts to ShaMaran’s business as a result of the global economic impact.

As a result of these developments ShaMaran announced revised 2020 Atrush spending plans in April 2020 and actual 2020 spending was in line with the revised plans. ShaMaran will continue to monitor this situation and work to adapt its business to further developments as determined necessary or appropriate.

30. Subsequent events

On January 5, 2021, the Company paid in full the January 2021 interest payment due on its 12% senior unsecured bonds of $11.4 million using the restricted cash in the DSRA.

A further 6,840,000 Loan Shares have been issued to Nemesia in accordance with the Company’s obligations.

On January 26, 2021, the Company announced that the Proposal had been approved by the affirmative vote of 100% of the voting Bondholders which will permit the Company to use its “free cash” in excess of USD 15 million to buy back its Bonds in the market to satisfy the cash sweep redemption requirement agreed in the July 2020 amendment and restatement of the Bond Terms. All Bonds so re-purchased will be retired by the Company. Should the Company not be able to buy sufficient Bonds in the market at commercially attractive rates then any remaining amount of “free cash” shall be used to redeem that principal amount of Bonds at par on a pro rata basis.

Refer to notes 19,20 and 22.

DIRECTORS

Dr. Adel Chaouch
Director, President and Chief Executive Officer

Chris Bruijnzeels
Director, Chairman

Keith C. Hill
Director

Terry L. Allen
Director

Michael Ebsary
Director

William A.W Lundin
Director

OFFICERS

Dr. Adel Chaouch
Director, President and Chief Executive Officer

Brenden Johnstone
Chief Financial Officer

Alex Lengyel
Chief Commercial Officer and Corporate Secretary

Suzanne Ferguson
Assistant Corporate Secretary

CORPORATE DEVELOPMENT

Sophia Shane

INVESTOR RELATIONS

Robert Eriksson

CORPORATE OFFICE

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INDEPENDENT AUDITORS

PricewaterhouseCoopers SA
Geneva, Switzerland

TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, Canada

STOCK EXCHANGE LISTINGS

TSX Venture Exchange and NASDAQ First North
Growth Market
Trading Symbol: SNM

ShaMaran Petroleum Corp.