



SHAMARAN
petroleum corp

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SHAMARAN petroleum corp

Management's Discussion and Analysis

*For the three and six months ended June 30, 2022
(UNAUDITED)*

Table of Contents

INTRODUCTION.....	3
SECOND QUARTER 2022 HIGHLIGHTS and KEY EVENTS	4
<i>Atrush Financial</i>	4
<i>Atrush Operational</i>	4
<i>Corporate/ Sarsang acquisition</i>	5
OPERATIONS REVIEW	6
<i>Business Overview</i>	6
<i>Operations Overview</i>	6
FINANCIAL REVIEW	8
<i>Financial results</i>	8
<i>Capital Expenditure</i>	13
<i>Financial position and Liquidity</i>	14
<i>Off Balance Sheet Arrangements</i>	16
<i>Transactions with Related Parties</i>	16
<i>Outstanding Share Data and Stock Options</i>	16
<i>Contractual Obligations and Commitments</i>	17
<i>Critical Accounting Policies and Estimates</i>	17
FINANCIAL INSTRUMENTS	19
RISKS AND UNCERTAINTIES	21
ADDITIONAL INFORMATION	21
SUPPLEMENTARY INFORMATION	22

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

INTRODUCTION

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

Company Overview

ShaMaran is in the business of developing and producing oil and gas. The Company has a 27.6% participating interest in the Atrush Block, Kurdistan Region of Iraq through its wholly owned subsidiary General Exploration Partners, Inc. ("GEP"). On July 12, 2021, the Company announced the acquisition of TEPKRI Sarsang A/S, a wholly owned subsidiary of TotalEnergies S.E. ("TTE"). The Company and TTE are in the final steps to satisfy the conditions precedent for the completion of the acquisition (including receipt of the relevant regulatory approval from the Kurdistan Regional Government ("KRG")) and upon the successful closing of this transaction, the Company will also have an 18% participating interest in the Sarsang Block, Kurdistan Region of Iraq through its then wholly-owned subsidiary TEPKRI Sarsang A/S.

The Company's common shares are listed on the TSX Venture Exchange in Canada and the NASDAQ First North Growth Market in Sweden. The Company is incorporated and domiciled in British Columbia, Canada under the Business Corporations Act. The address of its registered and records office is 550 Burrard Street, Suite 2900, Vancouver, BC Canada V6C 0A3 and its business address is 885 West Georgia Street, Suite 2000, Vancouver, BC Canada V6C 3E8.

Basis of Preparation

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

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

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

SECOND QUARTER 2022 HIGHLIGHTS AND KEY EVENTS

The second quarter of 2022 delivered further record results, continuing to improve on the strong results of the first quarter of 2022. A new record of oil sales revenues was achieved during Q2 2022 with sales of \$44.8 million being 78% higher than Q2 2021. The strong sales translated into new record cash flows from operations of \$40.7 million in Q2 2022, nearly two times that of Q2 2021. ShaMaran's Q2 2022, EBITDAX¹ was over double that of Q2 2021, continuing to demonstrate the Company's strong profitability in the current oil price environment. In addition, the Company announced during the second quarter of 2022 the successful completion of an oversubscribed rights offering, raising over \$30 million in gross proceeds.

In July 2021 the Company began the implementation of its growth plans by signing an agreement to acquire an affiliate of TTE holding an 18% participating interest in Sarsang block (the "Sarsang Acquisition"). During Q2 2022, the Company made further progress toward the closing of this acquisition through engagement with representatives of the KRG and TTE and the closing is now expected in Q3 2022. Upon its successful close, this additional asset will transform the Company's production and reserve profile.

ATRUSH HIGHLIGHTS

Financial:

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	44,844	25,208	83,680	45,814
Gross margin on oil sales	34,208	14,953	61,887	25,207
Net result	21,170	6,834	36,250	9,303
Cash flow from operations	40,720	22,739	64,482	28,023
EBITDAX	37,339	18,402	67,810	31,902

- The Company delivered oil sales in Q2 2022 of \$44.8 million, the highest ever quarterly oil sales revenue;
- Cash flow from operations for Q2 2022 was a record \$40.7 million, nearly two times that of Q2 2021;
- EBITDAX in Q2 2022 was very strong at \$37.3 million, over double the EBITDAX of Q2 2021;
- On May 25, 2022, the successful completion of an oversubscribed rights offering resulted in the Company issuing an additional 558,242,414 common shares, resulting in total gross proceeds (including FX hedging gains) of \$30.15 million; and
- The KRG has fully repaid the \$41.7 million of outstanding receivables for November 2019 to February 2020 ("KRG Receivables").

Operational:

- The 60MM bbl cumulative production milestone for Atrush was reached during June 2022;
- The CK-16 well, spudded in March 2022, primary purpose is to serve as a water injection well, providing additional capacity and redundancy to CK-9, the first Atrush water injection well. The CK-16 well reached TD ahead of schedule on May 20, 2022, was completed over the Sarki reservoir in July 2022 and water disposal also commenced in July 2022;
- Q2 2022 average production of approximately 37,125 bopd, 6% lower than Q2 2021 production of 39,538 bopd and within the 2022 guidance. CK-16, discussed above, was drilled as a way of de-bottlenecking production capacity in the latter part of 2022; and
- Q2 2022 lifting costs per barrel of \$5.29 is higher than Q2 2021 lifting costs of \$4.49 per barrel. This increase is mainly due to higher diesel prices, but within our 2022 guidance which takes into account cost inflation.

¹ Earnings before interest, tax, depreciation, amortisation, and exploration expense.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

CORPORATE HIGHLIGHTS/SARSANG ACQUISITION

- The Company announced on July 12, 2021 that it signed an agreement with a subsidiary of TTE for the Sarsang Acquisition. The Sarsang Acquisition has an effective date of January 1, 2021. The Company intends to finance the Sarsang Acquisition through the issue of the new debt, a one-month vendor convertible loan and by utilizing the Company's cash balance.
- On July 16, 2021 the Company announced the successful placement of a new \$300 million bond, with a 4-year tenor due July 2025 and a 12% fixed semi-annual coupon (the "2025 Bond"). The proceeds from the 2025 Bond issue will be used to refinance the Company's existing outstanding bond (the "2023 Bond"), to refinance \$7.2 million of existing subordinated debt, to partly finance the Sarsang Acquisition announced July 12, 2021 and for general corporate purposes.
- On July 27, 2021 the Company announced that the proposals for the conditional refinancing of the 2023 Bond as well as necessary waivers for the issuance of the 2025 Bond and other financial matters relating to the 2023 Bond were approved by the bondholders voting on the proposals.
- On July 30, 2021 the Company announced the issuance and settlement of the initial issue of the 2025 Bond in the amount of \$111.5 million. Proceeds from this initial issue will be used to pay a portion of the purchase price of the Sarsang Acquisition and have been placed into escrow subject to release following the satisfaction of conditions precedent to completion of the Sarsang Acquisition.
- Upon the successful closing of the Sarsang Acquisition, the additional interest in Sarsang block:
 - (i) adds immediate incremental participating interest production of approximately 5,000 bopd of light crude oil (36-39° API);
 - (ii) is expected to double ShaMaran's average net production to approximately 20,000 bopd, following the completion of the processing facility expansion at Swara Tika field by third quarter of 2022;
 - (iii) enhances ShaMaran's oil reserves through the addition of high API and low sulphur oil that achieves a low discount to Brent; and
 - (iv) the combined business is forecasted to result in a 2022 year end unrestricted cash balance between \$130 million and \$150 million based on Brent oil prices of \$90 to \$100 per barrel². This cash balance combined with the \$36 million held as restricted cash in line with the 2025 Bond agreement will result in leverage of below 1x net debt to EBITDAX at year end 2022.

The Company is currently in the final steps to complete the Sarsang Acquisition with the relevant parties and closing is expected in Q3 2022.

² Cash forecasts to be revised after the successful closing of the Sarsang Acquisition.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

OPERATIONS REVIEW

Business overview

The second quarter of 2022 has seen a continuation of strong market conditions for oil producers. Average Brent oil price invoiced for the second quarter of this year was \$113.66/bbl vs. \$101.58/bbl average price for the first quarter of 2022.

The Russian invasion of Ukraine in late February 2022 and the continued conflict has triggered a severe response from the international community that has further exacerbated the global oil market supply shortage and the profound effects of this crisis are likely to be long lasting as consumers and producers alike reshape their thinking around access to resources and security of supply. The Company notes the implications for commodity prices and potential interruptions of supply chains and third-party services from this ongoing conflict. The Company is also monitoring international sanctions and trade control legislation in order to mitigate any potential impact on the Company's operations. To date, the Russia-Ukraine conflict has had no negative impact on the Company or Atrush operations.

Upon the successful closing of the Sarsang Acquisition (now expected in the third quarter of 2022), ShaMaran will (i) transform the enterprise from being a single asset company into a company with three world class producing oil fields (Atrush, Swara Tika and East Swara Tika) with improved oil qualities and complimentary production horizons, (ii) further improve our financial metrics and (iii) assuming oil prices continue at current levels as forecast by numerous analysts, by end of 2022 we expect an increase in cashflow from our three producing oil fields.

ShaMaran continues to remain optimistic about strong oil prices being sustained throughout 2022 despite uncertainties in demand and supply in the global market. However, the Company will continue to maintain its financial discipline while remaining focused on completing the Sarsang Acquisition. We are very well positioned to further grow the Company as new market opportunities present themselves in Kurdistan and elsewhere.

Environmental, social and governance considerations are important to ShaMaran and the Company continues to be the exclusive corporate sponsor of the Hasar Vision 2025 Project which, among other activities, has planted about 200,000 oak seedlings to date and has plans to plant over one million oak seedlings in Erbil, the capital of Kurdistan, and its vicinity aiming to reduce urban pollution. ShaMaran has started the process for certification of carbon credits for this million oak project and related activities which is a first-of-its kind in Kurdistan. These credits will be used by the Company to offset its carbon emissions in Atrush block. Over the next year ShaMaran plans to develop a detailed energy transition strategy to achieve net carbon neutrality. Future potential investment decisions by the Company in its growth plans will be carefully evaluated for alignment with that strategy and its objectives.

ShaMaran as part of the Atrush joint venture intends to begin implementing a gas solution to meet its commitment to bettering the environment in Kurdistan.

During the second quarter of 2022 the Company joined HSBC's Green Deposit program, this gives the opportunity to invest surplus cash balances into environmentally friendly projects and initiatives in Canada financed by the HSBC bank. The Company has deposited an initial \$10 million in a Green Deposit account which further demonstrates the Company's commitment to environmental, social and governance considerations in Canada as well as Kurdistan.

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

For additional background and history on the Company's Atrush ownership, please refer to the Company's Annual Information Form for the year ended December 31, 2021, which is available for viewing both on the Company's website at www.shamaranpetroleum.com and on SEDAR at www.sedar.com, under the Company's profile.

Operations Overview

COVID-19 Response

Since the implementation of the COVID-19 action plan in February 2020, the operational impacts of the COVID-19 pandemic have been successfully managed to minimize any negative impact on field operations and production outlook. Full vaccination of all Atrush field and office staff has now been achieved and the Atrush field has returned to normal, pre-pandemic, operating levels.

Reserves and Resources

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

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

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

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.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

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

For more information on reserves and resources, please reference our Form 51-101 F1 Statement of Reserves Data and Other Oil and Gas Information as at December 31, 2021 and available in the Company's profile on SEDAR at www.sedar.com.

Production

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Atrush average daily oil production – gross 100% field (Mbopd)	37.1	39.5	38.0	38.9
Atrush oil sales – gross 100% field (Mbbbl)	3,378	3,598	6,871	7,037
Shamaran's entitlement in Atrush oil sales (Mbbbl)	449	478	912	934

Atrush production and Shamaran's entitlement of oil sales for Q2 2022 and the six months were both down 2% over Q2 2021 and over the six months of 2021. Atrush 2022 production remains within guidance.

In July 2022 the production well, CK-18, was spudded from the Chamanke G Pad. Targeting the Lower Jurassic Mus formation, the well is forecast to commence in Q4 2022.

Also in July 2022 the workover operations at the CK-17 ST-1 production well began. The objective of this workover is to increase production by re-completing the well over the Upper Jurassic Sargelu formations. The well is expected to be back online by the end of August 2022.

Operational Outlook

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

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

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

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

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)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Continuing operations:								
Revenue	44,844	38,836	27,439	29,070	25,208	20,606	14,081	15,358
Cost of goods sold	(10,636)	(11,157)	(14,777)	(17,050)	(10,255)	(10,352)	(3,828) ⁴	(11,406)
General and admin expense	(2,359)	(1,593)	(2,645)	(1,844)	(1,804)	(1,543)	(2,115)	(1,678)
Share based payments	(176)	(1,401)	(295)	(198)	(469)	(665)	(258)	(283)
Depreciation and amortization	(55)	(54)	(51)	(56)	(55)	(57)	(54)	(52)
Credit loss provision	(1,897)	(611)	2,038	-	-	-	(3,201)	-
Finance cost	(8,972)	(9,060)	(7,638)	(9,904)	(6,054)	(6,167)	(6,441)	(4,654)
Finance income	435	139	26	9	276	669	2	-
Income tax expense	(14)	(19)	(36)	(8)	(13)	(22)	29	(18)
Net income / (loss)	21,170	15,080	4,061	19	6,834	2,469	(1,785)	(2,733)
 EBITDAX	 37,339	 30,471	 18,456	 16,017	 18,402	 13,500	 6,614	 8,707
Basic and diluted net inc / (loss) in \$ per share	0.009	0.007	0.002	-	0.003	0.001	(0.001)	(0.001)

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

Summary of Principal Changes in the Second Quarter Financial Information

The \$21.2 million net income generated in Q2 2022 was primarily driven by higher revenues relative to Q1 2022. The quarter also included an increase in the credit loss provision for possible additional transport and access fees imposed by the KRG. The income and expenses in the second quarter are explained in more detail in the following sections.

The Company generated a strong \$37.3 million of EBITDAX in Q2 2022, as shown in the following table, continuing to underline the profitability of the Company in the current oil price environment.

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

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

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

EBITDAX - Non-IFRS Measures

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenues	44,844	25,208	83,680	45,814
Lifting costs	(4,930)	(4,459)	(10,261)	(9,317)
Other costs of production	(40)	(74)	(80)	(114)
General and administrative expense	(2,359)	(1,804)	(3,952)	(3,347)
Share based payments	(176)	(469)	(1,577)	(1,134)
EBITDAX	37,339	18,402	67,810	31,902

Gross margin on oil sales

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue from Atrush oil sales	44,844	25,208	83,680	45,814
Lifting costs	(4,930)	(4,459)	(10,261)	(9,317)
Other costs of production	(40)	(74)	(80)	(114)
Depletion costs	(5,666)	(5,722)	(11,452)	(11,176)
Cost of goods sold	(10,636)	(10,255)	(21,793)	(20,607)
Gross margin on oil sales	34,208	14,953	61,887	25,207

Revenue from Atrush oil sales relates to the Company's entitlement share of oil sales from the Atrush Block. The increase in revenues in Q2 2022 as compared to Q2 2021 was driven by higher average net oil prices, slightly offset by the lower average daily production (37.1 Mbopd vs 39.5 Mbopd). Q2 2022 production was sold at an average net oil price of \$97.88 per barrel after deducting \$15.79 per barrel average discount for oil quality and transportation costs which compares, respectively, to \$52.78 and \$15.78 for oil sales made in Q2 2021. The higher oil prices resulted in increased revenues of \$20.2 million which the lower production decreased by \$1.5 million, compared to the same quarter the previous year.

Lifting costs are comprised of the Company's share of expenses related to the production of oil from the Atrush 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 \$5.29 per barrel in Q2 2022 (Q2 2021: \$4.49 per barrel). The increase per barrel related mainly to higher diesel prices in the quarter.

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

Depletion costs per entitlement barrel in Q2 2022 was \$12.63 (Q2 2021: \$11.98), the increase is due to the impact of the 2021 year end reserves report; higher inflation rates increasing the abandonment provision and an increase in future development costs of the field.

Gross margin on oil sales was significantly higher in Q2 2022 mainly due to the increased net oil sales as detailed above.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

General and administrative expense

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Salaries and benefits	843	589	1,516	1,383
Management and consulting fees	708	489	1,070	859
Legal, accounting and audit fees	365	458	375	579
General and other office expenses	178	158	354	284
Listing costs and investor relations	147	86	241	213
Travel expenses	118	24	196	29
Corporate Sponsorship	-	-	200	-
General and administrative expense	2,359	1,804	3,952	3,347

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

Share based payments expense

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
RSU expense	203	217	637	317
Option expense	163	144	605	418
DSU (recovery)/expense	(190)	108	335	399
Total share-based payments	176	469	1,577	1,134

The share-based payments expense relates to the vesting of stock options, granted deferred share units ("DSUs") and restricted share units ("RSUs"). At June 30, 2022 there was in total 77,740,000 outstanding stock options (June 30, 2021: 61,990,000), 24,743,339 RSUs (June 30, 2021: 24,723,334) granted to certain senior officers and other eligible persons of the Company and 13,381,443 DSUs (June 30, 2021: 12,406,477) granted to ShaMaran's non-executive directors. DSUs are revalued each quarter end resulting in an increase or decrease to their valuation depending on the share price. Also refer to the discussion under the "Outstanding share data, share units and stock options" section below.

Depreciation and amortization expense

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Depreciation and amortization expense	55	55	109	112

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.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

Credit Loss Provision

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Credit Loss Provision – transportation costs	2,204	-	2,204	-
Credit Loss Provision – general	(307)	-	304	-
Total credit loss provision	1,897	-	2,508	-

A provision has been made in the first half of 2022 to account for a possible increase in transportation and access fees of \$2.2 million. According to the KRG these costs were added as a result of increased pipeline costs and higher oil prices, this increase has yet to be approved.

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

Finance income

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Interest on deposits	392	6	494	10
Net gain from settlement of debt	-	270	-	792
Total interest income	392	276	494	802
Foreign exchange gain	43	-	80	77
Total finance income	435	276	574	879

The net gain on settlement of debt in the first six months of 2021 is due to the Company purchasing its 2023 Bonds in the market at commercially attractive rates, as permitted by the January 2021 amendment to the 2023 Bond terms. Interest on deposits in the first six months of 2022 includes \$176 thousand of interest from the \$2.988 million of the Company 2023 Bonds that were purchased, but not retired, at the end of the 2021 financial year.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

Finance cost

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Interest charges on bonds at coupon rate	8,536	5,491	17,130	11,020
Amortization of the related party loan	704	621	1,378	1,217
Amortization of bond transaction costs	246	157	489	313
Total borrowing costs	9,486	6,269	18,997	12,550
Lease – interest expense	4	6	11	10
Foreign exchange loss	-	66	-	-
Interest expenses	(1)	-	35	-
Unwinding discount on decommissioning provision	(214)	(154)	(567)	(183)
Total finance costs before borrowing costs capitalized	9,275	6,187	18,476	12,377
Borrowing costs capitalized	(303)	(133)	(444)	(222)
Finance cost	8,972	6,054	18,032	12,155

Interest charges in 2022 include interest on the initial issue amount of \$111.5 million of the 2025 Bond issued on July 30, 2021.

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 the income statement in the period in which they are incurred.

For further information on the Company's borrowings refer to the discussions in the section below entitled "Borrowings" and "Loan from related party".

Income tax expense

USD Thousands	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Income tax expense	14	13	33	35

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.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

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:

USD Thousands	Six months ended June 30, 2022			Year ended December 31, 2021		
	Oil and gas assets	Office equipment	Total	Oil and gas assets	Office equipment	Total
Opening net book value	138,804	167	138,971	145,875	171	146,046
Additions	7,558	13	7,571	18,878	59	18,937
Depletion and depreciation expense	(11,452)	(38)	(11,490)	(25,949)	(63)	(26,012)
Net book value	134,910	142	135,052	138,804	167	138,971

The net book value of property, plant and equipment ("PP&E") is principally comprised of development costs related to the Company's share of Atrush PSC proved and probable reserves as estimated by the Company's independent qualified reserves evaluator, McDaniel. During the first six months of 2022, movements in PP&E were primarily comprised of additions for the ongoing drilling campaign of \$7.6 million (2021 full year: \$18.9 million), which included capitalized borrowing costs of \$444 thousand (2021 full year: \$523 thousand), net of depletion of \$11.5 million (2021 full year: \$26 million) which resulted in a net decrease to PP&E assets of \$3.9 million

Capital Expenditures on Intangible Assets

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

USD Thousands	Three months ended March 31, 2022	Year ended December 31, 2021
	Software & Licences	Software & Licences
Opening net book value	37	70
Addition / (reversal)	-	(5)
Amortization expense	(14)	(28)
Net book value	23	37

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

Financial Position and Liquidity

Loans and receivables

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

USD Thousands	At June 30, 2022	At December 31, 2021
Accounts receivable on Atrush oil sales	44,075	40,599
Atrush Exploration Costs receivable	-	8,813
Credit Loss Provision – general	(1,467)	(1,163)
Credit Loss Provision – transportation costs	(2,203)	-
Total loans and receivables	40,405	48,249

At December 31, 2021, loans and receivables included \$14 million relating to Atrush oil sales from November 2019 to February 2020 and an additional \$3.3 million of Atrush Exploration Costs receivable relating to the same period. These outstanding receivables were fully repaid by June 30, 2022.

The \$44 million of accounts receivable on Atrush oil sales at June 30, 2022, relates to sales from April 2022 through to June 2022 (the remaining \$27 million balance at December 2021 related to oil sales from October 2021 to December 2021). The increase in accounts receivable is largely driven by the increase in the value of the monthly oil sales invoices in 2022. The Atrush exploration cost receivable has now been fully repaid.

The Company has provided for a general credit loss provision for all the receivables owed to the Company from the KRG. The Company expects to recover the full nominal value of receivables, however a provision is in place to reflect credit risk. The provision will be reassessed each quarter end. A further provision has been made in the first half of 2022 to account for a possible increase in transportation and access fees. According to the KRG these costs were added as a result of increased pipeline costs and higher oil prices; this increase has yet to be approved.

In the period from the balance sheet date up to the date of this MD&A the Company had received \$13 million in total payments for receivables balances outstanding at June 30, 2022.

Borrowings

The 2023 Bond issued in 2018 carries 12% fixed semi-annual coupon and matures on July 5, 2023. At the date of this MD&A there was \$175 million outstanding principal amount of the 2023 Bond. The 2023 Bond will be exchanged for the 2025 Bond immediately following the successful completion of the Sarsang Acquisition. The initial principal amount of \$111.5 million of the 2025 Bond was issued on July 30, 2021. In total at June 30, 2022, there are \$286.5 million of ShaMaran Bonds outstanding.

In the fourth quarter of 2021 the Company purchased in the market at a commercially attractive rate the principal amount of \$2.988 million of its 2023 Bond. At June 30, 2022, such repurchased principal amount had not been retired.

The 2020 amendment and restatement of the 2023 Bond Terms included an amendment to provide for a put option in favor of the bondholders to require that the Company purchase the 2023 Bond (at par plus accrued interest and the existing call premium) at any time on ten (10) business days' notice upon the affirmative vote by holders of 50.01% or more of the 2023 Bond. As the put option in the amended 2023 Bond terms is outside of management's control all the borrowings are classified as current at June 30, 2022. Upon successful closing of the Sarsang Acquisition this specified put option will no longer continue to exist following the exchange of the 2023 Bond for the 2025 Bond and this borrowing will no longer be classified as current.

The movements in borrowings are explained as follows:

USD Thousands	At June 30, 2022	At December 31, 2021
Opening balance	296,839	199,561
Interest charges at coupon rate	17,130	27,419
Amortization of bond transaction costs	489	771
2025 Bond issued	-	111,472
Bond transaction costs	-	(1,672)
2023 Bond purchase	-	(2,988)
2023 Bond amount retired	-	(15,000)
Payments to 2023 Bondholders – interest and call premiums	(17,188)	(22,724)
Ending balance	297,270	296,839
Current portion: borrowings	281,488	280,999
Current portion: accrued bond interest expense	15,782	15,840

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

Loan from related party

In July 2020 the Company announced a full drawdown of the \$22.8 million liquidity guarantee by Nemesia followed by the full and final discharge of such liquidity guarantee by the Bond Trustee. In exchange for the drawdown of funds the Company has agreed to issue monthly to Nemesia 50,000 shares of ShaMaran for each \$500 thousand drawn down and outstanding until such amount is repaid in full together with interest (the "Loan Shares"). At the current \$22.8 million drawdown amount the Company is required to issue to Nemesia 2,280,000 ShaMaran shares per month. Upon successful closing of the Sarsang Acquisition the terms of this loan from Nemesia will be amended.

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. The fair value of the liability component is presented on the balance sheet as "loan from related party". The fair value of the equity is presented on the balance sheet as "Loan Share reserve". As Nemesia is issued the ShaMaran shares each month the Loan Share reserve value is transferred into share capital on a straight-line basis. During 2022 \$786 thousand (2021 \$1,573 thousand) has been transferred into share capital.

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

USD Thousands	At June 30, 2022	At December 31, 2021
Opening balance	21,748	19,215
Amortization of the liability component	1,378	2,533
Ending balance	23,126	21,748

Liquidity and Capital Resources

USD Thousands	Six months ended June 30	
	2022	2021
Selected liquidity indicators		
Cash flow from operations	64,482	28,023
Cash in bank	250,129	37,476
Negative working capital	(6,803)	(91,362)

Cash flow from operations of \$64.5 million for the six months of 2022 is up by \$36.5 million from \$28.0 million reported in the same period of 2021 principally due higher oil sales in the first six months of 2022.

Working capital at June 30, 2022, was negative \$6.8 million compared to negative \$91.4 million at June 30, 2021. The decrease in negative working capital since June 30, 2021 is principally due to the increased cash position and a reduction of the overdue KRG receivables, partially offset by an increase in regular KRG receivables (see "Loans and receivables"). Working capital remains negative as the Company's bonds are classed as a current liability until closing of the Sarsang Acquisition.

The overall cash position of the Company increased by \$78.5 million during the first six months of 2022, as compared to an increase of \$9.1 million during the same period of 2021. The main components of the movement in funds were as follows:

- The operating activities of the Company during the first six months of 2022 resulted in an increase of \$64.5 million in the cash position (2021: increase of \$28 million). The change in cash from operations is explained by the net income of \$36.3 million plus \$28.2 million of net positive cash adjustments from working capital items.
- Net cash in from investing activities during the first six months of 2022 were \$3.6 million (2021: \$2.0 million). Cash in from investing activities were comprised of \$5.7 million out for the investments in the Atrush Block development work program net of cash inflows of \$8.8 million in payments by the KRG of Atrush loans and receivables and \$0.5 million interest received.
- Net cash outflows from financing activities in the six months were \$10.4 million (2021: cash outflows of 20.9 million) and comprised of \$17.2 million semi-annual interest payments to ShaMaran bondholders in January 2022 offset by the net proceeds from the rights offering of \$27.6 million.

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

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

USD Thousands	Purchase of services for periods ended June 30,				Amounts owing at the balance sheet dates	
	three months		six months		June 30, 2022	December 31, 2021
	2022	2021	2022	2021		
Nemesia	677	675	1,355	1,349	2,395	1,830
Namdo Management Services Ltd	8	8	16	16	-	-
Total	685	683	1,371	1,365	2,395	1,830

Nemesia is a private 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 issue shares each month to Nemesia based on the \$22.8 million outstanding amount owed by the Company to Nemesia that accrues 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.

Outstanding Share Data, Share Units and Stock options

Common shares

The Company had 2,795,772,072 outstanding shares at June 30, 2022, 2,911,636,854 outstanding shares after dilution and 2,800,332,072 outstanding shares at the date of this MD&A.

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

- 13,680,000 common shares were issued to Nemesia, and a further 4,560,000 up to the date of this MD&A, 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 "Transactions with Related Parties".
- 8,499,995 Restricted Share Units ("RSUs") vested in accordance with the Company's Share Unit Plan and were issued to grantees. The carrying value of the RSU Shares has been determined based on the Company's average closing share price over the 5-day period prior to the vesting date.
- 558,242,414 common shares were issued on May 25, 2022, in connection with the rights offering to shareholders of record on April 13, 2022 to purchase additional common shares in the Company.

Share units and Stock options

The Company has established share unit plan and a stock option plan whereby a committee of the Company's Board may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. At June 30, 2022, a total of 115,864,782 shares, 4% of issued share capital, had been granted of the possible 279,577,207 shares that could be granted under the plans. Under the share unit plan the Company may grant performance share units ("PSU"), and restricted share units ("RSU"). As at June 30, 2022 and the date of this MD&A there are no PSUs outstanding. A deferred share unit ("DSU") plan exists for non-executive directors of the Company.

On March 24, 2022, the Company granted

- 10,890,000 RSUs to certain senior officers and other eligible persons of the Company at a grant date share price of CAD 0.10. In 2022 a total of 8,249,995 RSUs vested, and the same quantity of shares were issued to plan participants. The Statement of Comprehensive Income includes RSU related charges of \$637 thousand (2021: \$317 thousand) for the first six months of 2022.
- 2,287,620 DSUs to non-executive directors have been granted and 1,312,654 have been exercised. The Statement of Comprehensive Income includes DSU related charges of \$336 thousand for the first six months of (2021: \$399 thousand). The carrying amount of the DSU liability at June 30, 2022 is \$882 thousand.
- 15,750,000 stock options to certain senior officers and other eligible persons of the Company at a strike price of CAD 0.10. The Statement of Comprehensive Income includes option related charges of \$605 thousand (2021: \$418 thousand) for the first six months.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

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

The Company has no warrants outstanding.

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

	Number of share options outstanding	Number of RSUs outstanding	Number of DSUs outstanding
At December 31, 2021	61,990,000	22,103,334	12,406,477
Granted in the period	15,750,000	10,890,000	2,287,620
Expired/cancelled in the period	-	-	(1,312,654)
RSU Shares issued in the period	-	(8,249,995)	-
At June 30, 2022	77,740,000	24,743,339	13,381,443
Quantities vested and unexercised:			
At December 31, 2021	43,069,995	-	12,406,477
At June 30, 2022	62,169,994	-	13,381,443

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

USD Thousands	For the year ended June 30,				Total
	2023	2024	2025	Thereafter	
Atrush Block development	36,863	166	166	1,324	38,519
Corporate office and other	92	75	-	-	167
Total commitments	36,955	241	166	1,324	38,686

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

Critical Accounting Policies and Estimates

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

Accounting for Oil and Gas Operations

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

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

Capitalized costs of proved oil and gas properties are depleted using the unit of production method based on estimated gross proved and probable reserves of petroleum and natural gas as determined by independent engineers. Successful exploratory wells and development costs and acquired resource properties are depleted over proved and probable reserves. Acquisition costs of unproved reserves are not depleted or amortized while under active evaluation for commercial reserves. Costs associated with significant development projects

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

are depleted once commercial production commences. A revision to the estimate of proved and probable reserves can have a significant impact on earnings as they are a key component in the calculation of depreciation, depletion and accretion.

Producing properties and significant unproved properties are assessed annually, or more frequently as economic events dictate, for potential indicators of impairment. Economic events which would indicate impairment include:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amounts of E&E and oil and gas assets is unlikely to be recovered in full, from successful development or by sale;
- Extended decreases in prices or margins for oil and gas commodities or products; and
- A significant downwards revision in estimated volumes or an upward revision in future development costs.

For impairment testing the assets are aggregated into cash generating unit ("CGU") cost pools based on their ability to generate largely independent cash flows. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

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

In 2022 all the Company's development activities are conducted jointly with others.

Risks in estimating resources

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

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

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

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

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

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

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, CHF and CAD. As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange rate fluctuations between the foreign currencies and the USD. The Company considers its foreign currency risk is limited because it holds relatively insignificant amounts of foreign currencies at any point in time and since its volume of transactions in foreign currencies is currently relatively low. The Company has elected not to hedge its exposure to the risk of changes in foreign currency exchange rates.

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

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

ShaMaran is leveraged through bond financing at the corporate level. However, the Company is not exposed to interest rate risks associated with its 2023 Bond and 2025 Bond as the interest rate is fixed.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

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.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

RISK AND UNCERTAINTIES

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

Federal Supreme Court of Iraq Ruling

In February 2022, the Federal Supreme Court of Iraq ruled that the Kurdistan Region's 2007 Oil and Gas Law is unconstitutional. The ruling also instructed the Ministry of Oil of Iraq ("MoO") to take steps to implement the court's decision which could possibly include annulment of the production sharing contracts issued by the KRG. Dialogue between the KRG and the MoO has commenced and is continuing. At the date of this MD&A, the court's ruling has not impacted the Company's operations and the Company is continuing to monitor the situation closely.

Political uncertainty in Kurdistan and Iraq where Shamaran's assets and operations are located exist. While Kurdistan is a federally recognized semi-autonomous political region in Iraq, Shamaran's business in Kurdistan may be influenced by political developments between 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 and judicial authorities and disputes between the Iraq federal government and Kurdistan and politically-motivated militia activity such as drone attacks against oil and gas facilities in Kurdistan. There is a risk that some levels of authority of the KRG, and corresponding systems in place, could be transferred 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.

Russia-Ukraine conflict

The Russian invasion of Ukraine in late February 2022 and the continued conflict has triggered a severe response from the international community that has further exacerbated the global oil market supply shortage and the profound effects of this crisis are likely to be long lasting as consumers and producers alike reshape their thinking around access to resources and security of supply. The Company notes the implications for commodity prices and potential interruptions of supply chains and third-party services from this ongoing conflict.

Impact of COVID-19 and potential variants

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. Even though 2021 saw an improvement in the situation with a return to more normal business activities and the rollout of Covid-19 vaccinations throughout parts of the world, 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 of variants for which current vaccinations may no longer be effective 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. Shamaran will continue to monitor this situation and work to adapt its business to further developments as determined necessary or appropriate.

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

ADDITIONAL INFORMATION

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

The Company plans to publish on or about November 9, 2022 its financial statements for the nine months ended September 30, 2022.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

OTHER SUPPLEMENTARY INFORMATION

Abbreviations

CAD	Canadian dollar
CHF	Swiss Franc
EUR	Euro
USD	US dollar

Oil related terms and measurements

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

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

DIRECTORS

Dr. Adel Chaouch
Director, President and Chief Executive Officer

Chris Bruijnzeels
Director, Chairman

Michael S. Ebsary
Director

Keith C. Hill
Director

William A.W Lundin
Director

Nicholas J. R. Walker
Director

OFFICERS

Dr. Adel Chaouch
Director, President and Chief Executive Officer

Alex C. 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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OPERATIONS and ADMINISTRATIVE OFFICE

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REGISTERED and RECORDS OFFICE

Suite 2900 – 550 Burrard Street
Vancouver, British Columbia
V6C 0A3 Canada

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

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