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SHAMARAN

petroleum corp

***Management's Discussion and
Analysis***

For the three and six months ended June 30, 2024

(UNAUDITED)

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Management's Discussion and Analysis

For the three and six months ended June 30, 2024

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 8, 2024, 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, 2024, together with the accompanying notes ("Financial Statements"), the 2023 Annual Information Form and the Second Quarter 2024 Results press release.

Company Overview

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

- 27.6% participating interest, at June 30, 2024, in the Atrush Block in the Kurdistan Region of Iraq ("KRI") through its wholly-owned subsidiary General Exploration Partners, Inc. ("GEP"). On August 6, 2024, the Company closed the transactions announced on January 22, 2024, following this GEP's direct working interest in the Atrush Block has increased to 50% (66.7% paying interest). TAQA Atrush B.V. has become a wholly-owned subsidiary of GEP, and its name subsequently changed to Sunrise Atrush B.V.
- 18% participating interest (22.5% paying interest) in the Sarsang Block in the KRI through its wholly-owned subsidiary, ShaMaran Sarsang A/S. The Company announced closing the acquisition of TEPKRI Sarsang A/S (the "Sarsang Acquisition"), a wholly-owned subsidiary of TotalEnergies S.E. ("TTE"), on September 14, 2022. The name of the company was subsequently changed to ShaMaran Sarsang A/S.

ShaMaran's common shares are listed on the TSX Venture Exchange in Canada and the NASDAQ First North Growth Market in Sweden. The Company is incorporated and domiciled in British Columbia, Canada under the *Business Corporations Act* (British Columbia). The address of its registered and records office is 1075 West Georgia Street, Suite 1200, Vancouver, BC V6E 3C9, Canada, and its business address is 1055 Dunsmuir Street, Suite 2800, PO Box 49225, Vancouver, BC V7X 1LC, Canada.

Basis of Preparation

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

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

Management's Discussion and Analysis

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INTERIM MD&A QUARTERLY HIGHLIGHTS

- In June 2024, the Company retired \$47 million of the ShaMaran 2025 bond through a tender process and \$5.9 million of its own bonds, and announced bondholder approval for amendments to the bond terms, including a two-year extension of the maturity date to July 2027;
- The closure of the Iraq-Türkiye ("ITP") pipeline since March 25, 2023, continues to have a material impact on ShaMaran's operations and financial results. The Company is actively engaging with the relevant parties to resume pipeline exports;
- In Q2 2024, average gross daily oil production from Atrush and Sarsang combined was 54,800 bopd (18,000 bopd in Q2 2023 from Sarsang only as Atrush stopped production after the ITP closure), 204% higher than Q2 2023 due to local sales achieved from both blocks;
- Revenue in Q2 2024 was \$22.6 million (\$6.5 million in Q2 2023), 248% higher than Q2 2023 due to local oil sales and the restart of Atrush production in Q4 2023;
- Q2 2024 oil sales to the Kurdistan local market averaged a net oil price of \$37.80/bbl from the two blocks (\$41.28/bbl in Q2 2023 from Sarsang only), 8% lower than Q2 2023;
- Lifting costs in Q2 2024 were \$5.6 million (\$7.7 million in Q2 2023), 28% lower than Q2 2023 due to a focus on cost reduction following the ITP closure;
- Q2 2024 gross margin on oil sales of \$7.4 million (negative \$4.2 million in Q2 2023), \$11.6 million higher than Q2 2023 due to the increased production and local sales;
- EBITDAX¹ has consistently increased since the ITP shutdown, with Q2 2024 EBITDAX at \$14.7 million (negative \$4.9 million in Q2 2023);
- The Company generated \$15.8 million in operating cash flow during Q2 2024 from local sales (negative \$0.7 million in Q2 2023);
- ShaMaran generated \$16.8 million of free cash flow before debt service³ in Q2 2024 due to the strength of local sales and proactive cost-cutting at both the corporate and operating asset levels (negative \$6.8 million in Q2 2023); and
- At June 30, 2024, the Company had cash of \$38.7 million and gross debt of \$217.7 million (including the \$202.1 million bond and \$15.6 million related-party loan). Net debt³ was \$179 million.

SUBSEQUENT EVENT

- On August 6, 2024, the Company closed the acquisition of TAQA Atrush B.V. and the subsequent sale of an indirect interest in Atrush to HKN Energy IV, Ltd. announced on January 22, 2024. The two-step transaction increased the Company's indirect 27.6% stake in the Atrush Block to a 50% working interest (66.67% paying interest) following the sale of an indirect 25% working interest (33.33% paying interest) to HKN Energy IV, Ltd. An affiliate of HKN Energy is now operator of the Atrush Block, and the Kurdistan Regional Government's 25% working interest in the Atrush Block has been converted to a carried interest. Assuming the transaction had closed on December 31, 2023, ShaMaran's reserves and resource position would be impacted as follows:
 - Company's working interest 2P reserves would increase by 28% from 68.3 MMbbls at December 31, 2022, to 87.7 MMbbls as at December 31, 2023; and
 - Company's working interest 2P reserves replacement ratio² would be 769%³ for 2023.

¹ Non-IFRS Accounting Standards measures do not have any standardized meaning prescribed by IFRS Accounting Standards and are therefore unlikely to be comparable to similar measures presented by other public companies. Non-IFRS Accounting Standards measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS Accounting Standards. The Company uses non-IFRS Accounting Standards measures to provide investors with supplemental measures.

² Company's working interest of proved and probable ("2P") reserves replacement ratio is defined as the ratio of reserves additions to production during the year, including impacts of acquisitions and dispositions.

³ Company's working interest 2P reserve replacement ratio for the combined blocks has been calculated as follows:

	No Acquisition	Acquisition Included
Extensions, MMstb	-	-
Improved Recovery, MMstb	-	-
Technical Revisions, MMstb	-	-
Acquisitions, MMstb	-	22.3
Total Adjustments, MMstb	-	22.3
2023 Production, MMstb	2.9	2.9
2P Replacement Ratio	-	769%

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For the three and six months ended June 30, 2024

OPERATIONS REVIEW

		Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
Average daily oil production – gross 100% field (Mbopd)					
- Atrush		25.1	-	22.5	15.2
- Sarsang		29.7	18.0	33.6	27.0
Total		54.8	18.0	56.1	42.2
Oil sales – gross 100% field (Mbbl)					
- Atrush		2,279	-	4,096	2,729
- Sarsang		2,622	1,234	5,967	4,387
Total		4,901	1,234	10,063	7,116
ShaMaran oil sales entitlement (Mbbl)					
- Atrush	27.6%	303	-	544	361
- Sarsang	18%	296	148	674	504
Total		599	148	1,218	865

At Atrush, the ITP closure on March 25, 2023, shut-in production until November 7, 2023, at which point local sales started at a reduced rate through pipeline flow reversal. Production gradually increased reaching an average of 25,000 bopd during March, 2024, and has remained stable at these levels with production averaging 25,100 bopd through Q2 2024. TAQA, the Atrush operator, considered this to be the maximum sales level for domestic deliveries without trucking facilities.

At Sarsang, well and processing capacity has been optimized to meet local sales demand and maximize field cash generation since the ITP closure, with average production of 37,400 bopd during Q1 2024. Production during Q2 2024 averaged 29,700 bopd, reflecting maintenance activities and facility downtime. Daily rates in late June and early July 2024 have exceeded 36,000 bopd. During Q3, 2024, a two-well drilling program will commence that is expected to increase production towards year-end.

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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 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Continuing operations:								
Revenue	22,630	22,588	20,320	12,644	6,542	43,380	53,173	39,812
Cost of goods sold	(15,225)	(15,748)	(9,291) ⁴	(11,049)	(10,741)	(21,282)	(37,979)	(10,952)
Net Gain on Sarsang Acquisition	-	-	(360)	-	-	360	9,229	50,852
General and admin expense	(1,426)	(1,780)	(2,865)	(1,575)	(2,486)	(3,361)	(3,682)	(2,275)
Share-based payments	(887)	(997)	(376)	(315)	(1,151)	(222)	(549)	(212)
Depreciation and amortization	(42)	(59)	(58)	(61)	(59)	(58)	(54)	(55)
Credit loss provision	298	2,796	(305)	(644)	(11,568)	(1,421)	127	(1,492)
Finance expense	(6,812)	(8,555)	(9,560)	(8,961)	(9,748)	(9,700)	(9,686)	(11,809)
Finance income	1,046	1,320	1,691	1,774	2,042	1,923	1,848	2,601
Income tax expense	(91)	(58)	(100)	(15)	(30)	(20)	(80)	(42)
Net (loss) / income	(509)	(493)	(904)	(8,202)	(27,199)	9,599	12,347	66,428
EBITDAX	14,707	14,234	12,839	5,834	(4,876)	30,227	39,624	32,626
Net (loss)/income in \$ per share								
- Basic	-	-	-	(0.003)	(0.010)	0.003	0.004	0.024
- Diluted	-	-	-	(0.003)	(0.009)	0.003	0.004	0.023

EBITDAX 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 \$0.5 million net loss generated in Q2 2024 was primarily driven by the continuing impact of the ITP shutdown, which resulted in lost revenue primarily due to lower local oil sales pricing. The income and expenses in Q2 2024 are explained in more detail in the following sections.

⁴ Cost of goods sold in Q4 2023 included an annual depletion correction credit of \$3.9 million, as during the year the depletion charge is estimated and then adjusted at Q4 to be in line with the year end reserves report.

Management's Discussion and Analysis

For the three and six months ended June 30, 2024

Gross margin on oil sales

USD Thousands	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Revenue from oil sales	22,630	6,542	45,218	49,922
Lifting costs	(5,547)	(7,712)	(11,047)	(17,173)
Other costs of production	(63)	(69)	(140)	(178)
Depletion costs	(9,615)	(2,960)	(19,786)	(14,672)
Cost of goods sold	(15,225)	(10,741)	(30,973)	(32,023)
Gross margin on oil sales	7,405	(4,199)	14,245	17,899

Revenue from oil sales relates to the Company's entitlement share of oil sales from the Atrush and Sarsang blocks. The increase in revenues in Q2 2024 compared to Q2 2023 was driven by the increased local sales volume, since there were no oil sales from Atrush in Q2 2023 following the ITP closure. The revenue of \$45.2 million in the first six months of 2024 relates to local oil sales from Sarsang and Atrush. The oil prices for local sales are at a significant discount to international benchmark prices. The average net oil price for the first half of 2024 was \$37.14 per barrel, 36% lower than the average net oil price of \$57.75 per barrel for the same period in 2023 (Q1 2023 sales included exports through the ITP at international prices, net of deductions for oil quality and transportation costs). The Company's entitlement share of oil sales in first half of 2024 was 1.2 MMbbls, 33% more compared to 0.9 MMbbls in 2023.

Lifting costs comprise the Company's share of expenses related to the production of oil from the Atrush and Sarsang blocks, including operation and maintenance of wells and production facilities, insurance and the respective operator's related support costs as charged to the Company. Lifting costs were 28% lower in Q2 2024 compared to Q2 2023 (36% lower in the first half of 2024 compared to the same period in 2023) due to cost savings achieved after closure of the ITP.

Other costs of production include the Company's share of other costs prescribed under the Atrush and Sarsang production sharing contracts ("PSCs").

Depletion costs have increased 225% in Q2 2024 compared to Q2 2023 due to increased oil sales (the depletion costs calculation is based on entitlement barrels sold). There were no oil sales from Atrush in Q2 2023 and therefore no related depletion.

Gross margin on oil sales was significantly higher in Q2 2024 versus Q2 2023 due to higher local oil sales from both blocks. For the first six months, the gross margin on oil sales was lower in 2024 compared to 2023 due to Q1 2023 mainly including ITP sales at international export prices.

Management's Discussion and Analysis

For the three and six months ended June 30, 2024

General and administrative expense

USD Thousands	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Salaries and benefits	754	1,991	1,722	2,980
Management and consulting fees	202	381	468	983
Legal, accounting and audit fees	197	(258)	395	810
General and other office expenses	194	197	353	391
Listing costs and investor relations	63	80	168	247
Travel expenses	16	49	45	219
Corporate sponsorship	-	46	55	217
General and administrative expense	1,426	2,486	3,206	5,847
Non-recurring costs	128	1,057	128	1,946
Adjusted G&A	1,298	1,429	3,078	3,901

The decrease in general and administrative ("G&A") expenses in the six months of 2024 compared to 2023 is due to savings from ongoing cost reduction initiatives. The adjusted G&A shows the impact of the substantial one-off costs for the departure of the former CEO, as well as business development legal and consulting fees incurred during Q2 2023.

Finance expense

USD Thousands	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Interest /amortization charges on bonds	6,939	10,019	15,690	19,742
Amortization of the related-party loan	488	539	1,030	1,036
Re-measurement of contingent consideration	-	46	(147)	184
Total borrowing costs	7,427	10,604	16,573	20,962
Foreign exchange loss	36	36	-	36
Unwinding discount on decommissioning provision	20	13	24	(90)
Lease – interest expense	3	4	8	5
Total finance expense before borrowing costs capitalized	7,486	10,657	16,605	20,913
Borrowing costs capitalized	(674)	(909)	(1,274)	(1,465)
Total finance expense	6,812	9,748	15,331	19,448

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

For further information on the Company's borrowings, refer to the discussions in the section below entitled "Borrowings".

Management's Discussion and Analysis

For the three and six months ended June 30, 2024

Capital Expenditures

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

The net book value of PP&E principally comprises development costs related to the Company's share of the Atrush PSC and the fair value of the Company's share of the Sarsang PSC 2P reserves as estimated by the Company's independent qualified reserves evaluator, McDaniel & Associates Consultants Ltd., plus development costs related to the Company's share of the Sarsang PSC since the acquisition. The movements in PP&E are explained below:

USD Thousands	Six months ended June 30, 2024			Year ended December 31, 2023		
	Oil and gas assets	Office equipment	Total	Oil and gas assets	Office equipment	Total
Opening net book value	302,091	101	302,192	302,217	167	302,384
Additions	3,694	(2)	3,692	25,725	57	25,782
Depletion and depreciation expense	(19,786)	(46)	(19,832)	(25,851)	(123)	(25,974)
Net book value	285,999	53	286,052	302,091	101	302,192

Financial Position and Liquidity

Accounts receivable

At June 30, 2024, the Company had the following receivables outstanding:

USD Thousands	At June 30, 2024	At December 31, 2023
Accounts receivable on oil sales	89,667	95,474
Credit Loss Provision – transportation costs	(3,695)	(3,695)
Credit Loss Provision	(14,351)	(17,445)
Total accounts receivable	71,621	74,334

The accounts receivable at June 30, 2024, mainly relates to deliveries to the Kurdistan Regional Government ("KRG") from October 2022 through March 2023. The Company continues to discuss the recovery of these receivables with the KRG, but timing is uncertain. The Company has reassessed the credit loss provision and has compared the carrying value of the relevant trade receivables with the present value of the estimated future cash flows based on reasonable recovery scenarios, weighted by the relative probability of these potential outcomes. A relevant discount rate has been applied to reflect counterparty credit risk to provide a reasonable approximation of the fair value of these trade receivables at June 30, 2024. The result of the Company's assessment under IFRS 9 is a \$3.1 million adjustment to these trade receivables in the first half of 2024, included in the statement of comprehensive loss.

A full provision was made during 2022 to account for a possible increase in transportation and access fees of \$3.7 million. According to the KRG, these costs were added as a result of increased pipeline fees and other tariffs. This increase has yet to be agreed between the parties and relates to oil sales prior to September 1, 2022.

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Borrowings

On June 10, 2024, the Company announced bondholder approval of certain amendments to the terms of the Company's \$300 million bond, which originally matured in July 2025 (the "2025 Bond"). The new terms include a two-year extension of the maturity date to July 2027 and a number of other amendments. Following a successful tender on June 26, 2024, \$47 million of the 2025 Bond and \$5.9 million of the Company-held 2025 Bond were cancelled. After these cancellations, the total outstanding amount of the new bond at June 30, 2024, was \$202.1 million. Subsequent to quarter end, all other conditions for the bond amendments were completed, and all the other amended terms (including the new maturity date of July 2027) became effective on July 1, 2024 (the "2027 Bond"). The interest rate on the 2027 Bond remains the same at 12%, but the interest payment timing has changed from semi-annual to quarterly payments.

The \$25.3 million of restricted cash held at March 31, 2024, in the Debt Service Retention Account pledged to the Bond Trustee was fully released to utilise in the bond tender. A waiver fee equal to 0.25% of the outstanding bonds following the tender was paid to all bondholders in connection with the interest payment in July 2024. The fee and other transaction costs have been accrued as part of the bond amendment process.

Another key bond amendment to the bond terms is the replacement of the previous bond amortization schedule with a quarterly cash sweep mechanism when cash and cash equivalents exceed \$50 million, starting in October 2024, with the remaining balance of the 2027 Bond due at maturity in July 2027.

The movements in borrowings are explained below:

USD Thousands	At June 30, 2024	At December 31, 2023
Opening balance	257,255	269,145
Own bonds	28,402	2,303
Interest / amortization charges	15,690	38,707
Bond transaction costs	(1,056)	-
Payments to bondholders – interest	(19,224)	(30,400)
Bond cancellation	(75,402)	(22,500)
Ending balance	205,665	257,255
Non-current portion – net borrowings	190,690	193,746
Current portion – accrued bond interest expense	14,975	18,509
Current portion – amortization instalments	-	45,000

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Liquidity and Capital Resources

USD Thousands	For the six months ended June 30	
	2024	2023
Selected liquidity indicators		
Cash flow from operations	34,145	17,532
Working capital	65,699	24,915
Cash in bank	38,725	92,549

Cash flow from operations of \$34.1 million for the six months of 2024 is \$16.6 million more than the amount reported in the same period of 2023 due to the consistent local oil sales payments.

Working capital at June 30, 2024, was positive \$65.7 million compared to positive \$24.9 million at June 30, 2023. The increase in working capital since June 30, 2023, is principally due to all of the Company 2027 Bond being classified as a non-current liability.

Cash in bank decreased by \$33.0 million in the first six months of 2024 compared to a decrease of \$13.2 million in the same period of 2023. The main components of the movement in funds in the six months were as follows:

- The operating activities of the Company in 2024 resulted in an increase of \$34.1 million in the cash position (2023: increase of \$17.5 million).
- Net cash inflows for investing activities in 2024 was \$0.1 million (2023: net cash outflows of \$17.5 million). Cash outflows for investing activities comprised \$3.6 million for capital investments in the Atrush and Sarsang development work programs net of cash inflows of \$3.7 million for interest received.
- Net cash outflows for financing activities in 2024 were \$67.2million (2023: net cash outflows of \$13.1 million) and comprised \$47 million for the bond tender, \$19.3 million of interest payments to ShaMaran bondholders and \$0.9 million of interest payments for the Nemesis loan.

The unaudited condensed 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."

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Non-IFRS Accounting Standards Measures

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

EBITDAX

USD Thousands	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Revenues	22,630	6,542	45,218	49,922
Lifting costs	(5,547)	(7,712)	(11,047)	(17,173)
Other costs of production	(63)	(69)	(140)	(178)
General and administrative expense	(1,426)	(2,486)	(3,206)	(5,847)
Share-based payments	(887)	(1,151)	(1,884)	(1,373)
EBITDAX	14,707	(4,876)	28,941	25,351

Free cash flow before debt service

USD Thousands	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net cash inflows from/(outflows to) operating activities	15,830	(734)	34,145	17,532
Net cash inflows from/(outflows to) investing activities	955	(6,023)	143	(17,552)
Free cash flow before debt service	16,785	(6,757)	34,288	(20)

Net debt

USD Thousands	At June 30, 2024	At December 31, 2023
Cash and cash equivalents, unrestricted	38,682	48,881
Cash and cash equivalents, restricted	43	22,841
Company held ShaMaran Bond	-	28,400
Outstanding principal of ShaMaran Bond	(202,098)	(277,500)
Loan from related-party	(15,600)	(15,600)
Net debt	(178,973)	(192,978)

All figures in the net debt calculation are based on their nominal value at the balance sheet date. See Notes 14 and 15 in the financial statements.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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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, 2024	December 31, 2023
	2024	2023	2024	2023		
Nemesia	488	564	1,030	1,023	1,217	1,123
Namdo Management Services Ltd.	69	8	91	16	76	-
International Petroleum Corp.	66	-	89	-	62	31
Orrön Energy AB	17	-	27	-	23	-
Lundin Foundation	-	65	55	65	-	-
Total	640	637	1,292	1,104	1,378	1,154

Nemesia is a company controlled by a trust settled by the estate of the late Adolf H. Lundin and is a shareholder and bondholder of the Company. The Company has a subordinated loan from Nemesia and the obligation to accrue 12% annual interest payable in cash semi-annually plus an additional interest amount of 2% per annum payable in kind based on the principal balance outstanding.

Lundin Foundation is a non-profit organization, of which the Company is a member, that provides services for Lundin Group companies.

International Petroleum Corp., Namdo Management Services Ltd. and Orrön Energy AB are companies affiliated with shareholders of the Company and provide corporate, technical and administrative support services to the Company.

All transactions with related parties are conducted in the normal course of business and are made on an arm's length basis as with all third parties.

Outstanding Share Data, Share Units and Stock Options

Common shares

The Company had 2,835,183,466 outstanding shares (3,010,964,884 shares fully diluted) at June 30, 2024, and 2,835,258,599 outstanding shares at the date of this MD&A.

Details of share issuance in the first half of 2024 are as follows:

- 5,566,673 RSUs vested in accordance with the Company's Share Unit Plan and were issued to grantees. The carrying value of the RSUs has been determined based on the Company's average closing share price over the 5-day period prior to the vesting date; and
- 5,254,636 common shares were issued to grantees as a result of 8,980,334 options exercised in accordance with the Company's Share Unit Plan.

Share units and Stock options

ShaMaran has established a deferred share unit plan (the "DSU Plan"), a share unit plan (the "Share Unit Plan") and a stock option plan (the "Stock Option Plan") whereby the Company may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. At June 30, 2024, a total of 175,781,418 shares, 6% of the issued share capital, had been granted of the possible 283,518,346 shares that could be granted under the plans. Under the plans, the Company may also grant performance share units ("PSUs"), RSUs or DSUs. As at June 30, 2024, and the date of this MD&A, there are no PSUs outstanding. The DSU Plan exists for non-executive directors of the Company.

During the first half of 2024, the Company granted:

- 41,110,000 RSUs to certain senior officers and other eligible persons of the Company at a grant-date share price of CAD \$0.05;
- 5,239,369 DSUs to non-executive directors at a grant-date share price of CAD \$0.05; and
- 26,540,000 stock options to certain senior officers and other eligible persons of the Company at an exercise price of CAD \$0.05.

In the first half of 2024, a total of 5,566,673 RSUs vested, 8,980,334 options were exercised, 1,475,335 DSUs were redeemed in cash and 1,896,666 RSUs and 1,236,666 options were cancelled. The cancellation of RSUs and options and the DSU redemption were due to the end of service of plan participants.

Management's Discussion and Analysis

For the three and six months ended June 30, 2024

At June 30, 2024, there were 97,186,000 stock options outstanding under the Company's employee incentive Stock Option Plan, which represents 3.4% of the total shares outstanding at June 30, 2024.

The Company has no warrants outstanding.

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

	Number of stock options outstanding	Number of RSUs outstanding	Number of DSUs outstanding
At December 31, 2023	80,863,000	24,600,002	16,584,721
Granted in the period	26,540,000	41,110,000	5,239,369
Expired/cancelled in the period	(1,236,666)	(1,896,666)	-
Options exercised	(8,980,334)	-	-
DSUs redeemed	-	-	(1,475,335)
RSUs vested	-	(5,566,673)	-
At June 30, 2024	97,186,000	58,246,663	20,348,755
Quantities vested and unexercised:			
At December 31, 2023	44,261,337	-	16,584,721
At June 30, 2024	62,882,674	-	20,348,755

Contractual Obligations and Commitments

Production Sharing Contracts

The Company is responsible for its pro-rata share of petroleum costs incurred in executing the development and production work programs on the Atrush and Sarsang blocks. ShaMaran also carries its pro-rata share of the KRG's petroleum costs in the Sarsang Block.

As at June 30, 2024, the outstanding commitments of the Company were as follows:

USD Thousands	For the year ended June 30				Total
	2025	2026	2027	Thereafter	
Atrush and Sarsang block development and PSC	28,154	166	166	992	29,478
Sarsang contingent consideration	-	-	-	15,000	15,000
Corporate office and other	28	18	-	-	46
Total commitments	28,182	184	166	15,992	44,524

Amounts relating to Atrush and Sarsang block developments represent the Company's unfunded paying interest share of the proposed 2024 work program and other obligations under the PSCs. The capital expenditure commitments in the work plans and budgets are contingent upon continuation of local sales.

The contingent consideration relates to the purchase consideration of the Sarsang Acquisition and is payable to the seller upon (i) cumulative gross oil production from the Sarsang PSC reaching 130 MMbbls and (ii) Brent crude oil prices averaging at least \$60/bbl for the preceding twelve-month period. The Company estimates the fair value of this contingent consideration at the end of each quarter and treats any difference as a finance income/cost.

Management's Discussion and Analysis

For the three and six months ended June 30, 2024

Critical Accounting Policies and Estimates

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

Accounting for Oil and Gas Operations

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 that would indicate impairment include:

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

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

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

In 2024, all of the Company's development activities are conducted jointly with others.

Management's Discussion and Analysis

For the three and six months ended June 30, 2024

FINANCIAL INSTRUMENTS

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

- **Financial Assets at Amortized Cost** – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. This includes the Company's receivables that consist of fixed or determined cash flows related solely to principal and interest amounts or contractual sales of oil. The Company's intent is to hold these receivables until cash flows are collected. Financial assets at amortized cost are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for any expected credit losses on a financial asset that is measured at amortized cost.
- **Financial Assets at Fair Value through Profit or Loss ("FVTPL")** – Financial assets measured at FVTPL are assets that 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 that 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 that are discussed in the following sections:

Financial Risk Management Objectives

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

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

Commodity price risk is a risk as the prices that the Company receives for its oil production may have a significant impact on the Company's revenues and cash flows provided by operations. During the quarter, the Company received oil sales revenues at a negotiated local sales price that was considerably less than would otherwise have been received if the ITP was available for export and sales were made at least at the KBT price. It is unclear when the ITP will re-open and a payment mechanism agreed so that export sales can resume at international pricing.

The Company does not hedge against commodity price risk.

Foreign currency risk is a low risk since all of the Company's revenues and most of its purchases are denominated in USD, and therefore the Company maintains a substantial portion of its cash and cash equivalents in the currency. Certain of its operations require the Company to make purchases denominated in foreign currencies, which are currencies other than USD and correspond to the various countries in which the Company conducts its business, such as CHF and CAD. As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange-rate fluctuations between the foreign currencies and the USD. The Company considers its foreign currency risk is limited because it holds relatively small amounts of foreign currencies at any point in time and because its volume of transactions in foreign currencies is relatively low. Therefore, the Company does not hedge its exposure to changes in foreign currency exchange rates.

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

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

ShaMaran is leveraged through bond financing and a related-party loan at the corporate level. However, the Company is not exposed to interest-rate risks associated with its 2027 Bond or the Nemesia loan as these interest rates are fixed.

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

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

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

Liquidity risk is a risk that the Company will have difficulties meeting its financial obligations as they become due. Like with many oil and gas companies, the Company raises financing for its development activities in discrete tranches to finance its activities for limited periods. The Company 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 continues to develop projects, specific financing, including the possibility of additional debt, may be required to enable future development to take place. The financial results of the Company will impact its access to the capital markets necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash generated by operations, would be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

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

RISK AND UNCERTAINTIES

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

Implementation of the 2023-2025 Federal Budget Law ("Federal Budget Law")

As previously noted in the Company's 2023 Annual Information Form, there has not yet been consistent monthly budget allocations paid to the KRG since the enactment of the Federal Budget Law. As at the date of this MD&A, there remains uncertainty as to the amounts and timings of the budget allocation payments, and no federal payments received have been allocated for the payment of Kurdistan PSCs obligations but for the KRG's local employee salaries. There has been little progress in discussions among the relevant parties on the mechanisms for regular payments for KRI oil exports per the PSC terms and to repay the outstanding payables to international oil companies.

Continuing export pipeline shutdown

The ITP was closed on March 25, 2023, and remains shut as at the date of this MD&A. It is noted that recent statements of a senior KRG official told reporters that the MNR does not have any problems with IOCs selling their oil production through SOMO (Iraq's State Organization for Marketing of Oil) nor a problem with modifying the oil production contracts. Discussions continue among the relevant parties for the re-opening of the ITP and resumption of oil exports from the KRI as soon as possible. Despite the statement of the MNR senior official, there can be no certainty when the ITP will re-open for exports and payments at international oil market prices will resume for oil production from the KRI, and the Company is continually monitoring this matter.

Federal Supreme Court of Iraq ruling

As previously noted in the Company's 2023 Annual Information Form, the Federal Supreme Court of Iraq ("FSC") 2022 ruling that the Kurdistan Region's 2007 Oil and Gas Law is unconstitutional and the instruction to the Ministry of Oil to take steps to implement the FSC's decision are still in place. It has been reported that court cases against certain international oil companies and the validity of their Kurdistan PSCs were commenced in a Baghdad commercial court later in 2022, but, as at the date of the MD&A, no enforcement of any such commercial court rulings relating to Kurdistan PSCs has been made, and it is believed that this matter continues to be frozen. It is noted that all Kurdistan PSCs are governed by English law, and dispute/enforcement actions (if any) are mandated as per Kurdistan PSC terms to be conducted in London under London International Court of Arbitration rules. The Company continues to monitor the situation closely.

Russia-Ukraine and Gaza-Israel conflicts

At the date of this MD&A, all oil production in the KRI, including from the Atrush and Sarsang blocks, is being sold in the domestic market at local sales prices that have not been affected by the Russia-Ukraine or Gaza-Israel conflicts. If these conflicts are still continuing in the future, they may have an adverse impact to the realized pricing in the international oil markets.

The Gaza-Israel conflict does not yet appear to have had any impact on the Company's operations in the KRI, nor has it, as at the date of the MD&A, had any direct impact on local sales pricing of Kurdistan oil.

Management's Discussion and Analysis

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For more information on risk factors that 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 2023 Annual Information Form.

ADDITIONAL INFORMATION

Additional information related to the Company, including its 2023 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca under the Company's profile and on the Company's website at www.shamaranpetroleum.com.

Shamaran plans to publish its financial statements for the nine months ending September 30, 2024, on November 7, 2024.

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 equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
Mbbl	Thousand barrels
MMbbl	Million barrels
Mboe	Thousand barrels of oil equivalent
Mboepd	Thousand barrels of oil equivalent per day
Mbopd	Thousand barrels of oil per day
Mcf	Thousand cubic feet
MMboe	Million barrels of oil equivalent

Management's Discussion and Analysis

For the three and six months ended June 30, 2024

NON-EXECUTIVE DIRECTORS

Chris Bruijnzeels
Director, Chairman

Michael Ebsary
Director

Keith Hill
Director

William Lundin
Director

OFFICERS

Garrett Soden
Director, President and Chief Executive Officer

Elvis Pellumbi
Chief Financial Officer

Alex Lengyel
Chief Commercial Officer
and Corporate Secretary

INVESTOR RELATIONS

Robert Eriksson

CORPORATE OFFICE

1055 Dunsmuir Street, Suite 2800
PO Box 49225
Vancouver, British Columbia V7X 1L2
Canada
Telephone: +1 604 689 7842
Website: www.shamaranpetroleum.com

OPERATIONS and ADMINISTRATIVE OFFICE

5 Chemin de la Pallanterie
1222 Vézenaz
Switzerland
Telephone: +41 22 560 8600

REGISTERED and RECORDS OFFICE

1075 West Georgia Street, Suite 1200
Vancouver, British Columbia V6E 3C9
Canada

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Calgary, Canada

TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, Canada

STOCK EXCHANGE LISTINGS

Toronto: TSX Venture Exchange

Stockholm: NASDAQ First North Growth
Market

Trading Symbol: SNM