BEIERHOLM
VI SKABER BALANCE

ShaMaran Sarsang A/S

Rådhuspladsen 16, 1550 København V

CVR no. 33 87 04 34

Annual report for 2023

This annual report has been adopted at the annual general meeting on 30.06.24

Elvis Pellumbi

Chairman of the meeting

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Company information etc.

The company

ShaMaran Sarsang A/S
Rådhuspladsen 16
1550 København V
Registered office: København V
CVR no.: 33 87 04 34
Financial year: 01.01 - 31.12

Executive Board

Alex C Lengyel

Board of Directors

Elvis Pellumbi, chairman
Alex C Lengyel
Nicola Gill

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for ShaMaran Sarsang A/S.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, June 30, 2024

Executive Board

Alex C Lengyel

Board of Directors

Elvis Pellumbi
Chairman

Alex C Lengyel

Nicola Gill

To the Shareholder of ShaMaran Sarsang A/S

Opinion

We have audited the financial statements of ShaMaran Sarsang A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Soeborg, Copenhagen, June 30, 2024

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Torben Skov
State Authorized Public Accountant
MNE-no. mne19689

FINANCIAL HIGHLIGHTS

Key figures

Figures in USDm	2023	2022	2021	2020	2019
Profit/loss					
Revenue	59	102	102	44	70
Operating profit	13	58	47	7	25
Total net financials	1	1	0	0	1
Profit for the year	14	59	47	7	26
Balance					
Total assets	241	265	230	180	173
Investments in property, plant and equipment	13	33	28	18	34
Equity	232	253	219	172	165

Ratios

	2023	2022	2021	2020	2019
Profitability					
Return on equity	6%	25%	21%	4%	15%
Profit margin	22%	57%	46%	17%	36%
Equity ratio					
Solvency ratio	96%	96%	95%	96%	95%

The comparative figures for 2022 and 2021 have been restated in accordance with the new accounting policies implemented in 2022.. Financial highlights for the past 3 to 4 years have not been restated in accordance with the change in accounting policies, see section 101(3) of the Danish Financial Statements Act

Ratios definitions

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Gross margin: $\frac{\text{Gross result x 100}}{\text{Revenue}}$

Profit margin: $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Solvency ratio: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

ShaMaran Sarsang A/S (the "Company") is a wholly owned subsidiary of ShaMaran Petroleum Corp. ("ShaMaran") since September 14, 2022. Before this date the Company was named TEPKRI Sarsang A/S and was a wholly owned subsidiary of TotaEnergies EP Denmark A/S.

The Company participates in exploration and production of oil outside Denmark and holds an 18% participating interest (22.5% paying interest) in the Sarsang Block, Kurdistan Region of Iraq. The license is operated by HKN Energy Ltd, and comprises of two oil field accumulations, Swara Tika and East Swara Tika.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit of USD 13,564k against USD 58,605k for the period 01.01.22 - 31.12.22. The balance sheet shows an equity of USD 231,642k.

The earnings for 2023 were significantly lower than 2022. The decrease was due to the closure of the Iraq-Turkey Pipeline ("ITP") from March 25, 2023, resulting in oil not being able to be exported and sold through to the Kurdistan Regional Government ("KRG") as in previous years. Production rates from the Sarsang Block were initially reduced following the ITP closure due to market demand constraints, local sales commenced via trucking in April 2023 and continued throughout 2023 but oil was sold at a lower price.

The management considers the net profit for the year to be satisfactory given the situation with the ITP.

Outlook

The result for 2024 is expected to be similar to the 2023 result due to the continued closure of the ITP. The shutdown was a result of the International Chamber of Commerce Arbitration decision and officials from the Turkish Government ordered the ITP to be shutdown for Kurdish oil exports. Despite a number of political pronouncements regarding the operational readiness of the pipeline on the Turkish side, it is still unclear when exports will resume. The Company continues to work with the Association of the Petroleum Industry of Kurdistan ("APIKUR") on achieving long-term commercial solutions for future crude oil exports payments and recovery of overdue receivables for past oil sales. The Company and its operating partner have focused on cost reductions and local sales since the ITP closure, and those measures will continue until the ITP exports restart. The Company is aware that, as of the date of this report, discussions for the reopening of the ITP to Kurdistan oil exports are continuing among the relevant parties.

Financial risks

The Company's Management monitors and manages the Company's exposure to financial risks facing the operations. These financial risks include commodity price risk and credit 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 year, the Company received oil sales revenues at a negotiated local price that was considerably less than would otherwise have been received if the ITP was available for export and sales were made at international prices. 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.

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.

Risk and uncertainties

The Company 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. 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")

A three-year federal budget law was enacted in 2023, but provisions relating to the KRG's monthly budget allocations have not yet been implemented. The legal actions taken by the KRG have not resolved the impasse over allocating and paying federal budget allocations to the KRG. There have been numerous public reports that discussions to agree on the implementation of the Federal Budget Law are on-going between the KRG and Iraq federal government ("GOI"), and the KRG has in October 2023 delivered to officials in Baghdad the KRG's first-half 2023 accounting of revenues and expenditures in order to assist in the implementation of the monthly budget allocations from the GOI. It was expected that the passage of the Federal Budget Law, including a production commitment from the KRG, would enable regular monthly budget transfers from Iraq to the KRG, as well as normalization of relations between the region and the GOI. At the date of this report these remain uncertainties. There continues to be no guarantee, however, that these budget allocations, even if received in full and on time, would be sufficient to cover regular payments per the PSC terms and of the outstanding payables to International Oil companies("IOCs").

Continuing export pipeline shutdown

The ITP was closed on March 25, 2023, and remains shutdown as at the date of this report. Discussions continue among the relevant parties to resume oil exports via the ITP as soon as possible. In response to the situation, together with our operating partner, we are continuing to take actions to preserve liquidity through significant deferral of expenditures across the business. The interruption to production and payments represents a continuing risk to the Company's liquidity position. In early October 2023, Turkish officials notified Iraqi officials that the ITP was technically ready for export of Iraq's oil production (including from the KRG). Despite various public statements that ITP exports will be restarting, there can be no certainty when exports and payments will resume, and the Company is continually monitoring this matter.

Federel Supreme Court of Iraq Ruling

In February 2022, the Federal Supreme Court of Iraq ruled that the Kurdistan Region's 2007 Oil and Gas Law is unconstitutional. The ruling also instructed the Ministry of Oil of Iraq ("MoO") to take steps to implement the court's decision and certain actions were launched in the Karkah Commercial Court in Baghdad. Neither ShaMaran Petroleum Corp nor any of its subsidiaries has by the date of this annual report been served any court documentation regarding these actions by the MoO. Dialogue between the KRG and the MoO on this issue and the court case in particular has commenced and is continuing. It is noted that all Kurdistan PSCs are governed by English law and dispute/enforcement actions (if any) are mandated as per Kurdistan PSC terms to be conducted in London under London International Court of Arbitration rules. At the date of this report, this court's actions have not impacted any of the Company's operations and the Company is continuing to monitor the situation closely.

Political uncertainty exists in Kurdistan and Iraq where the Company's assets are located.

While Kurdistan is a federally recognized semi-autonomous political region in Iraq, the Company's business in Kurdistan may be influenced by political developments between the KRG and the Iraq Federal Government, as well as political developments of neighbouring states within the MENA region, Turkey, and surrounding areas. Kurdistan and Iraq have a history of political and social instability. As a result, the Company is subject to political, economic and other uncertainties that are not within its control. These uncertainties include, but are not limited to, changes in government policies and legislation, adverse legislation or determinations or rulings by governmental and judicial authorities and disputes between the KRG and Iraq Federal Government and politically-motivated militia activity such as drone attacks against oil and gas facilities in Kurdistan. There is a risk that some levels of authority of the KRG, and corresponding systems in place, could be transferred in the future to the Iraq Federal Government or one of its ministries or authorities or new modes of administering the Kurdistan oil and gas industry might be agreed. Changes to the incumbent political regime could result in delays in operations and additional costs which could materially adversely impact the operations and could have a material adverse effect on the Company's business and financial condition. As at the date of this report, the Company further notes that there have been numerous public reports that discussions are also on-going between the KRG and Federal Government to agree to terms for a new Federal Petroleum Law to address the FSC ruling of February 2022.

Russia-Ukraine and Gaza-Israel conflicts

The conflict between Russia and Ukraine continues to exacerbate the global oil market supply shortage. 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. Upon resumption of KRG purchases of oil from the Atrush and Sarsang blocks, the oil would be sold at Ceyhan primarily in the Mediterranean crude market, and as such the Russia-Ukraine conflict could indirectly impact the Company's results. Russian sales of heavily discounted Urals crude barrels in the Mediterranean crude market resulted in lower realized prices for the KRG's crude, an impact that may continue in the future so long as Kurdistan Blend pricing is applied. At the date of this report, it appears that the State Organization for Marketing Oil ("SOMO") may take over the sale of KRI oil production delivered at Ceyhan with Kirkuk blend pricing, but the Russia-Ukraine conflict may continue to impact pricing.

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

For more information on risk factors that may affect the Company's business, refer also to the "Risk Factors" section of the ShaMaran Group 2023 Annual Information Form, which is available for viewing both on the ShaMaran Group web-site at www.shamaranpetroleum.com and on SEDAR+ at www.sedarplus.ca under the ShaMaran profile.

Political and Regional risks

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

Political uncertainty in Kurdistan and Iraq where the Company's assets and operations are located. While Kurdistan is a federally recognized semi-autonomous political region in Iraq, the Company's business in Kurdistan may be influenced by political developments between Kurdistan and the Iraq Federal Government, as well as political developments of neighbouring states within the MENA region, Turkey, and surrounding areas. Kurdistan and Iraq have a history of political and social instability. As a result, the Company is subject to political, economic and other uncertainties that are not within its control. These uncertainties include, but are not limited to, changes in government policies and legislation, adverse legislation or determinations or rulings by governmental authorities and disputes between the Iraq federal government and Kurdistan.

There is a risk that levels of authority of the KRG, and corresponding systems in place, could be transferred to the Iraq Federal Government. Changes to the incumbent political regime could result in delays in operations and additional costs which could materially adversely impact the operations and future prospects of the Company and could have a material adverse effect on the Company's business and financial condition. Refer also to the discussion in the section below under "Risks associated with petroleum contracts in Kurdistan."

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

Industry and Market Risks

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

General market conditions in the Company's business and operations depend upon conditions prevailing in the oil and gas industry including the current and anticipated prices of oil and gas and the global economic activity. A reduction of the oil price, a general economic downturn, or a recession could result in adverse effects to the Company's business including, but not limited to, reduced cash flows associated with the Company's future oil and gas sales. Worldwide crude oil commodity prices are expected to remain volatile in the future due to the war in Ukraine, and the compounded effects on global supply and demand balances, actions taken by the Organization of the Petroleum Exporting Countries, and ongoing global credit and liquidity concerns.

Business Risks

Risks associated with petroleum contracts in Kurdistan stem from the Iraq oil ministry's historical disputes over the validity of the KRG's production sharing contracts and, as a result indirectly, the Company's right and title to its oil and gas asset. It is noted that in February 2022 the Federal Supreme Court of Iraq issued a ruling on the constitutionality of the Kurdistan oil and gas sector and that public reports indicate that discussions are on-going between the KRG and Federal Government to agree terms to a new Federal Petroleum Law that could have an impact on the Company's existing PSCs in Sarsang Blocks. It is also noted that various public reports have been made that discussions on a new Federal Petroleum Law are underway as at the date of the annual report that could have an effect on all Kurdistan PSCs including the Sarsang PSCs.

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

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

Payments to IOCs for oil deliveries to the KRG for export have not been consistent. There remains a risk that the Company may face significant continued delays in the receipt of cash for its entitlement share of future oil exports.

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

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

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

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

Project and Operational Risks

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

Security risks in Kurdistan and other parts of Iraq have a history of political and social instability which have culminated in security problems which may put at risk the safety of the Company's personnel, interfere with the efficient and effective execution of the Sarsang operations and ultimately result in significant losses to the Company. In 2022, and to the date of this annual report, there have been no significant security incidents in the Sarsang Block.

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

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

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

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

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

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

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

Corporate social responsibility

Business model

ShaMaran Petroleum Corp. is an independent oil and gas company with production from two adjacent blocks in the Kurdistan region of Iraq. The Company holds a 27.6% interest in the Atrush Block and an 18% interest in the Sarsang Block. To date, cumulative production (100% basis) from its fields has reached over 135 million barrels. The Company is focused on developing the considerable reserve and production upside potential of its projects. ShaMaran is a member of the Lundin Group of companies.

For further information about our business model please view:

https://shamaranpetroleum.com/site/assets/files/5527/snm_corp_presentation_q1_2024_results_may_9_2024_final.pdf

Principal risks

Examples of risks and uncertainties associated with the assumptions made by management include, but are not limited to: (i) risks associated with international operations in Kurdistan, in northern Iraq, which is a politically less stable jurisdiction: (ii) risks associated with the regulation of oil and gas production and export; (iii) risks that are inherent in oil and gas development and production, including availability of a functioning infrastructure, complying with environmental regulation and the availability of staff and equipment. ShaMaran's operations are to a significant degree conducted together with a partner through contractual arrangements with the execution of the operations being undertaken by the operator in accordance with the terms of the Atrush JOA or the Sarsang JOA respectively. As a result, ShaMaran has limited ability to exercise influence over the deployment of those assets or their associated costs and this could adversely affect ShaMaran's financial performance. ShaMaran is also exposed to more generic risks such as the risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, petroleum pricing and availability of financing and currency exchange rate fluctuations. Management used its best efforts to ensure that the assumptions used in this preparation of such information were reasonable. However, they may ultimately prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

For more information and details regarding our risks associated with corporate social responsibility see the above sections about risks.

Environmental matters

Environmental, social and governance considerations are important to ShaMaran. The Company has supported the Hasar 2025 Vision (including the Million Tree Project) being developed and administered by Hasar for Earth Sciences ("Hasar"), a non-governmental organization formed in the Kurdistan region of Iraq. With the Company's financial, technical, legal and administrative support, Hasar has planted approximately 300,000 trees in Erbil.

In addition, (i) the Atrush joint venture has been advancing the deployment of a gas solution to meet its commitment to bettering the environment in Kurdistan; and (ii) the Sarsang joint venture has in 2023 installed an amine facility in its field operations to displace diesel use and reduce its greenhouse gas emissions by utilizing the resulting sweetened gas for some of its operations.

ShaMaran is working closely with its operating partners in the joint ventures to reduce emissions. The goal of the gas solutions is to reduce and eventually eliminate flaring in both fields. This will reduce emissions by an estimated 50-60% and is a multi-year project.

Active Sarsang field wide environmental monitoring programs, including air and water quality monitoring, produced zero atmospheric excursions or adverse results exceeding international or local standards. In addition, there was zero reportable environmental spills for 2023.

The commissioning of fuel gas equipment in 2024 in Sarsang field will contribute to a reduction in atmospheric emissions with the volume of flared gas decreasing significantly. In addition, the acquisition and commissioning of enhanced air quality monitoring equipment will support further improvement in active atmospheric monitoring.

During the financial year, ShaMaran has not collected concrete data or KPIs for our policies and actions in the field of environment and climate.

Social and employee matters

This Amended and Restated Code of Business Conduct and Ethics (the "Code") covers a wide range of business practices and procedures. It does not and cannot cover every issue that may arise, but it sets out basic principles to guide all directors, officers, employees and consultants of ShaMaran Petroleum Corp. and its subsidiaries (collectively, the "Company"). The Company expects the highest standards of professional and ethical conduct from the Company's directors, officers, employees and consultants (each a "Representative" and collectively the "Representatives"), all of whom must conduct themselves in accordance with this Code and seek to avoid even the appearance of improper behavior. This Code should be provided to and followed by all of the Company's Representatives.

The Company strives to provide each Representative with a safe and healthy work environment. Each Representative has a responsibility for maintaining a safe and healthy workplace for all persons by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior, whether physical, verbal or visual, are prohibited.

Representatives must report to work in condition to perform their duties, free from the influence of illegal drugs, cannabis (marijuana) or alcohol. The use of illegal drugs, cannabis (marijuana) or alcohol in the workplace will not be tolerated. For further information about our Code of Conduct see:

https://shamaranpetroleum.com/site/assets/files/5120/snm_amended_and_restated_code_of_business_conduct_ethi.pdf

The Company is committed to making a positive difference to the communities wherever it conducts business and strives to be a partner of choice in the communities where it works, with a strong commitment to optimizing local content.

ShaMaran has had no reports of social or employee matters during 2023.

The health and safety of employees is paramount for the operators of both fields and long term incidents have trended down over the last year.

Respect for human rights

The diversity of the Company's Representatives is a tremendous asset. The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics, gender or sexual orientation, and uninvited sexual advances. For further information about our Code of Conduct see: https://shamaranpetroleum.com/site/assets/files/5120/snm_amended_and_restated_code_of_business_conduct_ethi.pdf

How to Raise a Concern (Whistleblowing Policy)
If you observe or become aware of an actual or potential violation of this Code or of any applicable law, rule or regulation by the Company, Representatives or others associated with the Company, it is your responsibility to report the circumstances as outlined herein and to cooperate with any investigation by the Company. This Code is designed to provide an atmosphere of open communication for compliance issues and to ensure that Representatives acting in good faith have the means to report actual or potential violations. For further information about our Code of Conduct see:

https://shamaranpetroleum.com/site/assets/files/5120/snm_amended_and_restated_code_of_business_conduct_ethi.pdf

Anti-corruption and bribery matters

The Company is committed to honesty and integrity in all of its business operations and therefore, all Representatives are expected to behave ethically, honourably and in full compliance with all legislation, including anti-bribery and fair practice laws. All Representatives shall carry out their duties in accordance with the principles set out in this

Code and, specifically, will never receive, promise, or authorize the provision of anything in order to obtain special favours, treatment or agreements. Neither direct, nor indirect corruption will be tolerated. Accordingly, you shall not engage in any acts that are improper or could appear to be improper, such as, but not limited to:

- paying bribes or kickbacks;
- accepting bribes or kickbacks;
- creating any false document or record intended to conceal an inappropriate transaction or create the impression of a false transaction;
- failing to keep complete and accurate records of transactions;
- concealing knowledge of any inaccurate or misleading record or statement;
- approving payment of invoices or expenses without proper scrutiny and review; or
- otherwise offering, making, authorizing or promising any payment, gift, advantage or benefit, or otherwise offering, giving, authorizing or promising anything of value, directly or indirectly, to officials of any domestic or foreign government or any domestic or foreign political candidate in order to influence any act or decision of such person or to obtain or retain business.

We remain fully compliant with all anti money laundering, sanction and anti bribery obligations as updated from time to time.

There have been no reports or corruption or bribery in 2023.

Gender composition of the management

Supreme management body

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Number of members	3	*)	*)	*)	*)
Underrepresented sex (%)	33%	*)	*)	*)	*)

*) The table does not contain information for 2022 and earlier, in line with section 99 b(7) of the Danish Financial Statements Act.

Gender balance

The company's Board of Directors consists of 1 woman (33%) and 2 men (67%), as shown in the table above. The goal of gender balance has thus been achieved. This gender balance is expected to be maintained in future.

Accounting policies

The gender diversity ratio in the supreme management body is calculated as the proportion of female board members on the Board of Directors. It only includes board members elected by the general meeting. Employee representatives are not included.

Other management levels

Other levels of management include the Executive Board, and people with responsibility for personnel who report directly to the Executive Board.

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Number of managers	1	*)	*)	*)	*)
Underrepresented sex (%)	0%	*)	*)	*)	*)

*) The table does not contain information for 2022 and earlier, in line with section 99 b(7) of the Danish Financial Statements Act.

Exempt from the requirement to set targets due to having less than three people in other man-agement levels

The company's other management levels consist of 1 manager, including the company's CEO and CFO. Since the company has less than the statutory minimum of three managers at other management levels, there is no need to report on gender distribution at the other management levels. However, the company is not exempt from having to state the total number of people at the other management levels, and the proportion of the underrepresented sex (see the table above).

Accounting policies

The gender diversity ratio at other management levels is calculated as the proportion of female managers with responsibility for personnel out of the total number of managers with responsibility for personnel at the other management levels.

Data ethics

The Company does not have a Data Ethics Policy, cf. The Danish Financial Statements Act section 99d (1). The reason for that is that the Company as non-operator does not carry out any data processing that gives rise to data ethical questions.

Income statement

Note		2023 USD '000	2022 USD '000
1	**Revenue**	**58,859**	**102,155**
	Production costs	-36,274	-39,622
	Distribution costs	-6,125	-548
	Administration costs	-3,740	-4,056
	Other operating income	360	0
	Operating profit	**13,080**	**57,929**
4	Financial income	1,127	773
5	Financial expenses	-491	-42
	Profit before tax	**13,716**	**58,660**
	Tax on profit for the year	-152	-55
	Profit for the year	**13,564**	**58,605**

Proposed appropriation account

Extraordinary dividend for the financial year	0	24,512
Proposed dividend for the financial year	10,000	35,248
Retained earnings	3,564	-1,155
Total	**13,564**	**58,605**

Balance sheet

ASSETS

Note		31.12.23 USD '000	31.12.22 USD '000
	Plant and machinery	170,684	179,075
7	**Total property, plant and equipment**	**170,684**	**179,075**
	Total non-current assets	**170,684**	**179,075**
8	Trade receivables	39,522	46,067
	Receivables from group enterprises	567	35,248
	Other receivables	122	0
	Total receivables	**40,211**	**81,315**
	Cash	**30,049**	**4,537**
	Total current assets	**70,260**	**85,852**
	Total assets	**240,944**	**264,927**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.23 USD '000	31.12.22 USD '000
9	Share capital	966	966
	Retained earnings	220,676	217,068
	Proposed dividend for the financial year	10,000	35,248
	Total equity	**231,642**	**253,282**
10	Other provisions	4,182	6,053
	Total provisions	**4,182**	**6,053**
	Trade payables	4,214	4,443
	Payables to group enterprises	881	1,149
	Income taxes	25	0
	Total short-term payables	**5,120**	**5,592**
	Total payables	**5,120**	**5,592**
	Total equity and liabilities	**240,944**	**264,927**

11 Contingent liabilities
12 Related parties

Statement of changes in equity

Figures in USD '000	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23				
Balance as at 01.01.23	966	217,068	35,248	253,282
Dividend paid	0	0	-35,204	-35,204
Transfers to/from other reserves	0	44	-44	0
Net profit/loss for the year	0	3,564	10,000	13,564
Balance as at 31.12.23	966	220,676	10,000	231,642

	2023 USD '000	2022 USD '000

1. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Revenue from selling oil in Kurdistan	58,859	102,155
Total	58,859	102,155

Revenue comprises the following geographical markets:

Kurdistan	58,859	102,155
Total	58,859	102,155

	2023 USD '000	2022 USD '000

2. Employee aspects

Wages and salaries	5	0
Other social security costs	1	0
Total	6	0
Administration costs	6	0
Total	6	0

	2023 USD '000	2022 USD '000

2. Employee aspects - continued -

Average number of employees during the year	1	0

Remuneration for the management:

The Company only has one employee, as all other engaged are employed in other group companies.

With reference to provision 98b, 3 of the Danish Financial Statements Acot, no Board of Directors' fee and Management renumeration is shown due to only one person receiving remuneration: Managing Director. The members of the Board of Directors receive 0 in remuneration.

3. Fees to auditors appointed by the general meeting

	2023 USD '000	2022 USD '000
Statutory audit of the financial statements	22	14
Tax advice	20	3
Other services	7	4
Total	49	21

	2023 USD '000	2022 USD '000

4. Financial income

	2023 USD '000	2022 USD '000
Interest, group enterprises	565	248
Other interest income	562	523
Foreign exchange gains	0	2
Other financial income	562	525
Total	1,127	773

5. Financial expenses

	2023 USD '000	2022 USD '000
Foreign currency translation adjustments	0	1
Foreign exchange losses	87	39
Other financial expenses	404	2
Total	491	42

6. Proposed appropriation account

	2023 USD '000	2022 USD '000
Extraordinary dividend for the financial year	0	24,512
Proposed dividend for the financial year	10,000	35,248
Retained earnings	3,564	-1,155
Total	13,564	58,605
Extraordinary dividend distributed after the balance sheet date	33,000	0

7. Property, plant and equipment

Figures in USD '000	Plant and machinery
Cost as at 01.01.23	385,387
Additions during the year	12,950
Cost as at 31.12.23	398,337
Depreciation and impairment losses as at 01.01.23	-206,312
Depreciation during the year	-21,341
Depreciation and impairment losses as at 31.12.23	-227,653
Carrying amount as at 31.12.23	170,684

All depreciations related to property, plant and equipment are recognised under production costs.

8. Trade receivables

The Trade receivables balance at 31.12.2023 relates to 9,766,600 USD for local sales and 29,754,900 USD for overdue receivables from the KRG relating to October 2022 to March 2023 oil sales. At the date of the report all of the outstanding balance for local oil sales has been received. The Company (together with other International Oil Companies) remains in discussions with the KRG about the appropriate recovery mechanism for the overdue receivables, and full recovery is expected.

9. Share capital

The share capital consists of:

	Quantity	Total nominal value USD'000
Share capital	5,500	966
Total		966

10. Other provisions

Figures in USD '000	Obligation for dismandling, removing and restoring
Provisions as at 01.01.23	6,053
Reversed provision in respect of previous years	-1,871
Provisions as at 31.12.23	4,182

	31.12.23 USD '000	31.12.22 USD '000
Other provisions are expected to be distributed as follows:		
Non-current liabilities	4,182	6,053
Total	4,182	6,053

11. Contingent liabilities

Other contingent liabilities

For development activiteis in Kurdistan, the Company is liable jointly and severally with the other partners for development commitment and obligations in connection with field developments.

12. Related parties

Controlling influence	Basis of influence
ShaMaran Petroleum Corp	100% ownership

Balances	31.12.23 USD '000
Receivables from group enterprises	565
Payables to group enterprises	-881

Receivables from group companies recognised under current assets comprise of interests on intercompany balances.

Short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment. No write-downs have been made on the receivables.

13. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for large enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in USD. The exchange rate to DKK is 674,47 as at 31.12.23 and 697,22 as at 31.12.22.

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

13. Accounting policies - continued -

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

13. Accounting policies - continued -

BALANCE SHEET

Property, plant and equipment

Plant and Macinery comprise oil assets.

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

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

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

13. Accounting policies - continued -

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Cash

Cash includes deposits in bank account.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

Provisions

Other provisions comprise expected expenses incidental to obligations for dismandling, removing and restoring, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

13. Accounting policies - continued -

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement for the group:

https://shamaranpetroleum.com/site/assets/files/5530/2023-annual-report.pdf