BEIERHOLM
VI SKABER BALANCE

ShaMaran Sarsang A/S

Rådhuspladsen 16, 1550 København V

CVR no. 33 87 04 34

Annual report for 2022

This annual report has been adopted at the annual general meeting on 30.06.23

Elvis Pellumbi

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
Martin John Orrell
Alex C Lengyel

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 01.01.22 - 31.12.22 for ShaMaran Sarsang A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities for the financial year 01.01.22 - 31.12.22.

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, 2023

Executive Board

Alex C Lengyel

Board of Directors

Elvis Pellumbi Chairman	Martin John Orrell	Alex C Lengyel

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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

Statement regarding the management's review

Management is responsible for management's review.

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

In connection with our audit of the financial statements, 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 management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Soeborg, Copenhagen, June 30, 2023

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	2022	2021	2020	2019	2018
Profit/loss					
Revenue	102	102	44	70	56
Operating profit	58	47	7	25	17
Total net financials	1	0	0	1	0
Profit for the year	59	47	7	29	23
Balance					
Total assets	265	230	180	173	144
Investments in property, plant and equipment	33	28	18	34	14
Equity	253	219	172	165	136

Ratios

	2022	2021	2020	2019	2018
Profitability					
Return on equity	25%	21%	4%	15%	12%
Profit margin	57%	46%	17%	36%	30%
Equity ratio					
Solvency ratio	96%	95%	96%	95%	94%

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. The entire Sarsang production in 2022 was sold to the KRG under an oil sales agreement.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit of USD 58,605k against USD 46,887k for the period 01.01.21 - 31.12.21. The balance sheet shows an equity of USD 253,282k.

The earnings expectations for 2022 were a result at the level with 2021. The increase in result is primarily related to development in oil prices.

The management considers the net profit for the year to be satisfactory.

Outlook

The result for 2023 is expected to be lower than the 2022 result due to the temporary closure of the Iraq-Turkey pipeline ("ITP") on March 25, 2023. 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. The Company is aware that, as of the date of this Annual Report, discussions for the re-opening of the ITP to Kurdistan oil exports are continuing among the relevant parties.

Financial risks

The Russian invasion of Ukraine in late February 2022 and the continued conflict has triggered a severe response from the international community further exacerbating global oil market supply shortage. The profound effects of this crisis could be long lasting as consumers and producers alike reshape their thinking around access to resources and security of supply. The Company notes the implications for commodity prices and potential interruptions of supply chains and third-party services from this ongoing conflict. The Company is also monitoring international sanctions and trade control legislation in order to mitigate any potential impact on the Company's operations. To date, the Russia-Ukraine conflict has had no direct material adverse impact on Company operations. However, since the Kurdistan Regional Government ("KRG") buys all oil production from Sarsang fields and sells it at Ceyhan primarily in the Mediterranean crude market, the Russia-Ukraine conflict is indirectly impacting the Company's results. Russian sales of heavily discounted Urals crude barrels in the Mediterranean crude market have resulted in lower realized prices for Kurdistan crude, an impact that is expected may dissipate post the imposition of EU sanctions in late 2022 and early 2023. Reflective of this market dynamic, the KRG has requested all International Oil Companies ("IOCs") to enter into new lifting agreements which reference the Kurdistan Blend ("KBT") crude monthly pricing sold at Ceyhan. HKN, the operator of Sarsang, and on behalf of the Company, has agreed to sign the new lifting agreement amendment. The proposed new lifting arrangements have an effective date of September 1, 2022 and the Company has used KBT prices for the asset when recognizing revenue from this effective date.

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 export.s

Environmental, social and governance considerations are important to the ShaMaran Group and as previously announced in 2022, ShaMaran entered into an initial three (3) year Corporate sponsorship of the Hasar 2025 Vision (including the Million Tree Project) being developed and administered by Hasar for Earth Sciences ("Hasar"), a non-governmental organization formed in Kurdistan Region of Iraq. The planting of trees in Erbil and its vicinity by Hasar has already commenced.

ShaMaran Group has started the process for certification of carbon credits for this significant reforestation project and related activities which is a first-of-its kind in Kurdistan. These credits can be used by the Company to offset its carbon emissions, including the Sarsang Block. According to the Company's environmental consultants, the Erbil reforestation project is breaking new ground and is unique in the MENA region on many levels, not least in the intent to offset Scope 1 and 2 emissions through a local, in-country initiative.

The Sarsang joint venture is working to define the scope, alternatives, and costs to advance a gas handling solution as per agreed terms with the KRG for Sarsang Block.

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 which include but are not limited to those listed below. Additional risks and uncertainties not presently known to the management of the Company or that management of the Company presently deem to be immaterial may also impair the business and operations of the Company. If any of the risks described below materializes, the effect on the Company's business, financial condition or operating results could be materially adverse.

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 conflict

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

For more information on risk factors which may affect the Company's business refer to the "Risk Factors" section of the ShaMaran Group 2022 Annual Information Form, which is available for viewing both on the Company's web-site at:

https://shamaranpetroleum.com/site/assets/files/5494/shamaranaif.pdf,
and on SEDAR under the Company's 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

ShaMaran Sarsang A/S seeks to make use of environmentally friendly and energy efficient solutions to reduce negative impact on the environment.

When the company joined ShaMaran Group, the Company adopted its Business Code that sets out basic principles intended to guide all employees, consultants, directors and officers of the Company in the proper conduct of the business of the Company. ShaMaran's Business Code is intended to deter wrongdoing by those persons and to promote, amongst other things, honest and ethical conduct and the avoidance of conflicts of interest.

ShaMaran Group, as part of its ESG commitment, is the exclusive corporate sponsor for the Hasar Vision 2025 Program – a project to plant one million trees in the center of Erbil the capital of Kurdistan. As at the date of this annual report, this program has already planted 315,000 native trees. ShaMaran will also be assisting Hasar Organization to secure carbon credit accreditation for the Million Oaks Project and its other activities in Kurdistan. Carbon credits will be sought and will be the first-of-its-kind in Kurdistan and will be used by ShaMaran to offset its carbon emissions in the Sarsang Block.

A full copy of the Company's Code of Business Code and the Company's ESG Statement can be found on the Company's website at:

https://shamaranpetroleum.com/company/corporate-governance/
https://shamaranpetroleum.com/site/assets/files/5219/esg_statement_final.pdf

Gender diversity

Target figures for the supreme management body

The Board of Directors has set a target figure of 33% for the underrepresented gender on the Board of Directors, corresponding to 1 out of 3 board members. The Board of Directors aims to achieve the target figure before the end of 2024.

At present, the company has no female board member appointed by the general meeting out of a total of 3 board members (0%).

As the Company only has one employee, the CEO, there are no policies on the underrepresented gender for other management levels.

Policy to increase the share of the underrepresented gender at other management levels

As stated above the Company has no other employees and consequently there are no formal policies implemented at 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		2022 USD '000	2021 USD '000
1	**Revenue**	**102,155**	**102,323**
	Production costs	-39,622	-52,609
	Distribution costs	-548	0
	Administration costs	-4,056	-2,816
	Operating profit	**57,929**	**46,898**
4	Financial income	773	0
5	Financial expenses	-42	-11
	Profit before tax	**58,660**	**46,887**
	Tax on profit for the year	-55	0
	Profit for the year	**58,605**	**46,887**

Proposed appropriation account

Extraordinary dividend for the financial year	24,512	0
Proposed dividend for the financial year	35,248	0
Retained earnings	-1,155	46,887
Total	**58,605**	**46,887**

Balance sheet

ASSETS

Note		31.12.22 USD '000	31.12.21 USD '000
	Plant and machinery	179,075	161,795
7	**Total property, plant and equipment**	**179,075**	**161,795**
	Total non-current assets	**179,075**	**161,795**
8	Trade receivables	46,067	35,503
	Receivables from group enterprises	35,248	32,481
	Other receivables	0	9
9	Prepayments	0	79
	Total receivables	**81,315**	**68,072**
	Cash	**4,537**	**333**
	Total current assets	**85,852**	**68,405**
	Total assets	**264,927**	**230,200**

EQUITY AND LIABILITIES

Note		31.12.22 USD '000	31.12.21 USD '000
10	Share capital	966	966
	Retained earnings	217,068	218,223
	Proposed dividend for the financial year	35,248	0
	Total equity	**253,282**	**219,189**
11	Other provisions	6,053	3,242
	Total provisions	**6,053**	**3,242**
	Trade payables	4,443	7,769
	Payables to group enterprises	1,149	0
	Total short-term payables	**5,592**	**7,769**
	Total payables	**5,592**	**7,769**
	Total equity and liabilities	**264,927**	**230,200**

12 Contingent liabilities
13 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 01.01.22 - 31.12.22				
Balance as at 01.01.22	966	218,223	0	219,189
Extraordinary dividend paid	0	-24,512	0	-24,512
Net profit/loss for the year	0	23,357	35,248	58,605
Balance as at 31.12.22	966	217,068	35,248	253,282

	2022 USD '000	2021 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	102,155	102,323
Total	102,155	102,323

Revenue comprises the following geographical markets:

Kurdistan	102,155	102,323
Total	102,155	102,323

	2022 USD '000	2021 USD '000

2. Employee aspects

Average number of employees during the year	0	0

Remuneration for the management:

The Company has no employees, as all those 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.

	2022 USD '000	2021 USD '000

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	14	0
Tax advice	3	0
Other services	4	0
Total	21	0

Amount for 2021 is not disclosed as it was another auditor and the fee was not disclosed as it was disclosed in the group financial statemets for the previous shareholder.

	2022 USD '000	2021 USD '000

4. Financial income

Interest, group enterprises	248	0
Other interest income	523	0
Foreign exchange gains	2	0
Other financial income	525	0
Total	773	0

	2022 USD '000	2021 USD '000

5. Financial expenses

Foreign currency translation adjustments	1	0
Foreign exchange losses	39	0
Other financial expenses	2	11
Total	42	11

	2022 USD '000	2021 USD '000

6. Proposed appropriation account

Extraordinary dividend for the financial year	24,512	0
Proposed dividend for the financial year	35,248	0
Retained earnings	-1,155	46,887
Total	58,605	46,887

7. Property, plant and equipment

Figures in USD '000	Plant and machinery
Cost as at 01.01.22	352,535
Additions during the year	32,852
Cost as at 31.12.22	385,387
Depreciation and impairment losses as at 01.01.22	-190,739
Depreciation during the year	-15,573
Depreciation and impairment losses as at 31.12.22	-206,312
Carrying amount as at 31.12.22	179,075

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

8. Trade receivables

In 2023 payments have been received to report date for the financial statments for 2022 for oil sales through to September 2022, with 16,700 USD'000 being received until the date of the report.

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. Prepayments

Prepayments primarily includes prepaid administrative expenses and insurance.

10. Share capital

The share capital consists of:

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

11. Other provisions

Figures in USD '000	Obligation for dismandling, removing and restoring
Provisions as at 01.01.22	3,242
Provisions during the year	2,811
Provisions as at 31.12.22	6,053

	31.12.22 USD '000	31.12.21 USD '000
Other provisions are expected to be distributed as follows:		
Non-current liabilities	6,053	3,242
Total	6,053	3,242

12. 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.

13. Related parties

Controlling influence	Basis of influence
ShaMaran Petroleum Corp	100% ownership

Balances	31.12.22 USD '000
Receivables from group enterprises	35,248
Payables to group enterprises	-1,149

Receivables from group companies recognised under current assets comprise of a loan of 35,000 USD'000. The interest on the loan is set at 4 %. According to the loan agreement the Company may at any time demand that the entire or part of the loan including interest is repaid.

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.

14. 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.

Change in accounting policies

The company has changed its accounting policies in the following areas:

Presentation of property, plant and equipment
Previously, the Company presented both intagible and tangible assets relating to the oil production fields. It is management's assesment, that all fixed assets are considered as Property, plant and equipment and consequently should be disclosed like this.

The change in accounting policy has only influenced presentation and not the result nor the equity in 2021 or 2022.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

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 697.22 as at 31.12.22 and 656.12 as at 31.12.21.

14. Accounting policies - continued -

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.

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 net financials

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

14. Accounting policies - continued -

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.

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment 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

14. Accounting policies - continued -

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.

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.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

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.

14. Accounting policies - continued -

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.

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 payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

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/5488/annual-report-2022-final.pdf