ShaMaran Petroleum Corp

Financial Report (unaudited)

For the three months ended March 31, 2019

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the management of the Company.

SHAMARAN PETROLEUM CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended March 31, 2019

Management's discussion and analysis ("MD&A") of the financial and operating results of ShaMaran Petroleum Corp. (together with its subsidiaries, "ShaMaran" or the "Company") is prepared with an effective date of May 8, 2019. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019, together with the accompanying notes.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Unless otherwise stated herein all currency amounts indicated as "$" in this MD&A are expressed in thousands of United States dollars ("USD").

OVERVIEW

ShaMaran Petroleum Corp. is a Canadian oil and gas company listed on the TSX Venture Exchange and the NASDAQ First North Exchange (Stockholm) under the symbol "SNM". ShaMaran has a 20.1% direct interest in the Atrush Block production sharing contract ("Atrush PSC"). The Atrush Block is located in the Kurdistan Region of Iraq ("Kurdistan"), approximately 85 kilometers northwest of Erbil, the capital of Kurdistan. The Atrush Block is 269 square kilometers in area and has oil proven in Jurassic fractured carbonates in the Chiya Khere structure.

Oil production from Atrush commenced in July 2017. Installed production facilities have a capacity of 30,000 barrels of oil per day ("bopd"). Eleven wells have been drilled to date. Six wells are currently producing.

Atrush is continuously being appraised and further phases of development, including further drilling and possible facilities expansion will be defined based on production data, appraisal information and economic circumstances.

HIGHLIGHTS AND DEVELOPMENTS

Atrush Operations

- To facilitate regulatory approval, ShaMaran entered into restructured agreements on April 2, 2019 to acquire jointly with TAQA Atrush B.V. ("TAQA") the 15% interest in the Atrush Block ("the Marathon Acquisition") held by Marathon Oil KDV B.V. ("Marathon"). Following close of these agreements ShaMaran's working interest in Atrush will increase from 20.1% to 27.6%. The parties to the agreements are currently finalizing the process of obtaining the consent of the Kurdistan Regional Government ("KRG") and approval is expected imminently.
- First quarter 2019 average production was 26.3 Mbopd and was negatively influenced by unplanned export pipeline shutdown, the repair of a leak in the water injection pipeline, as well as intervention to replace an electric submersible pump ("ESP"). Currently Atrush is producing around 30 Mbopd.
- The average lifting cost in the first quarter was $8.89 per barrel, up from $7.84 per barrel in the fourth quarter 2018 mainly due to the lower production in the quarter. The Company maintains the guidance previously provided for average lifting costs for the year 2019.
- Revenue from oil sales in the first quarter was $12 million, compared to $14.5 million reported in the fourth quarter 2018. The decrease is due to the lower first quarter production and lower average netback oil prices over the same period which decreased from $52.58 per barrel to $47.76 per barrel.
- The Chiya Khere-11 ("CK-11") was drilled to depth by mid-March and is expected to be complete for production in May 2019. The Chiya Khere-12 ("CK-12") well was drilled to a total depth of 1,800 metres.
- Heavy oil extended well test ("HOEWT") facilities have been installed and commissioned, with the test commencing from the Atrush-3 ("AT-3") in mid-April. The intention is for heavy oil from AT-3 to produce together with medium oil from Chiya Khere-10 ("CK-10"), as a diluent, during the test period.
- The Chiya Khere-6 ("CK-6") well was recompleted in February 2019 and will be used to observe the reservoir pressure response to the heavy oil production from AT-3. CK-6 will be subsequently be placed into production.
- The procurement process for Atrush early production facilities ("EPF") is underway and it is expected that these facilities, as well as ongoing debottlenecking of the existing Production Facilities, will deliver 50.0 Mbopd processing capacity in the second half of 2019.

Financial and Corporate

- Amendments were approved to the terms of the Company's $240 million senior bonds on February 1, 2019. On February 8, 2019 the Company repaid $50 million of bonds plus accrued interest reducing its bonds currently outstanding to $190 million due to a reduction in cash needs related to a decrease in the size of the Marathon Acquisition from an additional 15% of Atrush, as contemplated when the bonds were first issued, to the current 7.5%.
- Atrush related cash inflows in the three months ending March 31, 2019:
  - $14.5 million for entitlement share of Atrush PSC profit oil and cost oil for October 2018 through December 2018 oil deliveries. A further 3.9 million has been received in the year to date 2019 relating to January 2019 oil sales.
  - $0.8 million of Atrush Exploration Costs receivable[1] on October 2018 through December 2018 oil sales. A further $0.2 million was received in the year to date 2019 relating to January 2019 oil sales.
  - $3.9 million in payments of principal plus interest on the Atrush Development Cost Loan and the Atrush Feeder Pipeline Cost loans for invoices from January to March 2019 and an additional $1.3 million has been collected in the year to date 2019.

Reserves and Resources

- In February 2019, the Company reported estimated reserves and contingent resources for the Atrush field as at December 31, 2018. Total Field Proven plus Probable ("2P") Reserves on a property gross basis for Atrush increased from 102.7 million barrels ("MMbbl") reported as at December 31, 2017 to 106 MMbbl which, when 2018 Atrush production of 8 MMbbl is included, represents an increase of 11 percent. Total Field Unrisked Best Estimate Contingent Oil Resources ("2C")[2] on a property gross basis for Atrush decreased from the 2017 estimate of 296 MMbbl to 268 MMbbl. Total discovered oil in place in the Atrush Block is a low estimate of 1.5 billion barrels, a best estimate of 2 billion barrels and a high estimate of 2.6 billion barrels**.**

OPERATIONS

Atrush oil production

Oil production on the Atrush Block commenced on July 3, 2017. Cumulative production exported from Atrush from July 2017 to March 31, 2019 was 13.8 MMbbl.

	Q1.2019	**Q4.2018**	**Q1.2018**
Average daily oil production (bopd)	26,284	27,426	23,639
Oil produced and sold – gross field (Mbbl)	2,366	2,523	2,127
ShaMaran production entitlement (Mbbl)	253	276	518

From start up, production in Atrush steadily increased to approximately 26.7 Mbopd in January 2018. In March 2018 production dropped to approximately 20.3 Mbopd due to a partial blockage by sediment in a production facility heat exchanger. In early April 2018 production was temporarily suspended to address the partial blockage of the heat exchanger. The sediments were successfully removed from the heat exchanger during this plant shut down.

During the third quarter of 2018, daily production was constrained by exceptionally high export pipeline downtime during the month of August (over 6 days) as well as salt fill in the production facilities stripper column. The salt fill became apparent once additional well capacity from the Chiya Khere-7 ("CK-7") and CK-10 wells enabled Production Facility rates to exceed 26.0 Mbopd. The stripper column was flushed during a two-day shutdown in late September which successfully removed all salt restrictions and enabled the high stabilized rates throughout the fourth quarter.

During the fourth quarter 2018, well rates were steadily increased to test and evaluate the limits of the Production Facility. By the end of November 2018 and through early December 2018, several days with rates over 30.0 Mbopd were reported until the onset of failure of the CK-10 ESP, which reduced the available well capacity and therefore negatively impacted the daily production rate. The CK-10 well was brought back on production late January 2019 after a successful work-over.

During the first quarter of 2019, sustained production over 30.0 Mbopd was interrupted by an 18-day shutdown of the CK-10 well to replace the ESP, a field-wide shut-down for maintenance of the export pipeline in February and a

[1] The Exploration Costs Receivable is related to the repayment of certain development costs that ShaMaran paid on behalf of the KRG which, for purposes of repayment, are governed under the Atrush PSC and the related Facilitation Agreement and are deemed to be Exploration Costs.

[2] This estimate of remaining recoverable resources (unrisked) includes contingent resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be recovered.

15-day shutdown of the Chiya Khere-5 ("CK-5") well to manage produced water volumes following a leak in the injection well flowline in March. Following flowline repairs the CK-5 well was placed online on April 3, 2019. Currently Atrush is producing around 30 Mbopd.

Drilling and Testing

Following failure of the CK-10 ESP, a workover rig was mobilized to the Chamanke-E drilling location, with the workover operation commencing on January 7, 2019. The failed ESP was pulled and replaced, with the commissioning of the replacement ESP and the workover rig released on January 18, 2019.

Following the CK-10 recompletion, the workover rig was moved to CK-6 well at the Chamanke-C drilling location, where this suspended well was successfully re-entered, the suspension string and plugs were removed and the well was then recompleted as an observation/production well. CK-6 will be used to observe the reservoir pressure response to the heavy oil production from AT-3. Once enough data has been recovered, the CK-6 well will be placed online as a medium oil production well, replacing CK-10 in providing diluent to the HOEWT.

The CK-11 well was spudded from the Chamanke-G drilling location on January 2, 2019, and drilled to total depth of 2,636m by March 5, 2019, encountering the reservoir section 8m deeper than prognosis. To optimize the utilization of the drilling rig the CK-11 well was then left cased and suspended and the drilling rig moved to CK-12 on the Chamanke-E drilling location. Subsequently CK-11 has been successfully completed using the workover rig and is currently awaiting tie-in to the flowline and is expected to be in production during May 2019. CK-12 was spud on March 30, 2019 and is being drilled as a medium oil infill producer. The CK-12 well was drilled to a total depth of 1,800 metres and, at the date of the MD&A, preparations were in process to commence open hole logging.

Facilities

The mobilization of HOEWT facilities was completed in February. During initial commissioning of the HOEWT facilities it was identified that additional components were required. These components were sourced, installed and the facility has now been online processing medium oil from CK-10 since April 6, 2019 and heavy oil from AT-3 since April 14, 2019.

Positive production results have shown the potential to increase Atrush production levels. It is expected that by installing an EPF and debottlenecking existing Production Facilities, the Atrush processing capacity can be increased to 50.0 Mbopd. The procurement process for an Atrush EPF is underway and increased processing capacity is expected to be available in the second half of 2019.

Reserves and Resources

The Company's independent reserves and resources evaluator, McDaniel & Associates Consultants Ltd ("McDaniel") increased the 2P oil reserves estimate to 106MMbbl at the end of the year 2018. This estimate assumes that four extra production wells will be drilled to further develop the medium gravity oil in the reserves area of the field increasing medium oil recovery. Reserves associated with the HOEWT planned in 2019 for the AT-3 well have also been included. Reserves which were included in McDaniel's previous estimate for heavy oil production from the wells currently producing have now been transferred to contingent resources because production to date has shown no indication of heavy oil.

The contingent oil resources represent the likely recoverable oil volumes associated with further phases of development after Phase 1. McDaniel has estimated gross 2C best estimate contingent oil resources of 268 MMbbl. These are contingent oil resources rather than reserves due to the uncertainty over the future development plan which will depend in part on Phase 1 production performance and the HOEWT planned for the beginning of 2019. McDaniel estimates the chance of developing the 2C contingent oil resources at 80 percent.

OUTLOOK

Operations

The Company maintains the following guidance for 2019:

- Atrush field gross average production is expected to range from 30 Mbopd to 35 Mbopd and will depend mainly on the timing of the installation of additional production facilities;
- Atrush lifting costs are estimated to range from $6.30 per barrel to $7.90 per barrel. Atrush lifting costs are mainly fixed costs and therefore we expect the dollar per barrel estimates to decrease with increasing levels of production; and
- Atrush gross capital expenditures for 2019 is estimated at $137 million which includes:
    - debottlenecking to increase existing production capacity beyond 30.0 Mbopd;

- re-completing the CK-6 well to initially monitor the heavy oil well during the HOEWT, and then later produce from the medium oil interval;
- drilling, testing and completion activities at CK-11, CK-12 and two additional production wells;
- expansion of processed oil storage capacity to reduce impact of export pipeline shutdowns on Atrush production rates;
- installation of a desalter vessel at the Processing Facilities to reduce the operating costs associated with the short-term salt mitigation measures;
- construction of the Chamanke-D drilling location to enable addition of future production wells, and
- installing of an EPF and debottlenecking of existing Production Facilities, to extend Atrush oil processing capacity to 50.0 Mbopd in the second half of 2019.

Following the 2019 drilling program, the extended well testing in AT-3 and increased production, the Company expects to further assess the significant undeveloped Atrush resource base with the potential to grow to approximately 100.0 Mbopd production. Management expects that investment decisions for further phases of development can be made by mid-2020.

Financing and corporate

- The cash payment due from the Company to Marathon upon close of the Marathon Acquisition for an additional 7.5% interest in Atrush is expected to be $31.5 million. The cash payment is equal to 50% of the $63 million price previously announced on December 27, 2018 to purchase 100% of the shares of Marathon, which holds 15% of Atrush, less all other final closing adjustments including half of the net Atrush cash flows received by Marathon after January 1, 2018, the effective date of the acquisition.

OWNERSHIP, PRINCIPAL TERMS OF THE ATRUSH PSC

At the end of March 2019 ShaMaran, through its wholly owned subsidiary, General Exploration Partners, Inc. (“GEP”), held a 20.1% direct interest in the Atrush PSC. TAQA Atrush B.V. (“TAQA” a subsidiary of Abu Dhabi National Energy Company PJSC, and the “Operator” of the Atrush Block) with a 39.9% direct interest, the KRG a 25% direct interest and Marathon Oil KDV B.V. (“MOKDV”) held a 15% direct interest. TAQA, GEP, and MOKDV together are the “Non-Government Contractors” to the Atrush PSC. The Non-Government Contractors and the KRG together are the “Contractors” to the Atrush PSC.

The Atrush field was discovered in 2011 and a Phase 1 development plan was approved in October 2013, which consists of installing and commissioning production facilities with 30,000 bopd capacity and the drilling and completion of production wells which supply the Production Facility. In August 2010 the Company acquired a 33.5% shareholding in GEP which then held an 80% working interest in the Atrush PSC, with the remaining 20% third party interest (“TPI”) being held by the KRG. In October 2010 MOKDV was assigned the 20% TPI in the Atrush PSC. On December 31, 2012 GEP sold a 53.2% direct interest in the Atrush Block to TAQA, who also assumed from GEP the Operatorship of the Block and repurchased the entire 66.5% shareholding which Aspect Energy International LLC (“Aspect”) held in GEP, leaving the Company with a 100% shareholding interest in GEP and, at that time, a 26.8% direct interest in the Atrush PSC.

On November 7, 2016 the Assignment, Novation and Fourth Amendment Agreement to the Atrush PSC (the “4th PSC Amendment”) and Atrush Facilitation Agreement were concluded between Non-Government Contractors and the KRG, in which the KRG acquired a 25% interest in the Atrush PSC effective November 7, 2012, resulting in GEP reducing its interest in the Atrush PSC to 20.1%.

On April 2, 2019 the Company signed agreements with Marathon Oil KDV B.V. and TAQA Atrush B.V to increase the Company's interest in the Atrush Block to 27.6%.Currently, certain conditions to close remain outstanding.

Under the terms of the Atrush PSC the development period is for 20 years after the declaration of commerciality (November 7, 2012) with an automatic right to a five-year extension and the possibility to extend for an additional five years. All qualifying petroleum costs incurred by the Contractors shall be recovered from a portion of available petroleum production, defined under the terms of the Atrush PSC. All modifications to the Atrush PSC are subject to the approval of the KRG.

Fiscal terms under the Atrush PSC include a 10% royalty and a variable profit split based on a percentage share to the KRG. GEP has the right to recover costs using up to 40% of the available oil (produced oil less royalty oil) and 55% of the produced gas. The Contractors are entitled to cost recovery in respect of all costs and expenditures incurred for exploration, development, production and decommissioning operations, as well as certain other allowable direct and indirect costs.

The portion of profit oil available to the Contractors is based on a sliding scale from 32% to 16% depending on the "R-Factor", which is a ratio of cumulative revenues to cumulative costs. When the ratio is below one, the Contractors are entitled to 32% of profit oil, with a reducing scale to 16% when the ratio is greater than 2.75. In respect of gas, the sliding scale is from 40% to 22%.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

(In $000, except per share data)	For the quarter ended							
	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017
Continuing operations								
Revenues	12,071	14,531	13,240	15,328	26,501	13,907	3,782	-
Cost of goods sold	(10,307)	(15,969)	(6,945)	(6,990)	(12,168)	(9,426)	(4,583)	-
General and admin. expense	(1,580)	(1,913)	(785)	(941)	(925)	(966)	(1,637)	(818)
Depreciation and amortisation	(2)	(1)	(1)	(2)	(4)	-	(8)	(8)
Finance cost	(9,067)	(7,347)	(8,586)	(3,016)	(4,230)	(5,802)	(3,436)	(1,482)
Finance income	408	900	369	444	443	361	525	439
Income tax expense	(18)	(25)	(12)	(11)	(16)	(14)	(36)	(14)
Net income / (loss)	(8,495)	(9,824)	(2,720)	4,812	9,601	(1,940)	(5,393)	(1,883)
Basic and diluted net (loss) / inc. in $ per share	(0.004)	(0.005)	(0.001)	0.002	0.004	(0.001)	(0.002)	(0.001)

Summary of Principal Changes in the First Quarter Financial Information

In the first quarter of 2019 production from the Atrush Block and work on the Atrush development program continued. The net loss was primarily driven by the gross margin on Atrush oil sales and was offset by finance cost, the substantial portion of which was expensed borrowing costs on the Company's bonds.

The Company's operations are comprised of the development program and production operations on the Atrush Block petroleum property which commenced production on July 3, 2017. The expenses and income items of operations are explained in detail as follows:

Gross margin on oil sales

In $000

	Q1.2019	Q4.2018	Q1.2018
Revenues from Atrush oil sales	12,071	14,531	26,501
Lifting costs	(4,226)	(3,978)	(2,426)
Other costs of production	(680)	(1,732)	(202)
Depletion costs	(5,401)	(10,259)	(9,540)
Cost of goods sold	(10,307)	(15,969)	(12,168)
Gross margin on oil sales	1,764	(1,438)	14,333

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

Revenue is recognised at fair value which is comprised of the Company's entitlement production due under the terms of the Atrush Joint Operating Agreement ("Atrush JOA") and the Atrush PSC which have two principal components: cost oil, which is the mechanism by which the Company recovers qualifying costs it has incurred on an asset, and profit oil, which is the mechanism through which profits are shared between the Company, the Atrush co-venturers and the KRG. The Company pays capacity building payments on profit oil, which are due for payment once the

Company has received the related profit oil proceeds. Profit oil revenue is reported net of any related capacity building payments.

The Company's oil sales are made to the KRG under the terms of a sales agreement which allows for Atrush oil volumes to be sold to the KRG at the Atrush block boundary at a discount to the Dated Brent oil price for estimated oil quality adjustments and all local and international transportation costs.

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

Production from the Atrush field is delivered to the KRG's Feeder Pipeline at the Atrush block boundary for onward export through Ceyhan, Turkey. Gross exported volumes from Atrush in the first quarter of 2019 were 2.4 MMbbl and the Company's entitlement share was approximately 253 Mbbl which were sold with an average netback price of $47.76 per barrel. ShaMaran's oil entitlement share is based on PSC terms covering allocation of profit oil, cost oil, capacity building bonuses owed to the KRG and on export prices. Export prices are based on Dated Brent oil price with an agreed discount for estimated oil quality adjustments and all local and international transportation costs, of $15.43 per barrel.

Average Atrush production was 26.3 Mbopd in the first quarter of the year, down from 27.4 Mbopd in the fourth quarter 2018. The decreased production was due to shutdowns for unplanned export pipeline maintenance and repair of an internal flowline leak as well as an intervention to replace an ESP on CK-10. Revenue from oil sales in the first quarter was $12 million compared to $14.5 million reported in the fourth quarter 2018, due to the lower average first quarter production and lower average netback oil prices which decreased from $52.58 per barrel in the fourth quarter, 2018, to $47.76 per barrel in the first quarter 2019. Revenues were down significantly from Q1 2018 due to the completion last year of the priority arrangement with TAQA for sharing initial exploration cost oil [3].

Lifting costs are comprised of the Company's share of expenses related to the production of oil from the Atrush Block including operation and maintenance of wells and production facilities, insurance, and the Operator's related support costs. The average lifting cost per barrel of oil produced from Atrush was $8.89 in the first quarter, 2019, compared to $7.84 per barrel in the fourth quarter, 2018, mainly due to lower production. Other costs of production include the Company's share of production bonuses paid to the KRG, heavy oil extended well test operating costs and its share of other costs prescribed under the Atrush PSC.

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. The depletion cost per entitlement barrel was $21.37 for the first quarter, 2019, compared to $37.12 in the fourth quarter, 2018. The fourth quarter of 2018 depletion was relatively high due to the exceptional increase in the depletion base in that period. The increase related to a reclass of oil and gas assets from exploration and evaluation assets to property plant and equipment and an upward revision in estimated future development costs provided by McDaniel. Changes to depletion rates resulting from changes in reserve quantities and estimates of future development expenditure are reflected prospectively.

The relatively high gross margin on oil sales in the first quarter of 2018 is explained by the exceptional redistribution of cost oil revenue from TAQA to GEP under the Atrush JOA, as explained above. The result was that the Company's share of entitlement production in this period were above the Company's 20.1% participating interest share and therefore have resulted in relatively high revenues for that quarter.

[3] The Company's entitlement share in the first two quarters of 2018 included an adjustment for the exploration cost sharing arrangement between TAQA and GEP. TAQA and GEP had under the Atrush JOA agreed a priority arrangement for sharing their combined initial $49.9 million share of exploration cost oil revenues such that TAQA received the initial $10.8 million and GEP received the next $39.1 million. Thereafter cost oil revenues for these two parties has been determined by their relative participating interests in the Atrush PSC. The Company's entitlement share of oil sold in 2018 reflects a full recovery of the $39.1 million.

General and administrative expense

In $000

	Q1.2019	**Q4.2018**	**Q1.2018**
Salaries and benefits	637	1,045	496
Management and consulting fees	464	156	114
Legal, accounting and audit fees	255	472	134
Listing costs and investor relations	108	67	79
General and other office expenses	84	86	82
Travel expenses	32	87	20
General and administrative expense	1,580	1,913	925

The higher general and administrative expense incurred in the first three months of 2019 compared to the same period of last year was principally due an increase in staff in the Company's Swiss office, plus additional costs relating to the bond amendment and legal fees relating to the Acquisition. The higher salaries and benefits costs in Q4 2018 were relating to discretionary management bonuses.

Depreciation and amortisation expense

In $000

	Q1.2019	**Q4.2018**	**Q1.2018**
Depreciation and amortisation expense	2	1	4

Depreciation and amortisation expense corresponds to cost of use of the furniture and IT equipment at the Company's technical and administrative offices located in Switzerland and Kurdistan.

Finance income

In $000

	Q1.2019	**Q4.2018**	**Q1.2018**
Interest on deposits	216	645	8
Interest on Atrush Development Cost Loan	113	151	268
Interest on Atrush Feeder Pipeline Cost Loan	74	99	167
Foreign exchange gain	5	5	-
Total finance income	**408**	**900**	**443**

Under the terms of the 4th PSC Amendment and the Atrush Facilitation Agreement the Non-Government Contractors have agreed to pay their pro-rata share of the Feeder Pipeline costs and of the KRG's share of Atrush development costs up to October 31, 2017. Thereafter these costs will be reimbursed to the Non-Government Contractors. The loan interest amounts reported in the year 2019 represent 7% per annum interest on the principal balances outstanding over this period. For further information on the loans refer to the discussion under the "Loans and receivables" section below.

Interest on deposits represents bank interest earned on cash, investments and restricted cash held in interest bearing funds. The decrease in interest income reported in the first quarter of 2019 relative to the amount reported in the last quarter of 2018 is due to a lower level of interest bearing funds held in 2019.

Finance cost

In $000

	Q1.2019	Q4.2018	Q1.2018
Interest charges on bonds at coupon rate	6,317	7,280	5,360
Re-measurement of bond debt	2,131	-	-
Amortisation of bond transaction costs	750	183	210
Total borrowing costs	9,198	7,463	5,570
Foreign exchange loss	-	-	70
Unwinding discount on decommissioning provision	10	6	5
Total finance costs before borrowing costs capitalised	9,208	7,469	5,645
Borrowing costs capitalised	(141)	(122)	(1,415)
Finance cost	9,067	7,347	4,230

The decrease in interest charges on bonds between quarter one of 2019 and the fourth quarter of 2018 is principally due to the reduction in bonds outstanding in the first quarter from $240 million to $190 million. In February the Company repaid $50 million of bonds due to a reduction in cash needs related to a decrease in the size of the Marathon Acquisition from an additional 15% of Atrush, as contemplated when the bonds were first issued, to the current 7.5%.

Because of changes in the expected future cashflows associated with the February 2019 amendments in the Company's bonds accounting standard IFRS 9 Financial Instruments required a re-measurement of the Company's bond debt. Therefore, the value of the ShaMaran Bonds has been measured at the net present value of all future related cash flows, which no longer includes original transaction costs incurred in 2018, discounted at the original effective interest rate and has resulted in a re-measurement loss of $2.1 million.

The increase in amortisation of bond transaction costs in quarter one of 2019 relates to the expense of $671 thousand of unamortized bond transaction costs related to the $50 million of bonds repaid in February.

Borrowing costs are capitalised where they are directly attributable to the acquisition of, and preparation for their intended use, Atrush development assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. The significant decrease in capitalised borrowing costs in the first quarter 2019, compared to the first quarter 2018, is due to a significant number of development projects having been completed for their intended use. The increase in capitalised borrowing costs between the fourth quarter of 2018 and the first quarter of 2019, despite lower borrowing costs, is due to an increase in the number of development projects between the periods. For further information on the Company's borrowings refer to the discussion in the section below entitled "Borrowings".

Income tax expense

In $000

	Q1.2019	Q4.2018	Q1.2018
Income tax expense	18	25	16

Income tax expense relates to provisions for income taxes on service income generated in Switzerland which is based on costs incurred in procuring the services. The increase in tax expense reported in the first quarter of 2019 compared to the first quarter of 2018 is primarily due to higher taxable income in the Company's Swiss subsidiary which increased due to higher costs of service.

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

The net book value of PP&E is principally comprised of development costs related to the Company's share of Atrush PSC proved and probable reserves as estimated by McDaniel less the cumulative depletion costs corresponding to commercial production which commenced in July 2017. The movements in PP&E are explained as follows:

In $000	Three months ended March 31, 2019			Year ended December 31, 2018		
	Oil and gas assets	**Office equipment**	**Total**	**Oil and gas assets**	**Office equipment**	**Total**
Opening net book value	195,897	11	195,908	184,918	3	184,921
Additions	4,078	-	4,078	17,356	12	17,368
Reclass from intangible E&E assets	-	-	-	21,794	-	21,794
Depletion and depreciation expense	(5,401)	(1)	(5,402)	(28,171)	(4)	(28,175)
Net book value	194,574	10	194,584	195,897	11	195,908

During the first quarter of 2019 movements in PP&E were comprised of additions of $4.1 million (year 2018: $17.4 million), depletion and depreciation expense of $5.4 million (year 2018: $28.2 million) and a reclass to PP&E from E&E of $nil (year 2018: $21.8 million) which resulted in a net decrease of $1.3 million to the net book value of PP&E assets. Net additions in the first quarter of 2019 included capitalised borrowing costs of $0.1 million (year 2018: $5.0 million).

Capital Expenditures on Intangible Assets

The net book value of Intangible assets is principally comprised of exploration and evaluation ("E&E") assets which represent the Atrush Block exploration and appraisal costs related to the Company's share of Atrush Block contingent resources as estimated by McDaniel. The movements in Intangible assets are explained as follows:

In $000	Three months ended March 31, 2019			Year ended December 31, 2018		
	E&E assets	**Software & Licences**	**Total**	**E&E assets**	**Software & Licences**	**Total**
Opening net book value	67,825	4	67,829	89,113	6	89,119
Additions/	(210)	-	(210)	506	3	509
Reclass to PP&E	-	-	-	(21,794)	-	(21,794)
Amortisation expense	-	-	-	-	(5)	(5)
Net book value	67,615	4	67,619	67,825	4	67,829

During the first three months of 2019 movements in intangible assets comprised of a net reversal of $210 thousand (year 2018: $509 thousand for additions) mainly due to the release of an overestimate of insurance costs, there was nil depreciation (year 2018: $5 thousand) and a reclass of nil (year 2018: $21.8 million) from E&E to PP&E, this resulted in a net decrease to intangible assets of $210 thousand. The net credit in the first quarter of 2019 included a reversal of borrowing costs of nil (year 2018: $123 thousand).

Loans and receivables

In November 2016 the Company entered into certain agreements with the KRG and other Atrush contractors for the reimbursement by the KRG to the Atrush contractors of certain Atrush exploration and development costs and pipeline costs incurred by KRG in the years 2013 through 2017 which were funded by the Atrush contractors. The Atrush Exploration Costs receivables, which relate to a share of the KRG's development costs carried by ShaMaran prior to the year 2016 and deemed to be exploration costs under the Atrush PSC, are repaid through an accelerated petroleum cost recovery arrangement. The Atrush Development Cost Loan and the Atrush Feeder Pipeline Cost Loan are being repaid with interest at 7% per annum in 24 equal monthly instalments ending in October 2019. The Company was owed amounts for its entitlement share of oil deliveries made to the KRG during the last three months.

The Company had loans and receivables outstanding as follows:

In $000	For the three months ended March 31, 2019	For the year ended December 31, 2018
Atrush Exploration Costs receivable	34,137	34,898
Accounts receivable on Atrush oil sales	12,071	14,531
Atrush Development Cost Loan	4,846	7,136
Atrush Feeder Pipeline Cost Loan	3,306	4,718
Total loans and receivables	54,360	61,283

In the first three months of 2019 the Company received principal plus interest payments totalling $2.4 million for Atrush Development Cost Loan and $1.5 million for the Atrush Feeder Pipeline Cost Loan, as well as $0.8 million of Atrush Exploration Cost receivables.

In the period from the balance sheet date up to the date of this MD&A the Company received $5.4 million in total payments for loans and receivables balances outstanding at March 31, 2019, comprised of $3.9 million in total payments for its entitlement share of oil sales for the month of January 2019, $1.3 million for Atrush Development Cost Loan and Atrush Feeder Pipeline Cost Loan balances outstanding and $0.2 million in reimbursements of the Atrush Exploration Costs receivable.

Borrowings

On July 5, 2018 the Company issued $240 million of senior unsecured bonds ("the ShaMaran bonds"). The ShaMaran bonds have a five-year maturity without amortization and carry 12% fixed semi-annual coupon. On January 5, 2019 the Company issued the first semi-annual interest payment to ShaMaran bondholders in the amount of $14.4 million. On February 1, 2019, bondholders approved of certain amendments to the ShaMaran Bonds agreement including the repayment of $50 million of ShaMaran Bonds plus accrued interest and the release to the Company of $14.4 million of Company cash pledged to the bondholders as security for the Company's obligations under the ShaMaran bonds to be used to fund the Acquisition and for general corporate purposes. On February 8, 2019 the Company repaid $50 million of ShaMaran Bonds and $550 thousand of related accrued interest. At March 31, 2019, there were $190 million of ShaMaran Bonds outstanding.

Nemesia S.à.r.l. ("Nemesia"), a company controlled by a trust settled by the estate of the late Adolf H. Lundin, agreed to guarantee the Company's obligations under the ShaMaran Bonds agreement (the "Liquidity Guarantee"). In exchange for providing the Liquidity Guarantee the Company issued Nemesia 2,000,000 common shares of ShaMaran on January 23, 2019. The fair value of the shares issued of $150 thousand has been accounted for as bond transaction costs and is being amortised over the term of the bonds.

The movements in borrowings are explained as follows:

	3 months ended March 31, 2019	**12 months ended December 31, 2018**
Opening balance	**250,797**	**188,491**
Bond issued – net of transaction costs	-	236,361
Interest charges at coupon rate	6,317	25,428
Re-measurement of bond debt	2,131	-
Call premiums on early retirement of bonds	-	1,427
Amortisation of bond transaction costs	750	1,087
Bond transaction costs	(150)	-
Payment to Bondholders – interest and call premiums	(14,950)	(15,575)
Bonds retired	(50,000)	(186,422)
Ending balance	**194,895**	**250,797**
- Current portion: accrued bond interest expense	5,447	14,080
- Non-current portion: borrowings	189,448	236,717

The release of the $50 million from the Marathon Pledged Account plus the release on March 8, 2019 from the DSRA of $14.4 million resulted in a net decrease in restricted cash of $67.8 million in the period ending March 31, 2019.

The remaining contractual obligations under the amended ShaMaran Bonds, which are comprised of the repayment of principal and interest expense based on undiscounted cash flows at payment date and are based on the current $190 million of bonds outstanding thereafter until, in accordance with the amended bond terms, a further reduction in ShaMaran Bonds outstanding to $175 million is completed in July 2020, are as follows:

In $000	
Less than one year	22,800
From one to two years	36,900
From three to five years	227,500
Total	**287,200**

LIQUIDITY AND CAPITAL RESOURCES

Working capital at March 31, 2019 was positive $63.3 million compared to positive $112.9 million at December 31, 2018. The decrease in working capital since December 31, 2018 is principally due to the repayment of $50 million of ShaMaran Bonds in February 2019. Refer also to the discussion above under “Borrowings”.

The overall cash position of the Company decreased by $54.6 million during the first three months of 2019 compared to an increase in cash of $6.1 million during the same period of 2018. The main components of the movement in funds are discussed in the following paragraphs.

The operating activities of the Company during the first three months of 2019 resulted in an increase in the cash position of $9.1 million compared to an increase of $7.5 million in the cash position during the comparable period of 2018. The increase in the cash position is explained by net loss of $6.1 million plus $15.2 million of net positive cash adjustments from working capital items, net borrowing costs and non-cash expenses.

Net cash inflows from investing activities in the first three months of 2019 were $1.3 million compared to cash outflows of $1.4 million during the same period in 2018. Cash inflows from investing activities in 2019 were comprised of cash inflows of $4.7 million in payments by the KRG of Atrush loans and receivables, which includes interest on the loans, and $0.2 million of interest on deposits, net of cash outflows of $3.6 million on investments in the Atrush Block development work program.

Net cash outflows to financing activities in the first three months of 2019 were $65 million compared to $nil in the comparable period in 2018. The Company repaid $50 million of ShaMaran Bonds and $550 thousand of related accrued interest plus $14.4 million for the first semi-annual interest payment to ShaMaran bondholders.

The condensed interim consolidated financial statements were prepared on the going concern basis which assumes that the Company will be able to realise its assets and liabilities in the normal course of business as they come due in the foreseeable future.

OUTSTANDING SHARE DATA AND STOCK OPTIONS

On January 23, 2019, the Company issued to Nemesia 2,000,000 common shares of ShaMaran in accordance with the terms of the Liquidity Guarantee. Therefore, the Company had 2,160,631,534 outstanding shares at March 31, 2019, (2,183,631,534 outstanding shares after dilution) and at the date of this MD&A. Refer also to the discussion under the *Borrowings* section above. The average outstanding shares during the first three months of 2019 were 2,160,120,423 before dilution (year 2018: 2,158,631,534) and 2,183,120,423 after dilution (year 2018: 2,183,631,534).

The Company has established share unit plans and a share purchase option plan whereby a committee of the Company’s Board may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. The number of shares issuable under these plans at any specific time to any one recipient shall not exceed 5% of the issued and outstanding common shares of the Company. Under the share unit plans the Company may grant performance share units (“PSU”), restricted share units (“RSU”) or deferred share units (“DSU”). PSU grants may be awarded annually to employees, directors or consultants (“Participants”) based on the fulfilment of defined Company and individual performance parameters. RSU grants may be awarded to Participants annually based on the fulfilment of defined Company performance parameters. RSUs and PSUs will vest based on the conditions described in the relevant grant agreement and, in any case, no later than the end of the third calendar year following the date of the grant. DSU’s may be awarded annually to non-employee directors of the Company based on the performance of the Company and vest immediately at the time of grant; however DSUs may not be redeemed until a minimum period of three months has passed following the end of service as a director of the Company. The share unit plans provide for redemption of the share units by way of payment in cash, shares or a combination of cash and shares. Under the option plan the term of any options granted under the option plan will be fixed by the Board and may not exceed five years from the date of grant. A four month hold period may be imposed by the stock exchange from the date of grant. Vesting terms are at the discretion of the Board. All issued share options have terms of five years and vest over two years from grant date. The exercise prices reflect trading values of the Company’s shares at grant date.

At March 31, 2019 there were 23,000,000 stock options outstanding under the Company’s employee incentive stock option plan. During the current year to date 2,000,000 stock options expired (year 2018: 3,165,000). No stock options were exercised in the year to date 2019 (year 2018: nil). There has been no further change in the number of stock options outstanding from March 31, 2019, to the date of this MD&A.

No grants of share units have been made up to the date of this MD&A.

The Company has no warrants outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

In $000	Purchases of services for the three months ended		Amounts owing at the reporting dates,	
	March 31, 2019	**March 31, 2018**	**March 31, 2019**	**December 31, 2018**
Namdo Management Services Ltd.	12	13	-	-
Lundin Petroleum AB	-	52	-	-
Bennett-Jones	-	6	-	-
Total	**12**	**71**	**-**	**-**

Namdo Management Services Ltd. is a private corporation affiliated with a shareholder of the Company and has provided corporate administrative support and investor relations services to the Company.

The Company received services from various subsidiary companies of Lundin Petroleum AB (“Lundin”), a shareholder of the Company until June 21, 2018 when Lundin sold its ShaMaran shares. Lundin is not considered a related party in 2019.

Bennett-Jones is a law firm in which an officer of the Company was a partner and has provided legal services to the Company. The officer retired from Bennett-Jones at the end of 2018 therefore Bennett-Jones is not considered a related party in 2019.

Nemesia is a new related party in 2019 after the Company issued Nemesia 2,000,000 common shares of ShaMaran on January 23, 2019, in exchange for providing the Liquidity Guarantee.

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm’s length.

Also refer to the discussion under the “Outstanding Share Data and Stock Options” section and the “Borrowings” section above.

COMMITMENTS AND CONTINGENCIES

Atrush Block Production Sharing Contract

Under the terms of the Atrush PSC the development period is for 20 years after declaration of commerciality (November 7, 2012) with an automatic right to a five-year extension and the possibility to extend for an additional five years. All qualifying petroleum costs incurred by the Contractors shall be recovered from a portion of available petroleum production, defined under the terms of the Atrush PSC. All modifications to the Atrush PSC are subject to the approval of the KRG. The Company is responsible for its pro-rata share of the costs incurred in executing the development work program on the Atrush Block which commenced on October 1, 2013.The Company is responsible for its pro-rata share of the costs incurred in executing the development work program on the Atrush Block which commenced on October 1, 2013.

As at March 31, 2019, the outstanding commitments of the Company were as follows:

In $000	For the year ended March 31,				
	2020	**2021**	**2022**	**Thereafter**	**Total**
Atrush Block development	38,817	120	120	1,328	40,385
Office and other	39	-	-	-	39
Total commitments	**38,856**	**120**	**120**	**1,328**	**40,424**

Amounts relating to Atrush Block development represent the Company’s unfunded paying interest share of 20.1% of the approved 2019 work program and other obligations under the Atrush PSC.

Under the terms of the Atrush PSC the Company will owe a share of production bonuses payable to the KRG when cumulative oil production from Atrush reaches production milestones defined in the Atrush PSC as follows: $13.3 million at 25 million barrels (ShaMaran share: $3.6 million); and $23.3 million at 50 million barrels (ShaMaran share: $6.2 million).

PROPOSED TRANSACTIONS

ShaMaran entered into agreements on April 2, 2019 to acquire jointly with TAQA the 15% interest in the Atrush Block held by MIOC. Following close of these agreements ShaMaran's working interest in Atrush will increase from 20.1% to 27.6%. The parties to the agreements are currently finalizing the process of obtaining the consent of the Kurdistan Regional Government ("KRG") and approval is expected imminently.

The Company continues to evaluate other new opportunities.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Accounting Estimates

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

Significant Accounting Policies

IFRS 16: Leases has replaced *IAS 17 Leases* and requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company had no outstanding leases for the periods presented.

Other standards, amendments and interpretations, which are effective for the financial year beginning on January 1, 2019, have been assessed and do not have a material impact to the Company.

New Accounting Standards Issued But Not Yet Applied

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Accounting for Oil and Gas Operations

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

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

Capitalised costs of proved oil and gas properties are depleted using the unit of production method based on estimated gross proved and probable reserves of petroleum and natural gas as determined by independent engineers. Successful exploratory wells and development costs and acquired resource properties are depleted over proved and probable reserves. Acquisition costs of unproved reserves are not depleted or amortised while under active evaluation for commercial reserves. Costs associated with significant development projects are depleted once commercial production commences. A revision to the estimate of proved and probable reserves can have a significant impact on earnings as they are a key component in the calculation of depreciation, depletion and accretion.

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

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

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

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

A substantial portion of the Company's exploration and development activities are conducted jointly with others.

There have been no evaluations of the Company's reserves and resource estimates since the report as at December 31, 2018 provided by McDaniel in February 2019.

Risks in estimating resources

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

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

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

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

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

FINANCIAL INSTRUMENTS

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

- Financial assets and liabilities at fair value through profit or loss are those assets and liabilities acquired principally to sell or repurchase in the short-term and are recognised at fair value. Transaction costs are expensed in the statement of comprehensive income and gains or losses arising from changes in fair value are also presented in the statement of comprehensive income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realised or paid beyond twelve months of the balance sheet date, which is classified as non-current.
- Financial assets carried at amortised cost comprise of loans, receivables and cash and cash equivalents with fixed or determinable payments that are not quoted on an active market and are generally included withinin current assets due to their short-term nature and are classified as financial assets when the Company has a right to cash collection. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.
- Financial liabilities at amortised cost comprise of trade and other payables and are initially recognised at the fair value of the amount expected to be paid and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

With the exception of borrowings, accrued interest on bonds and provisions for decommissioning costs, which have fair value measurements based on valuation models and techniques where the significant inputs are derived from quoted prices or indices, the fair values of the Company's other financial instruments did not require valuation techniques to establish fair values as the instrument was either cash and cash equivalents or, due to the short term nature, readily convertible to or settled with cash and cash equivalents.

The Company is exposed in varying degrees to a variety of financial instrument related risks which are discussed in the following sections:

Financial Risk Management Objectives

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

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

Commodity price risk: The prices that the Company receives for its oil and gas production may have a significant impact on the Company's revenues and cash flows provided by operations. World prices for oil and gas are characterised by significant fluctuations that are determined by the global balance of supply and demand and worldwide political developments and, in particular, the price received for the Company's oil and gas production in Kurdistan is dependent upon the Kurdistan government and its ability to export production outside of Iraq. A decline in the price of ICE Brent Crude oil, a reference in determining the price at which the Company can sell future oil production, could adversely affect the amount of funds available for capital reinvestment purposes as well as the Company's value in use calculations for impairment test purposes.

The Company does not hedge against commodity price risk.

Foreign currency risk: The substantial portion of the Company's operations require purchases denominated in USD, which is the functional and reporting currency of the Company and the currency in which the Company maintains the substantial portion of its cash and cash equivalents. Certain of its operations require the Company to make purchases denominated in foreign currencies, which are currencies other than USD and correspond to the various countries in which the Company conducts its business, most notably, Swiss Francs ("CHF") and Canadian dollars ("CAD"). As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange rate fluctuations between the foreign currencies and the USD. The Company considers its foreign currency risk is limited because it holds relatively insignificant amounts of foreign currencies at any point in time and since its volume of transactions in foreign currencies is currently relatively low. The Company has elected not to hedge its exposure to the risk of changes in foreign currency exchange rates.

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

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

ShaMaran is leveraged though bond financing at the corporate level. However, the Company is not exposed to interest rate risks associated with the bonds as the interest rate is fixed until July 2023.

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

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

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

Liquidity risk: Liquidity risk is the risk that the Company will have difficulties meeting its financial obligations as they become due. In common with many oil and gas exploration companies, the Company raises financing for its exploration and development activities in discrete tranches to finance its activities for limited periods. The Company seeks to acquire additional funding as and when required. The Company anticipates making substantial capital expenditures in the future for the acquisition, exploration, development and production of oil and gas reserves and as the Company's project moves further into the development stage, specific financing, including the possibility of additional debt, may be required to enable future development to take place. The financial results of the Company will impact its access to the capital markets necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash generated by operations, would be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

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

RISKS AND UNCERTAINTIES

ShaMaran Petroleum Corp. is engaged in the exploration, 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 political and regional risks in the Kurdistan Region of Iraq, industry and market risks such as fluctuation in the price of oil, and business risks such as the potential for significant delays in the receipt of cash for its entitlement share of future oil exports and other risks discussed in this MD&A. For a complete discussion on risk factors which may affect the Company's business refer to the "Risk Factors" section of the Company's Annual Information Form, which is available for viewing both on the Company's web-site at www.shamaranpetroleum.com and on SEDAR at www.sedar.com, under the Company's profile.

ADDITIONAL INFORMATION

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

The Company plans to publish on August 7, 2019 its financial statements for the six months ended June 30, 2019.

ShaMaran Petroleum Corp.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2019

(Unaudited)

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the management of the Company. The Company's independent auditor has not performed a review of these financial statements.

SHAMARAN PETROLEUM CORP.

Condensed Interim Consolidated Statement of Comprehensive Income (unaudited)

(Expressed in thousands of United States dollars, except for per share data)

		For the three months ended March 31,	
	Note	**2019**	**2018**
Revenues	5	12,071	26,501
Cost of goods sold:			
Lifting costs	6	(4,226)	(2,426)
Other costs of production	6	(680)	(202)
Depletion	6	(5,401)	(9,540)
Gross margin on oil sales		1,764	14,333
General and administrative expense		(1,580)	(925)
Depreciation and amortisation expense		(2)	(4)
Income from operating activities		**182**	**13,404**
Finance income	7	408	443
Finance cost	8	(9,067)	(4,230)
Net finance cost		**(8,659)**	**(3,787)**
(Loss)/income before income tax expense		**(8,477)**	**9,617**
Income tax expense	9	(18)	(16)
(Loss)/income for the period		**(8,495)**	**9,601**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		(3)	18
Total other comprehensive (loss)/income		**(3)**	**18**
Total comprehensive (loss)/income for the period		**(8,498)**	**9,619**
Loss in dollars per share:			
Basic and diluted		-	-

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

SHAMARAN PETROLEUM CORP.

Condensed Interim Consolidated Balance Sheet (unaudited)

(Expressed in thousands of United States dollars)

	Note	At March 31, 2019	At December 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	10	194,584	195,908
Intangible assets	11	67,619	67,829
Loans and receivables	12	20,525	25,184
		282,728	**288,921**
Current assets			
Cash and cash equivalents, unrestricted		37,822	24,586
Cash and cash equivalents, restricted	15	53	67,884
Loans and receivables	12	33,835	36,099
Other current assets	13	2,265	2,286
		73,975	**130,855**
Total assets		**356,703**	**419,776**
Liabilities and equity			
Current liabilities			
Accrued interest expense on bonds	15	5,447	14,080
Accounts payable and accrued expenses	14	4,931	3,875
Current tax liabilities		22	16
		10,400	**17,971**
Non-current liabilities			
Borrowings	15	189,448	236,717
Provisions	16	9,686	9,559
Pension liability		1,318	1,330
		200,452	**247,606**
Total liabilities		**210,852**	**265,577**
Equity			
Share capital	17	637,688	637,538
Share based payments reserve		6,495	6,495
Cumulative translation adjustment		(15)	(12)
Accumulated deficit		(498,317)	(489,822)
Total equity		**145,851**	**154,199**
Total liabilities and equity		**356,703**	**419,776**

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

Signed on behalf of the Board of Directors:

/s/Terry Allen
Terry L. Allen, Director

/s/Keith Hill
Keith C. Hill, Director

SHAMARAN PETROLEUM CORP.

Condensed Interim Consolidated Statement of Changes in Equity (unaudited)

(Expressed in thousands of United States dollars)

	Share capital	Share based payments reserve	Cumulative translation adjustment	Accumulated deficit	Total
Balance at January 1, 2018	**637,538**	**6,495**	**(30)**	**(492,048)**	**151,955**
Total comprehensive income for the period:					
Income for the period	-	-	-	9,601	**9,601**
Other comprehensive income	-	-	18	-	**18**
	-	-	18	9,601	**9,619**
Balance at March 31, 2018	**637,538**	**6,495**	**(12)**	**(482,447)**	**161,574**
Balance at December 31, 2018	**637,538**	**6,495**	**(12)**	**(489,822)**	**154,199**
Total comprehensive income for the period:					
Loss for the period	-	-	-	(8,495)	**(8,495)**
Other comprehensive loss	-	-	(3)	-	**(3)**
Transactions with owners in their capacity as owners:					
Borrowing costs	150	-	-	-	**150**
	150	-	(3)	(8,495)	**(8,348)**
Balance at March 31, 2019	**637,688**	**6,495**	**(15)**	**(498,317)**	**145,851**

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

SHAMARAN PETROLEUM CORP.

Condensed Interim Consolidated Statement of Cash Flows (unaudited)

(Expressed in thousands of United States dollars)

	Note	For the three months ended March 31, 2019	2018
Operating activities			
(Loss)/income for the period		(8,495)	9,601
Adjustments for:			
Borrowing costs – net of amount capitalised		9,057	4,156
Depreciation, depletion and amortisation expense		5,403	9,544
Unwinding discount on decommissioning provision		10	5
Foreign exchange (gain)/loss	7,8	(5)	70
Interest income	7	(403)	(443)
Changes in accounts receivables on Atrush oil sales		2,460	(12,544)
Changes in accounts payable and accrued expenses		1,056	(2,848)
Changes in other current assets		21	(88)
Changes in current tax liabilities		6	9
Changes in pension liability		-	1
Net cash inflows from operating activities		**9,110**	**7,463**
Investing activities			
Loans and receivables – payments received	12	4,650	540
Interest received on cash deposits	7	216	8
Insurance credit for intangible assets		209	-
Purchases of intangible assets		-	(61)
Loans and receivables – payments issued		-	(394)
Purchase of property, plant and equipment		(3,820)	(1,449)
Net cash inflows from / (outflows to) investing activities		**1,255**	**(1,356)**
Financing activities			
Payments to bondholders - interest	15	(14,950)	-
Bonds retired	15	(50,000)	-
Net cash outflows to financing activities		**(64,950)**	**-**
Effect of exchange rate changes on cash and cash equivalents		(10)	(13)
Change in cash and cash equivalents		**(54,595)**	**6,094**
Cash and cash equivalents, beginning of the year		92,470	5,256
Cash and cash equivalents, end of the period*		**37,875**	**11,350**
***Inclusive of restricted cash**		**53**	**8,205**

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

1. General information

ShaMaran Petroleum Corp. ("ShaMaran" and together with its subsidiaries the "Company") is incorporated under the Business Corporations Act, British Columbia, Canada. The address of the registered office is 25th Floor, 666 Burrard Street, Vancouver, British Columbia V6C 2X8. The Company's shares trade on the TSX Venture Exchange and NASDAQ Stockholm First North Exchange (Sweden) under the symbol "SNM".

The Company is engaged in the business of oil and gas exploration and holds an interest in the Atrush Block production sharing contract ("Atrush PSC") related to a petroleum property located in the Kurdistan Region of Iraq ("Kurdistan"). The Atrush Block is currently in the development period. Oil production on the Atrush Block commenced on July 3, 2017.

2. Basis of preparation, going concern and significant accounting policies

a. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these interim consolidated financial statements are based on IFRS which were outstanding and effective as of May 8, 2019, the date these interim consolidated financial statements were approved and authorised for issuance by the Company's board of directors ("the Board").

The disclosures provided below are incremental to those included with the Company's annual consolidated financial statements. Certain information and disclosures normally included in the Notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

b. Going concern

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

c. Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of application as those in the Company's audited annual consolidated financial statements for the year ended December 31, 2018 except as noted below.

IFRS 16: Leases has replaced *IAS 17 Leases* and requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company had no outstanding leases for the periods presented.

3. Critical accounting judgments and key sources of estimation uncertainty

Areas of critical accounting judgments that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2018.

4. Business and geographical segments

The Company operates in one business segment, the exploration and development of oil and gas assets, in one geographical segment, Kurdistan. As a result, in accordance with *IFRS 8 Operating Segments,* the Company has presented its financial information collectively for one operating segment.

(Expressed in thousands of United States dollars unless otherwise stated)

5. Revenues

Revenues relate entirely to the Company's entitlement share of oil from Atrush sold to the KRG during the year to date. Production from the Atrush field was delivered to the KRG's Feeder Pipeline at the Atrush block boundary for onward export through Ceyhan, Turkey. Gross exported oil volumes from Atrush in the first three months of 2019 were 2.4MMbbls (2018: 2.1MMbbls) and the Company's entitlement share was approximately 0.3MMbbls (2018: 0.5MMbbls) which were sold with an average netback price of $47.76 per barrel (2018: $51.14). Export prices are based on Dated Brent oil price with a discount for estimated oil quality adjustments and all local and international transportation costs. ShaMaran's oil entitlement share is based on export prices and on PSC terms covering allocation of profit oil, cost oil and capacity building bonuses owed to the KRG. The Company's entitlement share was significantly higher in the comparative period of the prior year mainly due to a sharing arrangement with TAQA Atrush B.V., Operator of the Atrush Block, which provided the Company with a priority share of the initial exploration cost oil.

Refer also to Note 12.

6. Cost of goods sold

Lifting costs are comprised of the Company's share of expenses related to the production of oil from the Atrush Block including operation and maintenance of wells and production facilities, insurance, and the operator's related support costs. Other costs of production include the Company's share of production bonuses paid to the KRG, heavy oil extended well test operating costs and its share of other costs prescribed under the Atrush PSC.

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.

7. Finance income

	For the three months ended March 31,	
	2019	**2018**
Interest on deposits	216	8
Interest on Atrush Development Cost Loan	113	268
Interest on Atrush Feeder Pipeline Cost Loan	74	167
Foreign exchange gain	5	-
Total finance income	**408**	**443**

Refer to Note 12.

(Expressed in thousands of United States dollars unless otherwise stated)

8. Finance cost

	For the three months ended March 31, 2019	2018
Interest charges on bonds at coupon rate	6,317	5,360
Re-measurement of bond debt	2,131	-
Amortisation of bond transaction costs	750	210
Total borrowing costs	9,198	5,570
Unwinding discount on decommissioning provision	10	5
Foreign exchange loss	-	70
Total finance costs before borrowing costs capitalised	9,208	5,645
Borrowing costs capitalised	(141)	(1,415)
Finance cost	**9,067**	**4,230**

Amendments to the ShaMaran Bonds agreement in February 2019, including the repayment of $50 million of ShaMaran Bonds, changed future cashflows which resulted in the re-measurement of the carrying value of the remaining debt in line with IFRS 9 Financial Instruments. The value of the ShaMaran Bonds has been determined based on the net present value of future cash flows, which no longer includes original transaction costs incurred in 2018, discounted at the original effective interest rate resulting in a loss of $2.1 million.

Amortisation of bond transaction costs includes a loss of $671 thousand related to the partial settlement of debt in the period.

Refer also to Notes 15 and 17.

9. Taxation

The Company's income tax expense relates to a provision for income tax on service income generated in Switzerland and is calculated at the effective tax rate of 24% prevailing in this jurisdiction.

10. Property, plant and equipment

The net book value of property, plant and equipment ("PP&E") is principally comprised of development costs related to the Company's share of Atrush PSC proved and probable reserves as estimated by McDaniel & Associates Consultants Ltd. ("McDaniel"), the Company's independent reserves and resources evaluator, less the cumulative depletion costs corresponding to commercial production. During the first three months of 2019 movements in PP&E were comprised of additions of $4.1 million (year 2018: $17.4 million), which included capitalised borrowing costs of $0.1 million (year 2018: $5.0 million) and depletion and depreciation of $5.4 million (year 2018: $28.2 million) which resulted in a net decrease to PP&E assets of $1.3 million.

11. Intangible assets

The net book value of intangible assets is principally comprised of exploration and evaluation ("E&E") assets which represent the Atrush Block exploration and appraisal costs related to the Company's share of Atrush Block contingent resources as estimated by McDaniel. During the first three months of 2019 movements in intangible assets were comprised of a net credit for insurance costs of $210 thousand (year 2018: $509 thousand cost for additions), which included borrowing costs of nil (year 2018: reversal of $123 thousand).

(Expressed in thousands of United States dollars unless otherwise stated)

12. Loans and receivables

	At March 31, 2019	At December 31, 2018
Atrush Exploration Costs receivable	34,137	34,898
Accounts receivable on Atrush oil sales	12,071	14,531
Atrush Development Cost Loan	4,846	7,136
Atrush Feeder Pipeline Cost Loan	3,306	4,718
Total loans and receivables	**54,360**	**61,283**
- Current portion	33,835	36,099
- Non-current portion	20,525	25,184

Refer also to Notes 5 and 7.

13. Other current assets

	At March 31, 2019	At December 31, 2018
Deposit on purchase of additional Atrush interest	2,000	2,000
Prepaid expenses	158	176
Other receivables	107	110
Total other current assets	**2,265**	**2,286**

At the date these financial statements were approved certain conditions to closing the purchase of an additional 7.5% interest in the Atrush PSC (“the Acquisition”), as announced by the Company on April 3, 2019, remained outstanding. The Company currently holds a 20.1% interest in the Atrush PSC.

14. Accounts payable and accrued expenses

	At March 31, 2019	At December 31,2018
Payables to joint operations partner	3,648	2,734
Accrued expenses	1,070	859
Trade payables	213	282
Total accounts payable and accrued expenses	**4,931**	**3,875**

15. Borrowings

On July 5, 2018 the Company issued $240 million of senior unsecured bonds (“the ShaMaran bonds”). The ShaMaran bonds have a five-year maturity without amortization and carry 12% fixed semi-annual coupon. On January 5, 2019 the Company issued the first semi-annual interest payment to ShaMaran bondholders in the amount of $14.4 million. On February 1, 2019, bondholders approved of certain amendments to the ShaMaran Bonds agreement including the repayment of $50 million of ShaMaran Bonds plus accrued interest and the release to the Company of $14.4 million of Company cash pledged to the bondholders as security for the Company’s obligations under the ShaMaran bonds to be used to fund the Acquisition and for general corporate purposes. On February 8, 2019 the Company repaid $50 million of ShaMaran Bonds and $550 thousand of related accrued interest. At March 31, 2019, there were $190 million of ShaMaran Bonds outstanding.

Nemesia S.à.r.l. (“Nemesia”), a company controlled by a trust settled by the estate of the late Adolf H. Lundin, agreed to guarantee the Company’s obligations under the ShaMaran Bonds agreement (the “Liquidity Guarantee”). In exchange for providing the Liquidity Guarantee the Company issued Nemesia 2,000,000 common shares of ShaMaran on January 23, 2019. The fair value of the shares issued of $150 thousand has been accounted for as bond transaction costs and is being amortised over the term of the bonds.

(Expressed in thousands of United States dollars unless otherwise stated)

The movements in borrowings are explained as follows:

	3 months ended March 31, 2019	12 months ended December 31, 2018
Opening balance	**250,797**	**188,491**
Bond issued – net of transaction costs	-	236,361
Interest charges at coupon rate	6,317	25,428
Re-measurement of bond debt	2,131	-
Call premiums on early retirement of bonds	-	1,427
Amortisation of bond transaction costs	750	1,087
Bond transaction costs	(150)	-
Payment to Bondholders – interest and call premiums	(14,950)	(15,575)
Bonds retired	(50,000)	(186,422)
Ending balance	**194,895**	**250,797**
- Current portion: accrued bond interest expense	5,447	14,080
- Non-current portion: borrowings	189,448	236,717

The release of the $50 million from the Marathon Pledged Account plus the release on March 8, 2019 from the DSRA of $14.4 million resulted in a net decrease in restricted cash of $67.8 million in the period ending March 31, 2019.

The remaining contractual obligations under the amended ShaMaran Bonds, which are comprised of the repayment of principal and interest expense based on undiscounted cash flows at payment date and are based on the current $190 million of bonds outstanding thereafter until, in accordance with the amended bond terms, a further reduction in ShaMaran Bonds outstanding to $175 million is completed in July 2020, are as follows:

Less than one year	22,800
From one to two years	36,900
From three to five years	227,500
Total	**287,200**

Refer also to Notes 8 and 17.

16. Provisions

The provision relates to the Company's share of future decommissioning and site restoration costs in respect of the Company's 20.1% interest in the Atrush Block and assumes these works will commence in the year 2032. The estimated costs have been discounted to net present value using a Bank of Canada long term bond yield rate of 1.85% (2018 year-end: 2.18%) and an inflation rate of 1.52% (2018 year-end: 1.91%). Continued Atrush development, a lower inflation rate and a lower discount rate resulted in an increase in the provision by $0.1 million in the first three months of 2019.

17. Share capital

The Company is authorised to issue an unlimited number of common shares with no par value. The Company's issued share capital is as follows:

	Number of shares	Share capital
At January 1, 2018	**2,158,631,534**	**637,538**
At December 31, 2018	**2,158,631,534**	**637,538**
Shares issued as borrowing cost	2,000,000	150
At March 31, 2019	**2,160,631,534**	**637,688**

On January 23, 2019, the Company issued to Nemesia 2,000,000 common shares of ShaMaran in accordance with the terms of the Liquidity Guarantee.

(Expressed in thousands of United States dollars unless otherwise stated)

Refer also to Notes 8 and 15.

18. Financial instruments

Financial assets

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

	Carrying and fair values [1]	
	At March 31, 2019	**At December 31, 2018**
Cash and cash equivalents, unrestricted [2]	37,822	24,586
Loans and receivables [2]	20,223	26,385
Other receivables [2]	107	110
Cash and cash equivalents, restricted [2]	53	67,884
Total financial assets	**58,205**	**118,965**

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

Financial liabilities

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

	Fair value hierarchy [4]	**Carrying values**	
		At March 31, 2019	**At December 31, 2018**
Borrowings [3]	Level 2	189,448	236,717
Accrued interest on bonds		5,447	14,080
Accounts payable and accrued expenses [2]		4,931	3,875
Current tax liabilities		22	16
Total financial liabilities		**199,848**	**254,688**

Financial liabilities are initially recognised at the fair value of the amount expected to be paid and are subsequently measured at amortised cost using the effective interest rate method.

[1] The carrying amount of the Company's financial assets approximate their fair values at the balance sheet dates.

[2] No valuation techniques have been applied to establish the fair value of these financial instruments as they are either cash and cash equivalents, correspond to payment terms fixed by contract or, due to the short-term nature, are readily convertible to or settled with cash and cash equivalents.

[3] The fair value of the Company's borrowings at the balance sheet date was $190 million (December 31, 2018: $240 million). The fair value has been determined based on quoted market prices of similar bonds held by similar companies within the industry.

[4] *Fair value measurements*

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy of three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1: fair value measurements are based on unadjusted quoted market prices;
- Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices;
- Level 3: fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data.

(Expressed in thousands of United States dollars unless otherwise stated)

19. Commitments and contingencies

As at March 31, 2019 the outstanding commitments of the Company were as follows:

	For the year ended March 31,				
	2020	**2021**	**2022**	**Thereafter**	**Total**
Atrush Block development and PSC	38,817	120	120	1,328	40,385
Office and other	39	-	-	-	39
Total commitments	**38,856**	**120**	**120**	**1,328**	**40,424**

Amounts relating to Atrush Block development represent the Company's unfunded paying interest share of the approved 2019 work program and other obligations under the Atrush PSC.

Under the terms of the Atrush PSC the Company will owe a share of production bonuses payable to the KRG when cumulative oil production from Atrush reaches production milestones defined in the Atrush PSC as follows: $13.3 million at 25 million barrels (ShaMaran share: $3.6 million); and $23.3 million at 50 million barrels (ShaMaran share: $6.2 million).

20. Related party transactions

Transactions with corporate entities

	Purchases of services for the three months ended		Amounts owing at the balance sheet dates,	
	March 31, 2019	**March 31, 2018**	**March 31, 2019**	**December 31, 2018**
Namdo Management Services Ltd.	12	13	-	-
Lundin Petroleum AB	-	52	-	-
Bennett-Jones	-	6	-	-
Total	**12**	**71**	**-**	**-**

Namdo Management Services Ltd. is a private corporation affiliated with a shareholder of the Company and has provided corporate administrative support and investor relations services to the Company.

The Company received services from various subsidiary companies of Lundin Petroleum AB ("Lundin"), a shareholder of the Company until June 21, 2018 when Lundin sold its ShaMaran shares. Lundin is not considered a related party in 2019.

Bennett-Jones is a law firm in which an officer of the Company was a partner and has provided legal services to the Company. The officer retired from Bennett-Jones at the end of 2018 therefore Bennett-Jones is not considered a related party in 2019.

Nemesia is a new related party in 2019 after the Company issued Nemesia 2,000,000 common shares of ShaMaran on January 23, 2019, in exchange for providing the Liquidity Guarantee.

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm's length.

Refer also to Note 15.

SHAMARAN PETROLEUM CORP.

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Director, Chairman
Florida, U.S.A.

Chris Bruijnzeels
Director, President & Chief Executive Officer
Geneva, Switzerland

Brian D. Edgar
Director
Vancouver, British Columbia

Terry L. Allen
Director
Calgary, Alberta

Michael Ebsary
Director
Geneva, Switzerland

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Brenden Johnstone
Chief Financial Officer
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Kevin E. Hisko
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STOCK EXCHANGE LISTINGS
TSX Venture Exchange and
NASDAQ First North Exchange
Trading Symbol: SNM

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