



NEWS RELEASE

SHAMARAN 2015 YEAR END FINANCIAL AND OPERATING RESULTS

March 18, 2016 - ShaMaran Petroleum Corp. ("ShaMaran" or the "Company") (TSX VENTURE: SNM) (NASDAQ OMX: SNM) is pleased to announce its financial and operating results for the year ended December 31, 2015. Unless otherwise stated all currency amounts indicated as "\$" in this news release are expressed in thousands of United States dollars.

Construction of the 30,000 bopd Atrush Phase 1 Production Facility ("Production Facility") is in progress. Substantially all equipment has been delivered to site and has been installed. Construction and erection of pipe racks is substantially complete. Pipe fabrication and welding is progressing. Pulling and terminating of electrical and instrument cable is ongoing and instrumentation is being installed. Based on progress to date, commissioning of the Production Facility is targeted for the second quarter of 2016, with first oil production to follow in mid 2016.

Work on the dedicated feeder pipeline to be constructed between the Production Facility and the tie-in point on the main export pipeline is progressing. The pipeline contractor has mobilised and work on the right of way for the pipeline section within the Atrush Block is in progress. Pipeline installation work is scheduled to start towards the end of the first quarter of 2016. The pipeline is expected to be completed in time for the targeted first oil production date.

The Operator plans to complete the Atrush-2 and Atrush-4 wells prior to first production. Four producing wells, all equipped with ESPs, are planned to be available for production at start up.

Chris Bruijnzeels, President and CEO of ShaMaran, commented "We are very pleased with the progress made. Despite adverse weather and a prolonged closure of the Turkey-Kurdistan border, the facilities construction project remains on schedule for commissioning in the second quarter of 2016. Pipeline work has started and is scheduled to be completed prior to first oil and will also depend on progress being made on the section outside the Atrush Block for which the Kurdistan Regional Government is responsible."

FINANCIAL AND OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015

During the reporting period the Company continued its appraisal and development campaign in respect of the Atrush petroleum property located in the Kurdistan Region of Iraq which constitutes the continuing operations of the Company. Atrush currently generates no revenues.

Financial Results

The Company reports a net loss of \$252.9 million in 2015 which was primarily driven by a non cash impairment loss on the Company's oil and gas assets as well as by routine general and administrative expenses, share based payment expenses and finance cost, the substantial portion of which was expensed borrowing costs on the Company's senior secured bonds. These charges have been offset by interest income on cash held in short term deposits and by foreign exchange gains.

Consolidated Statement of Comprehensive Income

(Audited, expressed in thousands of United States Dollars)

	For the year ended December 31,	
	2015	2014
Expenses from continuing operations		
Depreciation and amortisation expense	(56)	(53)
Share based payments expense	(1,210)	(307)
General and administrative expense	(2,359)	(1,548)
Impairment loss	(244,557)	-
Loss before finance items and income tax expense	(248,182)	(1,908)
Finance income	681	108
Finance cost	(5,321)	(5,304)
Net finance cost	(4,640)	(5,196)
Loss before income tax expense	(252,822)	(7,104)
Income tax expense	(94)	(109)
Loss from continuing operations	(252,916)	(7,213)
Discontinued operations		
Net income from discontinued operations	33	213
Loss for the year	(252,883)	(7,000)
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(18)	(92)
Total other comprehensive loss	(18)	(92)
Total comprehensive loss for the year	(252,901)	(7,092)

Consolidated Balance Sheet*(Audited, expressed in thousands of United States Dollars)*

	As at December 31,	
	2015	2014
Assets		
Non-current assets		
Property, plant and equipment	177,044	172
Intangible assets	88,645	429,277
	265,689	429,449
Current assets		
Cash and cash equivalents, unrestricted	30,409	16,062
Cash and cash equivalents, restricted	1,512	41,142
Other current assets	200	1,605
	32,121	58,809
Total assets	297,810	488,258
Liabilities and equity		
Current liabilities		
Accounts payable and accrued expenses	9,560	14,207
Accrued interest expense on bonds	2,252	2,252
Current tax liabilities	31	41
	11,843	16,500
Non-current liabilities		
Borrowings	148,263	147,657
Provisions	8,080	1,846
	156,343	149,503
Liabilities associated with discontinued operations	-	51
Total liabilities	168,186	166,054
Equity		
Share capital	593,179	534,068
Share based payments reserve	6,235	5,025
Cumulative translation adjustment	(83)	(65)
Accumulated deficit	(469,707)	(216,824)
Total equity	129,624	322,204
Total liabilities and equity	297,810	488,258

Total assets decreased during 2015 by \$190.5 million due to the \$252.9 million net loss which was offset by sources of financing of \$59 million through the issue of share capital on the Rights Offering, \$2.1 million in increased liabilities and \$1.2 million increased share based payments reserve relating to the amortization of share options.

Property, plant & equipment ("PP&E") assets increased by \$176.9 million during the year 2015 due to the transfer in November 2015 of \$410.5 million of carrying value from intangible assets which are related to the Atrush Block proved and probable reserves as well as further additions of \$11.0 million in December 2015 and were offset by an impairment loss of \$244.6 million, which is due principally to depressed world oil prices.

The decrease in intangible assets by \$340.6 million during 2015 is due to additions of \$69.9 million relating to Atrush Block appraisal and development activities and the November transfer to PP&E of carrying costs of \$410.5 million.

Consolidated Cash Flow Statement*(Audited, expressed in thousands of United States Dollars)*

	For the year ended December 31,	
	2015	2014
Operating activities		
Net loss from continuing operations	(252,916)	(7,213)
Adjustments for:		
Impairment loss	244,557	-
Interest expense on senior secured bonds – net	5,285	5,286
Share based payments expense	1,210	307
Depreciation and amortisation expense	56	53
Unwinding discount on decommissioning provision	36	19
Interest income	(189)	(65)
Foreign exchange gain	(492)	(43)
Changes in other current assets	1,405	(1,411)
Changes in current tax liabilities	(10)	(51)
Changes in accounts payable and accrued expenses	(2,147)	6,749
Cash used in discontinued operations	(18)	(661)
Net cash (outflows to) / inflows from operating activities	(3,223)	2,970
Investing activities		
Interest received on cash deposits	189	65
Purchase of property, plant and equipment	(4,311)	(81)
Purchases of intangible assets	(60,271)	(71,040)
Net cash outflows to investing activities	(64,393)	(71,056)
Financing activities		
Shares issued on Rights Offering	60,462	-
Transaction costs on Rights Offering	(1,351)	-
Interests payments to bondholders	(17,250)	(17,250)
Net cash inflows from / (outflows to) financing activities	41,861	(17,250)
Effect of exchange rate changes on cash and cash equivalents	472	(48)
Change in cash and cash equivalents	(25,283)	(85,384)
Cash and cash equivalents, beginning of the year	57,204	142,588
Cash and cash equivalents, end of the year*	31,921	57,204
*Inclusive of restricted cash	1,512	41,142

The decrease by \$25.3 million in the cash position of the Company during 2015 was due to cash outflows of \$64.6 million on Atrush Block development and appraisal activities, \$17.2 million of cash interest payments made to bondholders, \$2.3 million of cash out on G&A and other cash expenses, \$0.3 million of cash outflows on working capital items and to cash inflows of \$59.1 million from the issuance of shares of the Company on the Rights Offering.

Operating Results

Production Facility and Export Pipeline

- Construction of the 30,000 bopd Production Facility is in progress. Most equipment has been delivered to site and has been installed. The civil works for critical individual facilities are complete and non-critical civil works are proceeding according to schedule. A tank farm has been installed. Construction and erection of pipe racks is substantially complete. Pipe fabrication and welding is progressing. Pulling and terminating of electrical and instrument cable is ongoing and instrumentation is being installed. Based on progress to date, commissioning of the Production Facility is targeted for the second quarter of 2016, with first oil production to follow in mid 2016.
- Work on the dedicated feeder pipeline to be constructed between the Production Facility and the tie-in point on the main export pipeline is progressing. On November 1, 2015 an engineering, procurement and construction contract for the pipeline to be constructed within the Atrush Block was signed. Actual construction work is scheduled to start towards the end of the first quarter of 2016. The pipeline is expected to be completed in time for the targeted first oil production date.

Well Results

- The Atrush-3 eastern area appraisal well was re-entered in January 2015 and tested at a maximum oil rate of 4,900 bopd of 14° API oil using an electrical submersible pump (“ESP”). The well was originally drilled in 2013.
- The Chiya Khere-5 development well was successfully tested in June 2015. Three well tests were carried out using an ESP, confirming excellent well productivity. During the main test period an average rate of 5,000 bopd 25° API oil was established with a constrained drawdown.
- The Chiya Khere-8 development well was re-entered and tested in August 2015. Two well tests were carried out producing 4,200 bopd each using an ESP. For the first time medium gravity 24° API oil was tested from the Mus formation.

Corporate Highlights

- On January 19, 2015 the Company effected changes to its senior management and Board of Directors (the “Board”). Mr. Chris Bruijnzeels was appointed as the President and Chief Executive Officer of ShaMaran and as a member of the Board replacing Mr. Pradeep Kabra who resigned from these positions. Mr. C. Ashley Heppenstall was also appointed as a member of the Board while Mr. Alex Schneider and Mr. J. Cameron Bailey have resigned their positions as members of the Board, all with effect from January 19, 2015. In connection with the changes in senior management and the Board the Company approved on January 19, 2015 a grant of an aggregate of 26,000,000 incentive stock options with an exercise price of CAD 0.115, to certain senior officers and directors of the Company.
- ShaMaran raised funds of \$59.1 million (net of transaction costs) through the issuance of an aggregate of 754,214,990 common shares of the Company in February 2015. The shares were issued further to an offering of rights to existing shareholders of the Company to purchase shares of ShaMaran at an exercise price of CAD 0.10 per share.
- On February 15, 2016 the Company reported updates to estimated reserves and contingent resources for the Atrush block as of December 31, 2015. Total oil in place is estimated at 1.5 to 2.8 billion barrels, with Total Field Proven plus Probable (“2P”) Reserves on a property gross basis increasing from 61.5 million barrels (“MMbbl”) to 85.1 MMbbl, an increase of 38 percent. Total Field Unrisked Best Estimate Discovered Recoverable Resources (“2P + 2C”)¹ on a property gross basis increased from 372 million barrels oil equivalent (MMboe)² to 389 MMboe.

¹ 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.

² Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 million cubic feet (“Mcf”) per one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

- The Company announced on March 14, 2016 a financing arrangement which has been proposed (the “Proposed Financing Arrangement”) to holders of the \$150 million bonds (the “Existing Bonds”) of General Exploration Partners. Inc. (“GEP”), a wholly owned subsidiary of ShaMaran. The Proposed Financing Arrangement would provide the Company with additional liquidity in 2016 of approximately \$33 million based on the issuance of \$17 million of additional super senior bonds (\$16 million proceeds net of transaction costs) and provide terms for the Company to pay bond coupon interest in kind by issuing additional bonds, including approximately \$17 million of 2016 coupon interest. The Proposed Financing Arrangement would also provide holders of the Existing Bonds the option to convert up to \$18 million of Existing Bonds at face value into ShaMaran common shares at market price following approval of the Proposed Financing Arrangement. GEP has entered into an agreement to underwrite the new super senior bonds with ShaMaran’s major shareholders, Lorito Holdings SARL and Zebra Holdings and Investments SARL, companies owned by the Lundin Family Trust.

OUTLOOK

Production Facility

Construction of the 30,000 bopd Production Facility will continue. Commissioning of the Production Facility is targeted for the second quarter 2016 with first oil to follow in mid 2016.

Water injection facilities are planned to be installed in 2016.

Oil Export Pipeline

A contract for the engineering, procurement and construction of the pipeline to be constructed within the Atrush Block was signed on November 1, 2015 by TAQA and a KRG approved pipeline contractor. Construction is scheduled to start end of the first quarter of 2016 and the pipeline is expected to be completed in time for first oil production. The KRG is responsible for constructing the pipeline section from the Atrush block boundary to the tie-in point on the main export pipeline, which the Company expects to also be completed in time for the targeted first oil date.

Wells

The Operator plans to complete the Atrush-2 and Atrush-4 wells prior to first production. Four producers, all equipped with ESPs, are planned to be available for production at start up.

The 2016 work program includes the drilling and completion of a dedicated water disposal well and the drilling of an appraisal and development well.

ANNUAL GENERAL MEETING

The Company also announces that the Annual General Meeting of Shareholders will be held on Wednesday, June 15, 2016, at 8:00 a.m. (Vancouver time) at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

ABOUT SHAMARAN

ShaMaran Petroleum Corp. is a Kurdistan focused oil development and exploration company with a 26.8% direct interest in the Atrush oil discovery until such time that the Kurdistan Regional Government has completed the exercise of its right to acquire up to a 25% interest. The Atrush Block is currently undergoing an appraisal and development campaign.

ShaMaran is a Canadian oil and gas company listed on the TSX Venture Exchange and the NASDAQ OMX First North Exchange (Stockholm) under the symbol "SNM". Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. Pareto Securities AB is the Company’s Certified Advisor on NASDAQ OMX First North.

The Company's condensed interim consolidated financial statements, notes to the financial statements and management's discussion and analysis have been filed on SEDAR (www.sedar.com) and are also available on the Company's website (www.shamaranpetroleum.com).

FORWARD LOOKING STATEMENTS

This news release contains statements and information about expected or anticipated future events and financial results that are forward-looking in nature and, as a result, are subject to certain risks and uncertainties, such as legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. Any statements that are contained in this news release that are not statements of historical fact may be deemed to be forward-looking information. Forward-looking information typically contains statements with words such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "projects", "potential", "scheduled", "forecast", "outlook", "budget" or the negative of those terms or similar words suggesting future outcomes. The Company cautions readers regarding the reliance placed by them on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company.

Actual results may differ materially from those projected by management. Further, any forward-looking information is made only as of a certain date and the Company undertakes no obligation to update any forward-looking information or statements to reflect events or circumstances after the date on which such statement is made or reflect the occurrence of unanticipated events, except as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management of the Company to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information.

FOR FURTHER INFORMATION PLEASE CONTACT:

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Shamaran Petroleum Corp.
Annual Report
For the year ended December 31, 2015

SHAMARAN PETROLEUM CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

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 March 16, 2016. The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015 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 an oil development and exploration company with a 26.8% direct interest in the Atrush Block production sharing contract ("PSC") relating to a property located in the Kurdistan Region of Iraq ("Kurdistan")¹. Atrush is currently in the pre-production stage of the first phase of the development program ("Phase 1"). Phase 1 of field development consists of installing and commissioning production facilities with 30,000 barrels of oil per day ("bopd") capacity and the drilling and completion of five production wells to supply the production facility. The oil discovery on the Atrush petroleum property is continuously being appraised.

ShaMaran is a Canadian oil and gas company listed on the TSX Venture Exchange and the NASDAQ OMX First North Exchange (Stockholm) under the symbol "SNM".

HIGHLIGHTS

Production Facility and Export Pipeline

- Construction of the 30,000 bopd Atrush Phase 1 Production Facility ("Production Facility") is in progress. Most equipment has been delivered to site and has been installed. The civil works for critical individual facilities are complete and non-critical civil works are proceeding according to schedule. A tank farm has been installed. Construction and erection of pipe racks is substantially complete. Pipe fabrication and welding is progressing. Pulling and terminating of electrical and instrument cable is ongoing and instrumentation is being installed. Based on progress to date, commissioning of the Production Facility is targeted for the second quarter of 2016, with first oil production to follow in mid 2016.
- Work on the dedicated feeder pipeline to be constructed between the Production Facility and the tie-in point on the main export pipeline is progressing. On November 1, 2015 an engineering, procurement and construction contract for the pipeline to be constructed within the Atrush Block was signed. Actual construction work is scheduled to start towards the end of the first quarter of 2016. The pipeline is expected to be completed in time for the targeted first oil production date.

Well Results

- The Atrush-3 ("AT-3") eastern area appraisal well was re-entered in January 2015 and tested at a maximum oil rate of 4,900 bopd of 14° API oil using an electrical submersible pump ("ESP"). The well was originally drilled in 2013.
- The Chiya Khere-5 ("CK-5") development well was successfully tested in June 2015. Three well tests were carried out using an ESP, confirming excellent well productivity. During the main test period an average rate of 5,000 bopd 25° API oil was established with a constrained drawdown.

¹ The Kurdistan Regional Government ("KRG") holds a right under the Atrush Block PSC to acquire up to a 25% undivided interest in the PSC.

- The Chiya Khire-8 (“CK-8”) development well was re-entered and tested in August 2015. Two well tests were carried out producing 4,200 bopd each using an ESP. For the first time medium gravity 24° API oil was tested from the Mus formation.

Corporate

- On January 19, 2015 the Company effected changes to its senior management and Board of Directors (the “Board”). Mr. Chris Bruijnzeels was appointed as the President and Chief Executive Officer of ShaMaran and as a member of the Board replacing Mr. Pradeep Kabra who resigned from these positions. Mr. C. Ashley Heppenstall was also appointed as a member of the Board while Mr. Alex Schneider and Mr. J. Cameron Bailey have resigned their positions as members of the Board, all with effect from January 19, 2015. In connection with the changes in senior management and the Board the Company approved on January 19, 2015 a grant of an aggregate of 26,000,000 incentive stock options with an exercise price of CAD 0.115, to certain senior officers and directors of the Company. Refer also to the “Outstanding Share Data” section below.
- ShaMaran raised funds of \$59.1 million (net of transaction costs) through the issuance of an aggregate of 754,214,990 common shares of the Company in February 2015. The shares were issued further to an offering of rights to existing shareholders of the Company to purchase shares of ShaMaran at an exercise price of CAD 0.10 per share.
- On February 15, 2016 the Company reported updates to estimated reserves and contingent resources for the Atrush block as of December 31, 2015. Total oil in place is estimated at 1.5 to 2.8 billion barrels, with Total Field Proven plus Probable (“2P”) Reserves on a property gross basis increasing from 61.5 million barrels (“MMbbl”) to 85.1 MMbbl, an increase of 38 percent. Total Field Unrisked Best Estimate Discovered Recoverable Resources (“2P + 2C”)² on a property gross basis increased from 372 million barrels oil equivalent (MMboe)³ to 389 MMboe.
- The Company announced on March 14, 2016 a financing arrangement which has been proposed (the “Proposed Financing Arrangement”) to holders of the \$150 million bonds (the “Existing Bonds”) of General Exploration Partners, Inc. (“GEP”), a wholly owned subsidiary of ShaMaran. The Proposed Financing Arrangement would provide the Company with additional liquidity in 2016 of approximately \$33 million based on the issuance of \$17 million of additional super senior bonds (\$16 million proceeds net of transaction costs) and provide terms for the Company to pay bond coupon interest in kind by issuing additional bonds, including approximately \$17 million of 2016 coupon interest. The Proposed Financing Arrangement would also provide holders of the Existing Bonds the option to convert up to \$18 million of Existing Bonds at face value into ShaMaran common shares at market price following approval of the Proposed Financing Arrangement. GEP has entered into an agreement to underwrite the new super senior bonds with ShaMaran’s major shareholders, Lorito Holdings SARL and Zebra Holdings and Investments SARL, companies owned by the Lundin Family Trust.

OPERATIONS

ShaMaran, through its wholly owned subsidiary, General Exploration Partners, Inc., holds a 26.8% direct interest in the Atrush Block PSC. TAQA Atrush B.V. (“TAQA”), a subsidiary of Abu Dhabi National Energy Company PJSC, is the Operator of the Atrush Block with a 53.2% direct interest, Marathon Oil KDV B.V. (“MOKDV”) holds a 20% direct interest. GEP, MOKDV and TAQA together are “the Contractors” to the PSC.

The Atrush Block PSC relates to a petroleum property located in Kurdistan in the northern extension of the Zagros Folded Belt and adjacent to several major oil discoveries.

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 to supply the Production Facility. To date four Phase 1 production wells have been drilled and tested, and a further two appraisal wells have been drilled and tested with the objective of further delineating the field towards the east. Good reservoir communication has been proven between the east and the west part of the field.

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.

³ Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 million cubic feet (“Mcf”) per one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Ownership and Principal PSC Terms

In August 2010 the Company acquired a 33.5% shareholding in GEP which then held an 80% working interest in the Atrush Block 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 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 a 26.8% direct interest in the PSC.

Fiscal terms under the 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 Contractor Group is 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 Contractor Group is 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%.

Under the terms of the PSC the KRG has the option of participating as a Contractor Entity with an undivided interest in the petroleum operations and all the other rights, duties, obligations and liabilities of the Contractor in the PSC, of up to 25% and not less than 5%. Upon exercise of this option the government becomes liable for its share of the petroleum costs incurred on or after the first commercial declaration date.

On March 12, 2013 the KRG communicated its intention to exercise a right to acquire an interest in the Atrush Block PSC in accordance with the terms of the PSC. At the date of this MD&A discussions between the Contractors and the KRG to effect the exercise of the right were in progress but the process of exercising the right was not complete.

Current Operations

Production Facility and Pipeline

30,000 bopd Atrush Phase 1 Production Facility: Construction of the Production Facility is in progress. Most equipment has been delivered to site and has been installed. The civil works for critical individual facilities are complete and non-critical civil works are proceeding according to schedule. A tank farm has been installed. Construction and erection of pipe racks is substantially complete. Pipe fabrication and welding is progressing. Pulling and terminating of electrical and instrument cable is ongoing and instrumentation is being installed.

Severe winter conditions, limitations in availability of skilled personnel and unanticipated border closures have put strain on the schedule. Additional personnel have been mobilised and a double shift system has been put in place to ensure delivery as per schedule. Commissioning is scheduled in the second quarter of 2016. First oil is targeted for mid 2016.

The CK-5 and CK-8 development wells were successfully tested and completed in the year 2015. The Operator plans to complete the previously tested Atrush-2 ("AT-2") and Atrush-4 ("AT-4") wells in 2016 prior to first production. All four wells are to be connected to the Production Facility and ready for production prior to start-up.

Atrush Feeder Pipeline: A dedicated feeder pipeline between the Production Facilities and the tie-in point on the main export pipeline at Kurdistan Crude Pipeline pumping station #2 ("KCP2") at kilometre 92 is to be constructed. An engineering, procurement and construction contract for the section of pipeline to be constructed within the Atrush Block was signed on November 1, 2015 by TAQA and KAR Company for Construction Contracting, Engineering Consultancy, Electrical and Mechanical Contracting and Real Estate Investment Limited. Engineering and design is substantially complete, procurement is ongoing and actual construction is to start towards the end of the first quarter of 2016. The KRG is responsible for the construction of the section of the pipeline from the block boundary to the tie-in point on the main export pipeline. The pipeline is expected to be completed in time for the targeted first oil production date.

The feeder pipeline scope includes a pump station, a 6 kilometre 10 inch section from the Production Facilities crossing the Chiya Khere mountain followed by a 33 kilometre 12 inch section up to KCP2.

Appraisal and Development Wells

Atrush-3 Re-entry and Re-test: The AT-3 eastern appraisal well was re-entered in order to finish the inconclusive well testing program announced on August 26, 2013. The test, which was concluded in January 2015, consisted of a single commingled interval through two sets of 12-metre perforations in the Naokelekan and Lower Sargelu formations, which tested at a maximum oil rate of 4,900 bopd, using an ESP. Oil gravity was measured at 14 degrees API.

Chiya Khere-5⁴ Phase 1 Development Well: The CK-5 development well was drilled and suspended in June 2014. The well was re-entered in May 2015 and three well tests (“DST”) using an electrical submersible pump were carried out:

- DST#1 was conducted over a 24-metre interval in the Mus formation. The interval tested at an average oil rate of 750 bopd (barrels of oil per day) with a final water cut of less than 1 percent. Oil gravity was measured at 16 degrees API.
- DST#2 was conducted over a perforated 118-metre interval in the Lower Sargelu formation. The interval tested at an average oil rate of 5,000 bopd with a constrained drawdown during the main test period, with a zero final water cut. Oil gravity was measured around 25 degrees API.
- DST#3 was conducted over a perforated 12-metre interval within the Naokelekan formation. The interval tested at a maximum flow rate of 1,600 bopd with a zero final water cut and a measured oil gravity similar to DST #2.

Chiya Khere-8 Phase 1 Development Well: The CK-8 development well was drilled and suspended in September 2014. The well was re-entered in July 2015 and two well tests using an ESP were carried out:

- DST#1 was conducted over a 24-metre interval in the Mus formation. The interval tested at a final average oil rate of 4,200 bopd (barrels of oil per day) with no water cut. Oil gravity was measured at approximately 24 degrees API.
- DST#2 was conducted over a perforated 60-metre interval in the Lower Sargelu formation. The interval tested at an average oil rate of 4,200 bopd with a small drawdown and achieved a maximum rate of 8,200 bopd, with a zero final water cut. Oil gravity was measured around 26 degrees API.

Location and Operational History

The Atrush Block is located approximately 85 kilometres northwest of Erbil, the capital of Kurdistan, and is 269 square kilometres in area. Oil has been proven in Jurassic fractured carbonates in the Chiya Khere structure and is estimated to contain between 1.5 and 2.8 billion barrels of oil in place. The structure is expressed at surface by the Chiya Khere mountain, which runs east-west for approximately 25 kilometres with an approximate width of 3.5 kilometres.

In the year 2008 GEP acquired 143 kilometres of 2D seismic data covering the Atrush Block. In April 2011 the Atrush structure was confirmed as an oil discovery by the Atrush-1 (“AT-1”) exploration well. This was followed by the AT-2 appraisal well in July 2012. 3D seismic covering the entire Atrush Block was acquired between July 2011 and August 2012 and a Declaration of Commerciality made on November 7, 2012. The eastern part of the field was successfully appraised in June 2013 by the AT-3 well.

The AT-2 appraisal well was drilled to a depth of 1,750 metres below the base of Jurassic reservoir section, which was reached in July 2012. The Company announced on September 13, 2012 the results of the comprehensive AT-2 well testing program which confirmed through three separate DSTs the AT-1 Jurassic oil discovery. Individual test rates for the three Jurassic DSTs, constrained by surface testing equipment, were over 10,000 bopd (approximately 27 degree API) and confirmed the significant potential for production from the highly fractured Jurassic reservoir. An additional two DSTs conducted in two deeper Jurassic formations confirmed them to be oil bearing and productive, with test rates limited by gas lift. GEP submitted in October 2012 to the Ministry of Natural Resources (“MNR”) of Kurdistan an AT-2 Discovery Report giving notice of the additional discovery formations in the lower part of the Jurassic.

On November 7, 2012 GEP and MOKDV, collectively being the Contractor under the Atrush Block PSC at that time, submitted to the Atrush Block Management Committee a Declaration of Commercial Discovery (“DCD”) with effect from November 7, 2012 under Clause 12.6 (a) of the PSC. The DCD was submitted together with an Appraisal Report covering the Atrush field.

⁴ Approved changes to terminology relating to the Atrush Block, effective from 2014, include well names. Following the Atrush-4 well all future wells on the Atrush Block will be prefixed with “Chiya Khere” (or “CK”) rather than with “Atrush”.

The AT-3 eastern area appraisal well was spudded on March 25, 2013 and, after a top hole sidetrack due to mechanical issues, the well was drilled to a measured depth of 1,806 metres which was reached on June 23, 2013. The well encountered an estimated oil column of 286 metres in the Jurassic reservoir and successfully extended the Atrush accumulation 6.5 kilometres further to the east, while proving producible oil 180 metres deeper than previous wells thereby reducing the uncertainty on the Oil Water Contact/Free Water Level. AT-3 was suspended pending the planned re-entry and successful retest in January 2015.

In June 2013 an interference test was conducted between AT-1 and AT-2. The wells, which are 3.1 kilometres apart, confirmed excellent pressure communication and multi Darcy horizontal permeability through the fracture system in the Jurassic reservoir. This reservoir connectivity was further confirmed, as announced by the Company in February 2015, by pressure communication between the tested Chiya Khere-6 ("CK-6") and AT-3 wells and the AT-2 well, over a distance of 6.5 kilometres, demonstrating that the eastern appraisal area is in pressure communication with the Phase 1 development area.

The Atrush Block Field Development Plan ("FDP") was submitted for approval to the KRG on May 6, 2013, in accordance with the terms of the PSC within 180 days after the DCD made on November 7, 2012. The FDP was presented in detail to the MNR in June 2013. Phase 1 of the FDP was duly approved with an effective date October 1, 2013.

On October 7, 2013 the Company announced that Phase 1 of the FDP for the Atrush Block had been approved by the KRG. The initial 20-year Development Phase (as defined in Clause 12.9 of the PSC) commenced on the October 1, 2013.

Following submission of the FDP the AT-1 discovery well was determined to be unsuitable for long-term production and was plugged and abandoned in October 2013.

In 2014 three development wells were drilled. The AT-4 well was drilled up-dip towards the undrilled crest of the structure from the AT-1 drilling site and tested 27-28 API oil at a combined rate of 9,059 bopd from two of the intervals tested. The CK-5 well was deviated from the same Chamanke-A well pad with the bottom hole location in the Butmah formation approximately 870 metres west southwest of the surface location, penetrating a gross vertical oil column of approximately 540 metres. CK-8 was also drilled from the same well pad and found the reservoir much higher than expected some 1.4 kilometres east southeast of the surface location. CK-5 and CK-8 were suspended awaiting testing in 2015.

In 2014 CK-6, an eastern area appraisal well, was drilled from the Chamanke-C well pad and reached the Jurassic reservoir approximately 139 metres structurally higher than the nearby AT-3 well, approximately 600 metres South-southeast of the surface location. Three well tests were conducted, showing excellent reservoir quality and demonstrating producible oil as deep as -460mSL, nearly 200m deeper than the equivalent interval that successfully tested the higher viscosity oil in the AT-2 well.

SELECTED ANNUAL FINANCIAL INFORMATION

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

(In \$000, except per share data)

	For the year ended December 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Continuing operations:			
Impairment loss	(244,557)	-	(84)
General and administrative expense	(2,359)	(1,548)	(2,393)
Share based payments expense	(1,210)	(307)	(882)
Depreciation and amortisation expense	(56)	(53)	(65)
Finance cost	(5,321)	(5,304)	(740)
Finance income	681	108	28
Income tax expense	(94)	(109)	(87)
Net loss from continuing operations	(252,916)	(7,213)	(4,223)
Discontinued operations:			
Gain on release of excess accrued windup costs	46	-	-
Gain on release of excess site restoration provisions	-	228	981
Expenses	(13)	(15)	(46)
Net income from discontinued operations	33	213	935
Net loss	(252,883)	(7,000)	(3,288)
Basic loss in \$ per share:			
Continuing operations	(0.17)	(0.01)	(0.01)
Discontinued operations	-	-	-
	(0.17)	(0.01)	(0.01)
Diluted loss in \$ per share:			
Continuing operations	(0.17)	(0.01)	(0.01)
Discontinued operations	-	-	-
	(0.17)	(0.01)	(0.01)

	As at December 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Financial position – principal items			
Total assets	297,810	488,258	487,954
Property Plant & Equipment – net book value	177,044	172	179
Exploration and evaluation assets – net book value	88,645	429,245	344,988
Working capital surplus	20,278	42,309	132,980
Borrowings	148,263	147,657	147,050
Shareholders' equity	129,624	322,204	328,989
Common shares outstanding (x 1,000)	1,579,768	810,984	810,984

Summary of Principal Changes in Annual Financial Information

The Company has reported in 2015 a net loss of \$252.9 million which was primarily driven by a non cash impairment loss on the Company's oil and gas assets as well as by routine general and administrative expenses, share based payment expenses and finance cost, the substantial portion of which was expensed borrowing costs on the Company's senior secured bonds. These charges have been offset by interest income on cash held in short term deposits and by foreign exchange gains. The principal changes in annual financial information are further explained in the sections below.

Results of Continuing Operations

The Company's continuing operations are comprised of the Phase 1 development program on the Atrush Block petroleum property which are currently in the pre-production stages and generate no revenue. The expenses and income items of continuing operations are explained in detail as follows:

Impairment loss

<i>In \$000</i>	For the year ended December 31,	
	2015	2014
Impairment loss on PP&E assets	244,557	-
Impairment loss	244,557	-

Due to a significant decline in world oil prices in the year 2015 the Company has conducted an impairment test to assess if the net book value of its oil and gas assets was recoverable. The impairment test is based on the production and cost profiles related to Atrush Block proved and probable reserves as estimated by the Company's independent reserves and resources evaluator, McDaniel and Associates Consultants Ltd ("McDaniel"), and used an oil price curve based on year end price forecasts, a future cost inflation factor of 2% per annum and a discount rate of 11.5% to calculate the net present value at December 31, 2015 of the Company's projected share of future cash flows of the Atrush Block proved and probable reserves to determine a recoverable value of \$177 million. Therefore a non-cash impairment loss of the Company's oil and gas assets has been recognized in the amount of \$244.6 million and included in the statement of comprehensive income for the year ended December 31, 2015.

General and administrative expense

<i>In \$000</i>	For the year ended December 31,	
	2015	2014
Salaries and benefits	3,079	2,903
Management and consulting fees	1,000	776
General and other office expenses	404	484
Listing costs and investor relations	300	364
Travel expenses	244	198
Legal, accounting and audit fees	167	161
General and administrative expense incurred	5,194	4,886
General and administrative expense capitalised as E&E and PP&E assets	(2,835)	(3,338)
General and administrative expense	2,359	1,548

The Company capitalises as exploration and evaluation ("E&E") and property, plant and equipment ("PP&E") assets general and administrative expenses supporting E&E and PP&E activities which relate to direct interest held in the Atrush PSC.

The higher general and administrative expense incurred in the year 2015 relative to the amount incurred in 2014 was principally due to employee termination expenses associated with the change in executive management in January 2015, additional consulting and travel activities relating to the Atrush project and to general business development, and increased travel in connection with the Rights Offering which closed in February 2015. The relative decrease in the amount of general and administrative expenses capitalised is mainly due to a reduction in the technical support staff employed on the Atrush project during the year 2015.

Share based payments expense

In \$000

	For the year ended December 31,	
	2015	2014
Share based payments expense	1,210	307

The share based payments expense results from the vesting of stock options granted in the years 2013 and 2015. A grant of 26,000,000 stock options to certain senior officers and directors of the Company was approved on January 19, 2015 (year 2013: 5,640,000; year 2014: nil). The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. The fair value of common share options granted is estimated on the date of grant using the Black-Scholes option pricing model.

Depreciation and amortisation expense

In \$000

	For the year ended December 31,	
	2015	2014
Depreciation and amortisation expense	56	53

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 cost

In \$000

	For the year ended December 31,	
	2015	2014
Interest charges on bonds at coupon rate	17,250	17,250
Amortisation of bond related transaction costs	606	607
Interest expense on borrowings	17,856	17,857
Unwinding discount on decommissioning provision	36	19
Total finance costs before borrowing costs capitalised	17,892	17,876
Borrowing costs capitalised as E&E and PP&E assets	(12,571)	(12,572)
Total finance costs	5,321	5,304

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised together with the qualifying assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. During the year 2015 the Company incurred interest expense relating to its \$150 million of senior secured bonds which carry an 11.5% fixed semi-annual coupon interest rate.

Finance income

In \$000

	For the year ended December 31,	
	2015	2014
Foreign exchange gain	492	43
Interest income	189	65
Total finance income	681	108

The foreign exchange gain in the year 2015 resulted primarily from holding net assets denominated in Canadian dollars while the CAD strengthened against the United States dollar, the reporting currency of the Company.

Interest income represents bank interest earned on cash and investments held in interest bearing term deposits. The increase in interest income reported in the year 2015 relative to the amount reported in 2014 is due to a relatively higher level of interest bearing term deposits held in 2015 due to the investment of bond proceeds and proceeds from the Rights Offering. Further information on the Rights Offering is included in the Outstanding Share Data section in this MD&A.

Income tax expense

In \$000

	For the year ended December 31,	
	2015	2014
Income tax expense	94	109

Income tax expense relates to provisions for income taxes on service income generated in Switzerland which is determined on the basis of costs incurred in procuring the services. The decrease in tax expense from the comparable reporting period is primarily due to lower taxable income in the Swiss subsidiary which decreased compared to 2014 due to foreign exchange losses on cash deposits held in Swiss francs in 2015.

Results of Discontinued Operations

The main components of discontinued operations are explained as follows:

Income

In \$000

	For the year ended December 31,	
	2015	2014
Gain on release of excess accrued windup costs	46	-
Gain on release of excess site restoration provisions	-	228
Total income	46	228

During the year 2015 the Company completed the windup of Summit Energy Company LLC, which was the lone remaining United States based operational subsidiary of the Company. The total cost to complete this exercise was less than the amount previously estimated and the excess accrued windup costs have been released resulting in a gain in the year 2015.

In the year 2014 the Company released excess site restoration provisions as the total cost to complete this was less than the amount previously estimated. Works to restore the sites pertaining to the interests the Company held in petroleum properties located in the United States were completed during the year 2014.

Expenses

In \$000

	For the year ended December 31,	
	2015	2014
Legal, accounting and audit fees	12	9
General and other office expenses	1	6
Total expenses	13	15

The decrease in expenses in the year 2015 relative to the amounts incurred in the same period of 2014 is due to the reduction in activity associated with the Company's United States based discontinued operations following the sale in 2009 of the properties located there. The professional and general fees which the Company has incurred are related to the windup of its United States based operational subsidiaries.

Capital Expenditures on Property Plant & Equipment Assets

The net book value of oil and gas assets at December 31, 2015 are comprised of development costs related to the Company's share of Atrush Block proved and probable reserves as estimated by McDaniel (the "Atrush 2P reserves"). These costs are not subject to depletion until commencement of commercial production. The movements in PP&E are explained as follows:

<i>In \$000</i>	For the year ended December 31,	
	2015	2014
Opening net book value	89	125
Additions	11,029	-
Transfer from intangible E&E	410,472	-
Impairment loss	(244,557)	-
Depreciation charge	(33)	(36)
Ending net book value	177,000	89

The additions to PP&E assets during the year 2015 of \$11.0 million were comprised of \$9.8 million of Atrush field development activity costs, \$1.0 million of capitalised borrowing costs and \$0.2 million of general and administrative support costs relating to Atrush Block PP&E activities.

In November 2015 an engineering, procurement and construction contract for a crude oil pipeline to be constructed within the Atrush Block was signed by TAQA and a KRG-approved pipeline contractor. The Company has determined that this development is sufficient to confirm the technical and commercial feasibility of its proved and probable reserves. Accordingly, \$410.5 million of costs related to the Atrush 2P reserves were transferred from intangible assets to PP&E in 2015.

Due to a significant decline in world oil prices in the year 2015 the Company has conducted an impairment test to assess if the net book value of its oil and gas assets was recoverable. The impairment test is based on McDaniel's production and cost profiles related to Atrush 2P reserves and used an oil price curve based on year end price forecasts, a future cost inflation factor of 2% per annum and a discount rate of 11.5% to calculate the net present value at December 31, 2015 of the Company's projected share of future cash flows of the Atrush 2P reserves to determine a recoverable value of \$177 million. Therefore a non-cash impairment loss of the Company's oil and gas assets has been recognized in the amount of \$244.6 million and included in the statement of comprehensive income for the year ended December 31, 2015.

A sensitivity analysis shows that a \$5/bbl decrease in the oil price would increase the impairment loss by \$16 million whereas a \$5/bbl increase in the oil price would decrease the impairment loss by \$14 million and a 1% increase in the discount rate used to calculate the net present value would increase the impairment loss by \$9 million while a 1% decrease in the discount rate would decrease the impairment loss by \$10 million. If expectations with regard to timing of cash flows are not met it could also result in additional impairment losses.

Capital Expenditures on Exploration and Evaluation Assets

The net book value of E&E assets at December 31, 2015 represents Atrush Block exploration and appraisal costs related to the Company's share of Atrush Block contingent resources as estimated by McDaniel (the "Atrush 2C resources"). The movements in E&E are explained as follows:

<i>In \$000</i>	For the year ended December 31,	
	2015	2014
Opening net book value	429,245	344,988
Additions	69,821	84,257
Transfer to PP&E	(410,472)	-
Ending net book value	88,594	429,245

The additions to E&E assets during the year 2015 of \$69.8 million (2014: \$84.3 million) were comprised of \$55.7 million (2014: \$68.4 million) in Atrush field exploration and appraisal costs, \$11.5 million (2014: \$12.6 million) of capitalised borrowing costs and general and administrative costs relating to Atrush Block E&E activities totalling \$2.6 million (2014: \$3.3 million). In November 2015 \$410.5 million of costs related to Atrush 2P reserves have been transferred from intangible assets to PP&E.

Due to a significant decline in world oil prices in the year 2015 the Company has conducted an impairment test to assess if the net book value of its E&E assets is recoverable. The impairment test is based on management's production and cost profiles related to the Atrush 2C resources and used an oil price curve based on year end price forecasts, a future cost inflation factor of 2% per annum and a discount rate of 11.5% to calculate the net present value at December 31, 2015 of the Company's projected share of future cash flows of the Atrush 2C resources. Since the net book value of E&E assets is less than its estimated recoverable value no related impairment loss has been recognized in the year 2015.

A sensitivity analysis shows that a \$5/bbl decrease in the oil price does not result in an impairment loss nor would a 1% increase in the discount rate used to calculate the net present value.

Borrowings

At December 31, 2015 GEP, a wholly owned indirect subsidiary of ShaMaran, had outstanding \$150 million of senior secured bonds which were listed in May 2014 on the Oslo Børs in Norway under the symbol "GEP01". The bonds have a five year maturity from their issuance date of November 13, 2013, carry an 11.5% fixed semi-annual coupon and were used to fund capital expenditures related to the development of the Atrush Block.

The bonds include an unconditional and irrevocable on-demand guarantee on a joint and several basis from ShaMaran and certain of the ShaMaran's direct and indirect subsidiaries and, among other arrangements, agreements which pledge all of the ordinary shares of GEP and ShaMaran's Swiss service subsidiary, ShaMaran Services SA, as security for GEP's bond related obligations, as well as an internal credit facility agreement among the Company and certain of its subsidiaries setting out the terms and conditions for intra-group credit to be made available amongst the parties.

Under the terms of the bond agreement all bond proceeds are held in accounts pledged to the bond trustee as security and may be accessed by the Company on prior authorisation of the bond trustee provided the proceeds are to be employed for prescribed purposes, most notably to fund the financing, development and operation of the Atrush Block, to service the first 24 months of bond coupon interest expense and to fund technical, management and administrative services of ShaMaran's subsidiary companies up to \$6 million per year over the term of the bonds. Of the Company's \$31.9 million total cash and cash equivalents at December 31, 2015 \$1.5 million was held in accounts pledged to the bond trustee.

The movements in borrowings are explained as follows:

<i>In \$000</i>	As at December 31,	
	2015	2014
Opening balance	149,909	149,302
Interest charges on bonds at coupon rate	17,250	17,250
Amortisation of bond related transaction costs	606	607
Interest payments to bondholders	(17,250)	(17,250)
Ending balance	150,515	149,909
- Current portion: accrued interest expense on bonds	2,252	2,252
- Non-current portion: borrowings	148,263	147,657

The remaining contractual obligations comprising repayment of principal and interest expense, based on undiscounted cash flows at payment date and assuming the bonds are not early redeemed, are as follows:

<i>In \$000</i>	As at December 31,	
	2015	2014
Less than one year	17,250	17,250
Between two and three years	182,763	199,407
Total	200,013	216,657

Refer also to discussion below under "Proposed Transactions".

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							
	Dec 31 <u>2015</u>	Sep 30 <u>2015</u>	Jun 30 <u>2015</u>	Mar 31 <u>2015</u>	Dec 31 <u>2014</u>	Sep 30 <u>2014</u>	Jun 30 <u>2014</u>	Mar 31 <u>2014</u>
Continuing operations								
Impairment loss	(244,557)	-	-	-	-	-	-	-
General and admin. expense	(460)	(384)	(552)	(963)	(376)	(154)	(462)	(556)
Share based payments expense	(172)	(186)	(176)	(676)	(48)	(51)	(61)	(147)
Depreciation and amortisation	(11)	(13)	(16)	(16)	(15)	(14)	(13)	(11)
Finance cost	(1,328)	(1,331)	(1,370)	(1,346)	(1,326)	(1,326)	(1,309)	(1,364)
Finance income	47	88	58	542	37	64	26	2
Income tax expense	(10)	(23)	(34)	(27)	(25)	(29)	(23)	(32)
Net loss from continuing ops.	(246,491)	(1,849)	(2,090)	(2,486)	(1,753)	(1,510)	(1,842)	(2,108)
Discontinued operations								
Gains on release of excess provisions	-	46	-	-	228	-	-	-
Income / (expense)	1	-	(4)	(10)	2	(1)	(1)	(15)
Net income / (loss) from discontinued ops.	1	46	(4)	(10)	230	(1)	(1)	(15)
Net loss	(246,490)	(1,803)	(2,094)	(2,496)	(1,523)	(1,511)	(1,843)	(2,123)
Basic loss in \$ per share:								
Continuing operations	(0.17)	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-	-
	(0.17)	-	-	-	-	-	-	-
Diluted loss in \$ per share:								
Continuing operations	(0.17)	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-	-
	(0.17)	-	-	-	-	-	-	-

Summary of Principal Changes in the Fourth Quarter Financial Information

In the fourth quarter of 2015 work on the Atrush Block development program continued. The net loss was primarily driven by the impairment loss on PP&E assets and also by general and administrative expenses, share based payments expense and finance cost, the substantial portion of which was expensed borrowing cost on the Company's senior secured bonds.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at December 31, 2015 was \$20.3 million compared to \$42.3 million at December 31, 2014.

The overall cash position of the Company decreased by \$25.3 million during the year 2015 compared to a decrease in cash of \$85.4 million during 2014. The main components of the movement in funds are discussed in the following paragraphs.

The operating activities of the Company during 2015 resulted in the use of \$3.2 million in cash compared to an increase by \$3.0 million in the cash position during the comparable period of 2014. The 2015 use of cash is explained by cash expenses on continuing operations of \$2.5 million plus an additional \$0.7 million cash out on net changes in the Company's working capital items.

Net cash outflows to investing activities in the year of 2015 were \$64.4 million compared to cash outflows in the amount of \$71.1 million in 2014. Substantially all of the cash outflows to investing activities in 2015 relate to investment in the Atrush Block development and appraisal work program.

Net cash inflows from financing activities in 2015 were \$41.8 million relating to \$59.1 million of net proceeds from the Rights Offering (gross proceeds of \$60.5 million (CAD 75.4 million) were raised out of which \$1.4 million was paid in related transaction costs) and to \$17.3 million of cash interest payments made to bondholders. For more information on the Rights Offering refer also to the "Outstanding Share Data" section below.

The Company does not currently generate revenues and corresponding cash flows from its oil and gas appraisal and development operations. The Company has relied upon proceeds from asset sales, bonds and, most recently, the issuance of common shares, to finance its ongoing oil exploration, development and acquisition activities. The Company believes that based on the forecasts and projections they have prepared, and the Proposed Financing Arrangement (refer to the discussion under *Proposed Transactions* section below), the resources to be available will be sufficient for the Company and its subsidiaries to satisfy its contractual obligations and commitments under the agreed work program over the next 12 months and to continue as a going concern for the foreseeable future. Nevertheless the possibility remains that the Company's operations and current and future financial resources could be significantly affected by adverse exploration and appraisal results, geopolitical events in the region, macroeconomic conditions or other risks, including uncertainty surrounding the timing and amounts of cash receipts from the Proposed Financing Arrangement, oil production forecasted to commence in mid 2016 and the level of project development costs that the Company may be required to fund. The potential that the Company's financial resources are insufficient to fund its appraisal and development activities for the next 12 months, particularly in case the Proposed Financing Arrangement is not accepted by the Existing Bondholders or there are unforeseen delays in oil production or receipt of funds from oil sales, indicates a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

OUTSTANDING SHARE DATA AND STOCK OPTIONS

On February 10, 2015 in connection with an offering of rights to shareholders of record on January 12, 2015 to purchase additional common shares in the ShaMaran ("Common Shares") at a subscription price of CAD 0.10 per share (the "Rights Offering"), the Company issued an aggregate of 713,308,912 Common Shares, including 195,710,409 Common Shares to its major shareholders, Lorito Holdings SARL, Zebra Holdings and Investments SARL and Lundin Petroleum BV (collectively the "Standby Purchasers") on exercise of their respective rights, resulting in gross proceeds to the Company of CAD 71.3 million (\$57.1 million). Under the terms of the standby purchase agreement (the "Standby Purchase Agreement") between the Company and the Standby Purchasers, the Standby Purchasers agreed to subscribe for a total of 40,906,078 additional Common Shares, representing all Common Shares not otherwise subscribed for by rights holders, at a price of CAD 0.10 per share (the "Standby Purchase"). The Standby Purchase was concluded on February 17, 2015 and resulted in additional gross proceeds to the Company of CAD 4.1 million (\$3.3 million). In addition on February 17, 2015 the Company issued a further aggregate of 14,569,684 Common Shares to the Standby Purchasers in respect of the guarantee fee, as defined under the standby purchase agreement. At December 31, 2015 and at the date of this MD&A the Company had 1,579,768,534 shares outstanding (December 31, 2014: 810,983,860).

In connection with the changes in senior management and the Board the Company approved on January 19, 2015 a grant of an aggregate of 26,000,000 incentive stock options, with an exercise price of CAD 0.115, to certain senior officers and directors of the Company. When options are granted the Black-Scholes option value method is used to calculate a value for the stock options. The share based payments reserve increased by \$1.2 million in the year 2015 (2014: \$0.3 million) due entirely to share based payments expense incurred during the year. At such time as the options are exercised the applicable amounts of share based payments are transferred from the share based payments reserve to share capital.

At December 31, 2015 there were 28,190,000 stock options outstanding under the Company's employee incentive stock option plan, which is an increase from the 6,755,000 stock options outstanding at December 31, 2014 by 21,435,000 stock options resulting from 26,000,000 stock options granted and from the expiry of 4,565,000 stock options in the year 2015. No stock options were forfeited or exercised in the year 2015 (2014: nil). There has been no further movement in stock options from December 31, 2015 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 during the year		Amounts owing at December 31,	
	2015	2014	2015	2014
Lundin Petroleum AB	473	464	40	56
Namdo Management Services Ltd.	173	214	9	31
McCullough O'Connor Irwin LLP	18	276	2	91
Mile High Holdings Ltd.	-	-	-	35
Total	664	954	51	213

The Company receives services from various subsidiary companies of Lundin Petroleum AB ("Lundin"), a shareholder of the Company. Lundin charges during the year ended December 31, 2015 of \$473 (2014: \$464) were comprised of technical service costs of \$59 (2014: \$50), investor relations services of \$29 (2014: \$36), reimbursement for Company travel and related expenses of \$23 (2014: \$1), office rental, administrative and building services of \$362 (2014: \$377).

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.

McCullough O'Connor Irwin LLP is a law firm in which an officer of the Company is a partner and has provided legal services to the Company.

Mile High Holdings Ltd. is a private corporation associated with a shareholder of the Company which has provided transportation services to the Company in relation to its investor relations activities.

In February 2015, in connection with the Rights Offering, the Company issued Common Shares to its major shareholders, Lorito Holdings SARL, Zebra Holdings and Investments SARL and Lundin Petroleum B.V., a subsidiary company of Lundin.

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.

COMMITMENTS

Atrush Block Production Sharing Contract

ShaMaran holds a 26.8% direct interest in the Atrush Block PSC through its wholly owned subsidiary GEP. TAQA is the Operator with a 53.2% direct interest and MOKDV holds a 20% direct interest.

On March 12, 2013 the KRG communicated its intention to exercise a right to acquire an interest in the Atrush Block PSC in accordance with the terms of the PSC. At the date this MD&A discussions between the Contractors and the KRG to effect the exercise of the right were in progress but the process of exercising the right was not complete. Under the terms of the Atrush Block PSC, upon the exercise of the right the KRG would assume up to a 25% undivided interest in the petroleum operations and all the other rights, duties, obligations and liabilities of the Contractors from the date the block has first been declared commercially viable.

Under the terms of the PSC the development period is for 20 years with an automatic right to a five year extension and the possibility to extend for an additional five years. The PSC requires the Contractors to fund certain training and environmental assistance projects over the development period. All qualifying petroleum costs incurred by the Contractors shall be recovered from a portion of available petroleum production, defined under the terms of the PSC. All modifications to the 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.

As at December 31, 2015 the outstanding commitments of the Company were as follows:

<i>In \$000</i>	For the year ended December 31,				Total
	2016	2017	2018	Thereafter	
Atrush Block development and PSC	76,250	160	160	2,414	78,984
Office and other	65	-	-	-	65
Total commitments	76,315	160	160	2,414	79,049

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

PROPOSED TRANSACTIONS

The Company had no significant transactions pending at March 16, 2016 with the exception of the following:

On March 14, 2016 the Company announced a financing arrangement which has been proposed (the "Proposed Financing Arrangement") to holders of GEP's \$150 million bonds (the "Existing Bondholders") and is to provide the Company with additional liquidity in 2016 of approximately \$33 million net of transaction costs. The principal terms of the arrangement are:

1. GEP issues new \$17 million super senior bonds ("Super Senior Bonds"). The Super Senior Bonds will be based on the same agreement as the Existing Bonds with the same maturity date of November 13, 2018 and an 11.5% coupon interest payable semi-annually. GEP will have the option to pay the coupon interest on the Super Senior Bonds in cash or in kind by issuing new bonds ("PIK Bonds"). GEP has entered into an agreement to underwrite the Super Senior Bonds with major shareholders, Lorito Holdings SARL and Zebra Holdings and Investments SARL, companies owned by the Lundin Family Trust.
2. The Existing Bondholders are given the option to convert up to \$18 million of Existing Bonds at face value into ShaMaran common shares at market price following approval of the Arrangement. The conversion offer is to commence following approval of the Proposed Financing Arrangement with pro-rata allocation among Existing Bondholders upon oversubscription.
3. The bond agreement for the Existing Bonds is to be amended so that (i) the 2016 coupon interest (\$17.25 million before considering any conversion in 2 above) is settled by issuing new PIK Bonds; (ii) GEP has the option to pay in cash or in kind (by issuing new PIK Bonds) the post 2016 coupon interest; and (iii) certain waivers and amendments are made to the terms of the Existing Bonds including the subordination of Existing Bonds' security to the Super Senior Bonds' security.

The Company is also considering offering a subsequent private placement of shares for cash for the remainder if \$18 million is not converted under point 2 above.

To facilitate the approval process a Summons was issued on March 14, 2016 by Nordic Trustee, the bondholder's trustee, requesting a meeting of Existing Bondholders on April 1, 2016.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Accounting Estimates

The 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. Actual results could differ from these estimates and differences could be material.

New Accounting Standards

There are no IFRS or interpretations that have been issued effective for financial years beginning on or after January 1, 2015 that would have a material impact on the Company's consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

Standards and interpretations issued but not yet effective up to the date of issuance of the financial statements are listed below.

IFRS 9: Financial Instruments - Classification and Measurement, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the full impact of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2018.

IFRS 15: Revenue from contracts with customers is the new standard which replaces IAS 18 Revenue and IAS 11 Construction Contracts and provides a five step framework for application to customer contracts; identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognised to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2017. The Company is in the process of assessing the full impact of IFRS 15 and intends to adopt IFRS 15 no later than the accounting period beginning on or after January 1, 2017.

IFRS 11: Joint Arrangements. An amendment to IFRS 11 was issued in May 2014 addressing guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The standard now specifies the appropriate accounting treatment for such acquisitions and requires an investor to apply the principles of business combination accounting, as defined in IFRS 3 - Business combinations, when acquiring an interest in a joint operation that constitutes a business. The amendment requires an investor to measure identifiable assets and liabilities at fair value; expense acquisition related costs; recognise deferred tax, and; recognise the residual as goodwill. The amendment is applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not to be re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control. The amendment to IFRS 11 will be applied prospectively for annual periods beginning on or after January 1, 2016. The Company intends to adopt IFRS 11 for the accounting period beginning on January 1, 2016 and does not anticipate that it will have a material impact its financial statements.

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 testing.

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 as long as 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 exist 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 the purpose of 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.

RESERVES AND RESOURCE ESTIMATES

The Company engaged McDaniel to evaluate 100% of the Company’s reserves and resource data at December 31, 2015. The conclusions of this evaluation have been presented in a Detailed Property Report which has been prepared in accordance with standards set out in the Canadian National Instrument NI 51-101 and Canadian Oil and Gas Evaluation Handbook (“COGEH”).

Positive well test results in the CK-5, CK-8 and AT-3 wells as well as positive interference tests across the field have resulted in an increased reserves area. Furthermore, the gradual increase in oil density with depth has now fully been incorporated.

ShaMaran currently has a 26.8 percent working interest in the Block and is continuing to fund expenditure on that basis. However the KRG has an option to back in and take up to 25 percent working interest in the Block, which would dilute the ShaMaran working interest to 20.1 percent. It is normal evaluation practice to assume, as it would be economic to do so, that the KRG will exercise their option, and as such the reserves and respective net present values were reported on a diluted basis.

The Company's crude oil reserves as of December 31, 2015 were, based on a Company working interest of 20.1 percent, estimated to be as follows:

**Company estimated reserves (diluted)
As of December 31, 2015**

	Proved Developed	Proved Undeveloped	Total Proved	Probable	Total Proved & Probable	Possible	Total Proved, Probable & Possible
Light/Medium Oil (Mbbbl)⁽¹⁾							
Gross ⁽²⁾	-	4,653	4,653	7,779	12,432	10,366	22,798
Net ⁽³⁾	-	3,265	3,265	4,191	7,456	3,167	10,623
Heavy Oil (Mbbbl)⁽¹⁾							
Gross ⁽²⁾	-	2,287	2,287	2,394	4,681	3,108	7,789
Net ⁽³⁾	-	1,605	1,605	1,203	2,808	822	3,629

Notes:

- (1) The Atrush Field contains crude oil of variable density even within a single reservoir unit and as such the actual split between Light/Medium Oil and Heavy Oil is uncertain.
- (2) Company gross reserves are based on the Company's 20.1 percent working interest share of the property gross reserves assuming the Government exercises its option to take a 25 percent working interest.
- (3) Company net reserves are based on Company share of total Cost and Profit Revenues. Note, as the government pays income taxes on behalf of the Company out of the government's profit oil share, the net reserves were based on the effective pre-tax profit revenues by adjusting for the tax rate.

The Company's crude oil and natural gas contingent resources as of December 31, 2015 were estimated to be as follows, based on a Company working interest of 20.1 percent:

**Company estimated contingent resources (diluted)^{(1) (2)}
As of December 31, 2015**

	Low Estimate (1C)	Best Estimate (2C)	High Estimate (3C)
Light/Medium Oil (Mbbbl)⁽³⁾			
Gross ⁽⁴⁾	16,050	17,980	19,895
Heavy Oil (Mbbbl)⁽³⁾			
Gross ⁽⁴⁾	20,256	41,656	66,616
Natural Gas (MMcf)			
Gross ⁽⁴⁾	5,010	8,810	13,756

Notes:

- (1) Based on a 20.1 percent Company working interest assuming the KRG exercises its option to take a 25 percent working interest.
- (2) There is no certainty that it will be commercially viable to produce any portion of the resources.
- (3) The Atrush Field contains crude oil of variable density even within a single reservoir unit and as such the actual split between Light/Medium Oil and Heavy Oil is uncertain.
- (4) These are unrisks contingent resources that do not take into account the chance of development which is defined as the probability of a project being commercially viable. Quantifying Company Gross resources are based on a 20.1 percent working interest share of the property gross resources assuming the KRG exercises the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution. The chance of development was estimated to be 80 percent for the Crude Oil and 5 percent for the Natural Gas.

The contingent resources represent the likely recoverable volumes associated with further phases of development after Phase 1. These are considered to be contingent resources rather than reserves due to the uncertainty over the future development plan which will depend in part on further field appraisal and Phase 1 production performance.

Prospective resources remain unchanged from the estimates as of December 31, 2013.

Prospective resources summary – Atrush Block*

As of December 31, 2013

(1)(2)(3)(4)(5)(6)

*Comprising remaining potential in the Atrush Hanging Wall (Triassic), Atrush Footwall (Cretaceous, Jurassic and Triassic) and extension of the Swara Tika structure into the Atrush block (Jurassic and Triassic).

	Unrisked Low Estimate	Unrisked Best Estimate	Unrisked Mean Estimate	Unrisked High Estimate	Risky (2) Mean Estimate
Property Gross					
Light/Medium Oil (Mbbbl) ⁽⁵⁾	121,425	173,194	180,165	247,211	60,479
Condensate (Mbbbl)	8,741	28,327	36,173	72,890	6,766
Natural Gas (MMcf)	141,366	258,352	289,988	481,107	61,445
Total (Mboe) ⁽⁶⁾	153,727	244,580	264,670	400,285	77,485
Company Gross⁽⁴⁾					
Light/Medium Oil (Mbbbl) ⁽⁵⁾	24,406	34,812	36,213	49,689	12,156
Condensate (Mbbbl)	1,757	5,694	7,271	14,651	1,360
Natural Gas (MMcf)	28,415	51,929	58,288	96,702	12,350
Total (Mboe) ⁽⁶⁾	30,899	49,161	53,199	80,457	15,575

Notes:

- (1) There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable or technically feasible to produce any portion of the resources.
- (2) These are partially risky prospective resources that have been risky for chance of discovery, but have not been risky for chance of development.
- (3) Total based on the probabilistic aggregation of undiscovered pools within the field/prospect.
- (4) Company gross resources are based on Company working interest share (20.1 percent) of the property gross resources.
- (5) The prospective resources are categorized as "light & medium oil" however based on oil samples obtained from the Atrush Field it may be that a portion should be categorized as "heavy oil"; it is not possible at this stage to split the resources between the categories and for simplicity they are all included as "light & medium oil".
- (6) 6 Mcf is equivalent to 1 BOE. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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 subsequent to 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 appraisal and development stages and, as such, additional information must be obtained by further appraisal 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 & Associates Consultants Ltd.

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 for the purpose of selling or repurchasing 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.
- Loans and receivables comprise of other receivables and cash and cash equivalents and are financial assets with fixed or determinable payments that are not quoted on an active market and are generally included within current assets due to their short-term nature. 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. The spot price of Brent Crude Oil, a reference in determining the price at which the Company can sell future oil production, has experienced a significant decline since the beginning of the year 2015. A further decline in the price at which the Company can sell future oil and gas 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 also 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 and Canadian dollars. 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 on its cash and cash equivalents at both fixed and variable rates 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.

The Group is highly leveraged through financing at the project level, for the continuation of Atrush project, and at the corporate level due to the \$150 million of senior secured bonds which were issued in November 2013. However, the Company is not exposed to interest rate risks associated with the bonds as the interest rate is fixed.

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 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 in order to finance its activities for limited periods. The Company seeks to raise 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 those listed below. If any of the risks described below materialise the effect on the Company's business, financial condition or operating results could be materially adverse.

The following sections describe material risks identified by the Company; however, risks and uncertainties of which the Company is not currently aware or currently believes to be immaterial could develop and may adversely affect the Company's business, financial condition or operating results. For more information on risk factors which may affect the Company's business refer also to the discussion of risks under the "Reserves and Resources" and "Financial Instruments" sections of this MD&A above, as well as to the "Risk Factors" section of its 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.

Political and Regional Risks

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

Political uncertainty and potential impact of actions of the Islamic State in Iraq and Syria ("ISIS"): Shamaran's assets and operations are located in Kurdistan, a federally recognised semi-autonomous political region in Iraq, and may be influenced by political developments between Kurdistan and the Iraq federal government, as well as political developments of neighbouring states within MENA region, Turkey, and surrounding areas. Kurdistan and Iraq have a history of political and social instability. As a result, the Company is subject to political, economic and other uncertainties that are not within its control. These uncertainties include, but are not limited to, changes in government policies and legislation, adverse legislation or determinations or rulings by governmental authorities and disputes between the Iraq federal government and Kurdistan.

Over the last year actions of ISIS continued to represent a security threat in Iraq and the Kurdistan Region of Iraq. If ISIS were to engage in attacks or were to occupy areas within Kurdistan, it could result in the Company and its joint operations partners having to stop operations in the Atrush Block. This could result in delays in operations, additional costs for increased security and difficulty in attracting/retaining qualified service companies and related personnel, which could materially adversely impact the operations and future prospects of the Company and could have a material adverse effect on the Company's business and financial condition.

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

Industry and Market Risks

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

General market conditions: ShaMaran's business and operations depend upon conditions prevailing in the oil and gas industry including the current and anticipated prices of oil and gas and the global economic activity. A reduction of the oil price, a general economic downturn, or a recession could result in adverse effects to the Company's business including, but not limited to, reduced cash flows associated with the Company's future oil and gas sales. Worldwide crude oil commodity prices are expected to remain volatile in the near future as a result of global excess supply, recent actions taken by the Organization of the Petroleum Exporting Countries ("OPEC"), and ongoing global credit and liquidity concerns. This volatility may affect the Corporation's ability to obtain equity or debt financing on acceptable terms.

Competition: The petroleum industry is intensely competitive in all aspects including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. ShaMaran competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. ShaMaran's competitors include oil companies which have greater financial resources, staff and facilities than those of the Company. ShaMaran's ability to increase reserves in the future will depend on its ability to develop its present property, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas.

Reliance on key personnel: ShaMaran's success depends in large measure on certain key personnel and directors. The loss of the services of such key personnel could negatively affect ShaMaran's ability to deliver projects according to plan and result in increased costs and delays. ShaMaran has not obtained key person insurance in respect of the lives of any key personnel. In addition, competition for qualified personnel in the oil and gas industry is intense and there can be no assurance that ShaMaran will be able to attract and retain the skilled personnel necessary for the operation and development of its business.

Business Risks

Risks associated with petroleum contracts in Iraq: The Iraq oil ministry has historically disputed the validity of the KRG's production sharing contracts and, as a result indirectly, the Company's right and title to its oil and gas assets. The KRG is disputing the claims and has stated that the contracts are compliant with the Iraq constitution. At the present time there is no assurance that the PSCs agreed with the KRG are enforceable or binding in accordance with ShaMaran's interpretation of their terms or that, if breached, the Company would have remedies. The Company believes that it has valid title to its oil and gas assets and the right to explore for and produce oil and gas from such assets under the Atrush Block PSC. However, should the Iraq federal government pursue and be successful in a claim that the production sharing contracts agreed with the KRG are invalid, or should any unfavourable changes develop which impact on the economic and operating terms of the Atrush Block PSC, it could result in adverse effects to the Company's business including, but not limited to, impairing the Company's claim and title to assets held, and or increasing the obligations required, under the Atrush Block PSC.

Government regulations, licenses and permits: The Company is affected by changes in taxes, regulations and other laws or policies affecting the oil and gas industry generally as well as changes in taxes, regulations and other laws or policies applicable to oil and gas exploration and development in Kurdistan specifically. The Company's ability to execute its projects may be hindered if it cannot secure the necessary approvals or the discretion is exercised in a manner adverse to the Company. The taxation system applicable to the operating activities of the Company in Kurdistan is pursuant to the Oil and Gas Law governed by general Kurdistan tax law and the terms of its PSCs. However, it is possible that the arrangements under the PSCs may be overridden or negatively affected by the enactment of any future oil and gas or tax law in Iraq or Kurdistan which could result in adverse effects to the Company's business including, but not limited to, increasing the Company's expected future tax obligations associated with its activities in Kurdistan.

Marketing, markets and transportation: The export of oil and gas and payments relating to such exports from Kurdistan remains subject to uncertainties which could negatively impact on ShaMaran's ability to export oil and gas and receive payments relating to such exports. Further, ShaMaran's ability to export and market oil and gas may also depend upon its ability to secure transportation and delivery, in view of related issues such as the proximity of its potential production to pipelines and processing facilities. Potential government regulation relating to price, quotas and other aspects of the oil and gas business could result in adverse effects to the Company's business including, but not limited to, impairing the Company's ability to export and sell oil and gas and receive full payment for all sales of oil and gas.

Default under the Atrush Block PSC and Atrush JOA: Should the Company fail to meet its obligations under the Atrush Block PSC and or Atrush Block joint operating agreement ("Atrush JOA") it could result in adverse effects to the Company's business including, but not limited to, a default under one or both of these contracts, the termination of future revenue generating activities of the Company and impairment of the Company's ability to meet its contractual commitments as they become due.

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

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

Change of control in respect of PSC: The Atrush Block PSC definition of "change of control" in a Contractor includes a change of voting majority in the Contractor, or in a parent company, provided the value of the interest in the Atrush field represents more than 50% of the market value of assets in the Company. Due to the limited amount of other assets held by the Company this will apply to a change of control in GEP or any of its parent companies. Change of control requires the consent of KRG or it will trigger a default under the PSC.

Project and Operational Risks

Shared ownership and dependency on partners: ShaMaran's operations are to a significant degree conducted together with one or more partners through contractual arrangements with the execution of the operations being undertaken by the Operator in accordance with the terms of the Atrush JOA. As a result, ShaMaran has limited ability to exercise influence over the deployment of those assets or their associated costs and this could adversely affect ShaMaran's financial performance. If the operator or other partners fail to perform, ShaMaran may, among other things, risk losing rights or revenues or incur additional obligations or costs in order to itself perform in place of its partners. If a dispute would arise with one or more partners such dispute may have significant negative effects on the Company's operations relating to its projects.

Security risks: Kurdistan and other regions in Iraq have a history of political and social instability which have culminated in security problems which may put at risk the safety of the Company's personnel, interfere with the efficient and effective execution of the Company's operations and ultimately result in significant losses to the Company. There have been no significant security incidents in the Company's area of operation.

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

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

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

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

Legal claims and disputes: The Company may suffer unexpected costs or other losses if a counterparty to any contractual arrangement entered into by the Company does not meet its obligations under such agreements. In particular, the Company cannot control the actions or omissions of its partners in the Atrush Block PSC. If such parties were to breach the terms of the Atrush Block PSC or any other documents relating to the Company's interest in the Atrush Block PSC, it could cause the KRG to revoke, terminate or adversely amend the Atrush Block PSC.

Paying interest: Under the terms of the Atrush Block PSC, on exercise of its back-in right, the KRG is required to pay its share of project development costs. There is a risk that the Contractors may be exposed to fund the KRG share of project development costs.

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

Availability of equipment and services: ShaMaran's oil and natural gas exploration and development activities are dependent on the availability of third party services, drilling and related equipment and qualified staff in the particular areas where such activities are or will be conducted. Shortages of such equipment or staff may affect the availability of such equipment to ShaMaran and may delay and or increase the cost of ShaMaran's exploration and development activities.

Early stage of development: ShaMaran has conducted oil and gas exploration and development activities in Kurdistan for approximately six years. The current operations are in an appraisal and development stage and there can be no assurance that ShaMaran's operations will be profitable in the future or will generate sufficient cash flow to satisfy its future commitments.

Financial and Other Risks

Financial statements prepared on a going concern basis: The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realise its assets and satisfy its liabilities in the ordinary course of business. ShaMaran's operations to date have been primarily financed by debt and equity financing. The Company's future operations are dependent upon the identification and successful completion of additional equity or debt financing or the achievement of profitable operations. There can be no assurances that the Company will be successful in completing additional financing or achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should ShaMaran be unable to continue as a going concern.

Substantial capital requirements: ShaMaran anticipates making substantial capital expenditures in the future for the acquisition, exploration, development and production of oil and gas. ShaMaran's results could impact its access to the capital necessary to undertake or complete future drilling and development programs. To meet its operating costs and planned capital expenditures, ShaMaran may require financing from external sources, including from the sale of equity and debt securities. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to ShaMaran. If ShaMaran or any of its partners in the oil asset are unable to complete minimum work obligations on the Atrush Block PSC, this PSC could be relinquished under applicable contract terms.

Dilution: The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of ShaMaran may be diluted.

Tax legislation: The Company has entities incorporated and resident for tax purposes in Canada, the Cayman Islands, the Kurdistan Region of Iraq, the Netherlands, Switzerland and the United States of America. Changes in the tax legislation or tax practices in these jurisdictions may increase the Company's expected future tax obligations associated with its activities in such jurisdictions.

Capital and lending markets: As a result of general economic uncertainties and, in particular, the lack of risk capital available to the junior resource sector, the Company, along with other junior resource entities, may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings if available, and possible issuances of debt or equity securities, the Company's ability to do so is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry generally, and the Company's securities in particular. To the extent that external sources of capital become limited or unavailable or available only on onerous terms, the Company's ability to invest and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Uncertainty in financial markets: In the future the Company is expected to require financing to grow its business. The uncertainty which has periodically affected the financial markets in recent years and the possibility that financial institutions may consolidate or go bankrupt has reduced levels of activity in the credit markets which could diminish the amount of financing available to companies. The Company's liquidity and its ability to access the credit or capital markets may also be adversely affected by changes in the financial markets and the global economy.

Conflict of interests: Certain directors of ShaMaran are also directors or officers of other companies, including oil and gas companies, the interests of which may, in certain circumstances, come into conflict with those of ShaMaran. If and when a conflict arises with respect to a particular transaction, the affected directors must disclose the conflict and abstain from voting with respect to matters relating to the transaction.

Risks Related to the GEP's Senior Secured Bonds

Possible termination of PSC / Bond Agreement in event of default scenario: Should GEP default its obligations under the Bond Agreement GEP may also not be able to fulfil its obligations under the Atrush Block PSC and or Atrush JOA, with the effect that these contracts may be terminated or limited. In addition, should GEP default its obligations under the Atrush Block PSC and or Atrush JOA, with the effect that these contracts may be terminated or limited, GEP may also default in respect of its obligations under the Bond Agreement. Either default scenario could result in the termination of the Company's future revenue generating activities and impair the Company's ability to meet its contractual commitments as they become due.

Ability to service indebtedness: GEP's ability to make scheduled payments on or to refinance its obligations under the bonds will depend on GEP's financial and operating performance which, in turn, will be subject to prevailing economic and competitive conditions beyond GEP's control. It is possible that GEP's activities will not generate sufficient funds to make the required interest payments which could, among other things, result in an event of default under the Bond Agreement.

Significant operating and financial restrictions: The terms and conditions of the Bond Agreement contain restrictions on GEP's and the Guarantors' activities which restrictions may prevent GEP and the Guarantors from taking actions that it believes would be in the best interest of GEP's business, and may make it difficult for GEP to execute its business strategy successfully or compete effectively with companies that are not similarly restricted. No assurance can be given that it will be granted the necessary waivers or amendments if for any reason GEP is unable to comply with the terms of the Bond Agreement. A breach of any of the covenants and restrictions could result in an event of default under the Bond Agreement.

Mandatory prepayment events: Under the terms of the Bond Agreement the bonds are subject to mandatory prepayment by GEP on the occurrence of certain specified events, including if (i) the ownership in the Atrush Block is reduced to below 20.10% (ii) ShaMaran Petroleum Corp. ceases to indirectly own, or ShaMaran Ventures B.V. ceases to directly own, 100% of the shares in GEP (iii) GEP invests in any assets or enters into any other activities unrelated to the Atrush Block PSC or (iv) an event of default occurs under the Bond Agreement. Following an early redemption after the occurrence of a mandatory prepayment event, it is possible that GEP will not have sufficient funds to make the required redemption of bonds which could, among other things, result in an event of default under the Bond Agreement.

OUTLOOK

The outlook for the year 2016 is as follows:

Atrush Block

Production Facility

Construction of the 30,000 bopd Atrush Phase 1 Production Facility will continue. Commissioning of the Production Facility is targeted for the second quarter 2016 with first oil to follow in mid 2016.

Water injection facilities are planned to be installed in 2016.

Oil Export Pipeline

A contract for the engineering, procurement and construction of the pipeline to be constructed within the Atrush Block was signed on November 1, 2015 by TAQA and a KRG approved pipeline contractor. Construction is scheduled to start end of the first quarter of 2016 and the pipeline is expected to be completed in time for first oil production. The KRG is responsible for constructing the pipeline section from the Atrush block boundary to the tie-in point on the main export pipeline, which the Company expects to also be completed in time for the targeted first oil date.

Wells

The Operator plans to complete the AT-2 and AT-4 wells prior to first production. Four producers, all equipped with ESPs, are planned to be available for production at start up.

The 2016 work program includes the drilling and completion of a dedicated water disposal well and the drilling of an appraisal and development well.

New Ventures

As part of its normal business the Company continues to evaluate new opportunities.

FORWARD LOOKING INFORMATION

This report contains forward-looking information and forward-looking statements. Forward-looking information concerns possible events or financial performance that is based on management's assumptions concerning anticipated developments in the Company's operations; the adequacy of the Company's financial resources; financial projections, including, but not limited to, estimates of capital and operating costs, production rates, commodity prices, exchange rates, net present values; and other events and conditions that may occur in the future. Information concerning the interpretation of drill results and reserve estimates also may be deemed to be forward-looking information, as it constitutes a prediction of what might be found to be present if and when a project is actually developed.

Forward-looking statements are statements that are not historical and are frequently, but not always, identified by the words such as "expects," "anticipates," "believes," "intends," "estimates," "potential," "possible," "outlook", "budget" and similar expressions, or statements that events, conditions or results "will," "may," "could," or "should" occur or be achieved. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those described in this MD&A.

The Company's forward-looking information and forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made. Management is regularly considering and evaluating assumptions that will impact on future performance. Those assumptions are exposed to generic risks and uncertainties as well as risks and uncertainties that are specifically related to the Company's operations.

The Company cautions readers regarding the reliance placed by them on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company.

Except as required by applicable securities legislation the Company assumes no obligation to update its forward-looking information and forward-looking statements in the future. For the reasons set forth above, investors should not place undue reliance on forward-looking information and forward-looking statements.

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.



ShaMaran Petroleum Corp.
Audited Consolidated Financial Statements
For the year ended December 31, 2015



Auditor's Report

17 March 2016

Independent Auditor's Report To the Shareholders of ShaMaran Petroleum Corp.

We have audited the accompanying consolidated financial statements of ShaMaran Petroleum Corp., which comprise the consolidated balance sheet as at 31 December 2015 and 31 December 2014 and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the years ended 31 December 2015 and 31 December 2014, and the related notes including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated balance sheet of ShaMaran Petroleum Corp. as at 31 December 2015 and 31 December 2014 and its financial performance and its cash flows for the years ended 31 December 2015 and 31 December 2014 in accordance with International Financial Reporting Standards.



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Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Company's ability to continue as a going concern. Although the Company is confident that it has sufficient funds available, there is uncertainty surrounding the successful completion of financing arrangements as well as the timing and amounts of cash receipts commencing from first oil and the level of project development costs that the Company may be required to fund. The uncertainty with regard to the timing and extent of these cash receipts and cash payments at the date of approval of the financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.



Luc Schulthess



Colin Johnson

SHAMARAN PETROLEUM CORP.
Consolidated Balance Sheet
(Expressed in thousands of United States dollars)

	Note	As at December 31,	
		2015	2014
Assets			
Non-current assets			
Property, plant and equipment	11	177,044	172
Intangible assets	12	88,645	429,277
		265,689	429,449
Current assets			
Cash and cash equivalents, unrestricted		30,409	16,062
Cash and cash equivalents, restricted	15	1,512	41,142
Other current assets	13	200	1,605
		32,121	58,809
Total assets		297,810	488,258
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses	14	9,560	14,207
Accrued interest expense on bonds	15	2,252	2,252
Current tax liabilities		31	41
		11,843	16,500
Non-current liabilities			
Borrowings	15	148,263	147,657
Provisions	16	8,080	1,846
		156,343	149,503
Liabilities associated with discontinued operations	10	-	51
Total liabilities		168,186	166,054
Equity			
Share capital	17	593,179	534,068
Share based payments reserve		6,235	5,025
Cumulative translation adjustment		(83)	(65)
Accumulated deficit		(469,707)	(216,824)
Total equity		129,624	322,204
Total liabilities and equity		297,810	488,258

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Board of Directors:

/s/Ashley Heppenstall
C. Ashley Heppenstall, Director

/s/Keith Hill
Keith C. Hill, Director

SHAMARAN PETROLEUM CORP.
Consolidated Statement of Changes in Equity
(Expressed in thousands of United States dollars)

	Share capital	Share based payments reserve	Cumulative translation adjustment	Accumulated deficit	Total
Balance at January 1, 2014	534,068	4,718	27	(209,824)	328,989
Total comprehensive loss for the year:					
Loss for the year	-	-	-	(7,000)	(7,000)
Other comprehensive loss	-	-	(92)	-	(92)
	-	-	(92)	(7,000)	(7,092)
Transactions with owners in their capacity as owners:					
Share based payments expense	-	307	-	-	307
	-	307	-	-	307
Balance at December 31, 2014	534,068	5,025	(65)	(216,824)	322,204
Total comprehensive loss for the year:					
Loss for the year	-	-	-	(252,883)	(252,883)
Other comprehensive loss	-	-	(18)	-	(18)
	-	-	(18)	(252,883)	(252,901)
Transactions with owners in their capacity as owners:					
Share based payments expense	-	1,210	-	-	1,210
Shares issued on Rights Offering	60,462	-	-	-	60,462
Transaction costs	(1,351)	-	-	-	(1,351)
	59,111	1,210	-	-	60,321
Balance at December 31, 2015	593,179	6,235	(83)	(469,707)	129,624

The accompanying notes are an integral part of these consolidated financial statements.

SHAMARAN PETROLEUM CORP.
Consolidated Statement of Cash Flows
(Expressed in thousands of United States dollars)

	Note	For the year ended December 31,	
		2015	2014
Operating activities			
Net loss from continuing operations		(252,916)	(7,213)
Adjustments for:			
Impairment loss	11	244,557	-
Interest expense on senior secured bonds – net		5,285	5,286
Share based payments expense	18	1,210	307
Depreciation and amortisation expense		56	53
Unwinding discount on decommissioning provision	8	36	19
Interest income		(189)	(65)
Foreign exchange gain	7	(492)	(43)
Changes in other current assets		1,405	(1,411)
Changes in current tax liabilities		(10)	(51)
Changes in accounts payable and accrued expenses		(2,147)	6,749
Cash used in discontinued operations		(18)	(661)
Net cash (outflows to) / inflows from operating activities		(3,223)	2,970
Investing activities			
Interest received on cash deposits		189	65
Purchase of property, plant and equipment		(4,311)	(81)
Purchases of intangible assets		(60,271)	(71,040)
Net cash outflows to investing activities		(64,393)	(71,056)
Financing activities			
Shares issued on Rights Offering		60,462	-
Transaction costs on Rights Offering		(1,351)	-
Interests payments to bondholders		(17,250)	(17,250)
Net cash inflows from / (outflows to) financing activities		41,861	(17,250)
Effect of exchange rate changes on cash and cash equivalents		472	(48)
Change in cash and cash equivalents		(25,283)	(85,384)
Cash and cash equivalents, beginning of the year		57,204	142,588
Cash and cash equivalents, end of the year*		31,921	57,204
*Inclusive of restricted cash	15	1,512	41,142

The accompanying notes are an integral part of these consolidated financial statements.

SHAMARAN PETROLEUM CORP.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015
(Expressed in thousands of United States dollars unless otherwise stated)

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 Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia V6E 3X1. The Company’s shares trade on the TSX Venture Exchange and NASDAQ OMX First North Exchange (Stockholm) under the symbol “SNM”.

The Company is engaged in the business of oil and gas exploration and development and is currently in the pre-production stages of an exploration and development campaign in respect of the Atrush Block production sharing contract (“Atrush Block PSC”) related to a petroleum property located in the Kurdistan Region of Iraq (“Kurdistan”).

On January 19, 2015 the Company effected changes to its senior management and Board of Directors (the “Board”). Mr. Chris Bruijnzeels was appointed as the President and Chief Executive Officer of ShaMaran and as a member of the Board replacing Mr. Pradeep Kabra who resigned from these positions. Mr. C. Ashley Heppenstall was also appointed as a member of the Board while Mr. Alex Schneider and Mr. J. Cameron Bailey have resigned their positions as members of the Board, all with effect from January 19, 2015. Refer also to notes 18 and 22.

2. Basis of preparation and summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee that are effective beginning on January 1, 2015, under the historical cost convention. The significant accounting policies of the Company have been applied consistently throughout the year. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

These consolidated financial statements were approved for issuance by the Board of Directors on March 16, 2016.

Certain amounts presented in the consolidated balance sheet of the prior year have been reclassified for comparative purposes in the consolidated balance sheet of the current year.

These consolidated financial statements have been prepared on the going concern basis which assumes that the Company will be able to realise in the foreseeable future its assets and liabilities in the normal course of business as they come due. The ability of the Company to continue as a going concern and to successfully carry out its business plan is primarily dependent upon the continued support of its shareholders, the resolution of remaining political disputes in Iraq and the ability of the Company to obtain additional financing for its activities to develop, produce and sell economically recoverable reserves.

In the absence of production revenues, the Company is currently dependent upon its existing financial resources, which include \$31.9 million of cash and cash equivalents as at December 31, 2015 to satisfy its obligations and finance its appraisal and development program in Kurdistan. Failure to meet appraisal and development commitments could put the Atrush Block PSC at risk of forfeiture. The Company is taking necessary steps to increase its liquidity and in the month of March 2016 a new financing arrangement was proposed (“Proposed Financing Arrangement”) to holders of the Company’s bonds (the “Existing Bondholders”). Refer also to notes 15 and 23.

SHAMARAN PETROLEUM CORP.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015
(Expressed in thousands of United States dollars unless otherwise stated)

The Company believes that based on the forecasts and projections they have prepared, and the Proposed Financing Arrangement, the resources to be available will be sufficient for the Company and its subsidiaries to satisfy its contractual obligations and commitments under the agreed work program over the next 12 months and to continue as a going concern for the foreseeable future. Nevertheless the possibility remains that the Company's operations and current and future financial resources could be significantly affected by adverse exploration and appraisal results, geopolitical events in the region, macroeconomic conditions or other risks, including uncertainty surrounding the timing and amounts of cash receipts from the Proposed Financing Arrangement, oil production forecasted to commence in mid 2016 and the level of project development costs that the Company may be required to fund. The potential that the Company's financial resources are insufficient to fund its appraisal and development activities for the next 12 months, particularly in case the Proposed Financing Arrangement is not accepted by the Existing Bondholders or there are unforeseen delays in oil production or receipt of funds from oil sales, indicates a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern. Refer also to note 23.

3. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, entities controlled by the Company which apply accounting policies consistent with those of the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Intercompany balances and unrealised gains and losses on intercompany transactions are eliminated upon consolidation.

(b) Interest in joint operations

A joint operation is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control.

Where the Company undertakes its activities under joint operation arrangements directly, the Company's share of jointly controlled operations and any liabilities incurred jointly with other joint operations are recognised in the financial statements of the relevant company and classified according to their nature.

Liabilities and expenses incurred directly in respect of interests in jointly controlled operations are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled operations and its share of the joint operations are recognised when it is probable that the economic benefit associated with the transactions will flow to/from the Company and the amount can be reliably measured.

SHAMARAN PETROLEUM CORP.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015
(Expressed in thousands of United States dollars unless otherwise stated)

(c) Business combinations

The acquisition method of accounting is used to account for business combinations. The consideration transferred is measured at the aggregate of the fair values at the date of acquisition of assets given, liabilities incurred or assumed and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs are expensed as incurred. The identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognised at their fair value at the acquisition date.

If the Company acquires control of an entity in more than one transaction the related investment held by the Company immediately before the last transaction when control is acquired is considered sold and immediately repurchased at the fair value of the investment on the date of acquisition. Any difference between the fair value and the carrying amount of the investment results in income or loss recognised in the statement of comprehensive income.

(d) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell.

The results of a component of the Company that represent a major line of business or geographical area of operations that has either been disposed of (by sale, abandonment or spin-off) or is classified as held for sale is reported as discontinued operations. The financial statements of the Company include amounts and disclosures pertaining to discontinued operations in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional and presentation currency of the Company is the United States dollar ("USD").

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rate at the date of that balance sheet.
- Income and expenses are translated at the average exchange rate for the period in which they were incurred as a reasonable approximation of the cumulative effect of rates prevailing on transaction dates.
- All resulting exchange differences are recognised in other comprehensive income as part of the cumulative translation reserve.

Transactions and balances

Transactions in currencies other than the functional currency are recorded in the functional currency at the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Exchange differences are recognised in the statement of comprehensive income during the period in which they arise.

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(f) Exploration and evaluation costs and other intangible assets

Exploration and evaluation assets

The Company applies the full cost method of accounting for exploration and evaluation (“E&E”) costs in accordance with the requirements of *IFRS 6 Exploration for and Evaluation of Mineral Resources*. All costs of exploring and evaluating oil and gas properties are accumulated and capitalised to the relevant property contract area and are tested on a cost pool basis as described below.

Pre-license costs:

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the statement of comprehensive income.

Exploration and evaluation costs:

All E&E costs are initially capitalised as E&E assets and include payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing.

Tangible assets used in E&E activities such as the Company’s vehicles, drilling rigs, seismic equipment and other property, plant and equipment (“PP&E”) used by the Company’s exploration function are classified as PP&E. To the extent that such tangible assets are consumed in exploring and evaluating a property the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overhead including the depreciation of PP&E utilised in E&E activities together with the cost of other materials consumed during the E&E phases such as tubulars and wellheads.

E&E costs are not depreciated prior to the commencement of commercial production.

Treatment of E&E assets at conclusion of appraisal activities:

E&E assets are carried forward until commercial viability has been established for a contractual area which normally coincides with the commencement of commercial production. The E&E assets are then assessed for impairment and the carrying value after any impairment loss is then reclassified as oil and gas assets within PP&E. Until commercial viability has been established E&E assets remain capitalised at cost less accumulated amortisation and are subject to the impairment test set out below. Such E&E assets are depreciated on a unit of production basis over the life of the commercial reserves attributed to the cost pool to which they relate.

Other intangible assets

Other intangible assets are carried at measured cost less accumulated amortisation and any recognised impairment loss and are amortised on a straight-line basis over their expected useful economic lives as follows:

- Computer software and associated costs 3 years

(g) Property, plant and equipment

Oil and gas assets

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

Depreciation of oil and gas assets:

Oil and gas assets are depreciated using the unit of production method based on proved and probable reserves using estimated future prices and costs and taking into account future development expenditures necessary to bring those reserves into production.

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Other property, plant and equipment

Other property, plant and equipment include expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the assets' carrying value or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

The carrying amount of an item of PP&E is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income during the period.

Other property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment loss and are depreciated on a straight-line basis over their expected useful economic lives as follows:

- Furniture and office equipment 5 years
- Computer equipment 3 years

(h) Impairment of non-financial assets

E&E assets and oil and gas assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators 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 exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of either of the E&E or the 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 the purpose of 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.

(i) Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate method.

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General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised together with the qualifying assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Taxation

The income tax expense comprises current income tax and deferred income tax.

The current income tax is the expected tax payable on the taxable income for the period. It is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and includes any adjustment to tax payable in respect of previous years.

Deferred income tax is the tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax is not recorded if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting profit nor loss.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the year when the deferred tax liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income except when it relates to items charged or credited directly to equity in which case the deferred tax is also recognised directly in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to cash flows from the assets expire or the Company transfers the financial asset and substantially all the risks and rewards of ownership. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or expire.

Classification and measurement

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 for the purpose of selling or repurchasing 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.
- Loans and receivables comprise of other receivables and cash and cash equivalents and are financial assets with fixed or determinable payments that are not quoted on an active market and are generally included within

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current assets due to their short-term nature. 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.

Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence indicating that a financial asset is impaired including:

- Significant financial difficulty of the issuer
- A breach of contract such as delinquency in interest or principal payments
- Active market for that financial asset disappears because of financial difficulties
- Observable data indicating that there is a measureable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets

If evidence of impairment exists the Company recognises an impairment loss in the statement of comprehensive income as follows:

- Financial assets carried at amortised cost – the impairment loss is the difference between the carrying amount of the loan or receivable and the present value of the estimated future cash flows discounted using the instrument's effective interest rate.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

(l) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits and other short-term liquid investments that are readily convertible to a known amount of cash with three months or from the acquisition date.

(m) Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event when it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimates to settle the present obligation its carrying amount is the present value of those cash flows.

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Decommissioning and site restoration

Provisions for decommissioning and site restoration are recognised when the Company has a present legal or constructive obligation to dismantle and remove production, storage and transportation facilities and to carry out site restoration work. The provision is calculated as the net present value of the Company's share of the expenditure expected to be incurred at the end of the producing life of each field using a discount rate that reflects the market assessment of the time value of money at that date. Unwinding of the discount on the provision is charged to the statement of comprehensive income within finance costs during the period. The amount recognised as the provision is included as part of the cost of the relevant asset and is charged to the statement of comprehensive income in accordance with the Company's policy for depreciation and amortisation.

Changes in the estimated timing of decommissioning and site restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the relevant asset.

(n) Share-based payments

The Company issues equity-settled share-based payments to certain directors, employees and third parties. The fair value of the equity settled share-based payments is measured at the date of grant. The total expense is recognised over vesting period, which is the period over which all conditions to entitlement are to be satisfied. The cumulative expense recognised for equity-settled share-based payments at each balance sheet date represents the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for the period and the corresponding adjustment to contributed surplus during the period represents the movement in the cumulative expense recognised for all equity instruments expected to vest. The fair value of equity-settled share-based payments is determined using the Black-Scholes option pricing model.

(o) Pension obligations

The Company performed an assessment of their pension plan and determined that its Swiss subsidiary has a defined benefit pension plan that is managed through a private fund. Independent actuaries determined the cost of the defined benefit plan and the Company has determined that the unfunded obligation is not material.

(p) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Changes in accounting policies

There are no IFRS or interpretations that have been issued effective for financial years beginning on or after January 1, 2015 that would have a material impact on the Company's consolidated financial statements.

(r) Accounting standards issued but not yet applied

Standards and interpretations issued but not yet effective up to the date of issuance of the financial statements are listed below.

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IFRS 9: Financial Instruments - Classification and Measurement, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the full impact of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2018.

IFRS 15: Revenue from contracts with customers is the new standard which replaces IAS 18 Revenue and IAS 11 Construction Contracts and provides a five step framework for application to customer contracts; identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognised to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2017. The Company is in the process of assessing the full impact of IFRS 15 and intends to adopt IFRS 15 no later than the accounting period beginning on or after January 1, 2017.

IFRS 11: Joint Arrangements. An amendment to IFRS 11 was issued in May 2014 addressing guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The standard now specifies the appropriate accounting treatment for such acquisitions and requires an investor to apply the principles of business combination accounting, as defined in IFRS 3 - Business combinations, when acquiring an interest in a joint operation that constitutes a business. The amendment requires an investor to measure identifiable assets and liabilities at fair value; expense acquisition related costs; recognise deferred tax, and; recognise the residual as goodwill. The amendment is applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not to be re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control. The amendment to IFRS 11 will be applied prospectively for annual periods beginning on or after January 1, 2016. The Company intends to adopt IFRS 11 for the accounting period beginning on January 1, 2016 and does not anticipate that it will have a material impact its financial statements.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, management has made judgments, estimates and assumptions about the carrying amounts of the assets, liabilities, revenues, expenses and related disclosures. These estimates and associated assumptions are based on historical experience, current trends and other factors that management believes to be relevant at the time these consolidated financial statements were prepared. Actual results may differ as future events and their effects cannot be determined with certainty and such differences could be material. Management reviews the accounting policies, underlying assumptions, estimates and judgments on an on-going basis to ensure that the financial statements are presented fairly in accordance with IFRS.

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The following are the critical judgments and estimates that management has made in the process of applying the Company's accounting policies in these consolidated financial statements:

(a) Oil and gas reserves

The business of the Company is the exploration and development of oil and gas reserves in Kurdistan. Estimates of commercial oil and gas reserves are used in the calculations for impairment, depreciation and amortisation and decommissioning provisions. Changes in estimates of oil and gas reserves resulting in different future production profiles will affect the discounted cash flows used for impairment purposes, the anticipated date of site decommissioning and restoration and the depreciation charges based on the unit of production method.

In February 2016 the Company commissioned an independent reserves and resources report from McDaniel & Associates Consultants Ltd. ("McDaniel") to estimate the Company's reserves and resources at December 31, 2015. The reserves and resources estimates provided in the report were considered in determining amounts of impairment, depreciation and amortisation and decommissioning provisions included in these consolidated financial statements.

(b) Impairment of E&E and PP&E assets

IAS 36 Impairment of Assets and *IFRS 6 Exploration of and Evaluation of Mineral Resources* require that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amounts are determined with reference to value in use calculations. The key assumptions for the value in use calculations are those regarding production flow rates, discount rates and fiscal terms under the Production Sharing Contracts governing the Company's assets and expected changes to selling prices and direct costs during the period. These assumptions reflect management's best estimates based on historical experiences, past practices and expectations of future changes in the oil and gas industry. Refer also to notes 11 and 12.

(c) Decommissioning and site restoration provisions

The Company recognises a provision for decommissioning and site restoration costs expected to be incurred in order to remove and dismantle production, storage and transportation facilities and to carry out site restoration work. The provisions are estimated taking into consideration existing technology and current prices after adjusting for expected inflation and discounted using rates reflecting current market assessments of the time value of money and where appropriate, the risks specific to the liability. The Company makes an estimate based on its experience and historical data. Refer also to notes 10 and 16.

(d) Share-based payments

The Company issues equity-settled share-based payments to certain directors, employees and third parties. In accordance with *IFRS 2 Share-based payments*, in determining the fair value of options granted, the Company has applied the Black-Scholes model and as a result makes assumptions for the expected volatility, expected life, risk-free rate, behavioural considerations and expected dividend yield. The fair value of options granted at December 31, 2015 is shown in note 18.

5. 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. Refer to note 10 for disclosure of the Company's discontinued operations.

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6. General and administrative expense

	For the year ended December 31,	
	2015	2014
General and administrative expenses incurred	5,194	4,886
General and administrative expenses capitalised as E&E and PP&E assets	(2,835)	(3,338)
General and administrative expense	2,359	1,548

The Company capitalises as E&E and PP&E assets general and administrative expense supporting E&E and PP&E activities which relate to direct interests held in production sharing contracts. Refer also to notes 11 and 12.

7. Finance income

	For the year ended December 31,	
	2015	2014
Foreign exchange gain	492	43
Interest income	189	65
Total finance income	681	108

The foreign exchange gain in the year 2015 resulted primarily from holding net assets denominated in Canadian dollars while the CAD strengthened against the United States dollar, the reporting currency of the Company.

Interest income represents bank interest earned on cash and investments held in interest bearing term deposits.

8. Finance cost

	For the year ended December 31,	
	2015	2014
Interest charges on bonds at coupon rate	17,250	17,250
Amortisation of bond related transaction costs	606	607
Interest expense on borrowings	17,856	17,857
Unwinding discount on decommissioning provision	36	19
Total finance costs before borrowing costs capitalised	17,892	17,876
Borrowing costs capitalised as E&E and PP&E assets	(12,571)	(12,572)
Total finance costs	5,321	5,304

During the year ended December 31, 2015 the Company incurred interest expense relating to senior secured bonds which carry an 11.5% fixed semi-annual coupon interest rate. Refer also to notes 11, 12, 15 and 23.

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9. Taxation

(a) Income tax expense

The income tax expense reflects an effective tax rate which differs from Federal and Provincial statutory tax rates. The main differences are as follows:

	For the year ended December 31,	
	2015	2014
Loss from continuing operations before income tax	(252,822)	(7,104)
Corporate income tax rate	26.0%	26.0%
Computed income tax expense	(65,734)	(1,847)
Increase / (decrease) resulting from:		
Change in valuation allowance	49,655	1,198
Foreign tax rate differences	15,099	365
Effect of changes in foreign exchange rates	967	489
Non-deductible compensation expense	314	80
Other expense / (income)	263	(165)
Non-taxable foreign exchange gain	(128)	(11)
Share issuance costs charged to share capital	(342)	-
Income tax expense from continuing operations	94	109

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.

The Company has not recognised approximately \$138 million (2014: \$88 million) of deferred tax assets as it is not probable that these amounts will be realised.

(b) Tax losses carried forward

The Company has tax losses and costs which are available to apply to future taxable income as follows:

	As at December 31,	
	2015	2014
Canadian losses from operations	18,413	20,899
Canadian exploration expenses	2,369	2,796
Canadian unamortised share issue costs	1,097	632
Dutch losses from operations	362,323	110,867
U.S. Federal losses from operations	166,411	166,200
U.S. Federal tax basis in excess of carrying values of properties	3,654	3,654
Total tax losses carried forward	554,267	305,048

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2028 to 2035. The Canadian exploration expenses may be carried forward indefinitely to offset future taxable Canadian income. Canadian unamortised share issue costs may offset future taxable Canadian income of years 2016 to 2017. The U.S. Federal losses are available to offset future taxable income in the United States through 2032.

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10. Discontinued operations

During May of 2009 the Company sold to a third party its oil and gas properties located in the United States in the Gulf of Mexico. The results of the discontinued operations included in the consolidated statement of comprehensive income are as follows:

	For the year ended December 31,	
	2015	2014
Gain on release of excess accrued windup costs	46	-
Gain on release of excess site restoration provisions	-	228
General, administrative and professional expenses	(13)	(15)
Net income from discontinued operations	33	213

During the year 2015 the Company completed the windup of Summit Energy Company LLC, which was the lone remaining United States based operational subsidiary of the Company. The total cost to complete this exercise was less than the amount previously estimated and the excess accrued windup costs have been released resulting in a gain in the year 2015.

In the year 2014 the Company completed the site restoration works pertaining to the interests it previously held in oil and gas properties located in the United States resulting in the release of excess site restoration provisions as the total cost to complete this work was less than the amount previously estimated.

The net income from discontinued operations in 2015 and 2014 did not result in income tax expense as gains on release of excess provisions are not taxable amounts.

The major classes of assets and liabilities included in the consolidated balance sheet are as follows:

	As at December 31,	
	2015	2014
Assets	-	-
Liabilities		
Trade payables and accrued expenses	-	51
	-	51
Net liabilities	-	51

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11. Property, plant and equipment

	Oil and gas assets	Computer equipment	Furniture and office equipment	Total
At January 1, 2014				
Cost	194	194	169	557
Accumulated depreciation	(69)	(191)	(118)	(378)
Net book value	125	3	51	179
For the year ended December 31, 2014				
Opening net book value	125	3	51	179
Additions	-	81	-	81
Exchange difference	-	-	(3)	(3)
Depreciation expense	(36)	(16)	(33)	(85)
Net book value	89	68	15	172
At December 31, 2014				
Cost	194	256	154	604
Accumulated depreciation	(105)	(188)	(139)	(432)
Net book value	89	68	15	172
For the year ended December 31, 2015				
Opening net book value	89	68	15	172
Additions	11,029	4	-	11,033
Transfer from intangible E&E	410,472	-	-	410,472
Impairment loss	(244,557)	-	-	(244,557)
Exchange difference	-	1	-	1
Depreciation expense	(33)	(29)	(15)	(77)
Net book value	177,000	44	-	177,044
At December 31, 2015				
Cost	177,138	258	153	177,549
Accumulated depreciation	(138)	(214)	(153)	(505)
Net book value	177,000	44	-	177,044

The net book value of oil and gas assets at December 31, 2015 are comprised of development costs related to the Company's share of Atrush Block PSC proved and probable reserves as estimated by McDaniel (the "Atrush 2P reserves"). These costs are not subject to depletion until commencement of commercial production.

During the year 2015 the Company capitalised to oil and gas assets borrowing costs totalling \$1 million (2014: \$nil) and general and administrative expenses of \$0.2 million (2014: \$nil).

In November 2015 an engineering, procurement and construction contract for a crude oil pipeline to be constructed within the Atrush Block was signed by the Operator, TAQA Atrush BV, and a Kurdistan Regional Government ("KRG") approved pipeline contractor. The Company has determined that this development is sufficient to confirm the technical and commercial feasibility of the Atrush 2P reserves. Accordingly, \$410.5 million of costs related to the Atrush 2P reserves were transferred from intangible assets to PP&E in 2015.

Due to a significant decline in world oil prices in the year 2015 the Company has conducted an impairment test to assess if the net book value of its oil and gas assets was recoverable. The impairment test is based on McDaniel's production and cost profiles related to proved and probable reserves and used an oil price curve based on year end price forecasts, a future cost inflation factor of 2% per annum and a discount rate of 11.5% to calculate the net present value at December 31, 2015 of the Company's projected share of future cash flows of the Atrush 2P reserves to determine a recoverable value of \$177 million. Therefore a non-cash impairment loss of the Company's oil and gas assets has been recognized in the amount of \$244.6 million and included in the statement of comprehensive income for the year ended December 31, 2015.

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A sensitivity analysis shows that a \$5/bbl decrease in the oil price would increase the impairment loss by \$16 million whereas a \$5/bbl increase in the oil price would decrease the impairment loss by \$14 million and a 1% increase in the discount rate used to calculate the net present value would increase the impairment loss by \$9 million while a 1% decrease in the discount rate would decrease the impairment loss by \$10 million. If expectations with regard to timing of cash flows are not met it could also result in additional impairment losses.

Refer also to notes 6, 8, 15, and 21.

12. Intangible assets

	Exploration and evaluation assets	Other intangible assets	Total
At January 1, 2014			
Cost	344,988	288	345,276
Accumulated amortisation	-	(286)	(286)
Net book value	344,988	2	344,990
For the year ended December 31, 2014			
Opening net book value	344,988	2	344,990
Additions	84,257	34	84,291
Amortisation expense	-	(4)	(4)
Net book value	429,245	32	429,277
At December 31, 2014			
Cost	429,245	292	429,537
Accumulated amortisation	-	(260)	(260)
Net book value	429,245	32	429,277
For the year ended December 31, 2015			
Opening net book value	429,245	32	429,277
Additions	69,821	31	69,852
Transfer to PP&E	(410,472)	-	(410,472)
Amortisation expense	-	(12)	(12)
Net book value	88,594	51	88,645
At December 31, 2015			
Cost	88,594	321	88,915
Accumulated amortisation	-	(270)	(270)
Net book value	88,594	51	88,645

The net book value of E&E assets at December 31, 2015 represents Atrush Block exploration and appraisal costs related to the Company's share of Atrush Block contingent resources as estimated by McDaniel (the "Atrush 2C resources"). During the year 2015 the Company capitalised to E&E borrowing costs totalling \$11.5 million (2014: \$12.6 million) and general and administrative expenses of \$2.6 million (2014: \$3.3 million). In November 2015 \$410.5 million of costs related to the Atrush 2P reserves have been transferred from intangible assets to PP&E.

Due to a significant decline in world oil prices in the year 2015 the Company has conducted an impairment test to assess if the net book value of its E&E assets is recoverable. The impairment test is based on management's production and cost profiles related to the Atrush 2C resources and used an oil price curve based on year end price forecasts, a future cost inflation factor of 2% per annum and a discount rate of 11.5% to calculate the net present value at December 31, 2015 of the Company's projected share of future cash flows of the Atrush 2C resources. Since the net book value of E&E assets is less than its estimated recoverable value no related impairment loss has been recognized in the year 2015.

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A sensitivity analysis shows that a \$5/bbl decrease in the oil price does not result in an impairment loss nor would a 1% increase in the discount rate used to calculate the net present value.

Refer also to notes 6, 8, 15, and 21.

13. Other current assets

	As at December 31,	
	2015	2014
Prepaid expenses	171	1,522
Other receivables	29	83
Total other current assets	200	1,605

Costs in the amount of \$1.4 million relating to the rights offering to shareholders of the Company were included in prepaid expenses at December 31, 2014.

14. Accounts payable and accrued expenses

	As at December 31,	
	2015	2014
Payables to joint operations partners	8,970	10,391
Trade payables	317	454
Accrued expenses	273	3,362
Total accounts payable and accrued expenses	9,560	14,207

15. Borrowings

At December 31, 2015 General Exploration Partners Inc. ("GEP"), a wholly owned indirect subsidiary of the Company, had outstanding \$150 million of senior secured bonds which are listed on the Oslo Børs in Norway under the symbol "GEP01". The bonds have a five year maturity from their issuance date of November 13, 2013, carry an 11.5% fixed semi-annual coupon and were used to fund capital expenditures related to the development of the Atrush Block.

	As at December 31,	
	2015	2014
Opening balance	149,909	149,302
Interest charges on bonds at coupon rate	17,250	17,250
Amortisation of bond related transaction costs	606	607
Interest payments to bondholders	(17,250)	(17,250)
Ending balance	150,515	149,909
- Current portion: accrued interest expense on bonds	2,252	2,252
- Non-current portion: borrowings	148,263	147,657

The bonds include an unconditional and irrevocable on-demand guarantee on a joint and several basis from the Company and certain of the Company's direct and indirect subsidiaries and, among other arrangements, agreements which pledge all of the ordinary shares of GEP and the Company's Swiss service subsidiary, ShaMaran Services SA, as security for GEP's bond related obligations, as well as an internal credit facility agreement among the Company and certain of its subsidiaries setting out the terms and conditions for intra-group credit to be made available amongst the parties.

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Under the terms of the bond agreement all bond proceeds are held in accounts pledged to the bond trustee as security and may be accessed by the Company on prior authorisation of the bond trustee provided the proceeds are to be employed for prescribed purposes, most notably to fund the financing, development and operation of the Atrush Block, to service the first 24 months of bond coupon interest expense and to fund technical, management and administrative services of ShaMaran's subsidiary companies up to \$6 million per year over the term of the bonds. Of the Company's \$31.9 million of total cash and cash equivalents at December 31, 2015 (2014: \$57.2 million) \$1.5 million was held in accounts pledged to the bond trustee (2014: \$41.1 million).

The remaining contractual obligations comprising of repayment of principal and interest expense, based on undiscounted cash flows at payment date and assuming the bonds are not redeemed early, are as follows:

	As at December 31,	
	2015	2014
Less than one year	17,250	17,250
Between two and three years	182,763	199,407
Total	200,013	216,657

Refer also to notes 8, 11, 12, 19 and 20.

16. Provisions

The Company has provided for its working interest share of decommissioning and site restoration costs in relation to activities undertaken to date on the Atrush Block in Kurdistan.

	As at December 31,	
	2015	2014
Opening balance	1,846	1,185
Changes in estimates and obligations incurred	6,098	601
Changes in discount and inflation rates	100	41
Unwinding discount on decommissioning provision	36	19
Total decommissioning and site restoration provisions	8,080	1,846

The above provisions assume decommissioning and site restoration work is to be undertaken in the year 2032 and estimated costs have been discounted to net present value using a Bank of Canada long term bond yield rate of 2.15% and an inflation rate of 0.73%. Estimated decommissioning and site restoration costs associated with the 30,000 barrel per day production facility under construction on the Atrush Block has resulted in a significant increase in the provision over the prior year.

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, 2014	810,983,860	534,068
At December 31, 2014	810,983,860	534,068
Shares issued on Rights Offering, net of issuance costs	754,214,990	59,111
Shares issued to Standby Purchasers as equity based guarantee fee	14,569,684	1,346
Guarantee fee charged directly to share capital	-	(1,346)
At December 31, 2015	1,579,768,534	593,179

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On February 10, 2015 in connection with an offering of rights to shareholders of record on January 12, 2015 to purchase additional common shares in the ShaMaran ("Common Shares") at a subscription price of CAD 0.10 per share (the "Rights Offering"), the Company issued an aggregate of 713,308,912 Common Shares, including 195,710,409 Common Shares to its major shareholders, Lorito Holdings SARL, Zebra Holdings and Investments SARL and Lundin Petroleum BV (collectively the "Standby Purchasers") on exercise of their respective rights, resulting in gross proceeds to the Company of CAD 71.3 million (\$57.1 million). Under the terms of the standby purchase agreement (the "Standby Purchase Agreement") between the Company and the Standby Purchasers, the Standby Purchasers agreed to subscribe for a total of 40,906,078 additional Common Shares, representing all Common Shares not otherwise subscribed for by rights holders, at a price of CAD 0.10 per share (the "Standby Purchase"). The Standby Purchase was concluded on February 17, 2015 and resulted in additional gross proceeds to the Company of CAD 4.1 million (\$3.3 million). In addition on February 17, 2015 the Company issued a further aggregate of 14,569,684 Common Shares to the Standby Purchasers in respect of the guarantee fee, as defined under the standby purchase agreement. Refer also to note 22.

Earnings per share

The earnings per share amounts were as follows:

	For the year ended December 31,	
	2015	2014
Continuing operations:		
Net loss from continuing operations, in dollars	(252,916,000)	(7,213,000)
Weighted average common shares outstanding during the year	1,493,132,481	810,983,860
Basic and diluted loss per share from continuing operations, in dollars	(0.17)	(0.01)
Discontinued operations:		
Net income from discontinued operations, in dollars	33,000	213,000
Weighted average common shares outstanding during the year	1,493,132,481	810,983,860
Basic and diluted income per share from discontinued operations, in dollars	-	-
Continuing and discontinued operations:		
Net loss from continuing and discontinued operations, in dollars	(252,883,000)	(7,000,000)
Weighted average common shares outstanding during the year	1,493,132,481	810,983,860
Basic and diluted loss per share from continuing and discontinued operations, in dollars	(0.17)	(0.01)

18. Share based payments expense

The Company has an established 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 under option at any specific time to any one option holder shall not exceed 5% of the issued and outstanding common shares of the Company. The term of any options granted under the 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.

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

	Number of share options outstanding	Weighted average exercise price CAD
At January 1, 2014	8,263,334	0.43
Expired in the year 2014	(1,508,334)	0.66
At December 31, 2014	6,755,000	0.38
Granted in the year 2015	26,000,000	0.12
Expired in the year 2015	(4,565,000)	0.39
At December 31, 2015	28,190,000	0.13
Share options exercisable:		
At December 31, 2014	4,875,001	0.39
At December 31, 2015	10,856,667	0.17

The Company recognises compensation expense on share options granted to both employees and non-employees using the fair value method at the date of grant, which the Company records as an expense. The share based payments expense is calculated using the Black-Scholes option pricing model.

In connection with the changes in senior management and the Board the Company approved on January 19, 2015 a grant of an aggregate of 26,000,000 incentive stock options, consistent with the terms described in this note 18 and with an exercise price of CAD 0.115, to certain senior officers and directors of the Company. Refer also to note 1.

The weighted average fair value of options granted during the year and the assumptions used in their determination are as follows:

	For the year ended December 31,	
	2015	2014
Expected dividend yield	0%	N/A
Risk-free interest rate (weighted average)	1.07%	N/A
Expected share price volatility (weighted average)	74.01%	N/A
Expected option life in years (weighted average)	5.00	N/A
Grant date fair value (weighted average)	CAD 0.07	N/A

Share based payments expense for the year ended December 31, 2015 was \$1.2 million (2014: \$0.3 million).

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options.

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19. Financial instruments

Financial assets

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

	Carrying and fair values ¹	
	At December 31, 2015	At December 31, 2014
Cash and cash equivalents, unrestricted ²	30,409	16,062
Cash and cash equivalents, restricted ²	1,512	41,142
Other receivables ²	29	83
Total financial assets	31,950	57,287

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 December 31, 2015	At December 31, 2014
Borrowings ³	Level 2	148,263	147,657
Accounts payable and accrued expenses ²		9,560	14,207
Provisions for decommissioning costs		8,080	1,846
Accrued interest on bonds		2,252	2,252
Current tax liabilities ²		31	41
Financial liabilities of discontinued operations ²		-	51
Total financial liabilities		168,186	166,054

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 or, due to the short term nature, readily convertible to or settled with cash and cash equivalents.

³ The fair value of the Company's borrowings is \$102.2 million (2014: \$151.4 million). The fair value was determined by reference to the bond agreement terms and the weighted average of available annual published price quotations on the Oslo Børs.

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.

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Capital risk management

- The Company manages its capital to ensure that entities within the Company will be able to continue as a going concern, while maximising return to shareholders. The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Company had debt relating to borrowings and accrued interest of \$150.5 million as at December 31, 2015 (2014: \$149.9 million). Refer also to note 23.

Book equity ratio

In accordance with the terms of the Company's senior secured bond agreement it is required to maintain a Book Equity ratio, defined as shareholders' equity divided by total assets, of no less than 40%. The Company's book equity ratio is as follows:

	For the year ended December 31,	
	2015	2014
Shareholders' equity	129,624	322,204
Total assets	297,810	488,258
Book equity ratio	44%	66%

Refer also to notes 15 and 23.

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. The spot price of ICE Brent Crude oil, a reference in determining the price at which the Company can sell future oil production, has declined by approximately 24% over the year 2015. A further decline in the price at which the Company can sell future oil and gas 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. Refer also to note 11.

The Company does not hedge against commodity price risk.

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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 also 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.

The carrying amounts of the Company's principal monetary assets and liabilities denominated in foreign currency at the reporting date are as follows:

	Assets		Liabilities	
	December 31, 2015	2014	December 31, 2015	2014
Canadian dollars in thousands ("CAD 000")	54	177	46	151
Swiss francs in thousands ("CHF 000")	228	435	192	262

Foreign currency sensitivity analysis

The Company is exposed to movements in CHF and CAD against the USD, the presentational currency of the Company. Sensitivity analyses have been performed to indicate how the profit or loss would have been affected by changes in the exchange rates between the USD and CHF and CAD. The analysis below is based on a strengthening of the CHF and CAD by 1% against the USD in which the Company has assets and liabilities at the end of respective period. A movement of 1% reflects a reasonably possible sensitivity when compared to historical movements over a three to five year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 1% change in foreign currency rates.

A positive number in the table below indicates an increase in profit where USD weakens 1% against the CHF or CAD on the basis of the CHF and CAD assets and liabilities held by the Company at the balance sheet dates. For a 1% strengthening of the USD against the CHF or CAD there would be an equal and opposite impact on the profit or loss.

	Assets		Liabilities	
	2015	2014	2015	2014
Statement of comprehensive income - CAD	-	1	-	(1)
Statement of comprehensive income - CHF	2	4	(2)	(3)

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.

The Group is highly leveraged through financing at the project level, for the continuation of Atrush project, and at the corporate level due to the \$150 million of senior secured bonds which were issued in November 2013. However, the Company is not exposed to interest rate risks associated with the bonds as the interest rate is fixed.

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Interest rate sensitivity analysis:

Based on exposure to the interest rates for cash and cash equivalents at the balance sheet date an increase or decrease of 0.5% in the interest rate would not have a material impact on the Company's profit or loss for the year. An interest rate of 0.5% is used as it represents management's assessment of the reasonably possible changes in interest rates.

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 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 in order to finance its activities for limited periods. The Company seeks to raise 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. Refer also to note 23.

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.

The maturity profile of the Company's financial liabilities are indicated by their classification in the consolidated balance sheet as "current" or "non-current" and further information relevant to the Company's liquidity position is disclosed in the Company's going concern assessment in note 2.

20. Commitments

As at December 31, 2015 the outstanding commitments of the Company were as follows:

	For the year ended December 31,				Total
	2016	2017	2018	Thereafter	
Atrush Block development and PSC	76,250	160	160	2,414	78,984
Office and other	65	-	-	-	65
Total commitments	76,315	160	160	2,414	79,049

Amounts relating to the Atrush Block represent the Company's unfunded share of the approved work program and other obligations under the Atrush Block PSC. Refer also to notes 15 and 21.

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21. Interests in joint operations and other entities

Interests in joint operations - Atrush Block Production Sharing Contract

ShaMaran holds a 26.8% direct interest in the PSC through GEP. TAQA Atrush B.V. ("TAQA"), a subsidiary of Abu Dhabi National Energy Company PJSC, is the Operator of the Atrush Block with a 53.2% direct interest, Marathon Oil KDV B.V. ("MOKDV") holds a 20% direct interest. GEP, MOKDV and TAQA together are "the Contractors" to the PSC.

On March 12, 2013 the KRG communicated its intention to exercise a right to acquire an interest in the Atrush Block PSC in accordance with the terms of the PSC. At the date these consolidated financial statements were approved discussions between the Contractors and the KRG to effect the exercise of the right were in progress but the process of exercising the right was not complete. Under the terms of the PSC, upon the exercise of the right the KRG would assume up to a 25% undivided interest in the petroleum operations and all the other rights, duties, obligations and liabilities of the Contractors from the date the block has first been declared commercially viable.

Under the terms of the Atrush Block PSC the development period is for 20 years 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 PSC. All modifications to the 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. Refer also to note 20.

Information about subsidiaries

The consolidated financial statements of the Company include:

Subsidiary	Principal activities	Country of Incorporation	% equity interest as at	
			31 Dec 2015	31 Dec 2014
ShaMaran Petroleum Holdings Coöperatief U.A.	Oil exploration and production	The Netherlands	100	100
ShaMaran Ventures B.V.	Oil exploration and production	The Netherlands	100	100
General Exploration Partners, Inc.	Oil exploration and production	Cayman Islands	100	100
ShaMaran Petroleum B.V.	Oil exploration and production	The Netherlands	100	100
ShaMaran Services S.A.	Technical and admin. services	Switzerland	100	100
Bayou Bend Petroleum U.S.A. Ltd	Discontinued operations	United States of America	100	100

22. Related party transactions

Transactions with corporate entities

	Purchases of services during the year		Amounts owing at December 31,	
	2015	2014	2015	2014
Lundin Petroleum AB	473	464	40	56
Namdo Management Services Ltd.	173	214	9	31
McCullough O'Connor Irwin LLP	18	276	2	91
Mile High Holdings Ltd.	-	-	-	35
Total	664	954	51	213

The Company receives services from various subsidiary companies of Lundin Petroleum AB ("Lundin"), a shareholder of the Company. Lundin charges during the year ended December 31, 2015 of \$473 (2014: \$464) were comprised of technical service costs of \$59 (2014: \$50), investor relations services of \$29 (2014: \$36), reimbursement for Company travel and related expenses of \$23 (2014: \$1), office rental, administrative and building services of \$362 (2014: \$377).

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.

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McCullough O'Connor Irwin LLP is a law firm in which an officer of the Company is a partner and has provided legal services to the Company.

Mile High Holdings Ltd. is a private corporation associated with a shareholder of the Company which has provided transportation services to the Company in relation to its investor relations activities.

In February 2015, in connection with the Rights Offering, the Company issued Common Shares to its major shareholders, Lorito Holdings SARL, Zebra Holdings and Investments SARL and Lundin Petroleum B.V., a subsidiary company of Lundin.

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 notes 17 and 23.

Key management compensation

The Company's key management was comprised of its directors and executive officers who have been remunerated as follows:

	For the year ended December 31,	
	2015	2014
Management's share based payments	906	161
Management's salaries	884	815
Management's termination benefits	495	-
Management's short-term benefits	222	466
Directors' share based payments	279	95
Directors' fees	83	118
Total	2,869	1,655

Short-term employee benefits include non-equity incentive plan compensation and other short-term benefits. Share-based payments compensation represents the portion of the Company's share based payments expense incurred during the year attributable to the key management, accounted for in accordance with IFRS 2 'Share Based Payments'. Refer also to note 1.

23. Events after the reporting period

On March 14, 2016 the Company announced a financing arrangement which has been proposed (the "Proposed Financing Arrangement") to holders of GEP's \$150 million bonds (the "Existing Bondholders") and is to provide the Company with additional liquidity in 2016 of approximately \$33 million net of transaction costs. The principal terms of the Proposed Financing Arrangement are:

1. GEP issues new \$17 million super senior bonds ("Super Senior Bonds"). The Super Senior Bonds will be based on the same agreement as the Existing Bonds with the same maturity date of November 13, 2018 and an 11.5% coupon interest payable semi-annually. GEP will have the option to pay the coupon interest on the Super Senior Bonds in cash or in kind by issuing new bonds ("PIK Bonds"). GEP has entered into an agreement to underwrite the Super Senior Bonds with major shareholders, Lorito Holdings SARL and Zebra Holdings and Investments SARL, companies owned by the Lundin Family Trust.
2. The Existing Bondholders are given the option to convert up to \$18 million of Existing Bonds at face value into ShaMaran common shares at market price following approval of the Proposed Financing Arrangement. The conversion offer is to commence following approval of the Proposed Financing Arrangement with pro-rata allocation among Existing Bondholders upon oversubscription.

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3. The bond agreement for the Existing Bonds is to be amended so that (i) the 2016 coupon interest (\$17.25 million before considering any conversion in 2 above) is settled by issuing new PIK Bonds; (ii) GEP has the option to pay in cash or in kind (by issuing new PIK Bonds) the post 2016 coupon interest; and (iii) certain waivers and amendments are made to the terms of the Existing Bonds including the subordination of Existing Bonds' security to the Super Senior Bonds' security.

The Company is also considering offering a subsequent private placement of shares for cash for the remainder if \$18 million is not converted under 2 above.

To facilitate the approval process a Summons was issued on March 14, 2016 by Nordic Trustee, the bondholder's trustee, requesting a meeting of Existing Bondholders on April 1, 2016.

Refer also to note 15.

SHAMARAN PETROLEUM CORP.

DIRECTORS	CORPORATE INFORMATION
<p>Keith C. Hill Director, Chairman Florida, U.S.A</p> <p>Chris Bruijnzeels Director, President & Chief Executive Officer Geneva, Switzerland</p> <p>Brian D. Edgar Director Vancouver, British Columbia</p> <p>Gary S. Guidry Director Calgary, Alberta</p> <p>C. Ashley Heppenstall Director Geneva, Switzerland</p>	<p>CORPORATE OFFICE 885 West Georgia Street Suite 2000 Vancouver, British Columbia V6C 3E8 Telephone: +1-604-689-7842 Facsimile: +1-604-689-4250 Website: www.shamaranpetroleum.com</p> <p>OPERATIONS OFFICE 5 Chemin de la Pallanterie 1222 Vésénaz Switzerland Telephone: +41-22-560-8600 Facsimile: +41-22-560-8601</p> <p>BANKER HSBC Bank Canada Vancouver, British Columbia</p> <p>INDEPENDENT AUDITORS PricewaterhouseCoopers SA Geneva, Switzerland</p> <p>TRANSFER AGENT Computershare Trust Company of Canada Vancouver, British Columbia</p> <p>STOCK EXCHANGE LISTINGS TSX Venture Exchange and NASDAQ OMX First North Exchange Trading Symbol: SNM</p> <p>INVESTOR RELATIONS Sophia Shane Vancouver, British Columbia</p>
OFFICERS	
<p>Brenden Johnstone Chief Financial Officer Geneva, Switzerland</p> <p>Kevin E. Hisko Corporate Secretary Vancouver, British Columbia</p>	