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**To the bondholders in:**

**ISIN: NO 001082645.6 - ShaMaran Petroleum Corp. 12% Senior Unsecured USD 240,000,000 callable bonds 2018/2023**

Geneve / Oslo, 13 July 2021

## **SUMMONS TO WRITTEN RESOLUTIONS**

### **1 INTRODUCTION**

Nordic Trustee AS acts as bond trustee (the "**Bond Trustee**") for the holders of bonds in the above-mentioned bond issue (the "**Bond Issue**") issued by ShaMaran Petroleum Corp. (the "**Issuer**" or "**ShaMaran**" or the "**Company**").

Unless otherwise stated herein, all capitalised terms used herein shall have the meaning ascribed to them in the amended and restated bond terms dated 29 January 2021, entered into between the Bond Trustee and the Issuer (the "**Bond Terms**"). References to Clauses and paragraphs are references to Clauses and paragraphs of the Bond Terms.

*The information in this summons regarding the Issuer and market conditions are provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information.*

### **2 BACKGROUND**

ShaMaran is contemplating an acquisition of TotalEnergies SE's ("**TotalEnergies**") subsidiary TEPKRI Sarsang A/S holding 18.00% interest (22.5% paying interest) in the Sarsang PSC in Kurdistan Region of Iraq (the "**Sarsang Acquisition**" and the sale and purchase agreement documenting its terms, the "**SPA**"). The Issuer has agreed to pay USD 135 million in cash before adjustment for net working capital as of 01.01.2021 (the effective date). In addition, TotalEnergies has accepted a deferred consideration of USD 20 million through a convertible promissory note due for repayment in 2022 and a contingent payment of USD 15 million provided that the field has produced a cumulative gross production of 130 MMbbls provided that no such payment obligation shall arise until and subject to the date on which the average Brent Oil Price in respect of the preceding twelve (12) months has been at least \$60 per barrel.

Sarsang contains two distinct discoveries in Swara Tika and East Swara Tika and the Sarsang block is adjacent to the Company's Atrush block. The Sarsang block is operated by HKN Energy Ltd. and is currently producing in the range of 30,000 bbl/day on a gross basis. Exported crude from Sarsang achieves Brent reference price minus ca. USD 7/bbl quality and transportation discount which is among the lowest discounts in the region as the crude quality is high (approx. 36 degree API and sulphur content is low). Consequently, the Sarsang Acquisition is expected to be cash flow neutral in 2021 and positive from 2022 as the current development of a new 25,000 bbl/day processing facility is expected to be completed in 2Q 2022 together with connecting Swara Tika field to the Atrush feeder pipeline for pipeline transport of Swara Tika oil production via the export pipeline to the international market at Ceyhan. Development capex remaining net to ShaMaran's acquired interest is expected to be funded through operating cash flow from the asset. Net to ShaMaran, the Sarsang Acquisition is expected to contribute 5,400 bbl/day in 2021 and increasing to 9,000 in 2H 2022.

The seller will retain the right to any unrecovered oil export receivables owed by the Kurdistan Regional Government ("**KRG**") related to sales for November 2019 to February 2020. As such, the Company is not exposed to increased arrears related to the KRG's contested repayment plans. Closing of the Sarsang Acquisition is expected to take place in 2H 2021 subject to the approval of the transaction by the TSX Venture Exchange in Canada and the change of control of TEPKRI by the KRG. Governmental approval will be sought as soon as possible after signing of the final SPA with TotalEnergies as seller and is a condition for the completion of the Sarsang Acquisition and the implementation of the proposal to refinance the Bonds as set out in this summons letter.

In order to finance the acquisition, the Company is contemplating a refinancing of the Bonds through issuance of a new USD 288-300 million senior unsecured, 4-year bond issue (the "**New Bond Issue**") of which approx. USD 102.3-114.3 million is new capital, USD 178.5 million is conversion of existing Bonds at 102% of Nominal Value and USD 7.2 million is part refinancing of a subordinated loan provided in 2020 by Nemesia S.à.r.l. (a private company ultimately controlled by the settlor of the Estate of the late Adolph H. Lundin ("**Nemesia**")). As part of the acquisition and refinancing, the Company will, prior to closing the Sarsang Acquisition, raise USD 30,000,000 of new equity capital through a rights offering underwritten by Nemesia. The residual USD 15.6 million subordinated Nemesia loan will remain in place but become cash interest paying at the same coupon rate as the New Bond Issue.

Bondholders are hereby, *inter alia*, requested to approve a proposal to convert all outstanding Bonds into additional bonds in the New Bond Issue. Up to such date, the Bondholders are furthermore requested to waive certain general undertakings in the Bonds that would otherwise restrict the Company from financing the Sarsang Acquisition through issuance of the New Bond Issue. As set out below, the proceeds of the New Bond Issue will be deposited into an escrow account (the "**New Bond Issue Escrow Account**") dedicated to finance the Sarsang Acquisition once the acquisition becomes unconditional. If the Sarsang Acquisition is not completed by a certain long-stop date for the New Bond Issue, the funds deposited into the New Bond Issue Escrow Account will be repaid to the bondholders thereof.

In accordance with the summons for written resolutions dated 25 June 2020, as approved by the Bondholders on 1 July 2020, the Bondholders waived the right to declare an Event of Default, issue a Default Notice or to instruct the Bond Trustee to accelerate the Bonds or call upon any guarantees, or otherwise exercise any rights under the Finance Documents as a result of non-compliance with the financial covenant set out in Clause 13.21 of the Bond Terms (the "**Equity Ratio Covenant**") until 5 July 2021. In order to cater for the Sarsang Acquisition and the New Bond Issue, the Issuer requests that the waiver of the Equity Ratio Covenant is extended until the New Bond Issue's long-stop date 15 months after successful adoption of this Proposal and issuance of the New Bond Issue (expected late July 2021).

### 3 THE PROPOSALS

#### 3.1 Two independent proposals

Based on the above, the updated presentation included as Appendix 1 hereto, and the further terms and conditions set out herein, the Issuer proposes that the Bondholders approve two main proposals (and the transactions and amendments to the Finance Documents contemplated thereby) as set out in:

- (a) section 3.2 (*Waiver of Equity Ratio*) below ("**Proposal 1**"); and
- (b) sections 3.3 (*Bond Conversion*), 3.4 (*Waiver of general undertakings*), 3.5 (*Additional remedy periods*) and 3.6 (*Effectiveness*) below (collectively, the "**Proposal 2**" and together with Proposal 1, the "**Proposals**").

The Proposals are independent and not interlinked proposals.

*Proposal 1 – section 3.2 below*

### **3.2 Waiver of Equity Ratio Covenant**

The Issuer proposes that the Bondholders waive any right to declare an Event of Default, issue a Default Notice or to instruct the Bond Trustee to accelerate the Bonds or call upon any guarantees, or otherwise exercise any rights under the Finance Documents as a result of a non-compliance with the Equity Ratio Covenant until 23 October 2022.

Proposal 1 shall become effective on the date on which the Proposal 1 is approved by the requisite majority of Bondholders.

*Proposal 2 – sections 3.3, 3.4, 3.5 and 3.6 below*

### **3.3 Bond Conversion**

The Issuer proposes that all outstanding Bonds are converted (the "**Bond Conversion**") into additional bonds in the New Bond Issue with terms set out in the term sheet attached hereto as Appendix 3 (the "**Term Sheet**"). The pricing of the New Bond Issue will be based on market pricing following a marketing process commencing upon announcement of the Sarsang Acquisition. As set out in the Term Sheet, the net proceeds from the New Bond Issue will be deposited into the New Bond Issue Escrow Account and will be repaid if the Sarsang Acquisition is not completed within the long-stop date applicable for the New Bond Issue (the "**New Bond Issue Long-Stop Date**"). The New Bond Issue Long-Stop Date will be 15 months following the Initial Issue Date under the New Bond Issue. In accordance with the Term Sheet, the Issuer is obliged to pre-fund a separate debt service retention account (the "**New Bond Issue DSRA**") with transaction fees, up to 6 months' (building up over time) interest on the New Bond Issue's initial issue amount plus 1% long-stop premium out of available cash resources as buffer, should the Sarsang Acquisition not be completed by the New Bond Issue's Long-Stop Date. All bonds issued under the New Bond Issue will be issued with a nominal amount of USD 1.00 – which is the same nominal amount as the Bonds.

The Issuer will, by written notice to the Paying Agent and the Bond Trustee, set the date (the "**Bond Conversion Date**") for the scheduled completion of the Bond Conversion, such notice to be sent no later than 10 days prior to the scheduled Bond Conversion Date.

The Bond Conversion will be done in accordance with the procedures of the CSD. Each Bond will be converted into one additional bond in the New Bond Issue.

The then current interest periods for the Bonds will be automatically amended so that the day (the "**New Interest Payment Date**") prior to the scheduled Bond Conversion Date becomes the new last day of that interest period and furthermore so that the New Interest Payment Date will become the new Interest Payment Date for that interest period. Accrued and unpaid interest on the Bonds will be paid in cash on the New Interest Payment Date. The Bond Conversion Date will be the first day in the subsequent interest period for the New Bond Issue.

### **3.4 Waiver of general undertakings**

The Issuer requests the Bondholders to waive the following general undertakings in the Bond Terms:

- (a) Clause 13.5 (*Financial Indebtedness*), by permitting the New Bond Issue;
- (b) Clause 13.6 (*Negative Pledge*), by permitting the granting of the New Bond Issue Escrow Account and the New Bond Issue DSRA;

- (c) Clause 13.7 (*Financial support*), by permitting the granting of guarantees by the material group companies as per the Term Sheet;
- (d) Clause 13.17 (*Permitted Additional Bond Issue*), by permitting payments from the New Bond Issue Escrow Account and the New Bond Issue DSRA towards the New Bond Issue prior to the Maturity Date; and
- (e) that the Put Option (as defined in the Summons for Written Resolution dated 25 June 2020 in respect of the Bond Terms) is waived.

### 3.5 Additional remedy periods

The Issuer requests the Bondholders to grant the Issuer additional periods to remedy events or circumstances causing an Event of Default with respect to the Bond Issue, and specifically so that:

- (a) other than with respect to any Event of Default caused by a non-payment with respect to the Bond Issue, the Bond Trustee shall not, due to an Event of Default which is continuing, accelerate the Bonds until the date falling fifteen (15) Business Days after the date the relevant Event of Default occurred (the "**Remedy Date**"); and
- (b) the Issuer shall, if the event or circumstance that has resulted in the relevant Event of Default is capable of being remedied, be entitled to remedy such event of circumstance no later than the Remedy Date.

### 3.6 Effectiveness

The part of Proposal 2:

- (a) described in section 3.2 (*Bond Conversion*) shall take effect upon Bond Trustee having received evidence satisfactory to it that (A) the funds on the New Bond Issue Escrow Account has been released to the Issuer for the purpose of part financing the Sarsang Acquisition and (B) the Sarsang Acquisition has been completed;
- (b) described in sections 3.3 (*Waiver of general undertakings*) and 3.4 (*Additional remedy rights*) shall take effect on the date that the manager of the New Bond Issue confirms to the Issuer and the Bond Trustee that the New Bond Issue has been successfully placed,

provided in each case that the amendments, waivers and approvals given by the Bondholders under and with respect the Proposal shall terminate:

- (c) if, due to an Event of Default, the Bonds are capable of being accelerated and the Bonds are accelerated by the Bond Trustee;
- (d) if, at any time prior to the Bond Conversion, the terms of the New Bond Issue become substantially different (to the detriment of the Bondholders and due to amendments, waivers or otherwise) as compared to the terms set out in the Term Sheet;
- (e) if the New Bond Issue is terminated after placing but prior to the settlement thereof; and
- (f) on the earlier of (i) the date following the date on which the Issuer has redeemed or repaid the New Bond Issue in full (or should have done so) and (ii) the date occurring 15 months after the initial issue date of the New Bond Issue,

and provided further that the effectiveness of any part of the Proposal is conditional on the approval thereof by a requisite majority of Bondholders by way of written resolutions as set out in this summons.

## 4 EVALUATION OF THE PROPOSALS

### 4.1 The Issuer's evaluation of the Proposals

In the Company's opinion, the contemplated Sarsang Acquisition is credit positive as the group's portfolio will be diversified by adding a new high quality asset, the Company is raising USD 30 million in new equity and the New Bond Issue will be supported by enhanced cash flow.

The Company, through its financial advisor Pareto Securities AS (the "**Manager**"), have engaged with a majority of Bondholders in the Bond Issue (including the Lundin family) that prior to the date of this summons letter have pre-committed to vote in favour of the for the Proposals described herein.

### 4.2 The Bond Trustee's disclaimer/non-reliance

The Proposals set out in this Summons are presented to the Bondholders without further evaluation or recommendation from the Bond Trustee. The Bondholders must independently evaluate whether the Proposal is acceptable and vote accordingly.

### 4.3 Further information

For more detailed information, please contact: Pareto Securities AS ("**Manager**"), Investment Banking, attention Petter Sagfossen +47 2287 8748 / Petter Omsted +47 2287 8777.

No due diligence investigations or similar exercises have been carried out by the Manager with respect to the Issuer, the Sarsang Acquisition and related assets, liabilities and companies, and the Manager expressly disclaims any and all liability whatsoever in connection with the Proposal (including, but not limited to, the information contained herein).

The Company has conducted a technical, financial and legal due diligence in connection of the contemplated acquisition of TEPKRI Sarsang A/S and its interest in the Sarsang block.

## 5 WRITTEN RESOLUTIONS

Bondholders are hereby provided with a voting request for a Written Resolution pursuant to Clause 15.5 (*Written Resolutions*) of the Bond Terms. For the avoidance of doubt, no Bondholders' Meeting will be held.

**It is proposed that the Bondholders resolve the following resolutions by way of Written Resolution (together, the "Resolutions" and each a "Resolution"):**

*"The Bondholders approve by Written Resolution the Proposal 1 as described in the summons dated 13 July 2021 ("**Resolution 1**"). The Bond Trustee shall be authorised to take any action, negotiate, finalise, enter into and deliver any agreements, notices, arrangements or other documentation as it deems necessary or desirable to effect the Proposal 1 in its sole discretion."*

*"The Bondholders approve by Written Resolution the Proposal 2 as described in the summons dated 13 July 2021 ("**Resolution 2**"). The Bond Trustee shall be authorised to take any action, negotiate, finalise, enter into and deliver any agreements, notices, arrangements or other documentation as it deems necessary or desirable to effect the Proposal 2 in its sole discretion."*

The Resolutions shall not be interlinked, so that Proposal 1 shall be approved even if Proposal 2 is not approved, and vice versa.

Each proposed Resolution will be passed if either: (a) Bondholders representing at least a 2/3 majority of the total number of Voting Bonds vote in favour thereof prior to the expiry of the Voting Period (as defined below); or (b) (i) a quorum representing at least 50% of the total number of Voting Bonds submits a response to the Summons within the Voting Period and (ii) the votes cast in favour of the Resolution represent at least a 2/3 majority of the Voting Bonds that responded to the Summons within the Voting Period.

**Voting Period:** The Voting Period shall expire at 13:00 hours (Oslo time) on 27 July 2021. The Bond Trustee must have received all votes necessary in order for the Written Resolutions to be passed with the requisite majority under the Bond Terms before the expiration of the Voting Period.

**How to Vote:** A duly filled in and signed Voting Form (attached hereto as Appendix 2), together with proof of ownership attached, must be received by the Bond Trustee no later than at the end of the Voting Period and must be submitted by scanned e-mail or telefax as follows:

E-Mail:                      norway@nordictrustee.com  
Fax:                              +47 22 87 94 10

The effective date (the "**Effective Date**") of a Written Resolution passed prior to the expiry of the Voting Period is the date when the Resolution is approved by the last Bondholder that results in the necessary voting majority being achieved.

Votes which are submitted are final and cannot be withdrawn. In the event that the Bonds are transferred to a new owner after votes have been submitted in respect of such Bonds, the new Bondholders shall accordingly not be entitled to vote.

Yours sincerely,  
**Nordic Trustee AS**

  
for Jørgen Andersen

Enclosed:      Appendix 1:    Company Presentation  
                  Appendix 2:    Voting Form  
                  Appendix 3:    Term Sheet

**APPENDIX 2****VOTING FORM**

**ISIN: NO 001082645.6 - ShaMaran Petroleum Corp. 12% Senior Unsecured USD 240,000,000 callable bonds 2018/2023**

The undersigned holder or authorised person/entity, votes in the following manner:

The Resolutions as defined in the summons for Written Resolution dated 13 July 2021:

- In favour** of Resolution 1 (Waiver of Equity Ratio Covenant)
- In favour** of Resolution 2 (Bond Conversion, Waiver of general undertakings, Additional remedy periods and Effectiveness)
- In disfavour** of Resolution 1 (Waiver of Equity Ratio Covenant)
- In disfavour** of the Resolution 2 (Bond Conversion, Waiver of general undertakings, Additional remedy periods and Effectiveness)

ISIN NO 001082645.6	Amount of bonds owned
Custodian name	Account number at Custodian
Company	Day time telephone number
	Email

Enclosed to this form is the complete printout from our custodian/VPS,<sup>1</sup> verifying our bondholding in the bond issue, as of \_\_\_\_\_ 2021.

We acknowledge that Nordic Trustee AS in relation to the Written Resolution for verification purposes may obtain information regarding our holding of bonds on the above stated account in the securities register VPS.

.....  
Place, date

.....  
Signature

**Return:**

\_\_\_\_\_

<sup>1</sup> If the bonds are held in custody other than in the VPS, an evidence provided from the custodian – confirming that (i) you are the owner of the bonds, (ii) in which account number the bonds are hold, and (iii) the amount of bonds owned.

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## Investor Presentation – Acquisition and financing

12 July 2021



**SHAMARAN**  
petroleum corp



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# Important information and disclaimer (3:3)

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons within the meaning of Regulation S under the U.S. Securities Act. The Bonds are being offered and sold to non-US persons, as defined by Regulation S, outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act. Each purchaser of the Bonds, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and with the Manager that such purchaser (i) is not in the United States nor is a U.S. person and (ii) is acquiring such Bonds for its own account or for the account of another non-U.S. person in an offshore transaction (as defined in Regulation S) pursuant to the exemption from registration provided by Regulation S.

In relation to each Member State of the European Economic Area (each, a "Relevant State"), no offer of Bond will be made to the public in that Relevant State other than: (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation; (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Bonds shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation. For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

The Bonds may be offered to and directed at specific addressees who, if in the United Kingdom, are (a) persons who have professional experience, knowledge and expertise in matters relating to investments and who are "investment professionals" for the purposes of article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons") and (b) only in circumstances where, in accordance with section 86(1)(c) and (d) of the Financial and Services Markets Act 2000 ("FSMA"), the requirement to provide an approved prospectus in accordance with the requirement under section 85 FSMA does not apply as the minimum denomination of and subscription for the Bonds exceeds EUR 100,000 or an equivalent amount. Consequently, the Bonds may be offered only to "qualified investors" for the purposes of sections 86(1) and 86(7) FSMA, or to limited numbers of UK investors, or only where minima are placed on the consideration or denomination of securities that can be made available (all such persons being referred to as "relevant persons"). The Bonds may not be offered to or directed at specific addressees who in the United Kingdom as not "relevant persons".

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# Summary of Risk Factors (1:2)

Prior to any decision to invest in the bonds, potential investors should carefully read and assess the following specific risks and the other information contained in this presentation. An investment in the bonds is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment. If any of the risks presented below materializes, individually or together with other circumstances, the business, financial position and operating results of ShaMaran Petroleum Corp. (the "Issuer"), General Exploration Partners ("GEP"), TEPKRI Sarsang A/S (assuming closing of the Acquisition occurs) ("TEPKRI") and all of the Issuer's other subsidiaries, from time to time, (together, the "Group") could be materially and adversely affected and the price of the bonds may decline, causing investors to lose all or part of their invested capital. The risks presented in this document are not exhaustive, and the order in which the individual risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of the severity or significance of individual risks.

## *Political and Regional Risks*

- Risks related to oil and gas exploration, development and production activities in emerging countries.
- Risks related to political instability in Kurdistan and neighbouring states within MENA (Middle East and North Africa), Turkey, and surrounding areas
- Risks related to boundary disputes between the Kurdistan Region of Iraq and the Iraq

## *Industry and Market Risks*

- ShaMaran's business is not fully insured against all risks inherent in business involved in exploration, development, production and marketing of oil and natural gas
- ShaMaran's business and operations depend upon conditions prevailing in the oil and gas industry.
- Risks related to operation in a competitive industry.
- ShaMaran's success dependent on key personnel and directors.

## *Business Risks*

- Risks associated with petroleum contracts in Iraq, including title to assets
- Risks related to changes in taxes, regulations, laws or policies
- Risks related to obtaining, retaining and renewing drilling rights, licences, concession, permits and authorisations
- The Sarsang Operator could be forced to stop flaring
- Risks related to health, safety and environmental laws and regulations
- Risks related export of oil and payments to exports from Kurdistan, and inherent risks related to transportation of hydrocarbons.
- Risk that the Atrush operator and the Company may be exposed to funding the KRG's 25% share of operating and development costs if not paid by the KRG.
- Risk of termination of PSCs and JOAs if the Group fails to meet its obligations thereunder.
- Risks related to the Kurdistan legal system not being fully developed.
- Risk that the KRG's approval in respect of the TEPKRI acquisition may not be obtained.

## *Project and Operational Risks*

- Risks related to shared ownership and dependency on partners in JOAs
- Risks related to security in Kurdistan
- Risks related to infrastructure
- Risks related to environmental regulation and liabilities
- Risks related to community relations / labour disruptions
- Risks related to petroleum costs and cost recovery
- Risks related to legal claims and disputes
- Risks related to uninsured losses and liabilities
- No assurance that the Group's operations in the future will be profitable

## *Financial and Other Risks*

- Risks relating to future funding of substantial capital requirements
- Risks related to changes in the tax legislation
- Risks related to fluctuations in the prices for oil and gas
- Risks related to credit and interest
- Risks related to liquidity
- External sources of capital may become limited or unavailable
- The green transition may reduce lender and investor appetite in the gas and oil market
- Risks relating to estimating resources

## *Risk related to the Bonds*

- Risks related to default of and termination of Atrush PSC and Atrush JOA in a bond default scenario
- The bonds are unsecured
- Guarantees may be of limited value, and the value of the guarantees limited by financial assistance restrictions
- Bankruptcy proceedings have to be initiated in the jurisdiction of the Issuer or the Obligor
- No credit rating of the Issuer or the Bonds
- No complete disclosure of matters pertaining to the Atrush or Sarsang fields
- Issuer's ability to service debt is dependent on its subsidiaries' financial and operating performance
- The bond terms will impose significant operating and financial restrictions on the Group
- The bond terms may be amended
- An active trading market may not develop for the bonds
- The bonds may be subject to selling restrictions
- The bonds will not be registered
- Optional redemption by the Issuer
- The Issuer may be unable to finance mandatory prepayments under the Bond Terms

## *Risk related to the TEPKRI Transaction*

- No assurance that KRG's approval of the change of control in respect of TEPKRI will be obtained



## Issuer Characteristics

- Issuer: ShaMaran Petroleum Corp
  - Country of registry: British Columbia, Canada
  - Country of operations (through subsidiary): Kurdistan Region of Iraq
  - Established: October 3, 1991
  - Major shareholder: Lundin Family (23.33%)
  - Auditor: PricewaterhouseCoopers SA
- The Issuer group is engaged in oil production in the Kurdistan Region of Iraq.
- The Issuer's share capital is listed on TSX Venture Exchange in Toronto and Nasdaq First North Growth Market in Stockholm. Furthermore, the Issuer has a USD 180m bond outstanding (issued in 2018). Prior to this bond, a 100% subsidiary of the Issuer has had two bonds outstanding since 2013

## Confirmation / Verification of Work Conducted

- The Manager has not engaged any external advisors to carry out any due diligence investigations (legal, financial or technical or other), and the Manager has not taken any steps to verify the information in the Investor Documentation other than obtaining certain customary written confirmations from the Company and its representatives, including a signed Declaration of Completeness and concluded a Bring Down Due Diligence call, among others confirming to the Manager that the marketing material in all material respect is correct and complete, and that all matters relevant for evaluating the Issuer group and the Transaction is properly disclosed in the marketing material

## Overview of Advisors to the Issuer and the Manager

- The Issuer is being advised by Advokatfirmaet Wiersholm AS with respect to Norwegian law matters
- Arntzen de Besche Advokatfirma AS has assisted the Manager with respect to Norwegian law matters and will also act on behalf of the Trustee with respect to finalizing the Bond Terms and relevant documents
- Pareto Securities AS will act as paying agent for the Issuer



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# Accretive acquisition of Total's share in Sarsang block

## Corporate acquisition of TEPKRI Sarsang A/S

- Subsidiary of TotalEnergies SE ("Total")
- TEPKRI Sarsang A/S owns 18% working interest and 22.5% paying interest in the Sarsang PSC
- 1 January 2021 effective date on a neutral net working capital basis
- Expected close in 2H 2021 subject to governmental approval
- Deferred consideration of USD 20m through a junior promissory note to Total
- Contingent consideration of USD 15m based on oil price and production milestone when cumulative gross production is >130 mmbbl and LTM Brent oil price is >USD 60/bbl
- Total retains right to 2019-2020 oil sales receivables

## Transformational acquisition for both equity and bond

- Refinancing of existing debt to a new 4-year bond with lower leverage on all measures
- Repositioning ShaMaran for future growth
- Continued support from the Lundin family underwriting USD 30m equity issue
- Diversified production base through stake in world class Sarsang field

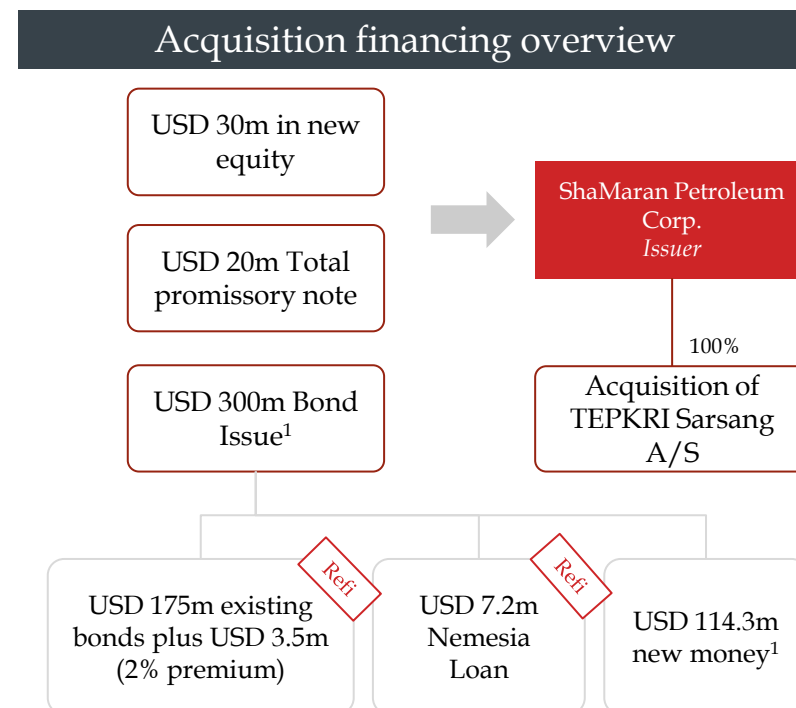
Consideration	
	USDm
Cash consideration	135
Deferred consideration	20
<b>Total consideration at close ex. 2021 cash flow</b>	<b>155</b>
<b>Future contingent consideration</b>	<b>15</b>

## Sarsang – Swara Tika facility





Sources and uses			
Sources	USDm	Uses	USDm
Senior Bond	300.0 <sup>1</sup>	Cash consideration	135.0
Equity	30.0	Deferred payment to seller	20.0
Total promissory note	20.0	Refinance existing bond at 102% of par	178.5
Cash	1.7	Refinance Nemesia Loan	7.2
		Debt service retention account upon new bond issuance	~4.0
		Fees & expenses	~7.0
<b>Total sources</b>	<b>~352</b>	<b>Total uses</b>	<b>~352</b>



## ShaMaran Petroleum contemplates issuing a USD 300m Senior Unsecured Guaranteed Bond

- i. Initial issue amount of USD 102.3-114.3m in cash raised to partly finance the acquisition
- ii. USD 175m existing bond to exchange into the new bond at 102% of par subject to bondholders' approval and closing of the acquisition
- iii. USD 7.2 of the USD 22.8m subordinated Nemesia Loan (Lundin family trust company) to refinance into the new bond

## Proceeds from bond issue will be placed in Escrow to finance acquisition cost together with new equity

- Bonds are repaid with interest and 1% premium on DSRA if closing of acquisition is not completed within 15 months
- DSRA will build up to cover 12 months interest on Bonds within 12 months of issuance

1) Assuming that the bond is upsized from USD 288m to USD 300m

# Attractive opportunity to existing bondholders

**ShaMaran’s holders of the existing USD 180m outstanding bond are requested to accept a collective refinancing through a written resolution to exchange 100% of bonds**

- Exchange USD 175m into the new 4-year, USD 300m bond, as set out in the summons to bondholders
- By adopting the proposal, bondholders will exchange their existing bonds at 102% of par into USD 178.5m of new bonds placed at market terms
- Closing of the exchange will be in connection with closing of the acquisition (post government approval)

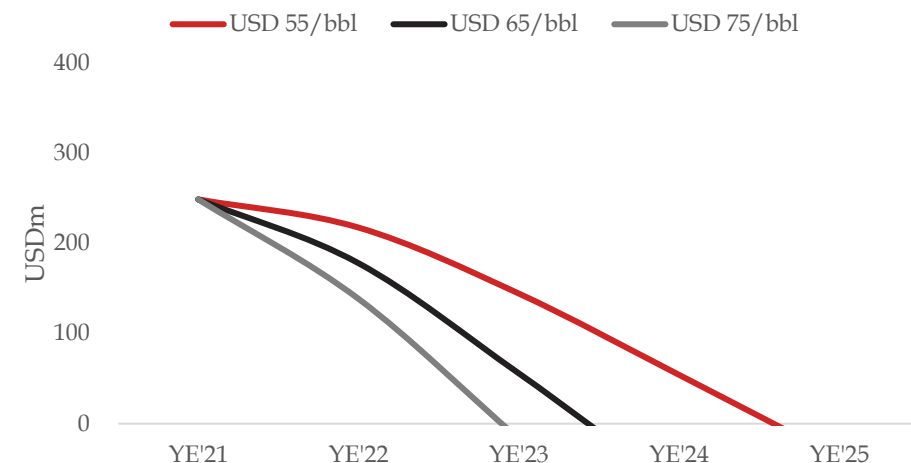
**The proposal entails temporary waivers to allow for issuance of the new bond to finance the acquisition until closing of acquisition whereby the existing bond is exchanged into one USD 300m bond**

- Waivers needed of i.a. permitted financial indebtedness and negative pledge as the new bond will escrow proceeds as security for financing of the acquisition consideration
- Lundin family trust has committed USD 30m in equity underwriting and will refinance USD 7.2m of the USD 22.8m subordinated Nemesia Loan into the new bond

## Significant deleveraging (IBD / 2P)<sup>1</sup>



## Net interest-bearing debt scenarios<sup>2,3</sup>



1) Market capitalization as of 25 June 2021. Market capitalization post close includes USD 30m equity injection. IBD post close includes USD 20m Total promissory note which is expected to be repaid no later than 12 months post closing. Based on USD 288m in Senior Bond before any upsizing to USD 300m issue size  
 2) Oil price sensitivity from 01.01.2022  
 3) Including junior Promissory Note to Total expected repaid in 2022

# Summary of Key Bond Terms

<b>Issuer:</b>	ShaMaran Petroleum Corp.
<b>Guarantors:</b>	TEPKRI (owner of Sarsang PSC Interest), GEP (owner of Atrush PSC interest) and any Material Group Companies
<b>Initial Issue Amount:</b>	USD 102.3-114.3 million
<b>Borrowing Limit:</b>	USD 300 million (The Tap Issue of USD 185.7 million will occur in connection with the closing of the TEPKRI/Sarsang acquisition)
<b>Coupon rate:</b>	[*]% per annum, semi-annual interest payments
<b>Tenor:</b>	4 years
<b>Amortization:</b>	USD 22.5 million at each semi-annual Interest Payment Date from and including the Interest Payment Date occurring 24 months after the Initial Issue Date, and remaining amount at final Maturity Date. Mechanism to buy back bonds in the market and cancel those as substitute for amortization
<b>Status of the bonds:</b>	Senior Unsecured
<b>Purpose of the bond issue:</b>	To finance the acquisition of TEPKRI Sarsang A/S, to refinance USD 175m of outstanding bonds at 102% of par and to refinance USD 7.2 million of the USD 22.8 million Nemesia Loan. Issue amount in excess of USD 288m can, after closing of Acquisition, be used for general corporate purposes. The Initial Issue Amount will remain in a pledged Escrow Account until the closing of the TEPKRI Sarsang acquisition
<b>Call options:</b>	Make-whole first 24 months, thereafter callable at par plus 50%, 37.5%, 25%, 12.5% of the Coupon after 24, 30, 36, 42 months and at 100.0% of the Nominal Amount after 45 months (always plus accrued and unpaid interest of the redeemed bonds)
<b>Additional equity injection:</b>	USD 30m. The Issuer shall ensure that the additional equity injection is completed no later than the Disbursement from Escrow Account. The new equity is underwritten by Nemesia
<b>Long-Stop Date:</b>	If disbursement of the proceeds on the Escrow Account has not occurred within 15 months, then the Issuer shall redeem the Bonds at 101%.
<b>Issuer's general undertakings:</b>	Pari passu ranking, mergers, de-mergers, continuation of business, corporate status, related party transactions, operations, authorizations, insurances etc.
<b>Issuer's special undertakings:</b>	Undertakings related to forward sale, financial indebtedness, financial support, negative pledge, disposals, maintenance of ownership, subsidiaries' distributions, designation of material group companies, completion of the acquisition, additional equity injection, restrictions on investments in and loans/support to unrestricted group company, quarterly reporting
<b>Permitted financial indebtedness:</b>	Means (i) the Bonds, (ii) the Total Loan (convertible seller's credit), (iii) Subordinated Loans (including the Nemesia Loan) at the Issuer level, (iv) any Financial Indebtedness incurred under Permitted Hedging, (v) acquired debt that is refinanced within 90 days, (vi) non-recourse RBL financing in Unrestricted Group subject to Incurrence Test, (vii) Additional Permitted Bond Issue subject to Incurrence Test, (viii) general basket of USD 10m and (ix) other customary carve-outs
<b>Dividend restrictions:</b>	Max 50% of Net Profit, and always subject to the Incurrence Test. The Issuer shall always be allowed to pay the cash coupon (equal to the bond coupon) on the Nemesia Loan of USD 15.6m as long as there are no event of default
<b>Debt Service Retention Account:</b>	The Issuer shall maintain the following amounts on a pledged DSRA: <ul style="list-style-type: none"> <li>- From Initial Issue Date until closing of the acquisition: the sum of 1% (Long-Stop premium), net transaction fees and up to six months of interests (interest amount to build up gradually each month from Initial Issue Date)</li> <li>- From closing of the acquisition: 6 months of interests, increasing to 12 months of interests from one year anniversary after Initial Issue Date, and from the date falling 18 months after Initial Issue Date an additional amount of USD 22.5m (six months amortization) shall remain on the DSRA</li> </ul>
<b>Financial covenant:</b>	Asset Coverage Ratio > 1.25x
<b>Incurrence Test:</b>	For debt and Distributions: NIBD/EBITDA < 1.75x. Additional test for Distribution: Net Debt < USD 100 million
<b>Put option event:</b>	Change of control put option at 101%
<b>Listing:</b>	The Bonds may, at any time and at the sole discretion of the Issuer, be listed on an Exchange
<b>Manager:</b>	Pareto Securities AS
<b>Trustee / Governing Law:</b>	Nordic Trustee AS / Norwegian law for the bond terms



# Highlights – ShaMaran post the acquisition

**Doubling  
production**

Net plateau production in 2022 of +20 kbopd is a doubling from current level

**Adding high  
quality barrels**

Sarsang adds high quality oil with low discount to Brent

**Diversified  
production**

ShaMaran moves from one to three producing fields

**Significant  
deleveraging**

Transformational deal that reduces leverage and cash breakeven

Lundin family trusts underwrites USD 30 million equity rights issue



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# ShaMaran is a Kurdistan focused oil company

## ShaMaran is an E&P company active Kurdistan

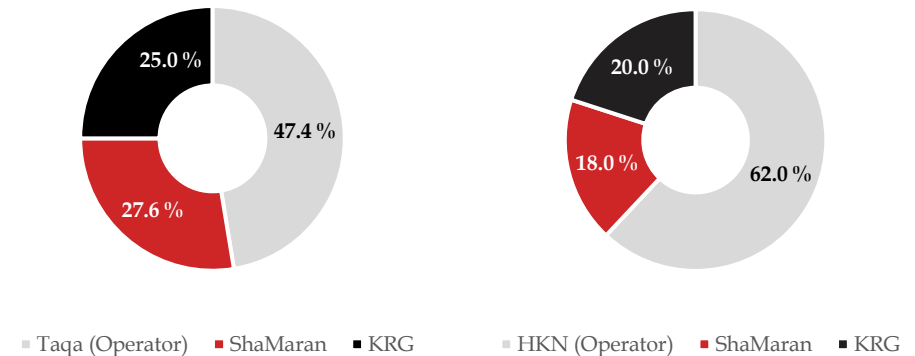
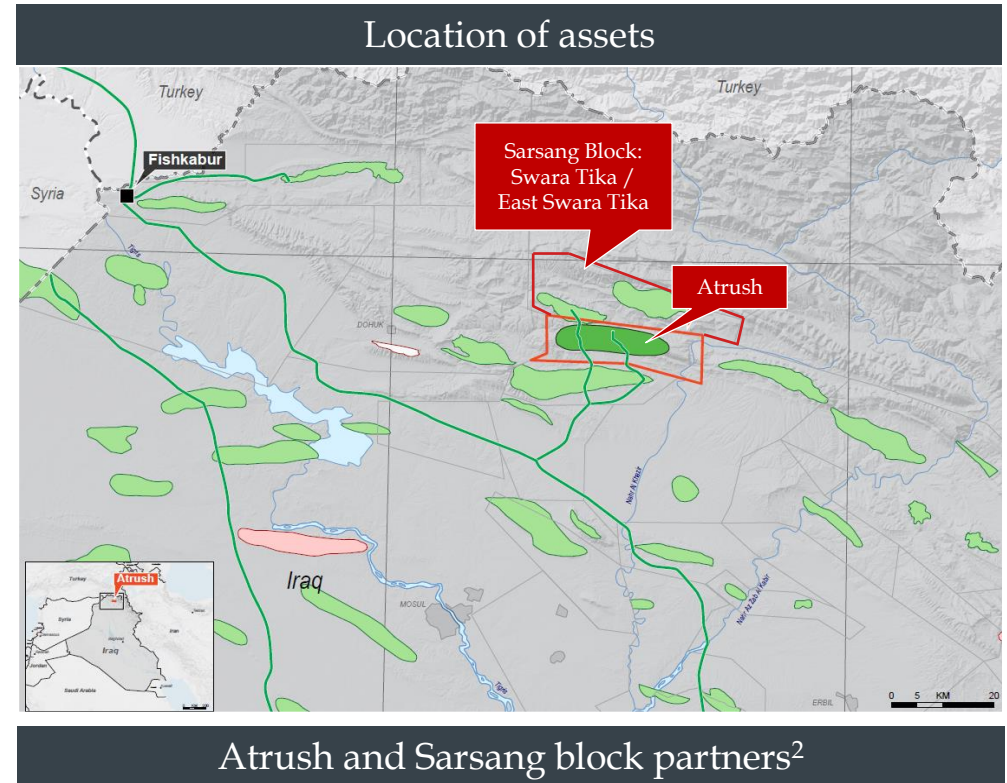
- CAD 133m market capitalization<sup>1</sup>
- Listed on TSX.V in Toronto and NASDAQ First North Growth Market in Stockholm (ticker: SNM)

## Currently owner of 27.6% interest in Atrush oil field

- 109.9 mmbbl remaining gross 2P reserves
- Taqa operates the Atrush Field
- Among the largest producing fields in Kurdistan

## Acquisition of 18% interest in the Sarsang block from Total

- 353 mmbbl remaining gross 2P reserves (operator estimate)
- Two distinct discoveries; Swara Tika / East Swara Tika
- Strategic fit as ShaMaran knows the neighbourhood
- Complimentary technical positioning with Atrush
- HKN Energy is 62% interest holder and operator
- Strong cash flow focus by the operator



1) As of 25 June 2021.

2) Sarsang block partners post transaction.

# Accretive transaction

## Highly accretive acquisition

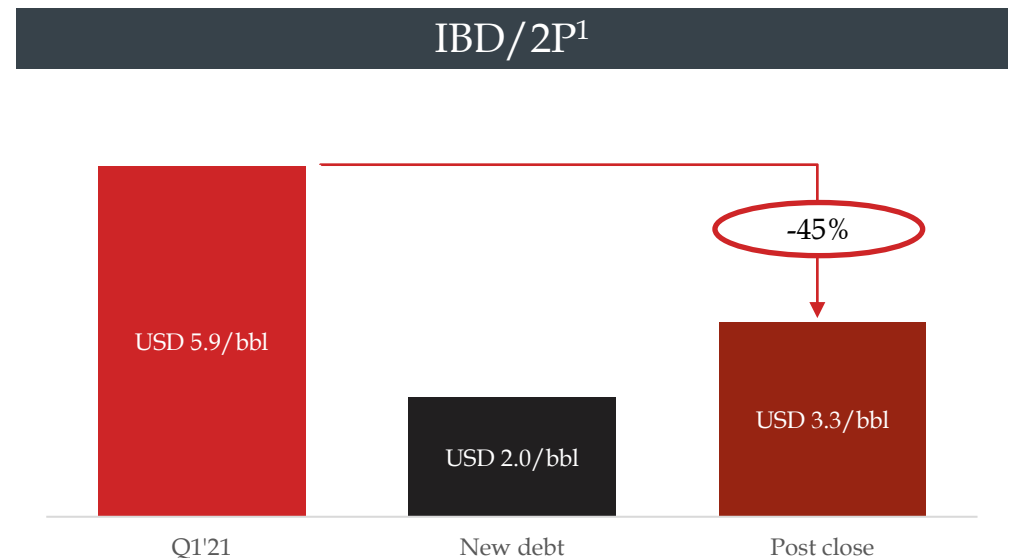
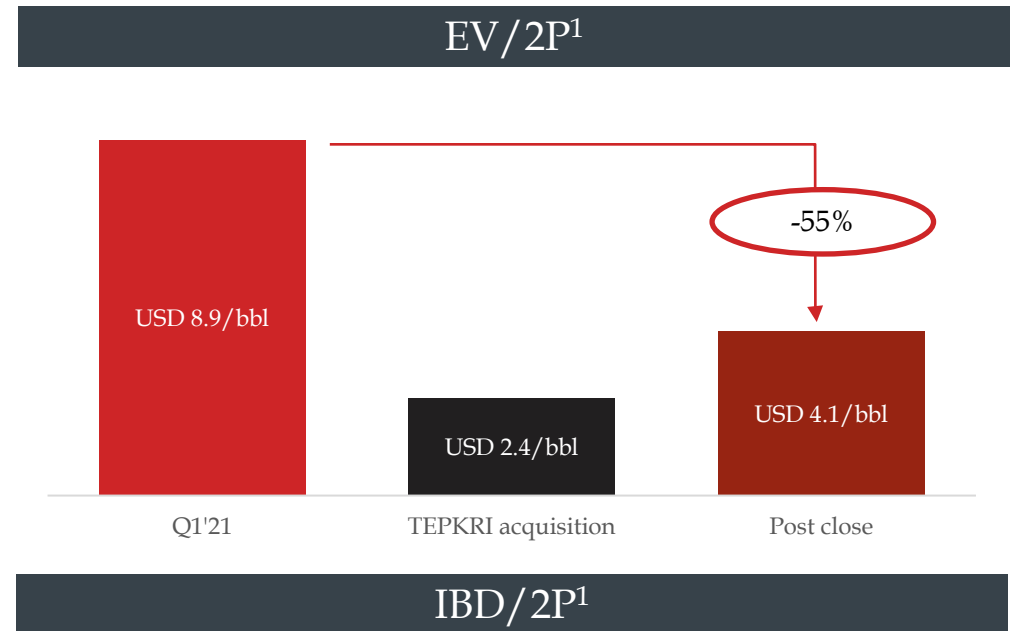
- Acquiring net ~63 mmbbl 2P at ~USD 2.4/bbl
- Operator estimates 353 mmbbl remaining gross 2P reserves of which the vast majority is in Swara Tika
- East Swara Tika has predominantly contingent resources but could be similar in size to Swara Tika

## High value barrels

- Achieved oil price at Sarsang is among the lowest discounts in Kurdistan at ~USD 7.3/bbl to Brent (ex. trucking costs)

**Interest bearing debt per barrel is down 45% through the transaction including the Total promissory note**

**With completion of the new 25 kbopd facility at Swara Tika in mid-2022 the cash flow and production will improve further**



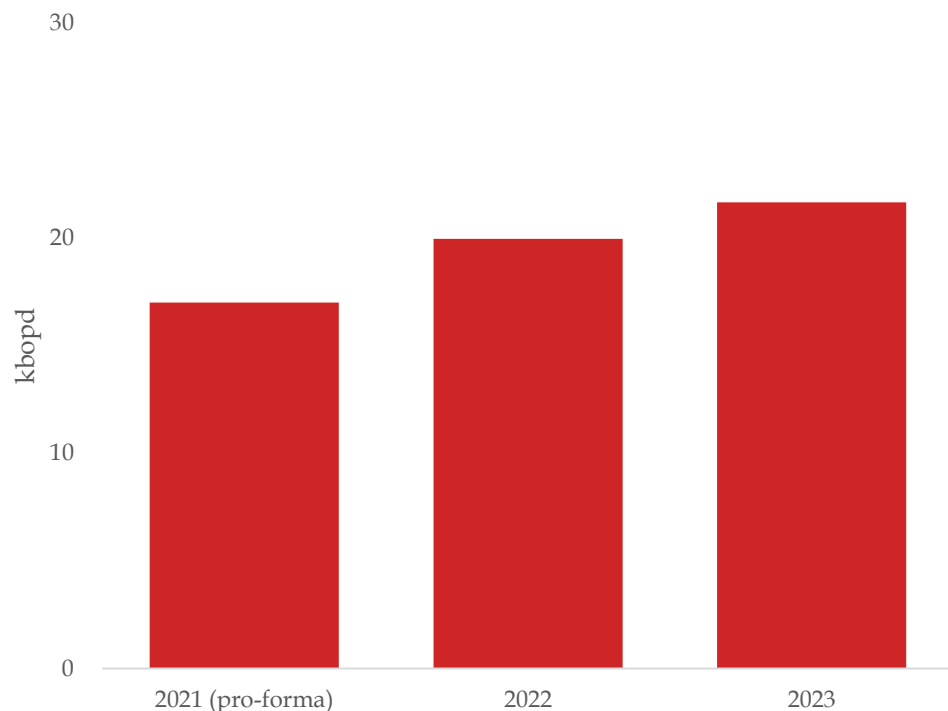
1) Market capitalization as of 25 June 2021. Market capitalization post close includes USD 30m equity injection. IBD post close includes USD 20m junior Total promissory note which is expected to be repaid no later than 12 months post closing. Based on USD 288m in Senior Bond before any upsizing to USD 300m issue size





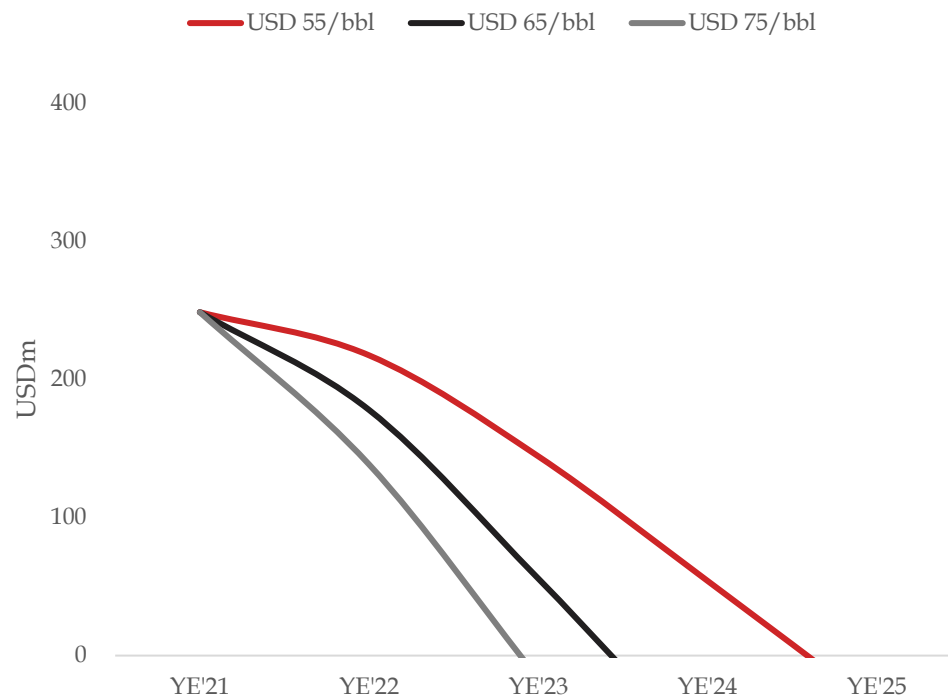
# The transaction will enhance cash flow and reduce leverage

### ShaMaran's production outlook <sup>1</sup>



**Production outlook based on run-rate Atrush production and Sarsang ramp-up to 50 kbopd in mid-2022**

### Net interest-bearing debt scenarios <sup>1,2</sup>



**Net cash position estimated by 2025e based on expected production profiles without significant growth capex**

1) Oil price sensitivity from 01.01.2022  
2) Including junior Promissory Note to Total expected repaid in 2022



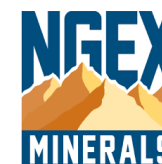
# ShaMaran, a Lundin Group company



## USD 25 billion - combined market cap of Lundin Group

- Strong support from the Lundin family to ShaMaran's transformative acquisition
- Lundin family is currently 23.33% shareholder
- Lundin family trust underwrites USD 30m equity to be offered through a right issue to all shareholders

## LUNDINGROUP



# Management and Board of Directors



**Chris Bruijnzeels - Chairman and Director**

Over 35 years of experience in the oil and gas industry including Senior Vice President Development of Lundin Petroleum, Shell International and PGS Reservoir Consultants. From 2003 to 2016 he was responsible for Lundin Petroleum's operations, reserves and the development of its asset portfolio.



**William A.W. Lundin - Director**

Mr. Lundin is the Chief Operating Officer of International Petroleum Corp. ("IPC"), an international oil and gas exploration and production company with a portfolio of assets located in Canada, Europe and South East Asia. Mr. Lundin has been with IPC since 2018 as a project engineer - production operations.



**Adel Chaouch - President, CEO & Director**

Dr. Adel Chaouch has over 25 years of experience in the oil and gas industry including Vice President North Africa & Middle East, President & GM Kurdistan, President Gabon, CSR Director of Marathon Oil Company. He was also chairman of the private entities for Waha Oil Company a consortium between Marathon, Hess, ConocoPhillips and the Libyan NOC.



**Keith C. Hill - Director**

Over 30 years experience in the oil industry including international new venture management and senior exploration positions in Valkyries Petroleum Corp., Lundin Oil AB, BlackPearl Resources, Occidental Petroleum, Shell Oil Company and Tanganyika Oil. Mr. Hill is currently President and CEO of Africa Oil.



**Alex Lengyel - CCO**

Alex Lengyel has more than 25 years experience negotiating international oil and gas transactions for companies including Marathon Oil, Hess, ConocoPhillips, Vinson & Elkins, Winston & Strawn and Shearman & Sterling. He holds a Juris Doctorate degree from Notre Dame Law School, is a member of the New York bar and was a Fulbright Scholar to Italy.



**Mike Ebsary - Director**

Over 30 years of experience in the oil industry. Previous CEO of Oryx Petroleum and CFO of Addax Petroleum. He has extensive experience in Kurdistan.

**Proven track record from Lundin group of companies**



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Atrush



# Atrush is a large world class oil field

## Atrush has been ShaMaran’s core asset since discovered in 2011

- FDP approved October 2013
- First production July 2017
- In 2019 Shamaran acquired 7.5% interest from Marathon, increasing its total interest up to 27.6%
- Currently producing in the range of 39-44 kbopd (2021 guidance)

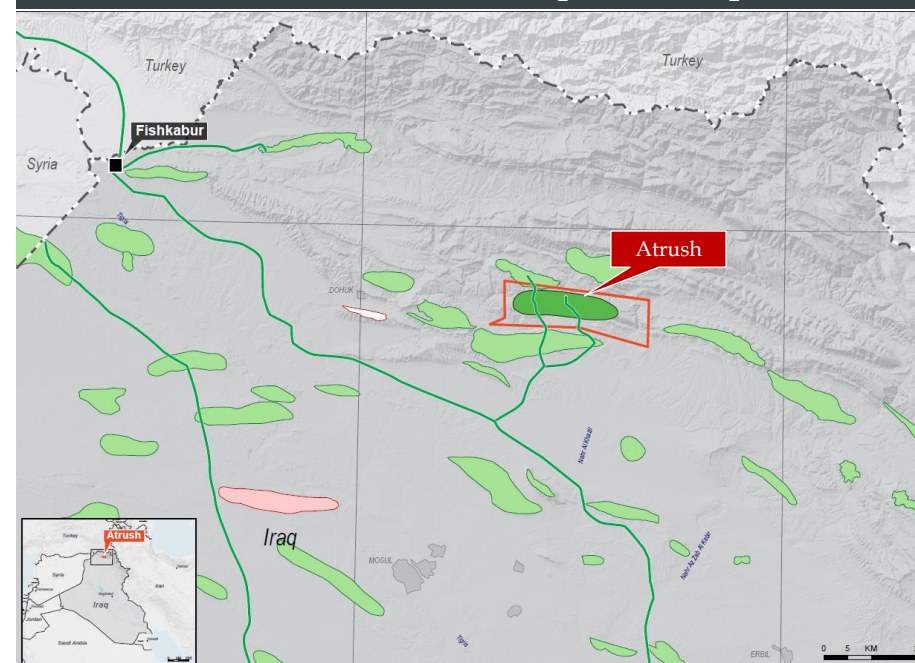
## Large 25x3 km structure with current oil gravity of 25.4 API

- Fault bounded - 3-way dip closure
- Total discovered oil in place:
  - Low/best/high estimate of 1.7/2.0/2.3 billion barrels
- Reservoir: Jurassic fractured carbonate
- 11 production wells drilled to date

## Focused on growth and efficiency

- 39% production increase from 2019 to 2020
- 108% reserve replacement from 2019 to 2020
- 31% lifting cost reduction from 2019 to 2020

## Atrush overview and partnership



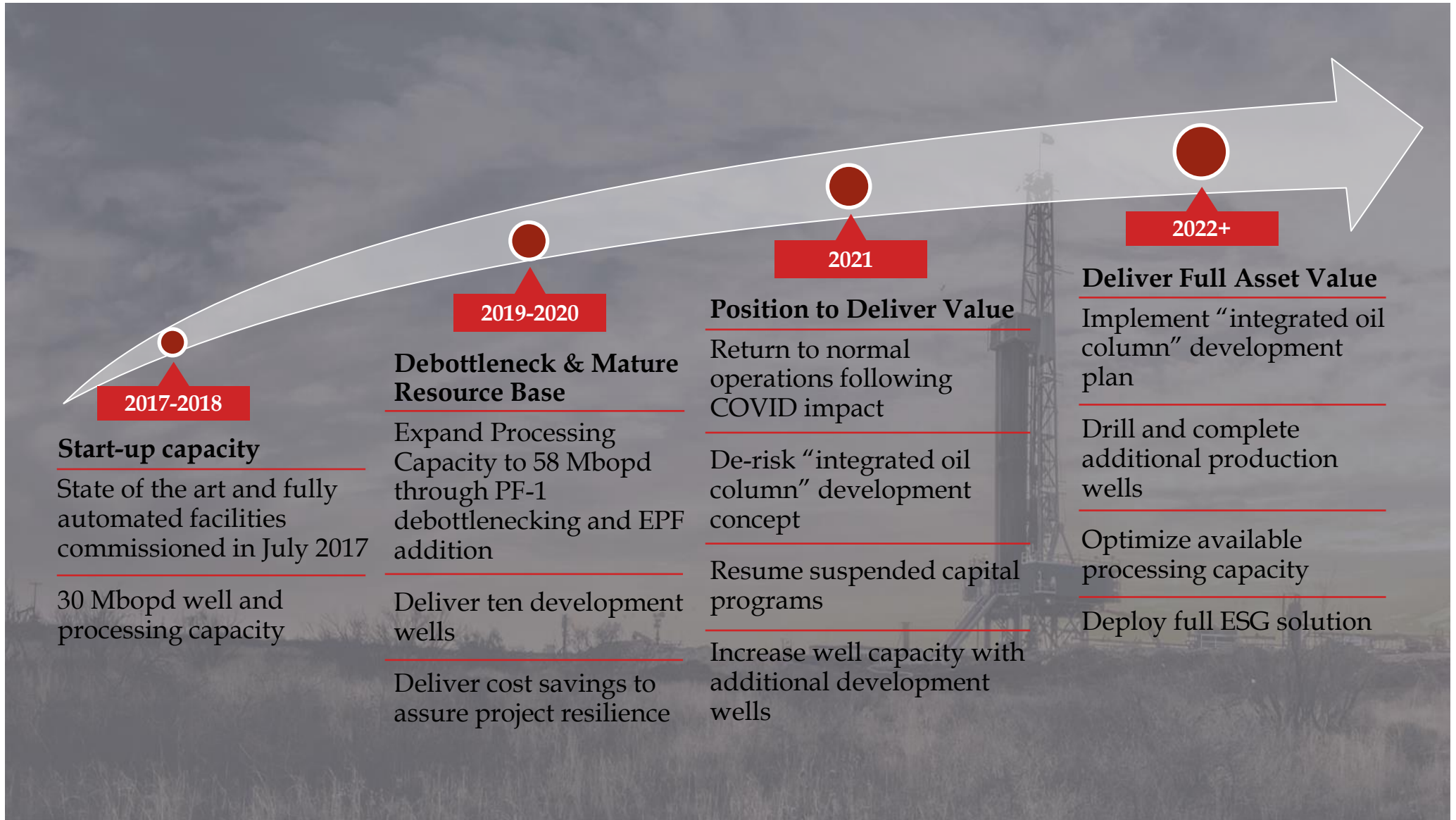
## Atrush Resources (gross)<sup>1</sup>

MMbbl	1P/C	2P/C	3P/C
Oil reserves	61.4	109.9	158.4
Oil contingent	113.0	219.7	311.0
Oil prospective	121	173	247

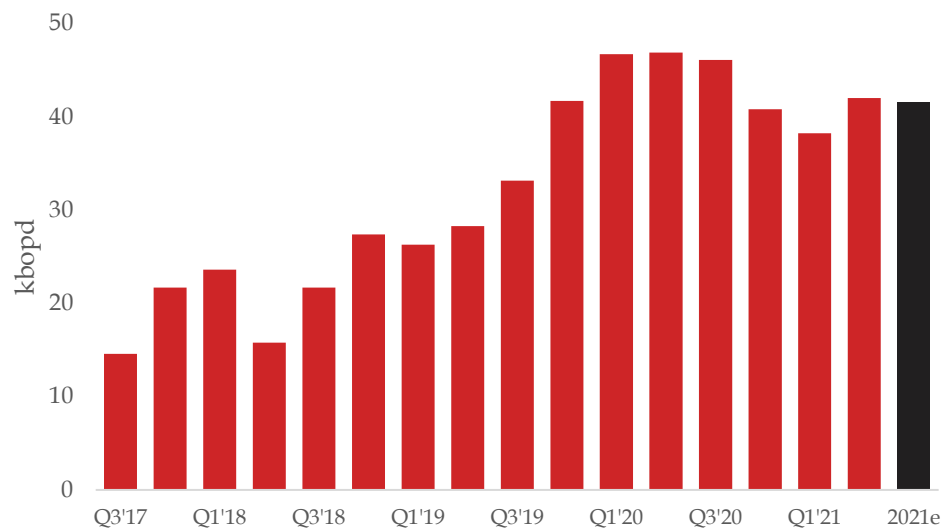
1) Quantities based on Reserves and Contingent Resources - McDaniel & Associates estimates at December 31, 2020



# Atrush - On track to deliver full asset value



Average quarterly gross production (kbopd)

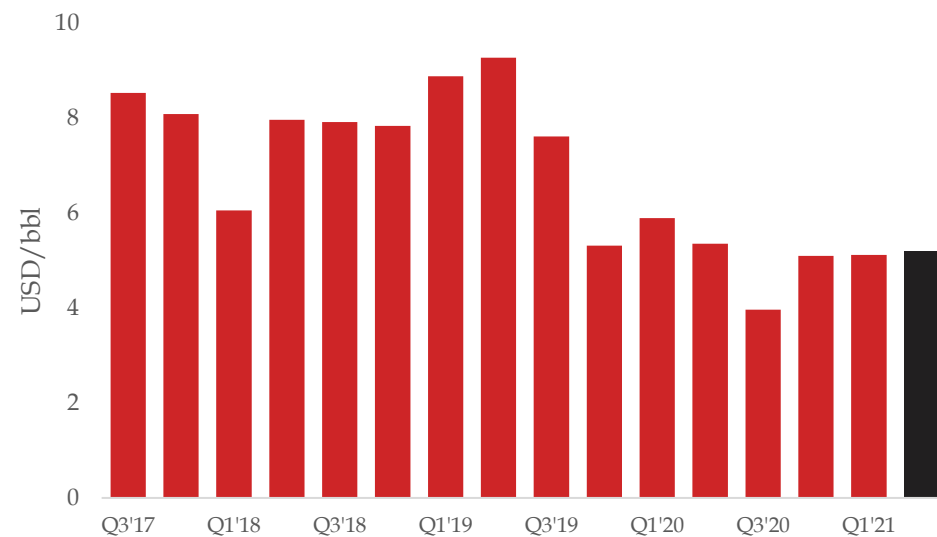


**Production up from 14.6 kbopd in Q3 2017 to 42 kbopd in Q2 2021 (end of May)**

**Gross average daily 2021 production guidance of 39 - 44 kbopd**

- Resumption of deferred drilling and completion spending in 2021 is expected to generate quarter-on-quarter production growth

Average quarterly lifting cost (USD/bbl)



**Lifting cost per bbl down from USD 8.5 in Q3 2017 to USD 5.1 in Q4 2020**

**Estimated average 2021 lifting cost of USD 5.2/bbl**





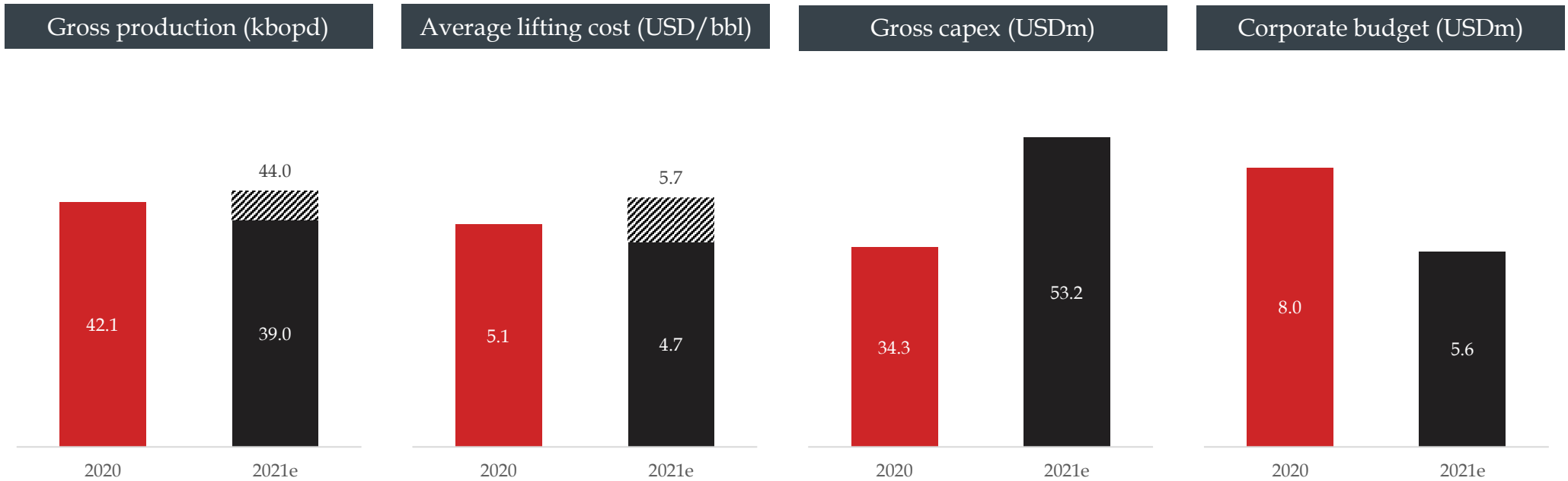
## Careful preparation, deployment and management of increased operations levels with integrated COVID protocols:

- Support facilities (accommodation, medical) adapted to COVID environment
- Facility and infrastructure projects
- Drilling & Completion programs
- Rotating contractors require negative PCR test as well as 14 days quarantine when arriving in KRG
- Re-initiation of rotation schedules for all staff with strengthened preventative measures including multi-layer quarantine processes

Drilling operations at Atrush



# 2021 Guidance pre-acquisition



**Atrush field gross average daily production expected to range from 39 to 44 kbopd in 2021**

**Atrush average lifting cost estimated to range from USD 4.7/bbl to USD 5.7/bbl**

**Atrush capital expenditures for 2021 at USD 53.2m gross**

**Annual corporate budget of USD 5.6m, a 30% reduction in spending over 2020**



## Environmental Focus

- Gas Solution project now underway to eliminate flaring and emissions via gas sweetening
- Second Produced Water Disposal well planned for 2022
- Effective waste management program and timely remediation of all impacted locations

## Social Focus

- Staff localization levels currently greater than 75%
- Focus on local services and suppliers in 2021
- Continued development and deployment of critical social initiatives

## Governance Focus

- ShaMaran Canadian oil and gas company, publicly listed in Toronto and Stockholm
- Policies and practices in place ensuring Board and Managerial decisions are made in best interests of Company, its shareholders and other stakeholders





Sarsang acquisition



# Sarsang - Large block with strong production

## Sarsang is a large block located adjacent to Atrush

- Operated by US based company HKN Energy (62% WI)
- An attractive asset with visible growth
- Low execution risk with natural lift from wells
- Currently trucking oil to Fishkabur at the Turkish border
- Pipeline connection expected in mid-2022

## Sarsang block has two distinct producing fields

- Swara Tika is currently the main producing field
- East Swara Tika produces approx. 4,000 bopd

## High quality crude

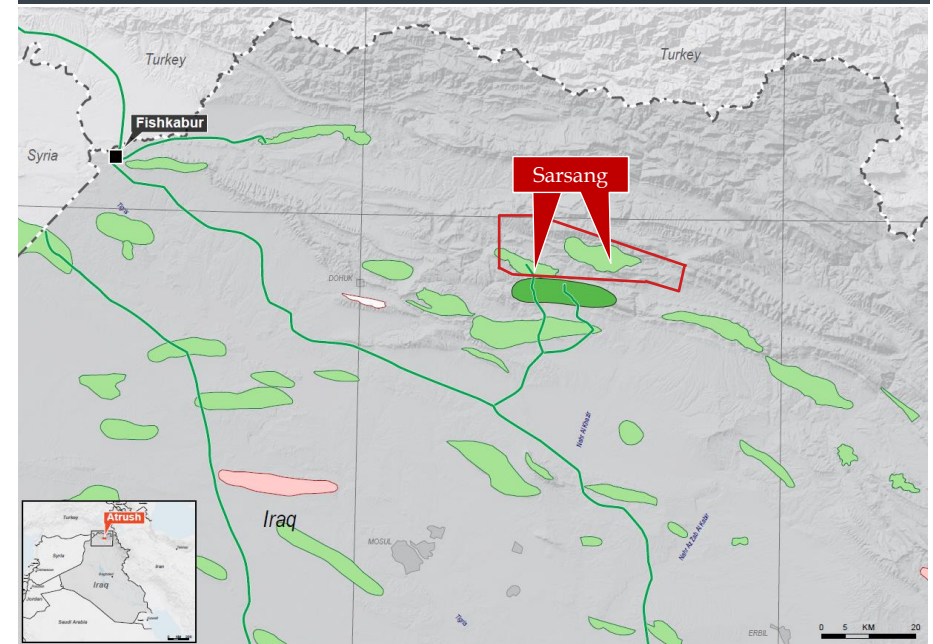
- 36-39 API grade crude
- Discount of only ~USD 7.3/bbl to Dated Brent (ex. trucking)

## Q1' 21 average production of gross ~27,9 kbopd with expansion underway to 50 kbopd by mid-2022

- New 25 kbopd facility at Swara Tika under construction

Source: Company and operator

## Sarsang block partners post transaction



## Key metrics - Sarsang block

**353mmbbl** remaining gross 2P reserves (operator estimate)

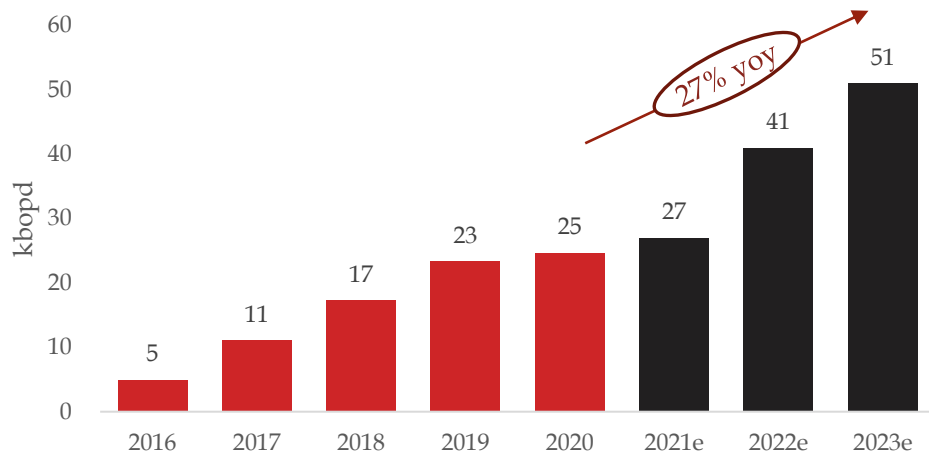
Production expansion underway to **gross 50 kbopd by 2022**

Low oil price discount of **~USD 7.3/bbl** to dated Brent

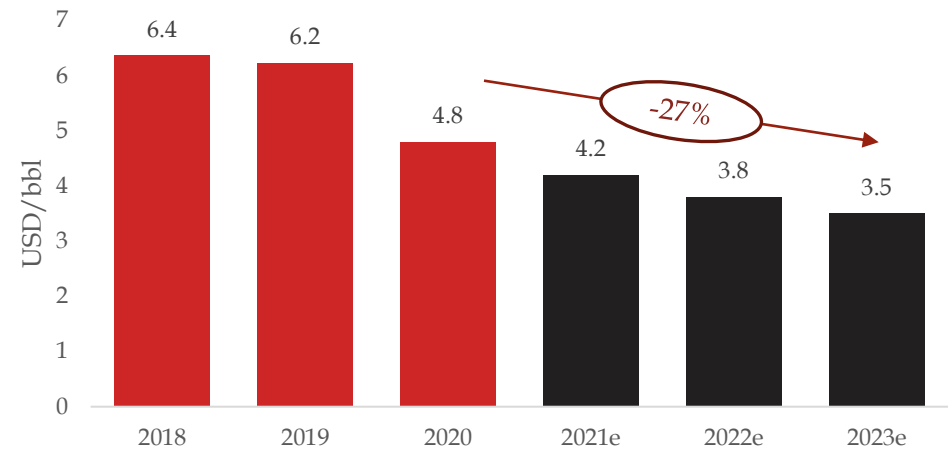


# 27% yearly production growth from 2020 to 2023e

### Gross production (operator estimate)<sup>1</sup>



### Opex/bbl (operator estimate)<sup>1</sup>



**The operator estimates that gross production will increase to 50 kbopd from mid-2022**

- 27% year-on-year on growth from 2020 to 2023e
- Currently producing in excess of 30 kbopd
- Production growth as a result of new 25 kbopd facility under construction and expected to be commissioned mid-2022

**Opex of USD 4.8/bbl in 2020 and expected to decrease to USD 3.5/bbl in 2023 with full year production ramp-up**

- 27% decrease from 2020 as new 25 kbopd facility is commissioned in 2Q 2022
- Operator target is to decrease opex to less than USD 3/bbl beyond 2023



# First oil from new 25 kbopd facility expected mid-2022

## Operator estimates first oil from the new 25 kbopd facility by mid-2022

- Engineering work is 95% complete as of May
- Procurement is 95% complete as of May
- Export pipeline tie-in on track to align with completion of facility

## Drilling campaign resumed in May 2021

- 5 producer wells to be drilled and tied into the new facility
- Drilling program shall increase production capacity to +50 kbopd when the new facility is commissioned

## Total project cost of ~USD 110-116m gross

- As of May 2021, 60% of the project cost had been invested
- Capex net to ShaMaran's acquired interest of approximately USD 25-26m of which approximately USD 15m was spent by May 2021 (excluding seismic / other)

Sarsang drilling rig





# Delivery of oil to KRG pipeline expected in mid-2022

**21km pipeline from Sarsang block boundary to Atrush receiving terminal currently being constructed**

- 12" pipe capable of transporting up to 100 kbopd
- Pipeline exports will improve HSE, transportation costs by ~0.9-1.0/bbl and will also improve uptime compared to trucking
- KRG's Ministry of Natural Resources is responsible for marketing and crude exports from Kurdistan

**Pipeline connection expected in connection with commissioning of new 25 kbopd facility in 2022**

Sarsang Export - 12" KRG pipeline







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## Focus on cash flow, deleveraging and building a strong cash balance

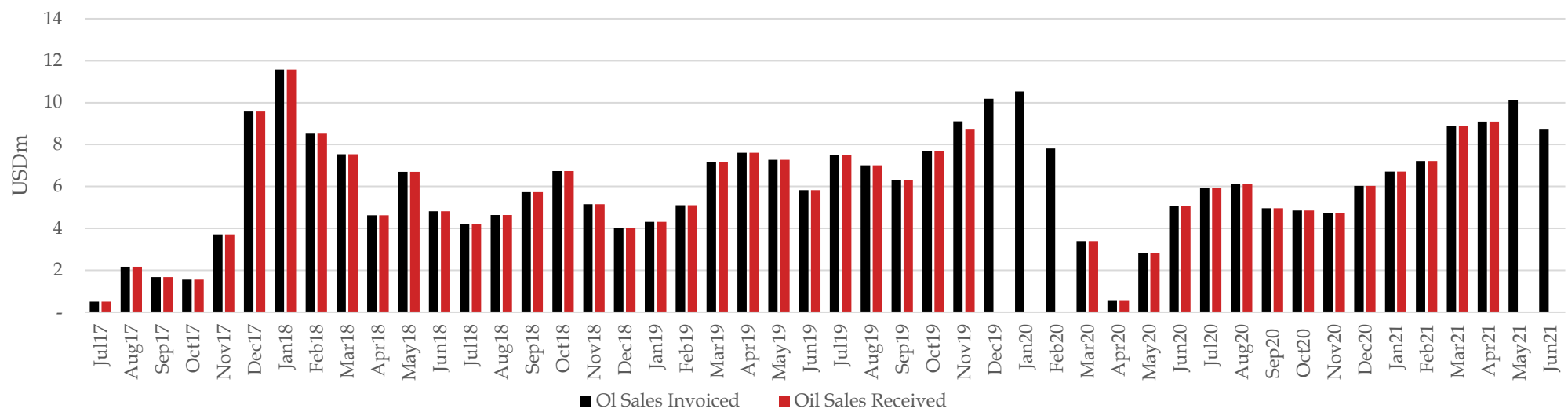
- 2021-2026 cash flow is expected to be strong due to:
  - Low operating cost with high margins and cash flow at current oil prices
  - KRG started to repay the receivables for November 2019-February 2020 in March 2021 - USD 8.7m received to date with USD 33.0m outstanding amount owed to the Company
  - ShaMaran in “cash harvesting” mode post 2022

## Maximize value of Atrush and Sarsang

- Atrush and Sarsang development are self funding with limited remaining committed capex
- Approximately USD 25-26m net project cost to ShaMaran at Sarsang to lift gross production from ~30 kbopd to ~50 kbopd by mid-2022 (excluding seismic / other)

## A company focused on financial resilience with continued Lundin Family support

- ShaMaran well-positioned to capitalize on strong oil prices with the acquisition of TEPKRI
- The Lundin Family has provided financial backing for the acquisition to enable the transaction with Total



## KRG withheld oil sales revenue from November 2019 - February 2020

- Total of USD 41.7m whereof USD 8.7m received to date with first payment received in March 2021

## In May, the KRG announced new payment mechanism for the outstanding receivables and monthly oil sales

- Monthly repayment of outstanding arrears will now be calculated as 20% (compared to 50% previously) of the difference between the average monthly dated Brent price and USD 50/bbl multiplied by the gross Atrush oil volume
- KRG is proposing that its payment will now be 60 business days after submission of each monthly invoice
- The Kurdistan oil producers, including ShaMaran, are in discussions with the KRG on the new terms being proposed

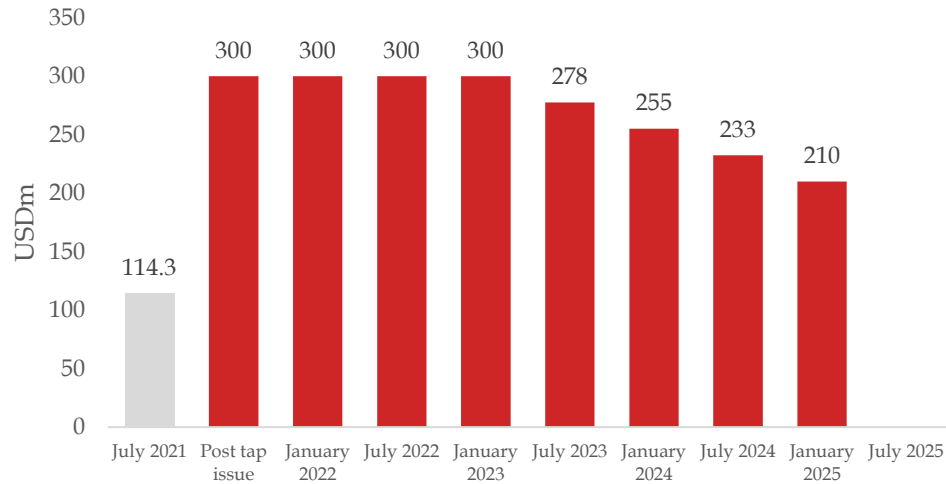
## Total retains the right to Sarsang receivables related to TEPKRI

1) Amounts in this table reflect ShaMaran's 27.6% interest in Atrush.

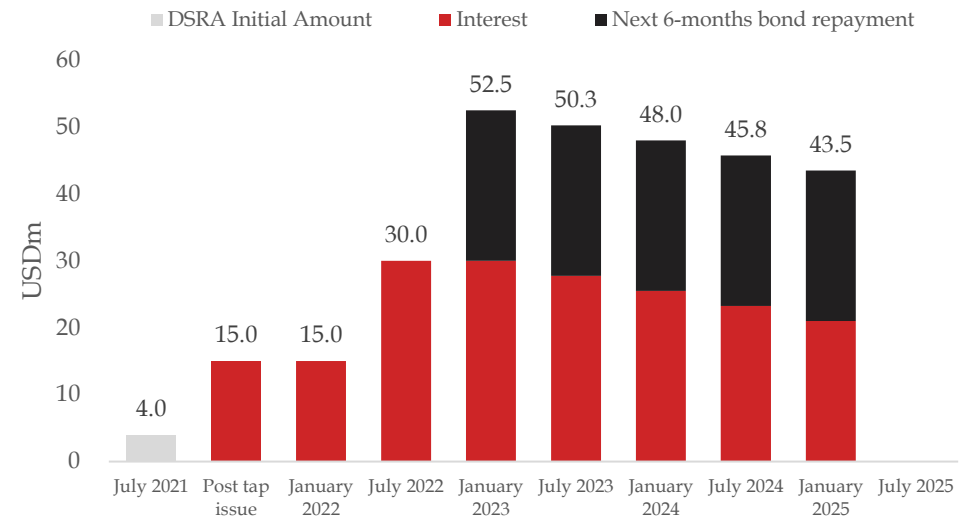


# New bond provide cash buffer for debt service

### USD 300m bond - amount outstanding<sup>1</sup>



### DSRA maintenance amount<sup>1</sup>



## Amortization starting 24 months after the issue date

- USD 22.5m to be repaid at each semi-annual interest payment date commencing 24 months after the initial issue date
- The remaining amount, USD 210m to be repaid at the maturity date

## Bond structure ensures strong liquidity support for debt service

### 6-months interest (post tap issue) on DSRA increasing to 12-months interest on DSRA one year after issuance of the Bond + USD 22.5m from 18 months

- DSRA amount based on interest calculated on the outstanding bonds at the time
- Additional USD 22.5m to be deposited from the date occurring 18 months after the initial issue date (equal to the semi-annual amortization payments)

## Net debt zero in 2023e, 2024e, 2025e on company forecasts based on USD 75/65/55 per barrel Brent oil prices respectively

1) Assuming that the initial issue date is July 2021 and that the first interest payment occurs in January 2022. Assuming 10% interest p.a. Assuming that the bond is upsized from USD 288m to USD 300m



# Guidance and outlook

## Pro-forma 2021 production guidance of net 15.6-17.5 kbopd in 2021<sup>1</sup>

- Atrush: 39-44 kbopd gross – 10.8-12.1 kbopd net to SNM
- Sarsang: 27-30 kbopd gross - 4.9-5.4 kbopd net to SNM

## Pro-forma 2021 opex/bbl guidance of USD 4.4-5.2<sup>2</sup>

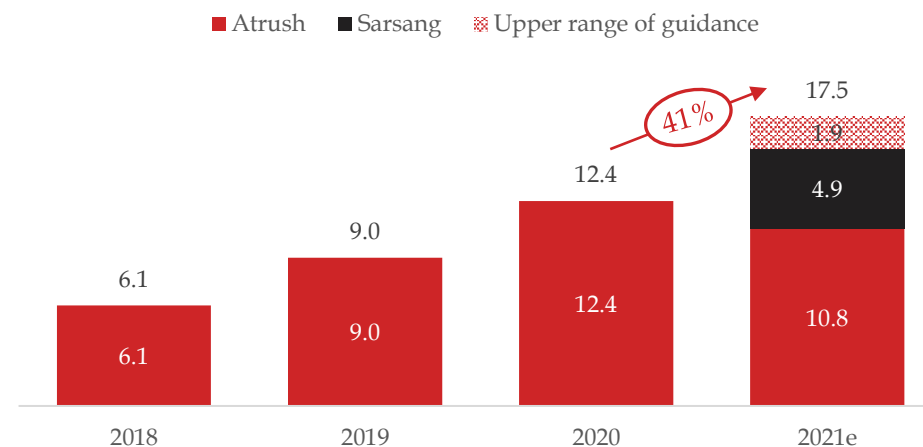
- Down from previous estimate of USD 4.7-USD 5.7/bbl

## Pro-forma 2021 oil price discount of USD 13.1/bbl

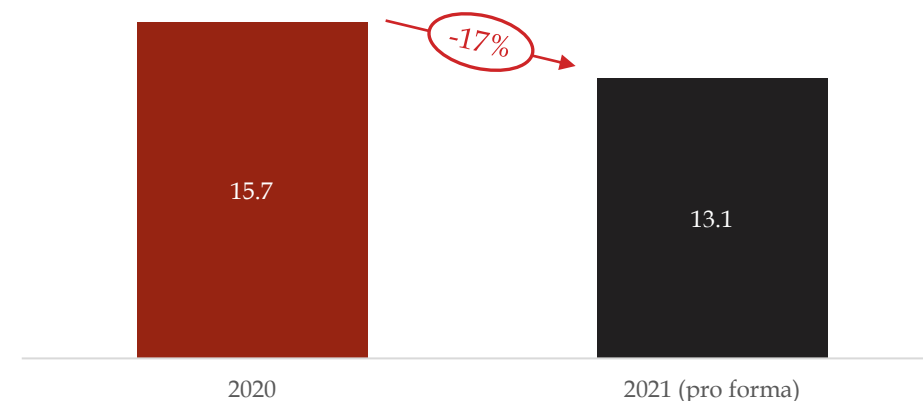
- Down from USD 15.7/bbl in 2020 for Atrush only
- Sarsang oil price discount of ~USD 7.3/bbl reduces the blended discount which is set to decrease further in 2022 as the new 25 kbopd facility at Sware Tika is commissioned

## Annual corporate budget of USD 5.6m, a 30% reduction in spending over 2020, expected unchanged in 2021

### Net production to ShaMaran (kbopd)<sup>1</sup>



### Oil price discount (USD/bbl)<sup>2</sup>



1) Atrush net production is calculated based on 27.5% interest. Net production from Sarsang is calculated based on 18% interest. 2021 guidance is sourced from HKN Energy Ltd, Corporate Update 24 March 2021.

2) 2021 pro-forma opex/bbl is calculated based on a weighted average net production to SNM



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# Highlights – ShaMaran post the acquisition

**Doubling  
production**

Net plateau production in 2022 of +20 kbopd is a doubling from current level

**Adding high  
quality barrels**

Sarsang adds high quality oil with low discount to Brent

**Diversified  
production**

ShaMaran moves from one to three producing fields

**Significant  
deleveraging**

Transformational deal that reduces leverage and cash breakeven

Lundin family trusts underwrites USD 30 million equity rights issue



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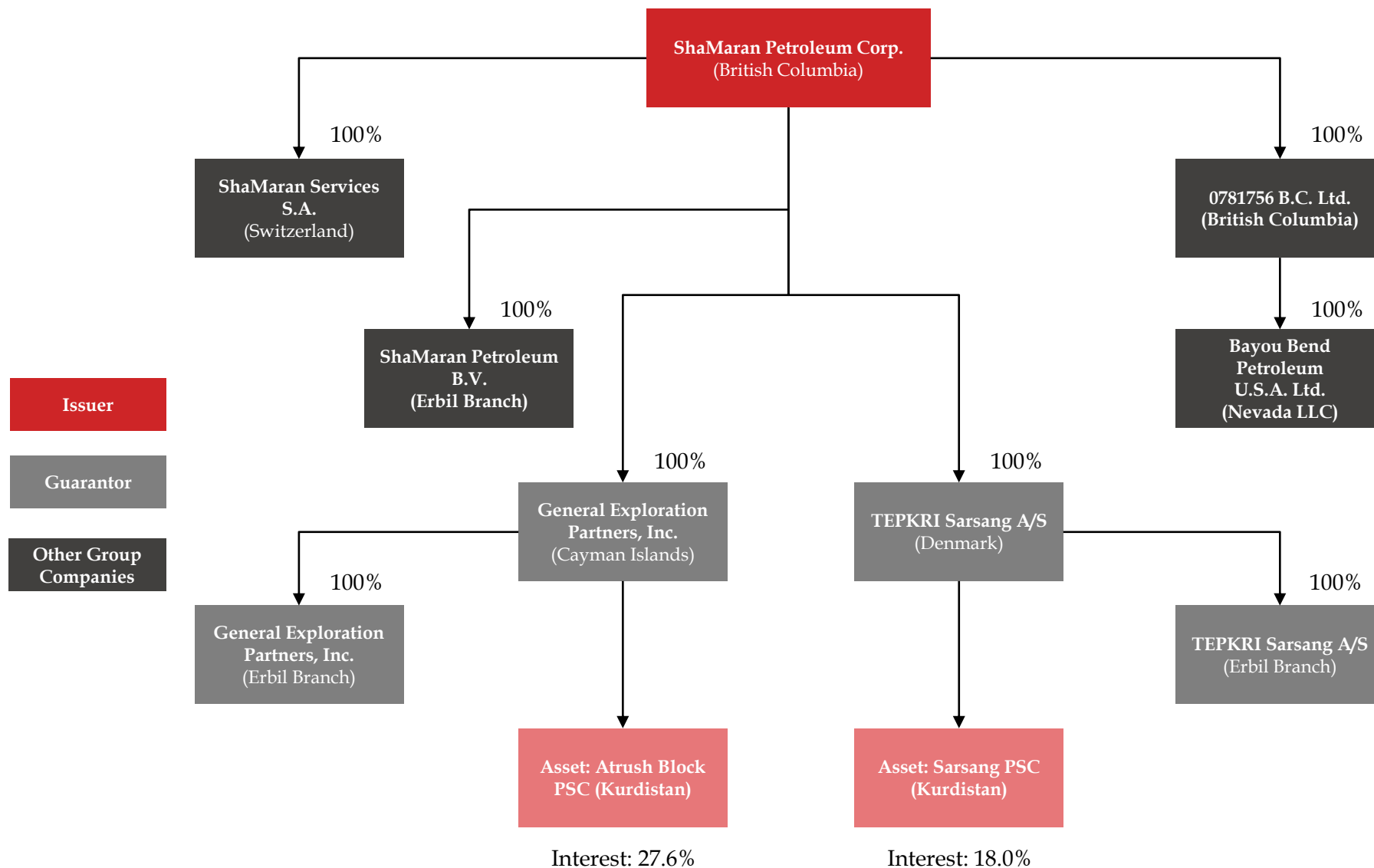
Summary

Appendix





# Corporate structure post bond issue





## Major shareholders

- Lundin family trusts 23.33%
- Directors/Management 0.5%

## Trading Information

- TSX Venture TSX-V: SNM
- NASDAQ First North Growth (Sweden): SNM

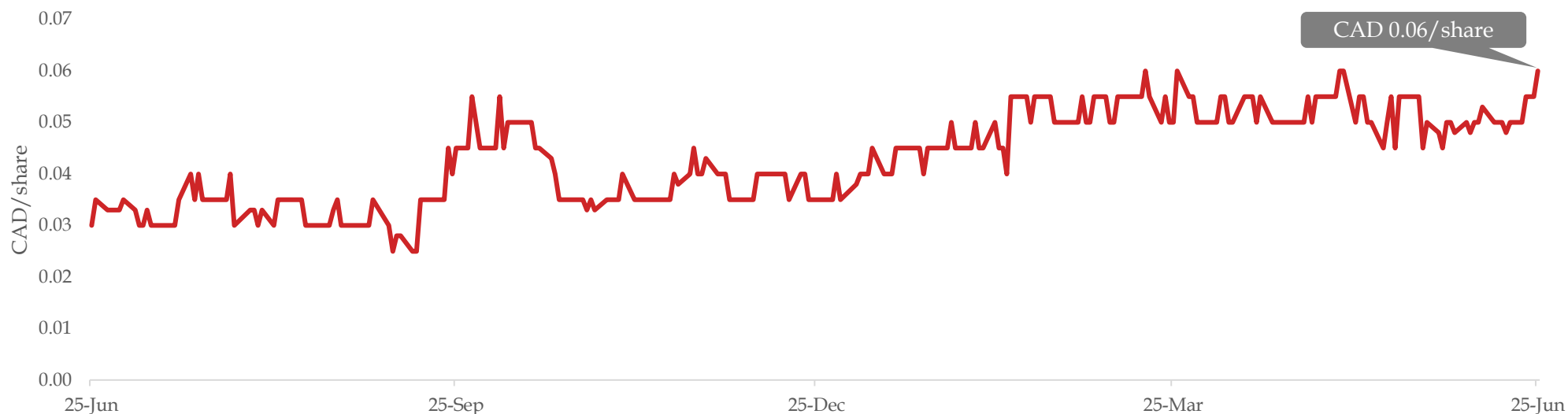
## Share Capital

- Shares issued and outstanding 2,201,656,828 (pre-transaction)
- Market Capitalization
- CAD 133 million (@ 25 June 2021)

## Net Debt

- USD 162 million (@ 31 March 2021)<sup>1</sup>

## Share price history last twelve months<sup>2</sup>



1) Interest bearing debt less cash and cash equivalents



# Risk Factors (1:9)

## Risk Factors

Prior to any decision to invest in the bonds, potential investors should carefully read and assess the following specific risks and the other information contained in this presentation. An investment in the bonds is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment. If any of the risks presented below materializes, individually or together with other circumstances, the business, financial position and operating results of ShaMaran Petroleum Corp. (the "Issuer"), General Exploration Partners ("GEP"), TEPKRI Sarsang A/S (assuming closing of the Acquisition occurs) ("TEPKRI") and all of the Issuer's other subsidiaries, from time to time, (together, the "Group") could be materially and adversely affected and the price of the bonds may decline, causing investors to lose all or part of their invested capital. The risks presented in this document are not exhaustive, and the order in which the individual risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of the severity or significance of individual risks.

### *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. Should these uncertainties materialise they could result in adverse effects to the Company's business.

Political instability: ShaMaran's assets and operations are in Kurdistan and may be influenced by political developments between the Kurdistan Regional Government ("KRG") and the Iraq federal government ("Federal Government"), as well as political developments of neighbouring states within MENA (Middle East and North Africa), Turkey, and surrounding areas. As a result, the Company is subject to political, economic and other uncertainties that are not within its control, which could result in adverse effects to the Company's assets and business.

International boundary disputes: Although the Kurdistan Region of Iraq 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.

### *Industry and Market Risks*

Exploration, development and production risks: ShaMaran's business is subject to all 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 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 that are not fully mitigated by insurance coverage including.



# Risk Factors (2:9)

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.

Competition: ShaMaran operates in a competitive industry. As a result of this competitive environment, ShaMaran, may, *inter alia*, be unable to acquire suitable licences or licences on terms that is considers acceptable, or equipment or services it requires may in short supply. As a result, the Group's revenues may decline over time.

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.

## ***Business Risks***

Risks associated with petroleum contracts in Iraq: There is uncertainty concerning the promulgation of the Federal Government legislation to govern the future organisation and management of Iraq's petroleum industry (including Kurdistan) and the timing of such adoption, if at all. Failure to enact such federal legislation could extend or increase uncertainty within Iraq's petroleum industry which may result in additional burdens being placed on the Company including, but not limited to, difficulty obtaining clear title to its assets or in obtaining adequate financing for its future projects. Although the Company conducted a title review prior to the 2010 acquisition by the Company of an interest in GEP regarding the Atrush Block PSC interest of GEP, and prior to the 2021 proposed acquisition by the Company of TEPKRI, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question ShaMaran's interests in the Atrush Block PSC or (assuming successful closing the acquisition of TEPKRI) the Sarsang 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 Group may be unable to obtain, retain or renew required drilling rights, licences, concessions, permits and other authorisations necessary for its operations and certain formalities in relation to agreements may not always be satisfied.

The Sarsang Operator could be forced to stop flaring: Sarsang currently flares associated gas produced at the Sarsang Block, but there can be no guarantee that the KRG will not prohibit flaring in the future. If it does, or if the Sarsang Operator is forced to curtail production due to certain emissions constraints, the Sarsang Operator may not be able to re-inject or market the gas and may therefore be forced to curtail or cease the production, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.



# Risk Factors (3:9)

HSE laws: Health, safety and environmental laws and regulations may expose the Group to significant liabilities and increased compliance costs, litigation, interruptions to operations, unforeseen environmental remediation expenses and loss of reputation.

Marketing, markets and transportation: The export of oil and payments relating to such exports from Kurdistan remains subject to uncertainties which could negatively impact on ShaMaran's ability to deliver oil and to receive payments relating to such deliveries. All modes of transportation of hydrocarbons involve inherent risk. Hydrocarbons are by their nature hazardous and the Group is exposed to risk arising from possible major accidents or incidents with potentially hazardous impact on the environment and people given the high volumes involved in such transportation.

Payments for oil deliveries that the KRG exports: Cash payments to IOCs for oil the KRG exported from Kurdistan has been under the sole control of the KRG since exports began in 2009. The KRG has established a relatively consistent record of delivering regular payments to IOCs for their entitlement revenues in respect of monthly petroleum production (other than the four month period from November 2019 through February 2020). In May 2021 the KRG announced a change in payment terms and a new form of lifting agreement which have not been agreed to by the Company and other Kurdistan oil producers. Dialogue with representatives of the KRG and the Kurdistan oil producers as at the date of this presentation are continuing in efforts to resolve these issues. Nevertheless, there remains a risk that the Company may face significant delays in the receipt of cash for its entitlement share of future oil deliveries to the KRG for its export to the international market and/or that the Company may be required to comply with lifting agreement terms that it is not entirely comfortable with.

Atrush Paying interest: On November 7, 2016 the KRG exercised its back-in right under the terms of the Atrush PSC and the Atrush Facilitation Agreement and assumed a 25% working interest. The KRG has, since the commencement of oil production exports from Atrush (with the exception of the four-month period November 2019 to February 2020) paid for its share of project development costs in conjunction with the payment cycle for oil deliveries. A proposal for the payment of the four months' unpaid entitlements has been received by the Company from the Prime Minister of the KRG and constructive discussions are continuing to resolve these unpaid obligations as at the date of this presentation. Going forward, there is still a risk that the Atrush operator and the Company may be exposed to funding the KRG's 25% share of operating and development costs if not paid by the KRG.

Default under the PSCs and the JOAs: The PSC and the JOA for the Atrush Block and the Sarsang Block include a number of provisions if a Contractor should fail to meet its obligations under these contracts.

Should the Company fail to meet its obligations under a PSC and/or a JOA it could result in adverse effects to the Company's business including, but not limited to, a default under one or both 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.



# Risk Factors (4:9)

Kurdistan legal system: The Kurdistan Region of Iraq has a less developed legal system than that of many more established parts of the world, which could result in risks associated with predicting how existing laws, regulations and contractual obligations will be interpreted, applied or enforced.

Change of control in respect of Sarsang PSC: The proposed acquisition of TEPKRI by the Company will be a “change of control” under the Sarsang Block PSC and pursuant to the terms of Sarsang PSC the approval of the KRG will be required. There is no guarantee that such approval by the KRG will be timely granted for this “change of control”.

## *Project and Operational Risks*

Shared ownership and dependency on partners: ShaMaran’s operations are conducted with a joint venture partner through contractual arrangements for operations to be undertaken by the operator which will be in accordance with the terms of the Atrush JOA and the Sarsang JOA, respectively. As a result, ShaMaran has limited ability to exercise influence (through the exercise of its voting rights under the relevant JOA or otherwise) over the deployment of those assets or their associated costs and this could adversely affect ShaMaran’s financial performance.

Security risks: Kurdistan and other parts of Iraq have a history of political and social instability which have culminated in security problems which may put at risk the safety of the Company’s personnel, interfere with the efficient and effective execution of the Company’s operations and ultimately result in significant losses to the Company.

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:

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 in or near communities that may regard operations as detrimental to their environmental, economic or social circumstances, which may result in disputes with national or local governments or with local communities and may give rise to incremental financial commitments.. Negative community reactions and labour disruptions or disputes could increase operational costs and result in delays in the execution of projects.



# Risk Factors (5:9)

Petroleum costs and cost recovery: Under the terms of each of the Atrush Block PSC and the Sarsang 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 each of the Atrush Block PSC and the Sarsang Block PSC to recover through cash payments from future petroleum production. No such audit has yet taken place for either PSC. 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 the operator in each PSC. If such parties were to breach the terms of a PSC or any other documents relating to the Company's interest in that PSC, it could cause the KRG to revoke, terminate or adversely amend such PSC.

Uninsured losses and liabilities: Although the Company maintains insurance in accordance with industry standards to address risks relating to its operations, the Company's insurance coverage may under certain circumstances not protect it from all potential losses and liabilities that could result from its operations. The occurrence of a casualty, loss or liability against which the Company is not fully insured against, or the insolvency of the insurer of such event could impair the Company's ability to meet its obligations.

Production risks: There can be no assurance that ShaMaran's operations in Atrush Block and/or the Sarsang Block will be profitable in the future or will generate sufficient cash flow to satisfy its future CAPEX and operating commitments.

## *Financial and Other Risks*

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 financing for future capital expenditures for the acquisition, exploration, development and production of oil and gas will be available to the Company or, if available, that it will be offered on terms acceptable to ShaMaran. Due to the energy transition, obtaining financing from banks, financial institutions and investors may be increasingly difficult, as certain financing parties have elected not to lend money to the oil and gas industry. If it is unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities and may not be able to take advantage of acquisition opportunities. If ShaMaran or any of its partners in its oil assets are unable to complete minimum work obligations under a PSC, the PSC could be relinquished under applicable contract terms.



# Risk Factors (6:9)

Tax legislation: The Company has entities incorporated and resident for tax purposes in Canada, the Cayman Islands, the Kurdistan Region of Iraq, Switzerland, Denmark 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.

Commodity price risk: 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 KRG and its ability to export production outside of Iraq. A significant 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 impair the value of the Company's oil and gas assets.

Credit and interest rate risk: The Group is exposed to credit and interest rate risk which may lead to, inter alia, loss if counterparties to financial instruments or oil and gas sales contracts fail to meet their obligations.

Liquidity risk: There can be no assurance that debt or equity financing, or future cash generated by operations, would be available or sufficient to meet the Group's financial obligations as they fall due or to make capital expenditures or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

Capital and lending markets: 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.

Green transition: Due to the energy transition, lender and investor appetite in the gas and oil market has decreased which may make it more challenging for the Company to attract and secure new financing.

Risks in estimating resources: There are a number of uncertainties inherent in estimating the quantities of reserves/resources including factors which are beyond the control of the Company, and deviations from ShaMaran's estimates with respect to quantity, quality and value of the Group's reserves may have a material adverse effect on the business, results of operations, financial condition and/or prospects of the Group.

## **RISKS RELATED TO THE BONDS**

Possible default of and termination of Atrush PSC and Atrush JOA in a bond default scenario: The circumstances leading to a default by the Issuer of its obligations under the bond issue and declaration of insolvency by the Issuer could constitute a default under both PSCs and/or JOAs, with the effect that these may be terminated or limited, which may have a material adverse effect on the business, results of operations, financial condition and/or prospects of the Group. The PSCs both include provisions on termination upon insolvency.





# Risk Factors (7:9)

The bonds are unsecured: The bonds are unsecured which means that in the event of insolvency and bankruptcy of the Issuer, the bondholders' claims will rank *pari passu* with other unsecured and unsubordinated debt holders of the Issuer, subject to relevant insolvency and bankruptcy law applicable to the Issuer.

Guarantees may be of limited value: The bonds will be guaranteed by GEP and TEPKRI as guarantors and will be guaranteed by other Group companies being a "Material Group Company", however, the guarantors may not be in a position to honor their guarantee obligations in the event of the Issuer's default under the bond terms. The guarantees will not be in place on the date of release of the bond proceeds to the Issuer, as GEP will grant its guarantee within 20 business days after the completion of the Tap Issue and TEPKRI will grant its guarantee within 20 business days after the completion of the Acquisition. Additionally, the value of the guarantee from TEPKRI will be limited by financial assistance restrictions, as there are restrictions under Danish law as to a company's ability to guarantee and secure financial indebtedness financing the acquisition of shares in the company.

Bankruptcy proceedings: The Issuer is a Canadian incorporated company while GEP is a Cayman Islands incorporated company and TEPKRI is a Danish incorporated company. Accordingly, any insolvency proceedings with respect to the Issuer must in principle be initiated in Canada, and subject to Canadian law, or with respect to GEP in the Cayman Islands, subject to Cayman Islands law or with respect to TEPKRI in Denmark, subject to Danish law. Such insolvency laws may be less efficient and beneficial to creditors than is the case in other jurisdictions. In the event of the bankruptcy or insolvency of the Issuer, the Issuer may not have sufficient assets remaining after payments to secured creditors and other creditors ranking in priority to the bonds to pay all amounts due under the bonds.

Credit rating: The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the bonds.

No complete disclosure of matters pertaining to the Atrush or Sarsang fields: This document does not contain a complete description of all legal and financial and operational matters pertaining to the Group's participation in the Atrush and (assuming closing has occurred with respect to Sarsang) the Sarsang field.

Ability to service indebtedness: The Issuer is a holding company and its ability to make scheduled payments (including interest) on or to refinance its obligations under the bonds will depend on its subsidiaries' financial and operating performance, which in turn will be subject to prevailing economic and competitive conditions beyond the Issuer's control. Accordingly the Issuer may not be able to service the bonds in accordance with the terms of the bond terms.



# Risk Factors (8:9)

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

Amendments to the bond terms: The bond terms will contain provisions for calling meetings of bondholders in the event that the Issuer seeks to amend the terms and conditions applicable to the bonds. These provisions permit defined majorities to bind all bondholders including bondholders who did not attend and vote at the relevant meeting and bondholders who vote in a manner contrary to the majority.

Trading and liquidity risk: There is currently no trading market in respect of the bonds which are being issued and there can be no assurance that an active secondary market for the bonds will develop or, if it develops, that it will continue nor can there be any assurance that an investor will be able to re-sell his bonds at or above the issue price or at all. Many factors over which the Issuer has no control may affect the trading market for, and trading value of, the bonds. These factors include the level, direction and volatility of market interest rates, general economic conditions; the investment appetite of investors; the financial condition of the Issuer and the market for similar securities. No prediction can be made about the effect which any future events will have on the market price of the bonds prevailing from time to time.

Selling restrictions: The bonds are being issued pursuant to exemptions from the prospectus requirements under applicable securities laws and furthermore have not been, and will not be, registered under the U.S. Securities Act or any United States state securities laws. The Company has not undertaken to register the Bonds, and you may not be able to resell the bonds for a period of time. You may not offer the Bonds for resale in the United States except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and applicable United States state securities laws. Furthermore, we have not registered the Bonds under any other country's securities laws. The bonds may not, subject to applicable Canadian laws, be traded in Canada for a period of four months and a day from the initial issue date. It is your obligation to ensure that your offers and sales of the Bonds comply with applicable securities laws.

Registration requirements: As ShaMaran is relying upon exemptions from registration under applicable securities laws in the placement of the bonds, in the future the bonds may be transferred or resold only in a transaction registered under or exempt from the registration requirements of such legislation. Therefore, bondholders may not be able to sell their Bonds at their preferred time or price. ShaMaran cannot assure bondholders as to the future liquidity of the bonds and as a result, bondholders bear the financial risk of their investment in the bonds.



# Risk Factors (9:9)

Optional redemption by the Issuer: the bond terms will provide that the bonds shall be subject to optional redemption by the Issuer at their outstanding principal amount, plus accrued and unpaid interest to the date of redemption, plus in some events a premium calculated in accordance with the bond terms. This is likely to limit the market value of the bonds. It may not be possible for bondholders to reinvest proceeds at an effective interest rate as high as the interest rate on the bonds.

Mandatory prepayment events: The bond terms will contain provisions with respect to early redemption upon the occurrence of certain specified events, including disposals, a put option event or a change of control event, as well as a clean-up call option for the Issuer. Following an early redemption it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the bonds and may only be able to do so at a significantly lower rate. The Issuer's ability to redeem the bonds with cash in event of an early redemption may be limited.

## *RISK RELATED TO THE TEPKRI TRANSACTION*

KRG consent – TEPKRI acquisition: as described above, the proposed acquisition of TEPKRI by the Company will be a “change of control” and pursuant to the terms of Sarsang PSC the approval of the KRG will be required. There is no guarantee that such approval by the KRG will be timely granted for this “change of control” as prescribed in the share and purchase agreement relating to the acquisition of TEPKRI..



**SHAMARAN**  
petroleum corp

# Term Sheet



## Senior Unsecured Guaranteed Bond Issue 2021/2025 (the "Bonds" and the "Bond Issue")

ISIN NO001[\*\*]

**Initial Issue Date: Expected to be [\*\*] 2021**

- Issuer:** ShaMaran Petroleum Corp., a company existing under the laws of British Columbia, Canada with business registration number BC0778647 and LEI-code 529900227RVB89NZH924.
- Group:** The Issuer with any of its Subsidiaries from time to time (each a "**Group Company**" and collectively the "**Group**").
- Obligors:** Means each of the Issuer and each Guarantor.
- Guarantors:** On a joint and several basis, each of:
- (a) TEPKRI (owner of Sarsang PSC interest): No later than twenty (20) Business Days after the completion of the Acquisition (whereby TEPKRI is acquired by the Issuer);
  - (b) GEP (owner of Atrush PSC interest): No later than twenty (20) Business Days after the completion of the Tap Issue (whereby the Existing Bond Issue is rolled into the Bond Issue); and
  - (c) any Material Group Company (not being a Unrestricted Group Company) from time to time, no later than twenty (20) Business Days after being designated as a Material Group Company.
- Currency:** USD.
- Coupon Rate:** [\*\*] per cent. per annum, semi-annual interest payments.
- Initial Issue Amount:** USD 102,300,000 to 114,300,000
- Borrowing Limit:** USD 300,000,000.
- Interest Payment:** Interest on the Bonds will start to accrue on the Initial Issue Date and shall be payable semi-annually in arrears on the Interest Payment Date in January and July each year (each an "**Interest Payment Date**") and on the Maturity Date, commencing on the First Interest Payment Date. Day-count fraction for coupon is "30/360", business day convention is "unadjusted" and business day is "Oslo" and "New York".
- Notwithstanding the above, the day prior to the scheduled Bond Conversion Date (the "**New Interest Payment Date**") will be the last day of the then current interest period and the New Interest Payment Date will also be the Interest Payment Date for accrued and unpaid interest

on the Bonds. The New Interest Payment Date will also be first day in the subsequent interest period for the Bonds and the next Interest Payment Date will be the first regular Interest Payment Date in either January or July to occur.

**First Interest Payment Date:** [\*\*] (being the date falling six (6) months after Initial Issue Date) or, if earlier, the New Interest Payment Date.

**Initial Issue Date:** Expected to be [\*\*] 2021. Confirmation of Initial Issue Date to be given to subscribers minimum two Business Days prior to the Initial Issue Date.

**Maturity Date:** [\*\*] 2025 (four (4) years after the Initial Issue Date).

**Amortisation:** The Bond Issue shall be repaid in the following instalments at 100 per cent. of the Nominal Amount (plus accrued interest on the redeemed amount):

(a) at each Interest Payment Date from and including the Interest Payment Date occurring 24 months after the Initial Issue Date, the redemption of Bonds with an aggregate Nominal Amount (the "**Amortisation Amount**") calculated as USD 22,500,000 *less* the Nominal Amount of Bonds which have already been repaid and cancelled by the Issuer through voluntary buy-back of Bonds ("**Buy-Back Bonds**"), and where (i) Buy-Back Bonds already used in the calculation of the Amortisation Amount shall be excluded from future calculations of the Amortisation Amount and (ii) any Nominal Amount of Buy-Back Bonds exceeding USD 22,500,000 for the purpose of calculating any Amortisation Amount shall be included in the calculation of the Amortisation Amount for the subsequent instalment(s); and

(b) at the Maturity Date, the redemption of all remaining Outstanding Bonds,

in each case in accordance with the procedures of the CSD.

**Purpose of the Bond Issue:** The net cash proceeds from the Initial Issue Amount (net of fees and legal cost of the Manager and the Bond Trustee and any other cost and expenses incurred in connection with the Bond Issue) (the "**Net Proceeds**") shall be transferred to the Escrow Account and, upon disbursement to the Issuer, be used (i), for an amount of not less than USD 102,300,000, to finance the Acquisition and (ii) for any remaining amount and after the completion of the Acquisition, towards the general corporate purposes of the Group.

For clarity, the Net Proceeds shall not be used to fund the Debt Service Retention Account.

The Tap Issue will be used to refinance the Existing Bond Issue and USD 7,200,000 of the Nemesia Loan, and which shall take place no later than ten (10) Business Days following the disbursement of the Net Proceeds from the Escrow Account.

**Debt Service Retention Account:** The Issuer shall ensure that the balance on the Debt Service Retention Account:

(a) prior to the Initial Issue Date, is not less than the DSRA Initial Amount;

(b) from Initial Issue Date and up to, but not including the date of completion of the Tap Issue, is not less than the DSRA Intermediate Amount; and

(c) at all times on and after the date of completion of the Tap Issue, is not less than the DSRA Maintenance Amount,

as further set out in "Issuer's Special Undertakings" below.

- Issue Price:** 100 per cent. of the Nominal Amount.
- Nominal Amount:** Each Bond will have a Nominal Amount of USD 1.00.
- Minimum Investment:** The minimum permissible investment in the Bonds (other than Additional Bonds) is USD 200,000, and in increments of USD 1.00.
- Tap Issue:** The Issuer may, subject to the satisfaction of the Tap Issue Conditions Precedent, issue Additional Bonds under the Bond Issue up to an aggregate amount for the Bond Issue equal to the Borrowing Limit (each such issue a "**Tap Issue**"), provided that no Event of Default occurs or would occur as a result of making such Tap Issue. The Tap Issue may only be done as (a) the Loan Conversion and (b) the Bond Conversion, and is subject in each case to no Event of Default continuing at the time of the respective Tap Issue or resulting from the respective Tap Issue and the satisfaction of the conditions precedent for the respective Tap Issue. If the Tap Issues resulting from the Loan Conversion and the Bond Conversion do not occur on the same day, any reference herein (other than under Conditions Precedent below) to "the Tap Issue" shall be construed a reference to the first Tap Issue to occur.
- The Additional Bonds shall be subject to the terms and conditions of the Finance Documents. For Tap Issues not falling on an Interest Payment Date, accrued interest will be calculated using standard market practice in the secondary bond market.
- Additional Bonds:** Additional Bonds means Bonds issued under a Tap Issue.
- Call Option (American):** The Issuer may redeem the Bonds in whole or in parts on any Business Day from and including:
- (a) the Initial Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;
  - (b) the First Call Date to, but not including, the Interest Payment Date in [*insert month and year falling 30 months after the Initial Issue Date*] at a price equal to [*insert price equal to par plus 50% of the Coupon Rate*] per cent. of the Nominal Amount for each redeemed Bond;
  - (c) the Interest Payment Date [*insert month and year falling 30 months after the Initial Issue Date*] to, but not including, the Interest Payment Date in [*insert month and year falling 36 months after the Initial Issue Date*] at a price equal to [*insert price equal to par plus 37.5% of the Coupon Rate*] per cent. of the Nominal Amount for each redeemed Bond;
  - (d) the Interest Payment Date [*insert month and year falling 36 months after the Initial Issue Date*] to, but not including, the Interest Payment Date in [*insert month and year falling 42 months after the Initial Issue Date*] at a price equal to [*insert price equal to par plus 25% of the Coupon Rate*] per cent. of the Nominal Amount for each redeemed Bond;
  - (e) the date falling 42 months after the Initial Issue Date to, but not including, the date falling 45 months after the Initial Issue Date at a price equal to to [*insert price equal to par plus 12.5% of the Coupon Rate*]per cent. of the Nominal Amount for each redeemed Bond; and

- (f) the date falling 45 months after the Initial Issue Date to, but not including the Maturity Date at a price equal to 100 per cent. of the Nominal Amount for each redeemed Bond.

In addition, the Issuer shall pay accrued and unpaid interest on the redeemed Bonds.

Written notice must be given at least ten (10) Business Days prior to the proposed repayment date for the call (the "**Call Option Repayment Date**").

Any call notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, which shall be satisfied at least three (3) Business Days prior to the Call Option Repayment Date.

For the avoidance of doubt, the redemption prices above shall be determined based on the settlement date for the call option and not based on the date the call option was exercised (issue of call notice).

**First Call Date:** Means the Interest Payment Date in [*insert month and year falling 24 months after the Initial Issue Date*].

**Make Whole Amount:** Means an amount equal to the sum of:

- (a) the present value on the Call Option Repayment Date of [*insert price equal to par plus 50% of the Coupon Rate*] per cent. of the Nominal Amount of the redeemed Bonds as if such payment originally had taken place on the First Call Date; and
- (b) the present value on the Call Option Repayment Date of the remaining interest payments of the redeemed Bonds, less any accrued and unpaid interest on the redeemed Bonds as at the Call Option Repayment Date, to the First Call Date,

where the present value shall be calculated by using a discount rate of [*\*\*1*] per cent. per annum.

**Status of the Bonds:** The Bonds will constitute senior debt obligations of the Issuer. The Bonds will rank at least *pari passu* with each other and with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and shall rank ahead of subordinated debt. The Bonds shall be unsecured.

**Transaction Security:** All present, future, actual and contingent obligations and liabilities of the Obligors under the Finance Documents, including but not limited to principal, interest, premiums, and expenses (collectively, the "**Secured Obligations**"), shall be secured by the following security and guarantees, granted in favour of the Bond Trustee on behalf of itself and the Bondholders:

#### **Initial Security**

##### Pre-Settlement Security:

*From the Issuer:*

- (a) a first priority Norwegian law pledge over the Escrow Account; and

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<sup>1</sup> This will be the 2 year USD swap rate at the date of close of books + 50bps.



- (b) a first priority Norwegian law pledge over the Debt Service Retention Account.

The Security listed above are hereinafter referred to as the "**Initial Security**" and the agreements, documents and instruments documenting the granting, terms and perfection thereof are referred to as the "**Initial Security Documents**".

#### **Additional Guarantees**

The Issuer shall ensure that:

- (a) TEPKRI becomes a Guarantor by issuing a Guarantee not later than twenty (20) Business Days after the completion of the Acquisition;
- (b) GEP becomes a Guarantor by issuing a Guarantee not later than twenty (20) Business Days after the completion of the Tap Issue;
- (c) each Material Group Company becomes a Guarantor by issuing a Guarantee not later than twenty (20) Business Days after being designated as a Material Group Company under paragraph (k) of "Issuer's Special Undertakings" below; and  
  
(in each case to the extent permitted by applicable corporate benefit and financial assistance restrictions or limitations (or similar restrictions or restrictions))
- (d) procure that each Group Company will, promptly provide such documents and evidence as the Bond Trustee shall reasonably require with respect to any relevant Group Company and any bank accounts over which Security is or will be taken, including constitutional documents, corporate authorizations and governmental and other approvals and the Bond Trustee may, at the cost of the Issuer, require legal opinions to be issued.

The Guarantees and Security listed above and otherwise put in place in favour of the Bond Trustee (on behalf of itself and the Bondholders) after the Issue Date are collectively referred to as the "**Transaction Security**" and the agreements, documents and instruments documenting the granting, terms and perfection thereof are referred to as the "**Security Documents**".

**Guarantee:** Means a Norwegian law unconditional and irrevocable corporate guarantee and indemnity, granted by each Guarantor in respect of the Secured Obligations.

**Conditions Precedent:** Pre-Settlement:

Payment of the net proceeds from the Initial Issue Amount to the Escrow Account shall be conditional on the Bond Trustee having received in due time (as determined by the Bond Trustee) prior to the Initial Issue Date each of the following documents, in form and substance reasonably satisfactory to the Bond Trustee:

#### *Finance Documents*

- (a) the Bond Terms duly executed by all parties hereto;
- (b) the Bond Trustee Fee Agreement duly executed by the parties thereto;
- (c) the Escrow Account Pledge Agreement and the DSRA Pledge Agreement duly executed by all parties thereto and perfected in accordance with applicable law,

and evidence that each of the Escrow Account and the Debt Service Retention Account has been blocked so that no withdrawals can be made without the consent of the Bond Trustee and that the account bank has waived any set-off rights;

*Corporate documents*

- (d) copies of all necessary corporate resolutions of the Issuer to issue the Bonds and execute the Finance Documents to which it is a party;
- (e) unless included in (d) above, a copy of a power of attorney from the Issuer to relevant individuals for their execution of the Finance Documents to which the Issuer is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Issuer;
- (f) copies of the Issuer's articles of association and certificate of incorporation (or similar document);

*Other documents and evidence*

- (g) copies of the Issuer's latest Financial Reports (if any);
- (h) evidence that the balance on the Debt Service Retention Account is not less than the DSRA Initial Amount;
- (i) evidence that the bondholders in the Existing Bond Issue have approved the proposals set out in the summons letter dated [\*\*] 2021 and whereby, *inter alia*, the bondholders have (i) approved the Bond Issue and the relevant Transaction Security as required under the terms of the Existing Bond Issue and (ii) resolved to complete the Bond Conversion (subject to any conditions set out in the summons);
- (j) a confirmation from Nemesia that they have approval for and are authorised to complete the Loan Conversion;
- (k) confirmation that the applicable prospectus requirements (ref the EU prospectus regulation, Regulation (EU) (2017/1129)) concerning the issuance of the Bonds have been fulfilled;
- (l) confirmation that the Bonds are registered in the CSD (by obtaining an ISIN for the Bonds);
- (m) a certificate from the Issuer confirming that the Bond Issue would not cause any borrowing, issuance, or similar limit binding on it to be exceeded or breached;
- (n) copies of any written documentation used in marketing the Bonds or made public by the Issuer or any Manager in connection with the issuance of the Bonds; and
- (o) such legal opinions as may be required by the Bond Trustee.

Pre-Disbursement:

The disbursement of funds from the Escrow Account to the Issuer will be subject to the Bond Trustee having received or is satisfied that it will receive in due time (as determined

by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance reasonably satisfactory to the Bond Trustee:

*Finance Documents*

- (a) the Nemesia Subordination Agreement duly executed by the parties thereto;
- (b) the TOTAL Intercreditor Agreement duly executed by the parties thereto; and

*Corporate documents*

- (c) copies of all necessary corporate resolutions of each of Nemesia and Total to execute the Finance Documents to which it is a party;
- (d) unless included in (e) above, a copy of a power of attorney from each of Nemesia and Total to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on its behalf;
- (e) certified copies of each of Nemesia's and Total's articles of association and certificate of incorporation (or similar document);

*Other documents and evidence*

- (f) copies of the JOAs and the PSCs;
- (g) a copy of the SPA;
- (h) a copy of the Nemesia Debenture;
- (i) a copy of the TOTAL Loan Note;
- (j) evidence that, after the Initial Issue Date, the Issuer has received freely available cash proceeds of not less than USD 30,000,000 from new equity capital in the Issuer or a new Subordinated Loan (or a combination thereof);
- (k) evidence that the Issuer has freely available funds which, together with the funds deposited on the Escrow Account, are sufficient to pay the cash consideration required under the SPA to complete the Acquisition;
- (l) evidence that the Acquisition has been approved by all relevant governmental bodies (including the KRG);
- (m) a confirmation from the Issuer stating that all conditions precedent for the completion of the Acquisition, save for the payment of the cash consideration required under the SPA, have been satisfied and that the Acquisition will be completed within five (5) Business Days after the release from the Escrow Account;
- (n) a confirmation from the Issuer stating that the TEPKRI is, and will continue to be immediately after the completion of the Acquisition, the owner of 18 per cent of the Sarsang PSC;

- (o) a confirmation in writing from the Issuer that no Event of Default has occurred or is likely to occur as a result of the release from the Escrow Account;
- (p) a duly executed Escrow Account Release Notice; and
- (q) such legal opinions as may be required by the Bond Trustee.

Tap Issues:

*Finance Documents:*

- (a) a Tap Issue addendum has been executed by all parties thereto;

*Corporate Documents:*

- (b) copies of all necessary corporate resolutions of the Issuer and each Guarantor (as relevant) to issue the Additional Bonds and execute the Finance Documents to which it is a party;
- (c) unless included in (b) above, a copy of a power of attorney from the Issuer and each Guarantor to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Issuer or such Guarantor;
- (d) certified copies of the Issuer's and each Guarantor's articles of association and certificate of incorporation (or similar document);

*Other documents and evidence:*

- (e) evidence that the Pre-Settlement conditions precedent have been satisfied;
- (f) with respect to any Tap Issue effected through the Bond Conversion, a copy of a written notice from the Issuer to the paying agent and the bond trustee for the Existing Bond Issue and to the Paying Agent and the Bond Trustee, informing the said recipients of the scheduled Bond Conversion Date and that the interest payment dates of the then current interest periods for the Existing Bonds Issue and the Bonds, respectively, will be the day prior to the scheduled Bond Conversion Date, such notice to be issued no later than ten (10) calendar days prior to the scheduled Bond Conversion Date;
- (g) with respect to any Tap Issue effected through the Bond Conversion, evidence that the aggregate principal amount outstanding under the Existing Bond Issue does not exceed USD 175,000,000;
- (h) evidence that the balance on the Debt Service Retention Account is not less than the amount of twelve (12) months interest on the Bond Issue, calculated based on a Bond Issue with an aggregate amount equal to the Borrowing Limit; and
- (i) such legal opinions as may be required by the Bond Trustee.

General:

The Bond Trustee may waive or postpone the delivery of certain conditions precedent at its sole discretion, or decide in its discretion that delivery of certain documents shall be made subject to an agreed closing procedure between the Bond Trustee and the Issuer.

**Mandatory Redemption – Long-stop Date:**

If, within the date falling 15 months after the Initial Issue Date (the "**Long-stop Date**"), the disbursement of the net proceeds from the Escrow Account has not occurred, then the Issuer shall, within ten (10) Business Days after the Long-stop Date, redeem all outstanding Bonds at a price of 101 per cent. of the Nominal Amount (plus accrued but unpaid interest), and the funds deposited on the Escrow Account and the Debt Service Retention Account shall (in addition to other funds required) be used for such redemption.

**Representations and Warranties:**

The Bond Terms shall include standard representation and warranties, covering the Issuer, the Group and the Obligors.

The representations and warranties shall be made on the execution date of the Bond Terms, and shall be deemed to be repeated on the Initial Issue Date, on each date or issuance of Additional Bonds and on each date of disbursement from the Escrow Account.

**Information Undertakings:**

The Bond Terms shall include standard information undertakings (as customary in the Norwegian high yield bond market), including but not limited to:

- (a) **Reporting:** The Issuer shall, without being requested to do so, prepare (a) audited Annual Financial Statements and make them available via its website (alternatively on another relevant publicly available information platform) as soon as they become available, and no later than 90 calendar days after the end of the financial year, and (b) Interim Accounts and make them available on its website (alternatively on another relevant publicly available information platform) as soon as they become available, and not later than 60 calendar days after the end of each relevant interim period, provided that the Issuer's ordinary external reporting under the TSX Venture Exchange's (Toronto) listing rules will satisfy the requirements set out in paragraphs (a) and (b) above if the Issuer is in compliance with the TSX Venture Exchange's (Toronto) listing rules with respect to reporting.
- (b) **Compliance certificate:** The Issuer shall, together with the publication of each of its Annual Financial Statements and Interim Accounts, provide to the Bond Trustee a compliance certificate signed by the chief executive officer or the chief commercial officer of the Issuer, certifying, on behalf of the Issuer, that each of the financial statements and interim reports are fairly representing the financial condition of the Issuer and setting out, in reasonable detail, computations evidencing compliance with the financial covenants set out in "Financial covenants" below.
- (c) **Reserve Value Report:** The Issuer shall, together with the publication of its Annual Financial Statements for any financial year, publish an updated Reserve Value Report as at no earlier than the last day of that financial year. The Issuer shall ensure that no more than 12 months shall lapse between each publication of its updated Reserve Value Report. The Issuer may, in its sole discretion, at any time publish an updated Reserve Value Report, and such Reserve Value Report shall replace the previous Reserve Value Reports.
- (d) **Hydrocarbon Asset Termination Event:** The Issuer shall promptly inform the Bond Trustee of any Hydrocarbon Asset Termination Event and whether such Hydrocarbon Asset Termination Event would have a Material Adverse Effect and

whether such Hydrocarbon Asset Termination Event would constitute an Event of Default, whereupon the Bond Trustee shall notify the Bondholders of such Hydrocarbon Asset Termination Event.

**Financial covenants:** The Issuer shall ensure that the Group at all times maintains an Asset Coverage Ratio of minimum 1.25x.

For the purpose of calculating the Asset Coverage Ratio, the Reserve Value shall be calculated as set out in the latest Reserve Value Report, provided that any Reserve Value attributable to any oil and gas reserves and/or related rights in whole or part disposed of, cancelled, withdrawn, revoked, abandoned, expired or otherwise terminated or discontinued since the date of the latest Reserve Value Report shall be excluded from the calculation of Reserve Value to the extent so affected. For the sake of clarity, any new oil and gas reserves and/or related rights or any increased interest in any existing oil and gas reserves acquired since the date of the latest Reserve Value Report shall only be included in the calculation of Reserve Value when the same has been included in a new, updated and published Reserve Value Report (including on a *pro forma* basis in respect of assets to be acquired).

**Incurrence Test:** The Incurrence Test is satisfied with respect to any (i) Distribution by a Group Company to the direct or indirect shareholders of the Issuer or (ii) incurrence of Financial Indebtedness subject to the satisfaction of the Incurrence Test, in each case if the following conditions are satisfied:

- (a) no Event of Default is continuing or would result therefrom; and
- (b) a maximum Leverage Ratio of 1.75x on a pro forma basis, immediately following the occurrence of the relevant event; and
- (c) with respect to a Distribution, the Net Debt shall be less than USD 100,000,000 (or the equivalent in other currencies) immediately following the Distribution.

For the purpose of calculating the Leverage Ratio in respect of the Incurrence Test, Net Debt shall be calculated as at the relevant testing date with the following adjustments:

- (a) Net Debt shall be measured on the relevant testing date so determined, and include the drawn commitments under new Financial Indebtedness in respect of which the Incurrence Test is applied.
- (b) Any cash balance resulting from the incurrence of such new Financial Indebtedness shall not reduce the Net Debt.
- (c) In respect of any Permitted Distribution, any cash to be distributed or contributed in any way shall be deducted when calculating Net Debt.
- (d) The figures for EBITDA for the Relevant Period ending on the last day of the period covered by the most recent Financial Report shall be used for the Incurrence Test, but adjusted so that:
  - (i) entities, assets or operations acquired by, disposed of or discontinued by the Group during the Relevant Period, or after the end of the Relevant Period but before the relevant testing date, shall be included or excluded (as applicable), pro forma, for the entire Relevant Period; and

- (ii) any entity to be acquired with the proceeds from new Financial Indebtedness shall be included, pro forma, for the entire Relevant Period.

Notwithstanding the above, the Incurrence Test shall be deemed to be satisfied for any refinancing or repayment of the Nemesis Loan through the Loan Conversion.

**Issuer's General Undertaking:**

The Issuer undertakes to, and shall, where applicable, procure that the other Group Companies will, comply with the following undertakings:

- (a) **Authorisations:** The Issuer shall, and shall procure that each other Group Company will, in all material respects obtain, maintain and comply with the terms of any Authorisation required for the conduct of its business as carried out from time to time if a failure to do so would have Material Adverse Effect.
- (b) **Compliance with laws:** The Issuer shall, and shall procure that each other Group Company will, comply in all material respects with all laws and regulations to which it may be subject from time to time, if failure so to comply would have a Material Adverse Effect.
- (c) **Operations:** The Issuer shall, and shall ensure that each other Group Company will, ensure that the operations of each Group Company are conducted in (i) accordance with reputable practices related to the oil and gas industry (taken as a whole) in all material respects and (ii) compliance with all applicable laws and regulations of material importance to the business of such Group Company.
- (d) **Continuation of business:** The Issuer shall procure that no material change is made to the general nature of the business of the Group from that carried on by the Group at the Initial Issue Date.
- (e) **Corporate status:** The Issuer shall not, and shall ensure that no other Group Company will, change its type of organization or jurisdiction of incorporation, other than a Permitted Change.
- (f) **Related party transactions:** The Issuer shall, and shall ensure that each other Group Company will, conduct all business transactions with Affiliates at market terms and otherwise on an arm's length basis.
- (g) **Mergers and de-mergers:** The Issuer shall not, and shall procure that no other Group Company will, carry out:
  - (i) any merger or other business combination or corporate reorganisation involving the consolidation of assets and obligations of the Issuer or any other Group Company with any other person other than with any Group Company; or
  - (ii) any demerger or other corporate reorganisation having the same or equivalent effect as a demerger involving the Issuer and/or any Group Company,

if such merger, demerger, combination or reorganisation would have a Material Adverse Effect and provided that if the Issuer is party to any merger it shall be the surviving entity. Any merger, demerger, combination or reorganisation involving a transfer of a PSC shall be done as a Permitted PSC Transaction.

- (h) **Pari passu ranking:** The Issuer shall, and shall ensure that each Obligor will, ensure that its obligations under the Bond Terms and any other Finance Document shall at all times rank at least pari passu as set out in "Status of the Bonds" above.
- (i) **Insurances:** The Issuer shall ensure that each relevant Group Company will maintain with financially sound and reputable insurance companies, funds or underwriters, or otherwise receive the benefit of adequate insurance or captive arrangements with respect to its assets, equipment and business against such liabilities, casualties and contingencies and of such types and in such amounts as would normally be maintained by owners and/or operators owning similar assets to those owned by the relevant Group Company, in accordance with good industry practice in their relevant jurisdiction.

The Issuer shall not, and shall ensure that no other Group Company will, do, or knowingly permit to be done, anything which may make any Insurance void, voidable, unavailable or unenforceable or render any sums which may be paid out under any Insurance repayable in whole or in part. The Issuer shall, and shall ensure that each other Group Company will, promptly pay all premiums, calls and contributions due from it and do all other things necessary to keep each Insurance taken out by or for it maintained in full force and effect.

**Issuer's Special Undertakings:**

The Issuer undertakes to, and shall, where applicable, procure that the other Group Companies will, comply with the following undertakings:

- (a) **Dividend restrictions:** Neither the Issuer nor any Group Company shall declare or make any Distribution other than a Permitted Nemesia Interest Payment unless (i) the Incurrence Test is satisfied in respect thereof and (ii) the amount of such Distributions during any calendar year shall not in aggregate exceed 50 per cent. of the Groups net profits after tax as reported in the Annual Financial Statements for the previous calendar year (excluding any such net profits attributable to any Unrestricted Group Company but where the amount of any cash Distribution made by an Unrestricted Group Company to a Restricted Group Company shall be included in the calculation of the net profits of the Group). There shall be no carry forward of unused Distribution rights to subsequent calendar years.
- (b) **Hedging:** The Issuer shall not, and shall procure that no other Group Company will, enter into any hedging arrangements not being Permitted Hedging.
- (c) **Forward sale:** The Issuer shall not, and shall ensure no other Restricted Group Company will, whether under a hedging arrangement or any other agreement, be permitted to incur, create or permit any financial arrangement whereby any party is granted any right to a payment as a percentage or other proportion of the Group's present or future sales proceeds, income, earnings, or revenue deriving directly or indirectly from the Group's working interest in Hydrocarbon Assets (whether secured or unsecured).
- (d) **Debt Service Retention Account:** The Issuer shall ensure that the balance on the Debt Service Retention Account, at all times:
  - (i) prior to the Initial Issue Date, is not less than the DSRA Initial Amount;



- (ii) from and including the Initial Issue Date up to, but not including, the date of completion of the Tap Issue, is not less than the DSRA Intermediate Amount;
- (iii) from an including the date of completion of the Tap Issue, is not less than the DSRA Maintenance Amount,

and where amounts deposited on the Debt Service Retention Account ("**DSRA Amounts**") shall remain on the Debt Service Retention Account, provided that, for as long as no Event of Default is continuing;

- (i) the DSRA Amounts may be used to pay interest on the Bonds on the last two Interest Payment Dates; and
- (ii) if, at any time, the DSRA Amounts exceed the amount required to be deposited on the Debt Service Retention Account, the excess amount may be released to the Issuer,

in each case pursuant to a release request from the Issuer to the Bond Trustee.

- (e) **Financial Indebtedness:** The Issuer shall not, and shall procure that no other Group Company will, incur or allow to remain outstanding or prolong any Financial Indebtedness, other than any Permitted Financial Indebtedness.
- (f) **Financial Support:** The Issuer shall not, and shall procure that no other Group Company will, grant or allow to subsist, prolong or renew any Financial Support to or for the benefit of any third party other than any Permitted Financial Support.
- (g) **Negative pledge:** The Issuer shall not, and shall procure that no other Group Company will, create or allow to subsist, prolong or renew any Security over any of its/their assets or revenues (whether present or future), other than any Permitted Security.
- (h) **Disposals:** The Issuer shall not, and shall procure that no other Group Company will, sell, transfer or otherwise dispose of any assets (including shares or other securities in any person) or operations (other than as permitted pursuant to paragraph (i) (*Maintenance of ownership*) below, unless:
  - (i) the transaction is carried out at fair market value, on terms and conditions customary for such transactions; and
  - (ii) such transaction does not have a Material Adverse Effect.
- (i) **Maintenance of ownership:** The Issuer shall maintain a 100 per cent. (direct or indirect) ownership over all the shares and voting rights of GEP and, after completion of the Acquisition, TEPKRI, and the Issuer shall ensure that no Group Company novates, transfers, reduces, sells or otherwise disposes of any working interest in any PSC, unless:
  - (i) the transaction is carried out at fair market value, on terms and conditions customary for such transactions;
  - (ii) the transaction is a Permitted PSC Transaction;

- (iii) such transaction does not have a Material Adverse Effect; and
  - (iv) the Bonds are redeemed according to the provisions of "Mandatory redemption due to a Significant Asset Disposal Event" below (if applicable).
- (j) **Subsidiaries' distributions:** Other than any restrictions applicable to an Unrestricted Group Company under its RBL Financing, the Issuer shall procure that no other Group Company creates or permits to exist any contractual obligation (or encumbrance) restricting the right of that Group Company to:
- (i) pay dividends or make other distributions to its shareholders;
  - (ii) service any Financial Indebtedness to the Issuer;
  - (iii) make any loans to the Issuer; or
  - (iv) transfer any of its assets and properties to the Issuer;

if the creation of such contractual obligation is reasonably likely to prevent the Issuer and/or a Guarantor from complying with any of its obligations under the Finance Documents.

- (k) **Designation of Material Group Companies:**
- (i) If a Group Company, other than a Guarantor, acquires, invests in or otherwise becomes the owner of one or more assets leading to the total assets held by such Group Company becoming a Material Asset, the Issuer shall nominate such Group Company as a Material Group Company.
  - (ii) If a Material Asset is novated, transferred, sold or otherwise disposed from a Group Company to another Group Company, other than an Unrestricted Group Company, such acquiring Group Company shall be deemed a Material Group Company.
  - (iii) The designation of a Material Group Company shall be made by the Issuer in the Compliance Certificate delivered pursuant to "Information Undertakings" and the designation shall take effect on the date the Compliance Certificate is received by the Bond Trustee.
- (l) **Completion of the Acquisition:** The Issuer shall ensure that the Acquisition is completed no later than five (5) Business Days after the disbursement of funds from the Escrow Account.
- (m) **Additional Permitted Bond Issue:** The Issuer shall ensure that no repayment of principal is made on any Additional Permitted Bond Issue until all amounts outstanding under the Finance Documents have been repaid in full.
- (n) **Investments in and loans to Unrestricted Group Companies:** The Issuer shall not, and shall ensure that no Restricted Group Company will, make any new investment in an Unrestricted Group Company, including in the equity or ownership interest in the Unrestricted Group Company, or become the creditor of new Financial Indebtedness owed by an Unrestricted Group Company or provide any other financial support, unless the amount used for such investment or the amount of such

Financial Indebtedness could, at the relevant time, been used to make a Distribution under paragraph (a) (*Dividend restrictions*) above;

- (o) **Security Documents:** The Issuer and each other Group Companies shall ensure that the Security Documents to which it is party remain in full force and effect, and do all acts, and promptly take all acts as the Bond Trustee may reasonably require in order to ensure that such Security or Guarantee remains duly created, enforceable and perfected with such ranking and priority contemplated herein, at the expense of the Issuer.
- (p) **Hydrocarbon Asset Documents:** The Issuer and each other Group Company shall (i) perform all material obligations under the Hydrocarbon Asset Documents applicable to it, and (ii) not amend, terminate or waive, or where relevant, vote in favour of any amendment, termination or waiver, in respect of any terms under any of the Hydrocarbon Asset Documents, in each case which would have a Material Adverse Effect and promptly upon request provide the Bond Trustee with copies of any Hydrocarbon Asset Document to the extent permitted under any applicable confidentiality restrictions.

**Permitted Financial Indebtedness:**

Means:

- (a) the Bonds, including any Additional Bonds;
- (b) up to and including the date falling ten (10) Business Days after the date of release from the Escrow Account, the Existing Bond Issue;
- (c) the TOTAL Loan;
- (d) any Financial Indebtedness incurred by the Issuer under a Subordinated Loan (including the Nemesia Loan);
- (e) any Financial Indebtedness incurred under Permitted Hedging;
- (f) any Acquired Financial Indebtedness, provided that such Financial Indebtedness is repaid or refinanced with the proceeds of any other type of Permitted Financial Indebtedness within 90 calendar days after the completion of the relevant acquisition;
- (g) subject to the Incurrence Test, any Additional Permitted Bond Issue;
- (h) Financial Indebtedness under any pension and tax liabilities incurred in the ordinary course of business;
- (i) subject to the Incurrence Test, RBL Financing owed by an Unrestricted Group Company with no recourse to the Restricted Group;
- (j) Financial Indebtedness owed by an Unrestricted Group Company to a Restricted Group Company and permitted under paragraph (n) (*Investments in and loans to Unrestricted Group Companies*) under "Issuer's Special Undertakings" above;
- (k) Financial Indebtedness owed by the Issuer to an Unrestricted Group Company, provided that such Financial Indebtedness is subordinated to the amounts

outstanding under the Financial Documents and does not contain any acceleration rights;

- (l) Financial Indebtedness owed by a Restricted Group Company to another Restricted Group Company, provided that if such Financial Indebtedness is owed by an Obligor to a Restricted Group Company who is not an Obligor, such Financial Indebtedness is subordinated to the amounts outstanding under the Financial Documents and does not contain any acceleration rights;
- (m) any Financial Indebtedness under finance or capital leases of office buildings, vehicles, equipment, computers, production, storage or other relevant assets incurred in the ordinary course of business;
- (n) in the form of rental deposits or other guarantees in respect of any lease agreement including in relation to real property entered into by a Group Company in the ordinary course of business and on normal commercial terms;
- (o) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability in the ordinary course of business of a Group Company, including with respect to a Group Company's obligations under a PSC and/or JOA (other than from a Restricted Group Company in favour of a Unrestricted Group Company);
- (p) any Financial Indebtedness arising as a result of a contemplated refinancing of the Bonds in full provided that (i) a call notice has been served on the Bonds (in full) and (ii) such debt is held in escrow until full repayment of the Bonds; and
- (q) any other Financial Indebtedness not covered by (a) to (q) above in the aggregate amount of USD 10,000,000 (or the equivalent in any other currency).

**Permitted Security:** Means:

- (a) any Security in relation to the Bonds, including any Additional Bonds;
- (b) any existing Security in relation to the Existing Bond Issue;
- (c) any Security granted by an Unrestricted Group Company securing its obligations as a borrower under its RBL Financing;
- (d) any Security granted over the ownership interests in an Unrestricted Group Company securing the obligations of that Unrestricted Group Company as a borrower under its RBL Financing;
- (e) any Security arising by operation of law, provided that such lien does not relate to any default;
- (f) with respect to any Financial Indebtedness referred to in paragraph (m) (*finance leases*) in "Permitted Financial Indebtedness" above, Security over the assets financed by the finance or capital lease;

- (g) any netting or set-off arrangement entered into by the Issuer or any other Restricted Group Company in the ordinary course of its banking arrangements and/or for the purpose of netting debit and credit balances of the Restricted Group Companies;
- (h) any netting or set-off arrangement entered into by an Unrestricted Group Company in the ordinary course of its banking arrangements and/or for the purpose of netting debit and credit balances of that Unrestricted Group Company;
- (i) any Security arising over any bank accounts or custody accounts or other clearing banking facilities held with any bank or financial institution under the standard terms and conditions of such bank or financial institution;
- (j) any Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Issuer or any other Group Company (as the case may be) in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by the Issuer;
- (k) Security arising under the terms of any PSC or JOA towards the KRG (or any subset thereof) or the operator of the PSC;
- (l) in the form of rental deposits or other guarantees in respect of any lease agreement including in relation to real property entered into by a Group Company in the ordinary course of business and on normal commercial terms; and
- (m) Security securing Acquired Financial Indebtedness, provided that such Security was not granted or perfected as a consequence of the relevant acquisition and that such Security is released and terminated within 90 calendar days after the completion of the relevant acquisition,

provided, for the sake of clarity, that no Restricted Group Company shall grant any Security securing the obligations of an Unrestricted Group Company.

**Permitted Financial Support:**

Means:

- (a) Financial Support as a result of guarantees and security provided in connection with the Bonds, including any Additional Bonds;
- (b) existing Financial Support related to the Existing Bond Issue;
- (c) Financial Support in relation to Financial Indebtedness listed in paragraphs (m) (*finance leases*) and (n) (*other leases*) of the definition of Permitted Financial Indebtedness;
- (d) Financial Support from a Restricted Group Company to or for the benefit of another Restricted Group Company;
- (e) Financial Support from an Unrestricted Group Company to or for the benefit of another Unrestricted Group Company;
- (f) Financial Support from a Restricted Group Company to an Unrestricted Group Company, if such Financial Support consists of a group contribution, provided that no cash or other funds are transferred from the Restricted Group as a result thereof (i.e. the group contributions are merely accounting measures), however so that group

contributions made for tax netting purposes may be made by way of cash contributions, and provided that such distribution, net of the tax effect, is subsequently re-injected as a shareholder's contribution to the Restricted Group Company as soon as possible;

- (g) in the form of a loan from the Issuer to an Unrestricted Group Company permitted under paragraph (n) (*Investments in and loans to Unrestricted Group Companies*) of "Issuer's Special Undertakings" above;
- (h) granted as customary employee loans in the ordinary course of business and in connection with customary employee incentive schemes;

provided, for the sake of clarity, that other than explicitly permitted under paragraphs (a) to (h) above, no Restricted Group Company shall provide Financial Support to or for the benefit of an Unrestricted Group Company.

**Definitions:**

**"Acceptable Bank"** means a bank or financial institution which has a rating for its long-term unsecured and non-credit-enhanced debt obligations of BBB+ or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or Baa1 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognized credit rating agency.

**"Acquired Financial Indebtedness"** means Financial Indebtedness incurred as a result of any Group Company acquiring another entity (or operations) and which is due to such acquired entity owing such Financial Indebtedness prior to the completion of the acquisition and where such Financial Indebtedness was not put in place or increased in anticipation of the acquisition.

**"Acquisition"** means the acquisition by the Issuer of the entire share capital in TEPKRI from TOTAL, as set out in the SPA.

**"Additional Permitted Bond Issue"** means a issuance of bonds made by the Issuer and where such bond issue does not mature prior to one month after the Maturity Date and which does not contain any scheduled amortisation.

**"Annual Financial Statements"** means the audited unconsolidated and consolidated annual financial statements of the Issuer for any financial year, prepared in accordance with GAAP, such financial statements to include a profit and loss account, balance sheet, cash flow statement and report of the board of directors.

**"Authorisation"** means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

**"Asset Coverage Ratio"** means the ratio of Reserve Value to Net Debt.

**"Atrush Assets"** means, with respect to the Atrush PSC, the following agreements and assets:

- (a) the relevant facilities and infrastructure used for the extraction, production, storage and transportation of oil and gas;
- (b) joint operating agreements;
- (c) agreements relating to the transportation, processing and storage of hydrocarbon production;

- (d) agreements for sale or marketing of hydrocarbon production; and
- (e) any other material agreements directly linked to the Atrush PSC.

"**Atrush Block**" means the Atrush block contract area as defined in the Atrush PSC, covering an area of 269 km<sup>2</sup> and located approximately 85 km northwest of Erbil, the capital of the Kurdistan Region of Iraq.

"**Atrush JOA**" the "Joint Operating Agreement" between GEP and its partners dated 30 November 2011, the "First Amendment to Joint Operating Agreement" between GEP and its partners dated 31 December 2012, the "Second Amendment to Joint Operating Agreement" between GEP and its partners dated 7 November 2016, the "Third Amendment to Joint Operating Agreement" between GEP and its partners dated 12 October 2017, and the "Fourth Amendment to Joint Operating Agreement" between GEP and its partners dated 30 May 2019, all relating to the Atrush Block.

"**Atrush PSC**" means the production sharing contract between GEP and the Kurdistan Regional Government of Iraq under which GEP holds a working interest of 27.6%; named "Production Sharing Contract, Atrush Block, Kurdistan Region between The Kurdistan Regional Government of Iraq and General Exploration Partners, Inc." dated 10 November 2007, "First Amendment" dated 1 August 2010, "TPI Assignment, Novation, and Second Amendment Agreement" dated 20 October 2010, "Assignment, Novation, Third Amendment Agreement" dated 31 December 2012 and "Assignment, Novation, and Fourth Amendment Agreement" dated 7 November 2016 and "Assignment, Novation and Fifth Amendment Agreement" dated 30 May 2019.

"**Bond Conversion**" means the conversion of the bonds issued under the Existing Bond Issue into Additional Bonds, and so that after such conversion all principal amounts outstanding under the Existing Bond Issue have been settled in full.

"**Bond Conversion Date**" means the date of completion of the Bond Conversion.

"**Bond Trustee Fee Agreement**" means the agreement entered into between the Issuer and the Bond Trustee relating among other things to the fees to be paid by the Issuer to the Bond Trustee for its obligations relating to the Bonds.

"**Business Day**" means a day on which both the relevant CSD settlement system is open, and the relevant Bond currency settlement system is open.

"**Bondholders**" means a person who is registered in the CSD (and, for the avoidance of doubt, the Temporary Bonds) as directly registered owner or nominee holder of a Bond.

"**Bondholders' Meeting**" means a meeting of Bondholders, as set out in the Bond Terms.

"**Calculation Date**" means each 31 March, 30 June, 30 September and 31 December each year.

"**Cash and Cash Equivalents**" means the at any time equivalent USD amount of the aggregate current market value of:

- (a) cash in hand or amounts standing to the credit of any current and/or deposit accounts with an Acceptable Bank; and

- (b) time deposits with Acceptable Banks and certificates of deposit issued, and bills of exchange accepted, by an Acceptable Bank,

in each case to which any Restricted Group Company is beneficially entitled at the time and to which any Restricted Group Company has free and unrestricted access and which is not subject to Security or blocked, provided that, notwithstanding the foregoing, amounts deposited on the Escrow Account and the Debt Service Retention Account shall be included in the calculation of Cash and Cash Equivalents.

**"Debt Service Retention Account"** means a bank account in USD established by the Issuer with an Acceptable Bank (or a client account of the Manager held with an Acceptable Bank) prior to the Initial Issue Date, funded in accordance with paragraph (d) of "Issuer's Special Undertakings" above, pledged as Transaction Security and blocked in favour of the Bond Trustee,

**"Decisive Influence"** means a person having as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly):

- (a) a majority of the voting rights in that other person; or
- (b) a right to elect or remove a majority of the members of the board of directors of that other person.

**"Distribution"** means any dividend payment, repurchase of shares or loans or other equity or capital distributions (including group contributions) by a Group Company (other than directly to another Group Company), whether in cash or in kind, including without limitation any total return swaps or instruments with similar effect and also including any payment on or with respect to any Subordinated Loan (including interest, fees and principal).

**"DSRA Account Pledge Agreement"** means the agreement for creating a pledge over the Debt Service Retention Account as Transaction Security.

**"DSRA Initial Amount"** means the aggregate amount of (i) one (1) month of interest on the Bond Issue (calculated based on the Initial Issue Amount), (ii) an amount equal to the amount by which the Initial Issue Amount exceeds the Net Proceeds and (iii) 1.00 per cent. of the Initial Issue Amount.

**"DSRA Intermediate Amount"** means, at any time,:

- (a) from and including the Initial Issue Date up to, but not including the date falling one (1) months after the Initial Issue Date, the DSRA Initial Amount;
- (b) from and including the date falling one (1) month after the Initial Issue Date up to, but not including the date falling two (2) months after the Initial Issue Date, the aggregate amount of the DSRA Initial Amount and the amount of one (1) month of interest on the Bond Issue (calculated based on the Initial Issue Amount);
- (c) from and including the date falling two (2) months after the Initial Issue Date up to, but not including the date falling three (3) months after the Initial Issue Date, the aggregate amount of the DSRA Initial Amount and the amount of two (2) months of interest on the Bond Issue (calculated based on the Initial Issue Amount);
- (d) from and including the date falling three (3) months after the Initial Issue Date up to, but not including the date falling four (4) months after the Initial Issue Date, the



aggregate amount of the DSRA Initial Amount and the amount of three (3) months of interest on the Bond Issue (calculated based on the Initial Issue Amount);

- (e) from and including the date falling four (4) months after the Initial Issue Date up to, but not including the date falling five (5) months after the Initial Issue Date, the aggregate amount of the DSRA Initial Amount and the amount of four (4) months of interest on the Bond Issue (calculated based on the Initial Issue Amount); and
- (f) from and including the date falling five (5) months after the Initial Issue Date up to, but not including the date for completion of the Tap Issue, the aggregate amount of the DSRA Initial Amount and the amount of five (5) months of interest on the Bond Issue (calculated based on the Initial Issue Amount).

**"DSRA Maintenance Amount"** means, at any time,:

- (a) from and including the date of completion of the Tap Issue up to, but not including the date falling twelve (12) months after the Initial Issue Date, the aggregate amount of the next six (6) months of interest on the Bond Issue; and
- (b) from and including the date falling twelve (12) months after the Initial Issue Date up to the Maturity Date, the aggregate amount of (i) the next twelve (12) months of interest on the Bond Issue and (ii), from and including the date occurring eighteen (18) months after the Initial Issue Date, USD 22,500,000,

and provided that any amount calculated by reference to an interest to accrue on the Bond Issue shall be calculated on the Outstanding Bonds at that time.

**"EBITDA"** means, in respect of any Relevant Period, the consolidated operating profit of the Group before taxation:

- (a) **before deducting** any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that period;
- (b) **not including** any accrued interest owing to any member of the Group;
- (c) **after adding back** any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group;
- (d) **after deducting** the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;
- (e) **before taking into account** any unrealised gains or losses on any financial or derivative instrument (other than any derivative instruments which are accounted for on a hedge account basis); and
- (f) **after deducting** any gain over book value and after adding back any loss arising on the disposal of any asset of any member of the Group (other than the sale of trading stock) during such period,

and where any EBITDA attributable to an Unrestricted Group Company shall be excluded, but where the amount of any cash Distribution made by an Unrestricted Group Company to a Restricted Group Company shall be included in the EBITDA of the Group.

**"Escrow Account"** means a bank account in USD established by the Issuer with an Acceptable Bank (or a client account of the Manager held with an Acceptable Bank) prior to the Initial Issue Date, to which the net proceed from the Initial Issue Amount shall be

transferred in connection with the issuance of the Bonds on the Initial Issue Date, provided that all Pre-Settlement Conditions Precedent (as described below) have been satisfied, pledged as Transaction Security and blocked in favour of the Bond Trustee.

**"Escrow Account Pledge Agreement"** means the agreement for creating a pledge over the Escrow Account as Transaction Security.

**"Exchange"** means:

- (a) the Luxembourg MTF;
- (b) Nordic ABM; or
- (c) any regulated market as such term is understood in accordance with the Markets in Financial Instruments Directive (Directive 2004/39/EC) or the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), as applicable.

**"Existing Bond Issue"** means the Issuer's bond issue with ISIN NO0010826456.

**"Financial Indebtedness"** means any indebtedness for or in respect of:

- (a) moneys borrowed (and debit balances at banks or other financial institutions);
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Bonds;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the GAAP, be treated as finance or capital lease (meaning that the lease is capitalized as an asset and booked as a corresponding liability in the balance sheet);
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis) provided that the requirements for de-recognition under GAAP are met;
- (f) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account) (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount shall be taken into account);
- (g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of a person which is not an Group Company which liability would fall within one of the other paragraphs of this definition;
- (h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before the Maturity Date or are otherwise classified as borrowings under GAAP;

- (i) any amount of any liability under an advance or deferred purchase agreement, if (i) the primary reason behind entering into the agreement is to raise finance or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 120 calendar days after the date of supply;
- (j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise being classified as a borrowing under the Accounting Standard and
- (k) without double counting, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above.

**"Financial Report"** means the Annual Financial Statements and the Interim Accounts.

**"Financial Support"** means loans, guarantees or other financial assistance similar or equivalent to a guarantee.

**"GAAP"** means the generally accepted accounting practices and principles in the country in which the Issuer is incorporated including, if applicable, the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

**"GEP"** means General Exploration Partners, company registration no. 198520, an exempted company which is incorporated under the laws of the Cayman Islands, whose registered office is located at Sanne Trustees (Cayman) Limited, 3rd Floor, Citrus Grove, 106 Goring Avenue, PO Box 492, George Town, Grand Cayman, KY1-1106, Cayman Islands.

**"Hydrocarbon Assets"** means, from time to time, each Hydrocarbon Licence and block or other oil and gas accumulations in which any Group Company holds an ownership interest (either directly or through interests in production sharing contracts or similar), including the Atrush Assets and the Sarsang Assets.

**"Hydrocarbon Licences"** means any concessions, licences, production sharing contracts or similar carrying the rights to explore, develop and extract hydrocarbon resources which are held by a Group Company, including the PSCs and the JOAs.

**"Hydrocarbon Asset Termination Event"** means an event where a Hydrocarbon Asset is revoked, cancelled or terminated for any reason.

**"Interim Accounts"** means the unaudited consolidated interim financial statements of the Issuer for the three (3) month periods ending on a Calculation Date and prepared in accordance with GAAP.

**"JOAs"** means each of the Atrush JOA and the Sarsang JOA.

**"KRG"** means the Kurdistan Regional Government.

**"Leverage Ratio"** means the ratio of Net Debt to EBITDA, calculated in respect of the Group.

**"Loan Conversion"** means the settlement and repayment of USD 7,200,000 of the principal amount of the Nemesia Loan through the issuance of Additional Bonds.

**"Material Adverse Effect"** means an event or circumstance which has a material adverse effect on (a) the business, financial condition or operations of the Group taken as a whole (excluding Unrestricted Group Companies); (b) the ability of any Restricted Group Company to perform its material obligations under the Finance Documents, the JOAs or the PSCs; or (c) the validity or enforceability of any of the Finance Documents, any JOA or any PSC.

**"Material Asset"** means cash and/or Hydrocarbon Assets of a Restricted Group Company where the aggregate amount and/or value of such assets for such Restricted Group Company exceed USD 10,000,000 (or the equivalent in other currencies).

**"Material Group Company"** means a Group Company (other than the Issuer, GEP and TEPKRI) which has been designated as a Material Group Company by the Issuer pursuant to paragraph (k) of "Issuer's Special Undertakings" above.

**"Nemesia"** means Nemesia S.à.r.l. (organisation number RCS B 204 552), incorporated in Luxembourg as a private company ultimately controlled by a trust the settlor of which is the Estate of the late Adolf H. Lundin.

**"Nemesia Loan"** means the USD 22,800,000 debenture dated 25 June 2019 issued by the Issuer in favour of Nemesia, and which will be reduced to a principal amount of USD 15,600,000 after the Loan Conversion.

**"Nemesia Debenture"** means the agreement(s) documenting the terms of the Nemesia Loan.

**"Nemesia Subordination Agreement"** means the agreement made between Nemesia, the Bond Trustee and the Issuer pursuant to which the Nemesia Loan becomes a Subordinated Loan (but which will permit the Permitted Nemesia Payments).

**"Net Debt"** means Total Debt less Cash and Cash Equivalents.

**"Outstanding Bonds"** means the Bonds not redeemed or otherwise discharged.

**"Permitted Change"** means the change of jurisdiction for TEPKRI, provided that such change shall only be a Permitted Change if the Issuer, prior to TEPKRI giving effect to any such change of jurisdiction, (a) provide to the Bond Trustee a legal opinion (acceptable to the Bond Trustee) confirming that the Finance Documents to which TEPKRI is party to will continue in full force and effect notwithstanding the change of jurisdiction and that no changes to the terms of the such Finance Documents are required or advisable to facilitate an enforcement of the Bond Trustee's rights thereunder or (b), in case no such legal opinion can be issued without first taking certain steps, take such steps as are required for such legal opinion to be issued.

**"Permitted Hedging"** means any non-speculative secured or unsecured hedging of interest, currency and commodity risks or other similar derivative transactions including, without limitation, swaps, forward contracts, call options and put options in whatever form.

**"Permitted Nemesia Payment"** means:

- (a) the Loan Conversion; and
- (b) payment of interest on the Nemesia Loan, provided that:

- (i) no such payment is made when an Event of Default is continuing;
- (ii) interest is paid in arrears;
- (iii) the cash interest rate shall not exceed the Coupon Rate; and
- (iv) interest shall not be calculated on any capitalised interest, fees, premia or other amounts not disbursed to the Issuer.

**"Permitted PSC Transaction"** means a transfer of TEPKRI's ownership interest in the Sarsang PSC and related assets to another wholly owned Restricted Group Company, provided that any such transfer shall only be a Permitted PSC Transaction if (a) the transfer does not have a Material Adverse Effect and (b) the Issuer, prior to any such transfer is given effect, has ensured that the acquiring Restricted Group Company has become a Guarantor by entering into a Guarantee and has provided such documents and evidence as the Bond Trustee shall reasonably require with respect to the Restricted Group Company and the Guarantee, including constitutional documents, corporate authorizations and governmental and other approvals and legal opinions.

**"PSCs"** means each of the Atrush PSC, the Sarsang PSC and any other production sharing contract to which a Group Company is a party.

**"RBL Financing"** means a loan provided from bank(s) or financial institutions to a Group Company under a loan facility in respect of which the loan amount, is, *inter alia*, based on the value of its Hydrocarbon Assets and which is re-determined periodically.

**"Relevant Period"** means each period of twelve (12) consecutive calendar months ending on a Calculation Date.

**"Reserve Value"** means, calculated for the Group but excluding any such value attributable to any Unrestricted Group Company (or their assets), the total future net revenue attributable to its proved plus probable reserves, before deducting future income tax expenses, estimated using forecast prices and costs and calculated using a ten (10) per cent. discount rate.

**"Reserve Value Report"** means the Issuer's public statement of its oil and gas reserves with respect to a certain date, performed by independent and qualified reserves evaluators and prepared in compliance with *National Instrument 51-101*.

**"Restricted Group Company"** means each of:

- (a) the Issuer;
- (b) GEP and any Group Company which directly or indirectly holds an ownership interest in GEP;
- (c) after the completion of the Acquisition, TEPKRI and any Group Company which directly or indirectly holds an ownership interest in TEPKRI;
- (d) any Obligor; and
- (e) any Group Company not falling within the categories of (a) to (d) above that is not an Unrestricted Group Company.

**"Sarsang Assets"** means, with respect to the Sarsang PSC, the following agreements and assets:

- (a) the relevant facilities and infrastructure used for the extraction, production, storage and transportation of oil and gas;
- (b) joint operating agreements;
- (c) agreements relating to the transportation, processing and storage of hydrocarbon production;
- (d) agreements for sale or marketing of hydrocarbon production; and
- (e) any other material agreements directly linked to the Sarsang PSC.

**"Sarsang Block"** means the Sarsang block contract area as defined in the Sarsang PSC. The Sarsang Block is situated northwest of Erbil currently covering an area of 420 km<sup>2</sup> (subject to any further relinquishments under the Sarsang PSC terms).

**"Sarsang JOA"** means the Joint Operating Agreement between TEPKRI and partner(s) in the Sarsang PSC named: "Joint Operating Agreement in respect of the Sarsang Block, Kurdistan Region" dated 31 August 2011 and relevant amendments and related contracts.

**"Sarsang PSC"** means the production sharing contract between the TEPKRI, HKN and the Kurdistan Regional Government of Iraq in relation to the Sarsang Block dated 6 November 2007 as amended from time to time, under which HKN Energy holds a 62% participating interest.

**"Security"** means any encumbrance, mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**"SPA"** means the share and purchase agreement originally dated [\*\*] and documenting the terms of the Acquisition.

**"Subordinated Loan"** means any loan or credit granted or to be granted to the Issuer, with terms to ensure that such loan:

- (a) is fully subordinated to the liabilities of the Issuer under the Finance Documents;
- (b) does not mature and no payments in respect thereof shall be made, in each case, prior to the date on which all amounts under the Bond Terms and any other Finance Documents have been paid in full, other than payments otherwise explicitly permitted hereunder; and
- (c) does not provide for its acceleration or confer any right to declare any event of default prior to the date on which all amounts under the Bond Terms and any other Finance Documents have been paid in full,

and which is subject to a subordination and turn-over agreement between the Issuer, the Bond Trustee and the lender of the Subordinated Loan governed by Norwegian law, and provided that the TOTAL Loan shall not be regarded as a Subordinated Loan.

**"Subsidiary"** means a company over which another company has Decisive Influence.

"**TEPKRI**" means TEPKRI Sarsang A/S (to be renamed after completion of the Acquisition), such term also to encompass any Restricted Group Company replacing TEPKRI Sarsang A/S as direct owner in the Sarsang PSC following a transaction permitted under the Bond Terms.

"**TOTAL**" means TotalEnergies SE as ultimate owner of TEPKRI through its subsidiary TOTAL E&P Danmark A/S.

"**Total Debt**" means the sum of all interest-bearing Financial Indebtedness of the Group on a consolidated basis in accordance with GAAP, but excluding any interest-bearing Financial Indebtedness of each Unrestricted Group Company.

"**TOTAL Loan**" means the USD 20,000,000 seller's credit granted by TOTAL to the Issuer as a deferred settlement of part of the purchase price to be paid by the Issuer to TOTAL in respect of the Acquisition, the terms of which are set out in the Total Loan Note (for USD 20,000,000).

"**TOTAL Loan Note**" means the loan note documenting the terms of the USD 20,000,00 part of the TOTAL Loan which is convertible into shares in the Issuer.

"**TOTAL Intercreditor Agreement**" means a subordination agreement between the Issuer, TOTAL and the Bond Trustee in respect of the TOTAL Loan under which is it agreed that, inter alia,:

- (a) payments on the TOTAL Loan may only be made for as long as no Event of Default is continuing or would result from such payment;
- (b) TOTAL may not accelerate or declare any event of default on the TOTAL Loan prior to the date on which all amounts outstanding under the Finance Documents have been paid in full, unless (i) the Bonds have been declared immediately due and payable or (ii) an insolvency event has occurred with the respect to the Issuer, or a Restricted Group Company having guaranteed the Total Loan (or any part thereof);
- (c) any payment received on the TOTAL Loan whilst an Event of Default is continuing or otherwise in contravention of the above shall, up to the full amount of amounts outstanding under the Finance Documents, be turned over to the Bond Trustee and applied towards repayment of the amounts outstanding under the Finance Documents; and
- (d) in case any Restricted Group Company that has guaranteed the TOTAL Loan or any part thereof is sold in agreement with or at the instruction or request of the Bondholders, or due to any enforcement action, any guarantee and/or indemnity or similar assurance issued by that Restricted Group Company in respect of the TOTAL Loans shall be fully released.

"**Unrestricted Group Company**" means a Group Company which is not an Obligor and which is the borrower in respect of RBL Financing, and so that, for clarity, an Obligor cannot become an Unrestricted Group Company.

**Default Interest:** Coupon Rate plus 3 percentage points p.a.

**Significant Asset Disposal Event** Means any event of circumstance whereby:

- (a) the Issuer reduces its indirect ownership in the Atrush PSC below 27.60 per cent.;
- (b) GEP reduces its direct ownership in the Atrush PSC below 27.60 per cent.;
- (c) after the completion of the Acquisition, the Issuer reduces its indirect ownership in the Sarsang PSC below 18.00 per cent.;
- (d) after the completion of the Acquisition, TEPKRI reduces its direct ownership in the Sarsang PSC below 18.00 per cent.

**Mandatory Redemption – Significant Asset Disposal Event**

Upon the occurrence of a Significant Asset Disposal Event, the Issuer shall immediately notify the Bond Trustee in writing thereof and, no later than 30 calendar days following such event, redeem all outstanding Bond (plus accrued and unpaid interest) at a redemption price equal to the applicable redemption prices under "Call Option" above.

For the avoidance of doubt, the redemption prices shall be determined based on the date the relevant Mandatory Prepayment Event occurred and not based on the date the redemption is carried out.

**Total Loss Event:**

Means an actual or constructive total loss of (i) the Atrush Block, the Atrush PSC or the Atrush Assets or, after the completion of the Acquisition, (ii) the Sarsang Block, the Sarsang PSC or the Sarsang Assets.

**Mandatory Redemption – Total Loss Event:**

Upon the occurrence of a Total Loss Event, the Issuer shall immediately notify the Bond Trustee in writing thereof and promptly, once insurance proceeds (if any) are available to it, but in any event no later than 120 calendar days following the occurrence of the Total Loss Event, redeem all Outstanding Bonds at 100% of par value (plus accrued interest on the redeemed Bonds).

**Put Option:**

Upon the occurrence of a Put Option Event, each Bondholder will have a right (the "**Put Option**") to require that the Issuer purchase all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount during a period of 15 Business Days following the notice of a Put Option Event. The Put Option repayment date will be the fifth Business Day after the end of the 15 Business Days exercise period (the "**Put Option Repayment Date**"). The settlement of the Put Option will be based on each Bondholders holding of Bonds at the Put Option Repayment Date.

If Bonds representing more than 90 per cent. of the Outstanding Bonds have been repurchased due to the Put Option, the Issuer is entitled to repurchase all the remaining Outstanding Bonds at the price stated above by notifying the remaining Bondholders of its intention to do so no later than 10 Business Days after the Put Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the relevant repayment date.

**Put Option Event:**

Means a Change of Control Event.

**Change of Control Event:**

Means (i) a person or group of persons acting in concert gaining Decisive Influence over the Issuer or (ii) a de-listing of the Issuer's shares from the TSX Venture Exchange in Canada that does not occur in connection with a listing of the Issuer's shares on another internationally recognised and regulated stock exchange reasonably acceptable to the Bond Trustee.

**Events of Default:**

The Bond Terms shall include standard Event of Default provisions applicable to the Issuer, the other Group Companies and Obligors, including cross-default provisions for any Group Company with a cross default threshold in the aggregate amount of USD 5,000,000 (or



equivalent thereof in any other currency) and an equal insolvency or insolvency proceedings threshold. Any Hydrocarbon Asset Termination Event with respect to a PSC shall be an Event of Default unless such Hydrocarbon Asset Termination Event is capable of being remedied and is remedied within sixty (60) calendar days after notice thereof has been given by the Issuer to the Bond Trustee. *Cross-default, insolvency and insolvency proceedings and creditor's process* shall not apply to Restricted Group Companies.

**Tax gross up:**

If the Issuer is required by law to withhold any tax from any payment in respect of the Bonds under the Finance Documents the amount of the payment due will be grossed-up to such net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required.

Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

**Early redemption option due to a tax event:**

If the Issuer is required by law to withhold any tax from any payment in respect of the Bonds under the Finance Documents as a result of a change in applicable law implemented after the date of the Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Bonds at a price equal to 100 per cent. of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the relevant repayment date, provided that no such notice shall be given earlier than 40 calendar days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

**Bond Terms:**

The standard Nordic Bond Terms for corporate high yield bonds will regulate the rights and obligations with respect to the Bonds. In the event of any discrepancy between this term sheet and the Bond Terms, the provisions of the Bond Terms shall prevail.

By filing an application to subscribe for Bonds, each investor accepts to become a Bondholder (as defined in the Bond Terms) and to be bound by the provisions of the Bond Terms. Further, by filing such application, each investor accepts that certain adjustments to the structure and terms described in this term sheet may occur in the final Bond Terms.

The Bond Terms shall include provisions on the Bond Trustee's right to represent the Bondholders, including a "no action" clause, meaning that no individual Bondholder may take any legal action against the Issuer individually (as further described in the Bond Terms). The Bond Terms will further contain provisions regulating the duties of the Bond Trustee, procedures for Bondholders' Meetings and applicable quorum and majority requirements for Bondholders' consent, whereas a sufficient majority of Bondholders may materially amend the provision of the Bond Terms or discharge the Bonds in part or in full without the consent of all Bondholders, as well as other provisions customary for a bond offering as described herein.

**Finance Documents:**

The Bond Terms, the Bond Trustee Fee Agreement, the TOTAL Intercreditor Agreement, any Guarantee and Security Document, any subordination agreement required under the terms hereof and any other document designated by the Issuer and the Bond Trustee as a Finance Document.

**Listing:**

The Bonds may, at any time and at the discretion of the Issuer, be listed on an Exchange.

**Paying Agent:**

Pareto Securities AS.

<b>Securities Depository:</b>	The Bonds will be registered in VPS ASA (the "CSD").
<b>Manager:</b>	Pareto Securities AS.
<b>Bond Trustee:</b>	Nordic Trustee AS.
<b>Approvals:</b>	The issuance of the Bonds shall be subject to approval by the board of directors of the Issuer, as well as any other approvals as may be required by applicable company law.
<b>Market Making:</b>	No market-maker agreement has been entered into for the issuance of the Bonds.
<b>Repurchase of Bonds:</b>	The Issuer may purchase and hold Bonds and such Bonds may be retained or sold in the Issuer's sole discretion but such Bonds may not be cancelled (other than Buy-Back Bonds which are used to calculate the Amortisation Amount and which must be cancelled).
<b>Terms of subscription:</b>	<p>Any subscriber of the Bonds specifically authorises the Bond Trustee to execute and deliver the Bond Terms on behalf of the prospective Bondholder, who will execute and deliver relevant application forms prior to receiving Bond allotments. On this basis, the Issuer and the Bond Trustee will execute and deliver the Bond Terms and the latter's execution and delivery is on behalf of all of the subscribers, such that they thereby will become bound by the Bond Terms. The Bond Terms specify that by virtue of being registered as a Bondholder (directly or indirectly) with the Securities Depository, the Bondholders are bound by the terms of the Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with.</p> <p>The Bond Terms shall be made available to the general public for inspection purposes and may, until redemption in full of the Bonds, be obtained on request to the Bond Trustee or the Issuer.</p>
<b>Subscription Restrictions:</b>	<p>The Bonds shall only be offered to (i) non-"U.S. persons" in "offshore transactions" (each as defined in Rule 902 of Regulation S under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act")), and (ii) to a limited number of persons located in the United States, its territories and possessions that are reasonably believed to be "qualified institutional buyers" ("QIBs") (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")) in transactions meeting the requirements of Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. In addition to the application form that each investor will be required to execute, each U.S. investor that wishes to purchase Bonds will be required to execute and deliver to the Issuer a certification in a form to be provided by the Issuer stating, among other things, that the investor is a QIB or confirm that it is a QIB via a taped phone line.</p> <p>The Bonds have not and will not be registered under the U.S. Securities Act or any state securities law. The Bonds may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as such terms are defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from the registration requirements of the U.S. Securities Act as further detailed in the application form. Failure to comply with these restrictions may constitute a violation of applicable securities legislation.</p> <p>No prospectus has been or will be filed with any securities commission or similar regulatory authority of any Canadian jurisdiction with respect to the Bonds or any offering thereof. No such authority has reviewed, expressed an opinion about or in any way passed upon the offering or the Bonds, and it is an offence to claim otherwise. The Bonds are not qualified for sale in any Canadian jurisdiction, and cannot be offered or sold in Canada, directly or</p>

indirectly, except pursuant to an available exemption from the prospectus requirements of applicable Canadian securities laws, and then only to the extent the Manager is in compliance with the "international dealer" exemption from the dealer registration requirements under any applicable Canadian securities laws. Any purchaser of Bonds in Canada must be purchasing the Bonds as principal (or be deemed under applicable Canadian securities laws to be purchasing as principal) for investment only and not with a view to resale or distribution, and must qualify as an "accredited investor" within the meaning of National Instrument 45-106 of the Canadian Securities Administrators (or, in the Province of Ontario, as defined in the Securities Act (Ontario), as applicable). In addition to the application form that each investor will be required to execute, any Canadian investor that wishes to purchase Bonds may be required to execute and deliver to the Issuer a certification in a form to be provided by the Issuer attesting to, among other things, its status as an accredited investor within the meaning of applicable Canadian securities laws or confirm that it is an accredited investor via a taped phone line.

**Transfer Restrictions:** The Bonds are freely transferable and may be pledged, subject to the following:

- (a) Bondholders may be subject to purchase or transfer restrictions as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with local laws and regulations applicable at own cost and expense.
- (b) Notwithstanding the above, a Bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Terms provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

Bondholders will not be permitted to transfer the Bonds except (i) subject to an effective registration statement under the U.S. Securities Act, (ii) to a person that the Bondholder reasonably believes is a QIB within the meaning of Rule 144A that is purchasing for its own account, or the account of another QIB, to whom notice is given that the resale, pledge or other transfer may be made in reliance on Rule 144A, (iii) in an offshore transaction in accordance with Regulation S under the U.S. Securities Act, or (iv) pursuant to any other exemption from registration under the U.S. Securities Act, including Rule 144 thereunder (if available).

The Bonds may not, subject to and except as may be permitted under applicable Canadian securities laws, be traded in Canada or to any Canadian resident for the period ending four months and a day after the Initial Issue Date.

**Governing Law and jurisdiction:** Norwegian law and Norwegian courts, the court of first instance being the City Court of Oslo (No. *Oslo tingrett*).

Geneva / Oslo, 12.07.2021

ShaMaran Petroleum Corp

as Issuer

Pareto Securities AS

as Manager