Shamaran Petroleum

ShaMaran Q1 2013 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA–(Marketwired - May 14, 2013) - ShaMaran Petroleum Corp. (“ShaMaran” or the “Company”) (TSX VENTURE:SNM)(OMX:SNM) is pleased to announce its financial and operating results for the three months ended March 31, 2013. Unless otherwise stated all currency amounts indicated as “$” in this news release are expressed in thousands of United States dollars.

Highlights

- A Field Development Plan for the Atrush Block was submitted for approval to the KRG on May 7, 2013 which is in accordance with the terms of the Atrush Block PSC.
- The Atrush-3 appraisal well, located five kilometers to the east of the Atrush-2 appraisal well, was spudded on March 25, 2013 with a planned total depth of 1,700 meters.
- The Company announced on February 4, 2013 an increase of 35% in Best Estimate 2C Contingent Resources (gross) for the Atrush Block, from 465.6 MMBOE at December 31, 2011 to 627.3 MMBOE at the end of 2012. The estimates were provided by the Company’s independent qualified resources evaluator, McDaniel & Associates Consultants Ltd., in a Detailed Property Report prepared as at December 31, 2012.
- On March 12, 2013 the Contractor entities to the Atrush Block PSC were notified by the Kurdistan regional Government (“KRG”) that it had exercised its option to acquire a 25% Government Interest in accordance with the provisions of the Atrush Block PSC.
- At March 31, 2013 the Company had a cash balance of $35.3 million and working capital of $26.7 million.

Financial and Operating Results for the three months ended March 31st, 2013

During the three months ended March 31, 2013 the Company continued its appraisal and development campaign in respect of the Atrush petroleum property located in the Kurdistan Region of Iraq which constitutes the continuing operations of the Company. Atrush currently generates no revenues. The net loss in the quarter principally relates to the general and administrative expenses incurred in respect of the continuing operations of the Company.

Condensed Interim Consolidated Statement of Comprehensive Income
(Unaudited, expressed in thousands of United States Dollars)
For the three months ended March 31,

	2013	2012
Expenses from continuing operations		
General and administrative expense	(450)	(384)
Depreciation and amortisation expense	(19)	(49)
Share based payments (expense) / recovery	(1)	2
Share of loss of associate	-	(66)
Impairment loss	-	(248)
Relinquishment costs	-	(25,732)
Loss before finance items and income tax expense	(470)	(26,477)
Finance income	50	391
Total finance income	50	391
Loss before income tax expense	(420)	(26,086)
Income tax expense	(40)	(24)
Loss from continuing operations	(460)	(26,110)
Discontinued operations		
Loss from discontinued operations	(20)	(37)
Loss for the period	(480)	(26,147)
Other comprehensive (loss) / income :		
Items that may be reclassified subsequently to net income:		

Currency translation differences	(88)	33
Total other comprehensive (loss) / income	(88)	33
Total comprehensive loss for the period	(568)	(26,114)

Condensed Interim Consolidated Balance Sheet

(Unaudited, expressed in thousands of United States Dollars)

	At March 31, 2013	At December 31, 2012
Assets		
Non-current assets		
Intangible assets	305,911	303,549
Property, plant and equipment	232	257
	306,143	303,806
Current assets		
Other current assets	395	127
Inventories	198	198
Other receivables	46	204
Cash and cash equivalents	35,300	41,216
	35,939	41,745
Assets associated with discontinued operations	1	3
Total assets	342,083	345,554
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	4,134	7,027
Current tax liabilities	63	90
Deferred liability	5,000	5,000
	9,197	12,117
Non-current liabilities		
Provisions	120	120
	120	120
Liabilities associated with discontinued operations	1,957	1,941
Total liabilities	11,274	14,178
Equity		
Share capital	534,068	534,068
Share based payments reserve	3,837	3,836
Cumulative translation adjustment	(80)	8
Accumulated deficit	(207,016)	(206,536)
Total equity	330,809	331,376
Total liabilities and equity	342,083	345,554

The cash position of the Company decreased by $5.9 million during first quarter of 2013. The decrease in the cash position was due to outflows of funds of $2.4 million on appraisal and development operations on the Atrush Block, $2.9 million on a reduction to accounts payable and accrued expenses, and 0.6 million on cash expenses and changes in other working capital items. The Company has a number of additional financing possibilities which will be pursued as required. The Company is confident that it will obtain the resources sufficient to satisfy its contractual obligations and commitments under the agreed budgets.

Condensed Interim Consolidated Cash Flow Statement

(Unaudited, expressed in thousands of United States Dollars)

For the three months ended March 31,	2013	2012
Operating activities		
Net loss from continuing operations	(460)	(26,110)
Adjustments for:		
Interest income	(9)	(24)
Foreign exchange gain	(41)	(367)
Depreciation and amortisation expense	19	49
Income tax	(27)	(2)
Impairment loss	-	248
Share based payments expense / (recovery)	1	(2)
Share of loss of associate	-	66
Changes in trade and other receivables	158	(1,242)
Changes in other current assets	(268)	270
Changes in inventories	-	1,302
Changes in accounts payable and accrued expenses	(2,893)	(15,572)
Cash used in discontinued operations	(2)	(217)
Net cash outflows to operating activities	(3,522)	(41,601)
Investing activities		
Purchases of intangible assets	(2,363)	(2,432)
Purchases of property, plant and equipment	-	194
Interest received on cash deposits	9	24
Net cash outflows to investing activities	(2,354)	(2,214)
Financing activities		
Net cash flows from financing activities	-	-
Effect of exchange rate changes on cash and cash equivalents	(40)	400
Change in cash and cash equivalents	(5,916)	(43,415)
Cash and cash equivalents, beginning of the period	41,216	49,085
Cash and cash equivalents, end of the period	35,300	5,670

Outlook

The outlook to the end of the year 2013 is as follows:

Atrush Block

The Operator (TAQA) submitted to the KRG for approval a Field Development Plan (“FDP”) on May 7, 2013 which is, in accordance with the terms of the Atrush Block PSC, within 180 days of the Declaration of Commercial Discovery made November 7, 2012.

The Atrush-3 appraisal well was spudded March 25, 2013 with a planned total depth of 1,700 meters. The well is located approximately 5km east of the Atrush-2 well and is an important step out from the previous two Atrush wells. In particular, the well is targeting the Oil Water Contact / Free Water Level in the reservoir section.

There are plans to drill Atrush-4 in 2013 and commence drilling Atrush-5. Technical discussions on the final location of these wells are currently underway.

The 3D seismic acquisition program which covered the entire Atrush block and adjoining Swara Tika discovery in the Sarsang Block was completed on August 11, 2012. Final processing of the complete 3D seismic survey is expected in the second quarter of 2013. Further processing is expected during 2013 with the specific purpose

on enhancing the data for the development drilling program.

The Company is currently considering a number of financing initiatives.

New Ventures

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

About ShaMaran

ShaMaran Petroleum Corp. is a Kurdistan focused oil development and exploration vehicle with a 20.1% direct interest in the Atrush Block located in the region. This project is nearby and on trend with existing fields and recent discoveries.

Kurdistan lies within the northern extension of the Zagros Folded Belt. The area is highly underexplored and is currently undergoing a significant exploration and development campaign by over 40 mid to large size international oil companies.

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

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

Forward-Looking Statements

This press release contains statements about expected or anticipated future events and financial results that are forward-looking in nature and, as a result, are subject to certain risks and uncertainties, such as legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management’s capacity to execute and implement its future plans. Actual results may differ materially from those projected by management. Further, any forward-looking information is made only as of a certain date and the Company undertakes no obligation to update any forward-looking information or statements to reflect events or circumstances after the date on which such statement is made or reflect the occurrence of unanticipated events, except as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management of the Company to predict all of these factors and to assess in advance the impact of each such factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information.

On behalf of the Board,

Pradeep Kabra, President and CEO

ShaMaran Petroleum’s Certified Advisor on NASDAQ OMX First North is Pareto Öhman AB.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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