

## ShaMaran Q3 2014 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA—(Marketwired - Oct. 21, 2014) -ShaMaran Petroleum Corp. (“ShaMaran” or the “Company”) (TSX VENTURE:SNM) (OMX:SNM) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2014. Unless otherwise stated all currency amounts indicated as “\$” in this news release are expressed in thousands of United States dollars.

### HIGHLIGHTS

- The Company announced on October 15, 2014 that it will undertake a rights offering to holders of common shares of ShaMaran to raise gross proceeds of CAD 75 million. The rights offering is supported by a comprehensive equity support arrangement from major shareholders. The proceeds of this financing will augment the funding required for the development of the Company’s oil discovery on the Atrush Block in Kurdistan.
- The Chiya Khere-8 (“CK-8”)(1) development well drilled to a measured depth (“MD”) of 2,195 metres from the same well pad used for the Atrush-1 (“AT-1”) well discovery. The well has been suspended pending completion planned in early 2015 as a Phase 1 producer.
- The Chiya Khere-5 (“CK-5”) development well was drilled to a MD of 2,098 metres from the same well pad used for the AT-1 well discovery. The well has been suspended pending completion planned in early 2015 as a Phase 1 producer.
- On April 16, 2014 the Company announced the test results of the Atrush-4 (“AT-4”) appraisal and development well which was drilled to a MD of 2,916 metres. Three separate cased hole drill stem tests were conducted in the Jurassic reservoir with the highest reported rates totalling 9,059 bopd of 27-28 API oil from two of the tests. None of the tests produced formation water. AT-4 is a deviated well with bottom hole location approximately 2.2 kilometres southeast of the surface location. AT-4 has been suspended as a Phase 1 producer.
- The Chiya Khere-6 (“CK-6”) appraisal well was spudded on October 1, 2014. CK-6 is the second eastern area appraisal well and is being drilled from the same pad used to drill Atrush-3 (“AT-3”). CK-6 has a bottom hole target approximately 1.1 kilometres southeast of AT-3.
- The Company reported on March 13, 2014 the initial recognition of reserves (property gross of 58 MMbo 2P) as well as updates to estimated contingent resources (property gross of 518 MMboe 2C) and prospective resources (property gross unrisked best estimate of 245 MMboe) as of December 31, 2013 for the Atrush Block. The reserves and resources estimates were provided by McDaniel & Associates Consultants Ltd, the Company’s independent qualified resources evaluator.
- On May 15, 2014 the Company announced the listing on the Oslo Børs in Norway of the \$150 million of senior secured bonds which were issued in November 2013 by General Exploration Partners, Inc. (“GEP”), a wholly owned subsidiary of the Company. The ticker for the bonds is “GEP01”.
- At September 30, 2014 the Company had a cash balance of \$78.6 million and working capital of \$67.0 million.

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

### FINANCIAL AND OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

During the reporting period the Company continued its appraisal and development campaign in respect of the

Atrush petroleum property located in the Kurdistan Region of Iraq which constitutes the continuing operations of the Company. Atrush currently generates no revenues.

The Company reported a net loss of \$1.5 million in the first three quarters of 2014, which was primarily driven by net bond interest expense, included within finance cost, as well as routine general and administrative expenses and share based payments expense.

### Condensed Interim Consolidated Statement of Comprehensive Income

*(Unaudited, expressed in thousands of United States dollars)*

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Expenses from continuing operations				
General and administrative expense	(154 )	(572 )	(1,172 )	(1,377 )
Share based payments expense	(51 )	(159 )	(259 )	(725 )
Depreciation and amortisation expense	(14 )	(19 )	(38 )	(54 )
Impairment loss	-	-	-	(84 )
Loss before finance items and income tax expense	(219 )	(750 )	(1,469 )	(2,240 )
Finance income	64	7	71	26
Finance cost	(1,326 )	(64 )	(3,978 )	(47 )
Net finance cost	(1,262 )	(57 )	(3,907 )	(21 )
Loss before income tax expense	(1,481 )	(807 )	(5,376 )	(2,261 )
Income tax expense	(29 )	(13 )	(84 )	(63 )
Loss from continuing operations	(1,510 )	(820 )	(5,460 )	(2,324 )
Discontinued operations				
Loss from discontinued operations	(1 )	(13 )	(17 )	(40 )
Loss for the period	(1,511 )	(833 )	(5,477 )	(2,364 )
Other comprehensive (loss) / income:				
Currency translation differences	(55 )	95	(66 )	18
Total other comprehensive (loss) / income	(55 )	95	(66 )	18
Total comprehensive loss for the period	(1,566 )	(738 )	(5,543 )	(2,346 )

### Condensed Interim Consolidated Balance Sheet

*(Unaudited, expressed in thousands of United States Dollars)*

	At September 30, 2014	At December 31, 2013
Assets		

## Non-current assets

Intangible assets	406,069	344,990
Property, plant and equipment	160	179
	406,229	345,169

## Current assets

Cash and cash equivalents	78,640	142,588
Other current assets	172	194
	78,812	142,782
Assets associated with discontinued operations	-	3
Total assets	485,041	487,954

## Liabilities and equity

### Current liabilities

Accrued interest expense on bonds	6,565	2,252
Accounts payable and accrued expenses	5,191	7,458
Current tax liabilities	29	92
	11,785	9,802

### Non-current liabilities

Borrowings	147,505	147,050
Provisions	1,764	1,185
	149,269	148,235
Liabilities associated with discontinued operations	282	928
Total liabilities	161,336	158,965

### Equity

Share capital	534,068	534,068
Share based payments reserve	4,977	4,718
Cumulative translation adjustment	(39	) 27
Accumulated deficit	(215,301	) (209,824
Total equity	323,705	328,989
Total liabilities and equity	485,041	487,954

The total assets reported at September 30, 2014 have decreased by \$2.9 million relative to the total assets reported at the end of 2013, which was primarily due to the use of cash on expenses from continuing operations and accounts payable during the reporting period.

The decrease by \$63.9 million in the cash position of the Company during the nine months ended September 30, 2014 was due to cash outflows of \$51.6 million on Atrush Block appraisal and development activities, \$8.6 million on interest payments to bondholders, \$5.5 million on G&A and other cash expenses, \$2.5 million in positive cash movements due to changes in working capital items, and \$0.7 million used on discontinued operations.

*(Unaudited, expressed in thousands of United States Dollars)*

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Operating activities</b>				
Net loss from continuing operations	(1,510)	(820)	(5,460)	(2,324)
Adjustments for:				
Interest expense on senior secured bonds - net	1,321	-	3,964	-
Share based payments expense	51	159	259	725
Depreciation and amortisation expense	14	19	38	54
Impairment loss	-	-	-	84
Interest income	(25)	(7)	(38)	(26)
Foreign exchange (gain) / loss	(39)	63	(33)	46
Changes in provisions	154	(20)	579	41
Changes in other current assets	74	258	22	179
Changes in current tax liabilities	2	15	(63)	(22)
Changes in inventories	-	-	-	114
Changes in accounts payable and accrued expenses	(1,113)	7,589	(2,267)	6,117
Cash used in discontinued operations	(116)	32	(660)	13
Net cash (outflows to) / inflows from operating activities	(1,187)	7,288	(3,659)	5,001
<b>Investing activities</b>				
Interest received on cash deposits	25	7	38	26
Repayment of deferred liability	-	(5,000)	-	(5,000)
Purchase of property, plant and equipment	(2)	-	(45)	-
Purchases of intangible assets	(22,959)	(16,185)	(51,624)	(26,505)
Net cash outflows to investing activities	(22,936)	(21,178)	(51,631)	(31,479)
<b>Financing activities</b>				
Interest payments to bondholders	-	-	(8,625)	-
Net cash outflows to financing activities	-	-	(8,625)	-
Effect of exchange rate changes on cash and cash equivalents	(17)	26)	(33)	(27)
Change in cash and cash equivalents	(24,140)	(13,864)	(63,948)	(26,505)
Cash and cash equivalents, beginning of the period	102,780	28,575	142,588	41,216
Cash and cash equivalents, end of the period	78,640	14,711	78,640	14,711

## OUTLOOK

The outlook is as follows:

### Atrush Block

Current drilling plans include completing drilling and testing operations on the CK-6 eastern area appraisal well in the fourth quarter of 2014, re-entering and testing the AT-3 Phase 2 eastern area appraisal well in early 2015, and planning and site preparations for additional development and or appraisal drilling in 2015.

Works are in progress to implement the 30,000 bopd Phase 1 production facility. The civil construction site preparation work for the facility is expected to be complete in the final quarter of 2014. Production modules for the facility are being fabricated for 2015 delivery. A workover rig will be used in early 2015 to conduct testing and, if successful, completion operations on CK-5 and CK-8, and to complete AT-2 and AT-4 for tie-in to the Chiya Khere production facility, which is scheduled for commissioning in the third quarter of 2015.

Front end engineering and design (“FEED”) has been completed on a dedicated feeder pipeline between the Chiya Khere production facility and the tie-in point on the main export pipeline at Kurdistan Crude Pipeline pumping station #2 (“KCP2”) at kilometre 92. Initial work on the elevated section of the right of way over the Chiya Khere mountain started in September 2014. Pipeline commissioning is expected to be completed in time for production start-up in the third quarter of 2015.

### New Ventures

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

### Budget

The Board of Directors approved a budget for the year 2014 which includes net capital spending on the Atrush Block appraisal and development program and debt service and other costs totalling \$101.0 million. During the nine months ended September 30, 2014 the Company spent \$64.8 million of the budgeted total for the year 2014.

The Company believes, based on the forecasts and projections it has prepared and the financing initiative being pursued by the Company at the time this MD&A was approved, that it will have financial resources sufficient to satisfy its contractual obligations and commitments under the agreed work program over the next 12 months. Nevertheless the potential remains that the Company’s financial resources will be insufficient to fund its obligations over the next 12 months. The Company has a number of financing possibilities which it believes it would be able to pursue as required.

## ABOUT SHAMARAN

ShaMaran Petroleum Corp. is a Kurdistan focused oil development and exploration vehicle with a 20.1% direct interest in the Atrush oil discovery, which is currently undergoing appraisal and development.

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”. 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.

ShaMaran Petroleum's Certified Advisor on NASDAQ OMX First North is Pareto Securities AB.

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](http://www.sedar.com)) and are available on the Company's website ([www.shamaranpetroleum.com](http://www.shamaranpetroleum.com)).

## FORWARD LOOKING STATEMENTS

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

*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 Corporation 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 Corporation to predict all of these factors and to assess in advance the impact of each such factor on the Corporation'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,

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