

ShaMaran Q2 2014 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA—(Marketwired - Aug. 22, 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 six months ended June 30, 2014. Unless otherwise stated all currency amounts indicated as “\$” in this news release are expressed in thousands of United States dollars.

HIGHLIGHTS

- The Chiya Khere-51 (“CK-5”) development well was drilled to a measured depth (“MD”) of 2,098 metres which was reached on June 28, 2014. The well was spudded on May 16, 2014 from the same well pad used for the Atrush-1 well discovery (the “Chamanke-A” pad) and the bottom hole location was approximately 870 metres west southwest of the well pad. CK-5 has been suspended pending completion planned in early 2015 as a Phase 1 producer.
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”.
- 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 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.
- A second rig will be used to drill the Chiya Khere-6 (“CK-6”), the second eastern area appraisal well. CK-6 is planned to spud in 2014 and will be drilled from the same pad (the “Chamanke-C” well pad) used to drill Atrush-3 (“AT-3”), which was the first eastern area appraisal well. 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 June 30, 2014 the Company had a cash balance of \$102.8 million and working capital of \$94.4 million.

FINANCIAL AND OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 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 \$1.9 million in the second quarter 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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Expenses from continuing operations				
General and administrative expense	(462)	(355)	(1,018)	(805)
Share based payments expense	(61)	(565)	(208)	(566)
Depreciation and amortisation expense	(13)	(16)	(24)	(35)
Impairment loss	-	(84)	-	(84)
Loss before finance items and income tax expense	(536)	(1,020)	(1,250)	(1,490)
Finance income	26	10	13	37
Finance cost	(1,309)	(23)	(2,658)	-
Net finance (cost) / income	(1,283)	(13)	(2,645)	37
Loss before income tax expense	(1,819)	(1,033)	(3,895)	(1,453)
Income tax expense	(23)	(10)	(55)	(50)
Loss from continuing operations	(1,842)	(1,043)	(3,950)	(1,503)
Discontinued operations				
Loss from discontinued operations	(1)	(7)	(16)	(27)
Loss for the period	(1,843)	(1,050)	(3,966)	(1,530)
Other comprehensive (loss) / income				
Currency translation differences	(17)	11	(11)	(77)
Total other comprehensive (loss) / income	(17)	11	(11)	(77)
Total comprehensive loss for the period	(1,860)	(1,039)	(3,977)	(1,607)

Condensed Interim Consolidated Balance Sheet

(Unaudited, expressed in thousands of United States Dollars)

	At June 30, 2014	At December 31, 2013
Assets		
Non-current assets		
Intangible assets	379,958	344,990
Property, plant and equipment	180	179
	380,138	345,169
Current assets		
Cash and cash equivalents	102,780	142,588
Other current assets	246	194
	103,026	142,782
Assets associated with discontinued operations	-	3

Total assets	483,164	487,954
Liabilities and equity		
Current liabilities		
Accounts payable and accrued expenses	6,304	7,458
Accrued interest expense on bonds	2,252	2,252
Current tax liabilities	27	92
	8,583	9,802
Non-current liabilities		
Borrowings	147,354	147,050
Provisions	1,610	1,185
	148,964	148,235
Liabilities associated with discontinued operations	397	928
Total liabilities	157,944	158,965
Equity		
Share capital	534,068	534,068
Share based payments reserve	4,926	4,718
Cumulative translation adjustment	16	27
Accumulated deficit	(213,790)	(209,824)
Total equity	325,220	328,989
Total liabilities and equity	483,164	487,954

The total assets reported at June 30, 2014 have decreased by \$2.5 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 \$39.8 million in the cash position of the Company during the six months ended June 30, 2014 was due to cash outflows of \$28.7 million on Atrush Block appraisal and development activities, \$8.6 million on interest payments to bondholders, \$1.2 million on G&A and other cash expenses, \$0.8 million in negative cash movements due to changes in working capital items, and \$0.5 million used on discontinued operations.

Condensed Interim Consolidated Cash Flow Statement

(Unaudited, expressed in thousands of United States Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating activities				
Net loss from continuing operations	(1,842)	(1,043)	(3,950)	(1,503)
Adjustments for:				
Interest expense on senior secured bonds - net	1,307	-	2,643	-
Share based payments expense	61	565	208	566

Depreciation and amortisation expense	13	16	24	35
Foreign exchange (gain) / loss	(15)	23	6	(18)
Impairment loss	-	84	-	84
Interest income	(11)	(10)	(13)	(19)
Changes in provisions	533	61	425	61
Changes in inventories	-	114	-	114
Changes in other current assets	1,553	31	(52)	(79)
Changes in current tax liabilities	8	(10)	(65)	(37)
Changes in accounts payable and accrued expenses	2,777	1,421	(1,154)	(1,472)
Cash used in discontinued operations	(19)	(17)	(544)	(19)
Net cash inflows from / (outflows to) operating activities	4,365	1,235	(2,472)	(2,287)
Investing activities				
Interest received on cash deposits	11	10	13	19
Purchase of property, plant and equipment	(7)	-	(43)	-
Purchases of intangible assets	(14,948)	(7,957)	(28,665)	(10,320)
Net cash outflows to investing activities	(14,944)	(7,947)	(28,695)	(10,301)
Financing activities				
Interest payments to bondholders	(8,625)	-	(8,625)	-
Net cash outflows to financing activities	(8,625)	-	(8,625)	-
Effect of exchange rate changes on cash and cash equivalents	-	(13)	(16)	(53)
Change in cash and cash equivalents	(19,204)	(6,725)	(39,808)	(12,641)
Cash and cash equivalents, beginning of the period	121,984	35,300	142,588	41,216
Cash and cash equivalents, end of the period	102,780	28,575	102,780	28,575

OUTLOOK

The outlook is as follows:

Atrush Block

The Abu Dhabi National Energy Company (“TAQA”), operator of the Atrush Block, announced on August 9, 2014 that, as a result of recent developments and escalating instability around the Kurdistan Region of Iraq, it had suspended its operations at the Atrush Block as a precautionary measure and significantly reduced staffing levels. The Company continues to closely monitor the security situation with its Atrush partners and the Kurdistan Regional Government (“KRG”).

Drilling plans for the remainder of the year 2014 include resumption of drilling operations on CK-8, the fourth Phase 1 development well, and the CK-6 well, a Phase 2 appraisal well. CK-8, spudded on July 19, 2014, has now been safely suspended, and CK-6 is planned to spud in 2014. Further testing of the AT-3 well is also scheduled to be conducted during 2014 following a planned re-entry. CK-7 is expected to spud in 2015.

Works are in progress to implement the 30,000 gross bopd Phase 1 production facility. The FEED for the Phase 1 Production Facilities was completed in October 2013. The production modules for the facility are

currently being fabricated.

The FEED contract has been awarded to KAR Group/ILF Consulting Engineers for a dedicated feeder pipeline between the Chiya Khere production facility and the tie-in point to the main export pipeline at KCP2 at kilometre 92. The definitive route is currently being finalized.

Plans are to mobilise a workover rig in 2015 which will complete the wells for production. Following testing and commissioning of the production facilities and feeder pipeline first production is anticipated in 2015.

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 six months ended June 30, 2014 the Company spent \$37.8 million of the budgeted total for the year 2014.

The Company believes that based on the forecasts and projections they have prepared and potential financing initiatives which will be pursued as required the Company 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.

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 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) 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,

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