

ShaMaran Q2 2012 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA-(Marketwire - Aug. 23, 2012) -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, 2012.

Highlights

- The Appraisal Work Program and Budget on the Atrush Block has been approved by the KRG. The Program consists of 3D seismic and a number of appraisal wells and studies.
- The Atrush-2 appraisal well was spudded on May 23, 2012 and a total depth of 1,750 meters was reached ahead of schedule on July 10, 2012. A comprehensive well testing program is currently underway and the operator of the Atrush Block, General Exploration Partners Inc, will release the test results on the completion of the testing program.
- 3D seismic acquisition on the Atrush Block was completed on August 11, 2012. Processing of the complete 3D seismic survey is expected at the end of the current year.
- Planning is underway for a program to complete the Atrush 1 well drilled last year as a future producer. The work is scheduled for the fourth quarter of 2012.
- Tendering for the Early Well Test Facility (EWTF) for the Atrush Block is underway. The EWTF is expected to be commissioned in the first half of the year 2013.
- The Taza-1 exploration well was spudded on July 3, 2012. The well is targeting the proven regional Tertiary reservoirs of the Miocene Jeribe formation (which is confirmed as oil-bearing and highly productive, and is on trend to the Sarqala-1 well), the Miocene Euphrates formation and the Oligocene Kirkuk Group.
- On August 20, 2012 the Company announced that it had sold its entire 20% undivided participating interest in the Taza PSC, held by the fully-owned subsidiary ShaMaran Petroleum B.V., to a subsidiary of Total S.A. for the cash sum of USD 48 million plus a reimbursement of costs incurred on joint operations from April 1, 2012 until the closing date.
- The Company signed final binding agreements with the KRG in January 2012 to relinquish the 60% working interests previously held in each of the Arbat and Pulkhana Production Sharing Contracts (“PSCs”). An amount of \$25 million was paid in January 2012 to the KRG as relinquishment fees to fulfill all outstanding financial commitments on these two blocks. The agreements relieve the Company of any further obligations under these PSCs. Disappointing testing results from the Pulkhana 9 well led the Company to this decision.
- In February 2012 the Company received a Detailed Property Report (“the Report”) from its independent qualified resources evaluator, McDaniel & Associates Consultants Ltd. The Report is as at December 31, 2011 and includes 124,782 Mboe as best estimate of Gross Estimated Contingent Resources and 87,910 Mboe as the unrisked best estimate of Gross Estimated Prospective Resources net to ShaMaran for the Company’s two assets. These estimates are exclusive of amounts relating to the Pulkhana and Arbat Blocks which were relinquished in January 2012.
- On April 2, 2012 the Company secured short term financing of \$10 million from two related parties.
- The Company reported net income of nil and a net loss of \$26.1 million for the three and six months ended June 30, 2012 (2011: net losses of \$1.0 million and 0.5 million). The cash balance of the Company was \$6.0 million as at June 30, 2012 (December 31, 2011: \$49.1 million).

Financial and Operating Results for the three and six months ended June 30, 2012

During the first six months ended June 30, 2012 the Company continued its exploration and appraisal campaign in respect of the Taza and Atrush Block petroleum properties in Kurdistan constituting the continuing operations of the Company. These properties currently generate no revenues. The net loss in the first half of 2012 was driven by one-time relinquishment fees totaling \$25 million which were relating to the relinquishment of the Pulkhana and Arbat Block PSCs paid to the KRG in January 2012.

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,	
	2012	2011	2012	2011
Expenses from continuing operations				
General and administrative expenses	(459)	(837)	(843)	(1,001)

Share based payments expense	(8)	(114)	(6)	(173)
Depreciation and amortisation expense	(48)	(56)	(97)	(108)
Relinquishment costs	-	-	(25,732)	-
Net recovery of impairment losses	945	-	697	-
Share of loss of associate	(46)	(30)	(112)	(109)
Operating income / (loss)	384	(1,037)	(26,093)	(1,391)
Finance costs	(360)	(229)	(360)	(456)
Finance income	25	367	416	1,529
Net finance income / (loss)	(335)	138	56	1,073
Income / (loss) before income tax expense	49	(899)	(26,037)	(318)
Income tax expense	(28)	(33)	(52)	(74)
Net income / (loss) from continuing operations	21	(932)	(26,089)	(392)
Discontinued operations				
Loss from discontinued operations	(13)	(43)	(50)	(121)
Net income / (loss) for the period	8	(975)	(26,139)	(513)
Other comprehensive income:				
Currency translation differences	(50)	33	(17)	69
Total other comprehensive income / (loss)	(50)	33	(17)	69
Total comprehensive loss for the period	(42)	(942)	(26,156)	(444)

Condensed Interim Consolidated Balance Sheet
(Unaudited, expressed in thousands of United States Dollars)

	June 30, 2012	December 31, 2011
Assets		
Non-current assets		
Intangible assets	51,096	45,836
Property, plant and equipment	606	382
Investment in associate	56,414	51,835
	108,116	98,053
Current assets		
Other current assets	566	647
Inventories	172	3,328
Other receivables	651	105
Cash and cash equivalents	5,989	49,085
	7,378	53,165
Assets associated with discontinued operations	4	21
Total assets	115,498	151,239
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	3,528	23,245
Current tax liabilities	50	122
Borrowings	10,000	-
	13,578	23,367

Liabilities associated with discontinued operations	2,092	2,613
Total liabilities	15,670	25,980
Equity		
Share capital	534,068	533,349
Share based payments reserve	3,834	3,828
Cumulative translation adjustment	(35)	(18)
Accumulated deficit	(438,039)	(411,900)
Total equity	99,828	125,259
Total liabilities and equity	115,498	151,239

The cash position of the Company decreased by \$43.1 million during first six months of 2012. The main reasons for the decrease in the cash position was the payment to the KRG of \$25 million in relinquishment fees and the outflow of funds to decrease accounts payable and accrued expenses by \$19.7 million. In addition the Company spent \$8.4 million on its exploration and appraisal activities in Kurdistan and received \$10 million in short term financing on April 2, 2012.

Condensed Interim Consolidated Cash Flow Statement
(Unaudited, expressed in thousands of United States Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Operating activities				
Net income / (loss) for the period from continuing operations	21	(932)	(26,089)	(392)
Adjustments for:				
Interest income	(1)	(168)	(25)	(277)
Interest expense on equity based finance fee	360	-	360	-
Foreign exchange gain	(24)	(199)	(391)	(1,252)
Depreciation and amortisation expense	48	56	97	108
Income tax	(70)	48	(72)	91
Net recovery of impairment losses	(945)	-	(697)	-
Share-based payments expense	8	114	6	173
Share of loss of associates	46	30	112	109
Capitalized expenses	-	(406)	-	(597)
Changes in trade and other receivables	696	(18)	(546)	(36)
Changes in other current assets	170	(335)	440	(604)
Changes in inventories	1,403	303	2,705	(560)
Changes in accounts payable and accrued expenses	(4,145)	5,447	(19,717)	7,727
Cash used in discontinued operations	(337)	(166)	(554)	(354)
Net cash inflows / (outflows) from operating activities	(2,770)	3,774	(44,371)	4,136
Investing activities				
Intangible assets	(1,749)	(23,324)	(4,181)	(28,327)
Property, plant and equipment	(446)	(565)	(252)	(602)
Investment in associate	(4,691)	(11,443)	(4,691)	(15,443)
Interest received on cash deposits	1	168	25	277
Net cash outflows to investing activities	(6,885)	(35,164)	(9,099)	(44,095)

Financing activities

Proceeds net of costs on issuance of shares	-	51,865	-	51,921
Proceeds from borrowings	10,000	-	10,000	-
Net cash inflows from financing activities	10,000	51,865	10,000	51,921
Effect of exchange rate changes on cash and cash equivalents	(26)	232	374	1,321
Change in cash and cash equivalents	319	20,707	(43,096)	13,283
Cash and cash equivalents, beginning of the period	5,670	51,260	49,085	58,684
Cash and cash equivalents, end of the period	5,989	71,967	5,989	71,967

Outlook

The outlook for the year 2012 is as follows:

Atrush Block

The Atrush-1 appraisal well was drilled to planned total depth of 1,750 meters after 48 days on July 10, 2012, ahead of schedule. A comprehensive well testing program which includes an open hole test of the Butmah formation and four further cased hole tests over the main reservoir section are currently in progress. Logging and well test results will be reported upon completion of testing. Following completion of operations on Atrush-2 the drilling rig will be moved to Atrush-1 for a completion workover of this well which was drilled last year. The location and timing of the Atrush-3 appraisal well will be determined once the results of the Atrush-2 are available with plans to commence drilling in the first half of the year 2013.

The 3D seismic acquisition program which will provide coverage over a total of 310 square kilometers was completed on August 11, 2012. The processing of the complete 3D seismic survey (Post Stack Time Migration) is expected at the end of the current year.

Results of tendering for the Early Well Test Facility (EWTF) will be announced in August 2012 along with an updated timetable for installation and commissioning will be announced in the third quarter of 2012. EWTF installation and implementation work is expected to commence before year end 2012 and first production is forecasted in the first half of the year 2013.

New Ventures

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

About ShaMaran

ShaMaran Petroleum Corp. is a Kurdistan focused oil development and exploration vehicle with an indirect 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".

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.

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