

ShaMaran Q1 2012 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA—(Marketwire - May 19, 2012) -ShaMaran Petroleum Corp. (TSX VENTURE:SNM)(OMX:SNM)(“ShaMaran” or the “Company”) is pleased to announce its financial and operating results for the three months ended March 31, 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.
- 3D seismic acquisition on the Atrush Block is in progress and on schedule to be completed by the end of June 2012. Preparations for the Atrush-2 appraisal well are near complete and well spud is expected by end of May 2012. Planning for an Early Well Test facility and a third appraisal well is also underway.
- Location construction and contracting is on schedule for a June 2012 spud of the Taza-1 exploration well. The Romfor-101 drilling rig has been contracted to drill the well. The well is targeting the proven regional Tertiary reservoirs of the Miocene Jeribe formation which is confirmed as oil-bearing and highly productive at the on trend Sarqala-1 well, the Miocene Euphrates formation and the Oligocene Kirkuk Group.
- 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 and 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 unrisks 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 a net loss of \$26.1 million for the quarter ended March 31, 2012 (2011: \$0.5 million net income). The cash balance of the Company was \$5.7 million as at March 31, 2012 (December 31, 2011: \$49.1 million).

Financial and Operating Results for the three months ended March 31, 2012

(Unaudited: Expressed in thousands of United States Dollars)

During the three months ended March 31, 2012 the Company continued its exploration 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 quarter 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 March 31, 2012	2011
Expenses from continuing operations		
General and administrative expenses	(384)	(164)
Share based payments recovery / (expense)	2	(59)
Depreciation and amortisation expense	(49)	(52)
Relinquishment costs	(25,732)	-
Impairment losses	(248)	-
Share of loss of associate	(66)	(79)
Operating loss	(26,477)	(354)
Finance costs	-	(227)
Finance income	391	1,162
Net finance income	391	935
Income / (loss) before income tax expense	(26,086)	581
Income tax expense	(24)	(41)
Net income / (loss) from continuing operations	(26,110)	540
Discontinued operations		
Loss from discontinued operations	(37)	(78)
Net income / (loss) for the period	(26,147)	462
Other comprehensive income:		
Currency translation differences	33	36
Total other comprehensive income	33	36
Total comprehensive income / (loss) for the period	(26,114)	498

Condensed Interim Consolidated Balance Sheet

(Unaudited: Expressed in thousands of United States Dollars)

	March 31, 2012	December 31, 2011
Assets		
Non-current assets		
Intangible assets	48,262	45,836
Property, plant and equipment	210	382
Investment in associate	51,769	51,835
	100,241	98,053
Current assets		
Other current assets	377	647
Inventories	1,713	3,328

Other receivables	1,347	105
Cash and cash equivalents	5,670	49,085
	9,107	53,165
Assets associated with discontinued operations	12	21
Total assets	109,360	151,239
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	7,673	23,245
Current tax liabilities	120	122
	7,793	23,367
Liabilities associated with discontinued operations	2,424	2,613
Total liabilities	10,217	25,980
Equity		
Share capital	533,349	533,349
Share based payments reserve	3,826	3,828
Cumulative translation adjustment	15	(18)
Accumulated deficit	(438,047)	(411,900)
Total equity	99,143	125,259
Total liabilities and equity	109,360	151,239

The cash position of the Company decreased by \$43.4 million during first quarter 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 \$15.6 million. In addition the Company spend \$2.4 on its continuing exploration activities in Kurdistan. The Company received \$10 million in short term financing subsequent to the reporting period on April 2, 2012 and 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)

	Three months ended March 31,	
	2012	2011
Operating activities		
Net income / (loss) for the period from continuing operations	(26,110)	540
Adjustments for:		
Interest income	(24)	(109)
Foreign exchange gain	(367)	(1,053)

Depreciation and amortisation expense	49	52
Income tax	(2)	43
Impairment losses	248	-
Share-based payment recovery / (expense)	(2)	59
Share of loss of associates	66	79
Capitalized expenses	-	(191)
Changes in trade and other receivables	(1,242)	(18)
Changes in other current assets	270	(269)
Changes in inventories	1,302	(863)
Changes in accounts payable and accrued expenses	(15,572)	2,280
Cash used in discontinued operations	(217)	(188)
Net cash inflows / (outflows) from operating activities	(41,601)	362
Investing activities		
Intangible assets	(2,432)	(5,003)
Property, plant and equipment	194	(37)
Investment in associate	-	(4,000)
Interest received on cash deposits	24	109
Net cash outflows to investing activities	(2,214)	(8,931)
Financing activities		
Proceeds net of costs on issuance of shares	-	56
Net cash inflows from financing activities	-	56
Effect of exchange rate changes on cash and cash equivalents	400	1,089
Change in cash and cash equivalents	(43,415)	(7,424)
Cash and cash equivalents, beginning of the period	49,085	58,684
Cash and cash equivalents, end of the period	5,670	51,260

Outlook

The outlook for the year 2012 for the two blocks which the Company holds interests in Kurdistan is as follows:

Atrush Block

The operating company (GEP) had completed half of the planned initial 275 square kilometers for the 3D seismic acquisition program by the end of December 2011 (Phase 1) when operations were suspended because of winter weather. Subsequently planned 3D coverage has been expanded to cover a total of 310 square kilometers. Operations to acquire the balance portion of the 3D Seismic (Phase Two) recommenced during the first quarter 2012 and are on schedule to be completed by the end of second quarter 2012. Preparations for the Atrush-2 are near complete. The rig contract was awarded to DQE International and the

well spud is expected before the end of May 2012. Atrush-2 is estimated to take 65 days and has a planned total depth of 1,750m. The well is situated approximately 3.5 km east of the Atrush-1 well and is planned as an appraisal of the Jurassic oil discovery.

The processed Phase One 3D seismic will be used to select a drilling location for Atrush-3. Tendering is also in progress for an Early Well Test facility (EWT) that is planned to be commissioned before the end of the year 2012. GEP also plans to re-enter and recomplete the Atrush-1 well for production so that it can be connected to the EWT along with Atrush-2. The complete processed 3D seismic from both phases will be used to select drilling candidates for the 2013 drilling campaign.

Taza Block

Preparations for drilling the first Taza exploration well continued during the first quarter. The surface location for the well was approved and civil engineering works for site access and well site are under way. Work is on schedule for the planned commencement of drilling operations before the end of June 2012. The Taza-1 well is estimated to take 102 days, has a planned total depth of 3,250m and is targeting proven regionally productive Tertiary reservoirs of the Jeribe, Euphrates & Kirkuk Group.

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. It has two projects in the region: the Atrush Block and Taza Block (formerly K42) exploration blocks. These projects are 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

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 Corp.
Keith Hill
Chairman
(604) 806-3583
khill@namdo.com

ShaMaran Petroleum Corp.
Pradeep Kabra
President and CEO
0041 22 560 8605
pradeep.kabra@shamaranpetroleum.com

ShaMaran Petroleum Corp.
Sophia Shane
Corporate Development
(604) 689-7842
(604) 689-4250 (FAX)
sophias@namdo.com
www.shamaranpetroleum.com

<https://shamaran.mediaroom.com/index.php?s=2429&item=122584>