Shamaran Petroleum

Shamaran Q2 2011 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA–(Marketwire - Aug. 5, 2011) - ShaMaran Petroleum Corp. ("ShaMaran" or the "Company") (TSX VENTURE:SNM)(OMX:SNM) is pleased to announce its financial and operating results for the second quarter of 2011.

Highlights

- A major oil discovery in the Atrush Block was announced by the Company on April 13, 2011. The Atrush 1 well flowed at rates totalling over 6,393 bopd of 26.5 API oil from three tests in the middle and upper Jurassic reservoirs and well analysis indicated that the intervals are capable of much higher rates when completed for production. The well was drilled in budget and on time to a total depth of 3,400 meters.

- Pulkhana 9 was spudded by the Company on April 3, 2011 and a total depth of 2,333 meters was reached on July 23, 2011. Oil indications have been seen in all of the four targeted Pulkhana reservoirs. A comprehensive well testing program which could include up to five tests has commenced and is expected to be completed in early September 2011.

- The Company's 100% owned subsidiary ShaMaran Petroleum BV entered into a production sharing contract ("PSC") on July 27, 2011 in respect of the Taza Block (formerly Block K42) in the Kurdistan Region of Iraq. ShaMaran holds a 20% working interest in the PSC, and Oil Search Iraq Limited ("OSIL") is the operator with a 60% working interest in the PSC. The Kurdistan Regional Government of Iraq ("KRG") holds a 20% working interest in the PSC with costs carried by ShaMaran and OSIL.

- The Appraisal Work Program on the Atrush Block has been submitted to the KRG. The program consists of 3D seismic, appraisal wells and studies leading to the possible installation of an Early Production facility in 2012. 3D seismic acquisition operations commenced on the block in July 2011 and planning for the Atrush-2 well is currently in progress.

- Trading of the common shares of the Company on the NASDAQ OMX First North Exchange (Stockholm) commenced at the market opening on June 22, 2011.

- Cash proceeds of $CAD 50.4 million ($CAD 49.5 million net of issuance costs) were raised by the Company through a private placement of 56 million common shares at $CAD 0.90 per share which was concluded on May 5, 2011.

- The Company had net losses of $975,000 and $513,000 for the three and six months ended June 30th, 2011 (2010: $3,430,000 and $2,751,000). The cash balance of the Company was $72.0 million as at June 30th, 2011 (December 31st 2010: $58.7 million).

Financial and Operating Results for the three and six months ended June 30th 2011
(Unaudited: Expressed in thousands of United States Dollars)

In the first six months of 2011 the Company continued its exploration campaign in respect of its petroleum properties in Kurdistan constituting the continuing operations of the Company which currently have no corresponding revenue. The net losses in 2011 were driven by normal operational and corporate expenses incurred over the reporting periods.

Consolidated Interim Statement of Comprehensive Income

(Unaudited: Expressed in thousands of United States Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Expenses from continuing operations				
General and administrative	(837)	(360)	(1,001)	(579)
Share based payments	(114)	(161)	(173)	(415)
Depreciation expense	(56)	(29)	(108)	(55)
Share of loss of associate	(30)	-	(109)	-
Operating loss	(1,037)	(550)	(1,391)	(1,049)
Finance costs	(229)	(2,212)	(456)	(976)
Finance income	367	74	1,529	140
Net finance income / (loss)	138	(2,138)	1,073	(836)
Loss before income tax expense	(899)	(2,688)	(318)	(1,885)
Income tax expense	(33)	(14)	(74)	(27)
Net loss from continuing operations	(932)	(2,702)	(392)	(1,912)
Discontinued operations				
Loss from discontinued operations	(43)	(728)	(121)	(839)
Net loss for the period	(975)	(3,430)	(513)	(2,751)
Other comprehensive income:				
Currency translation differences	33	(28)	69	(26)
Total other comprehensive income / (loss)	33	(28)	69	(26)
Total comprehensive loss for the period attributable to owners	(942)	(3,458)	(444)	(2,777)

The Company increased its investment in exploration, evaluation and other intangible assets by $29.9 million during the first six months of 2011 relating to its exploration properties located in Kurdistan. In addition the deferred consideration liability outstanding at December 31, 2010 was discharged completely by providing funds to the associate of the Company, General Exploration Partners Inc ("GEP"), for its approved work program on the Atrush Block. Trade and other accounts payable increased by $7.7 million over the balance at December 31, 2010 primarily due to the increase in activity associated with the Company's exploration campaign in Kurdistan.

Consolidated Interim Balance Sheet
(Unaudited: Expressed in thousands of United States Dollars)

	June 30, 2011	December 31, 2010	January 1, 2010
Assets			

Non-current assets			
Exploration, evaluation and other intangible assets	179,769	149,892	185,035
Property, plant & equipment	759	330	145
Investment in associate	46,973	44,282	-
	227,501	194,504	185,180
Current assets			
Other current assets	1,051	447	376
Inventories	3,216	2,656	-
Trade and other receivables	160	124	31
Cash and cash equivalents	71,967	58,684	63,565
	76,394	61,911	63,972
Assets associated with discontinued operations	79	74	847
Total assets	303,974	256,489	249,999
Liabilities			
Current liabilities			
Trade and other payables	12,883	5,156	2,087
Current tax liabilities	194	103	12
Deferred consideration	-	12,643	-
	13,077	17,902	2,099
Non-current liabilities			
Provisions	888	-	-
Other long-term liabilities	-	-	170
	888	-	170
Liabilities associated with discontinued operations	2,841	3,069	3,167
Total liabilities	16,806	20,971	5,436
Equity			
Share capital	484,831	432,506	379,673
Equity share rights	-	-	61,349
Share premium account	3,737	3,968	3,405
Cumulative translation adjustment	74	5	4
Accumulated deficit	(201,474)	(200,961)	(199,868)
Total equity	287,168	235,518	244,563
Net liabilities and equity	303,974	256,489	249,999

The cash position of the Company increased by $20,707 over the second quarter of 2011 and $13,283 during the first six months of 2011. The main reason for the increase in the cash position was the receipt by the Company in May 2011 of funds related to the private placement of 56 million common shares to $51.3 million ($CAD 49.5 million). This increase in cash was offset by the outflow of funds in the amount $28.3 million for its exploration properties in Kurdistan and $15.4 million on the investment in GEP.

Consolidated Cash Flow Statement
(Unaudited: Expressed in thousands of United States Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Operating activities				
Net loss for the period from continuing operations	(932)	(2,702)	(392)	(1,912)
Adjustments for:				
Interest income	(168)	(74)	(277)	(140)
Foreign exchange gain / (loss)	(199)	1,764	(1,252)	70
Depreciation expense	56	29	108	55
Income tax	48	14	91	27
Share-based payment expense	114	161	173	415
Share of loss of associates	30	-	109	-
Capitalized expenses	(406)	-	(597)	-
Changes in trade and other receivables	(18)	274	(36)	(121)
Changes in other current assets	(335)	(65)	(604)	197
Changes in inventories	303	-	(560)	-
Changes in trade and other payables	5,447	(1,529)	7,727	(47)
Cash used in discontinued operations	(166)	(524)	(354)	(931)
Net cash inflows / (outflows) from operating activities	3,774	(2,652)	4,136	(2,387)
Investment activities				
Exploration, evaluation and other intangible assets	(23,324)	(5,357)	(28,327)	(8,615)
Property, plant & equipment	(565)	(88)	(602)	(128)
Investment in associate	(11,443)	-	(15,443)	-
Interest received on cash deposits	168	74	277	140
Cash provided by discontinued operations	-	-	-	277
Net cash outflows to investing activities	(35,164)	(5,371)	(44,095)	(8,326)
Financing activities				
Net proceeds on issuance of shares	51,865	-	51,921	-
Net cash inflows from financing activities	51,865	-	51,921	-
Effect of exchange rate changes on cash and cash equivalents	232	(1,792)	1,321	(96)
Change in cash and cash equivalents	20,707	(9,815)	13,283	(10,809)
Cash and cash equivalents, beginning of the period	51,260	62,571	58,684	63,565
Cash and cash equivalents, end of the period	71,967	52,756	71,967	52,756

Outlook

The outlook for the remainder of the year 2011 for the four blocks which the Company holds interests in Kurdistan is as follows:

Atrush Block

Atrush 1 was drilled to a total depth of 3,400 meters on January 21, 2011 and the comprehensive well testing program which concluded on April 13, 2011 confirmed a major oil discovery. Consistent with the Appraisal Work Program 3D seismic acquisition operations commenced on the block in July 2011. Planning for the Atrush-2 well is currently in progress and drilling is expected to commence in 2012.

Pulkhana Block

Pulkhana 9 was spudded by the Company on April 3, 2011 and a total depth of 2,333 meters was reached on July 23, 2011. Oil indications have been seen in all of the four targeted Pulkhana reservoirs. A comprehensive well testing program has commenced and is expected to be completed in early September 2011.

The Company has received KRG approval to contract the existing Sakson 101 rig for an additional two firm and two option wells. The rig is going to be moved directly to Pulkhana-10 once operations on Pulkhana-9 have been completed. A workover of the legacy Pulkhana-8 well will commence in the third quarter of 2011.

In addition the Company is progressing with the feasibility study and design for the Pulkhana Early Production Facility (“EPF”) planned to be installed in the year 2012. The first 3 wells (Pulkhana 8, 9 and 10) will be connected to the EPF, with the possibility to expand as future development wells are drilled.

Arbat Block

Following completion of seismic interpretation the Company has received MNR approval for the location of the first commitment exploration well (designated Arbat-A). Site construction will commence shortly. The well is to be situated approximately 3km north of Arbat town and is expected to start drilling before year end. The Company is preparing to go to tender for an infill 2D seismic program to better define several significant leads in the block as potential drilling prospects for the Company’s second obligation well.

Taza Block (Formerly Block K42)

Following the completion of 232.0 km of 2D seismic data acquisition the Company exercised its option to enter into a Production Sharing Contract and which was approved with the PSC signed on July 27, 2011. The Jeribe formation which has reported test rates of over 9,000 barrels of oil per day from the recently announced Western Zagros Sarqala oil discovery to the south of the Taza Block will be one of the main targets for the upcoming exploration well on the identified prospect which is expected to be drilled in 2012.

New Ventures

As part of its normal business the Company is actively pursuing new opportunities in the region.

About ShaMaran

ShaMaran Petroleum Corp. is a Kurdistan focused oil development and exploration vehicle. It has four projects in the region: the Pulkhana development/appraisal block and the Arbat, Atrush 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 30 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

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