

ShaMaran Q1 2011 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA—(Marketwire - June 10, 2011) -ShaMaran Petroleum Corp. (TSX VENTURE:SNM) (“ShaMaran” or the “Company”) is pleased to announce its financial and operating results for the three months ended March 31st, 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 with a planned total depth of approximately 2,700 meters. The well targets the proven Euphrates/Upper Jaddala and Shiranish oil reservoirs, as well as evaluating a further potential reservoir in the Lower Jaddala.
- Cash proceeds of \$CAD 50.4 million (\$CAD 49.1 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.
- McDaniel & Associates Consultants Ltd, the Company’s independent qualified resource evaluator, provided the Company with a Detailed Property Report (“the Report”) in March 2011 which was based on information prior to the appraisal drilling of Pulkhana and results from the Atrush-1 well. The Report includes 82,461,000 boe as best estimate of Company Gross Estimated Contingent Resources and 287,555,000 boe as the unrisks best estimate of Company Gross Estimated Prospective Resources for all four of the Company’s assets.
- The Company had net income of \$462,000 for the three months ended March 31st, 2011 (2010: net income of \$679,000). The cash balance of the Company was \$51.3 million as at March 31, 2011 (December 31st, 2010: \$58.7 million).

Financial and Operating Results for the first quarter of 2011

(Unaudited: Expressed in thousands of United States Dollars)

In the first quarter 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 income in the first quarter was primarily driven by the cumulative foreign currency translation gain of \$1,053 which has offset normal operational expenses during this period.

Consolidated Interim Statement of Comprehensive Income

(Unaudited: Expressed in thousands of United States Dollars)

For the three months ended March 31,

	2011	2010
Expenses from continuing operations:		
General and administrative	(164)	(219)
Share based payments	(59)	(254)
Depreciation expense	(52)	(26)
Share of loss of associate	(79)	-

Operating loss	(354)	(499)
Finance costs	(227)	(458)
Finance income	1,162	1,760
Net finance income	935	1,302
Income before income tax expense	581	803
Income tax expense	(41)	(13)
Net income from continuing operations	540	790
Discontinued operations:		
Loss from discontinued operations	(78)	(111)
Net income for the period	462	679
Other comprehensive income:		
Currency translation differences	36	2
Total other comprehensive income	36	2
Total comprehensive income for the period	498	681

The Company increased its investment in exploration, evaluation and other intangible assets by \$5.2 million during the first three months of 2011 which relates to the initial stages of the exploration drilling campaign on the petroleum properties located in Kurdistan. In addition the deferred consideration liability was decreased by \$4 million relating to funds provided to the associate of the Company, General Exploration Partners Inc, for the approved work program on the Atrush Block. There were no other significant changes to the consolidated balance sheet for the three months ended March 31st, 2011.

Consolidated Interim Balance Sheet

(Unaudited: Expressed in thousands of United States Dollars)

	Mar 31, 2011	Dec 31, 2010	Jan 1, 2010
Assets			
Non-current assets			
Exploration, evaluation and other intangible assets	155,086	149,892	185,035
Property, plant & equipment	315	330	145
Investment in associate	44,203	44,282	-
	199,604	194,504	185,180
Current assets			
Other current assets	716	447	376
Inventories	3,519	2,656	-
Trade and other receivables	142	124	31
Cash and cash equivalents	51,260	58,684	63,565
	55,637	61,911	63,972
Assets associated with discontinued operations	65	74	847

Total assets	255,306	256,489	249,999
Liabilities			
Current liabilities			
Trade and other payables	7,436	5,156	2,087
Current tax liabilities	146	103	12
Deferred consideration	8,643	12,643	-
	16,225	17,902	2,099
Non-current liabilities			
Other long-term liabilities	-	-	170
	-	-	170
Liabilities associated with discontinued operations	2,950	3,069	3,167
Total liabilities	19,175	20,971	5,436
Equity			
Share capital	432,602	432,506	379,673
Equity share rights	-	-	61,349
Share premium account	3,987	3,968	3,405
Cumulative translation adjustment	41	5	4
Accumulated deficit	(200,499)	(200,961)	(199,868)
Total equity	236,131	235,518	244,563
Net liabilities and equity	255,306	256,489	244,999

The cash position of the Company decreased by \$7,424 over the first quarter of 2011 compared to a decrease in cash by \$994 during the first quarter of 2010.

Net cash used in investment activities during the quarter was \$8,931 compared to funds used in first quarter of 2010 in the amount of \$2,955. The main components of cash used were funding the investment in GEP in the amount of \$4,000 and spending on E&E costs of \$5,003 related to the drilling programs on the Company's petroleum properties in Kurdistan with an offset in the amount of \$109 from interest received on cash deposits.

The Company had no significant financing activities during the first quarters of 2011 and 2010. In May 2011 the Company received funds from financing related to the private placement of 56 million common shares of \$CAD 49.1 million.

Consolidated Cash Flow Statement

(Unaudited: Expressed in thousands of United States Dollars)

Three months ended March 31,

	2011	2010
Operating activities		
Net income for the period from continuing operations	540	790
Adjustments for:		
Interest income	(109)	(66)
Foreign exchange gain	(1,053)	(1,694)

Depreciation expense	52	26
Income tax	43	13
Share-based payment expense	59	254
Share of loss of associates	79	-
Capitalized expenses	(191)	-
Changes in trade and other receivables	(18)	(395)
Changes in other current assets	(269)	262
Changes in inventories	(863)	-
Changes in trade and other payables	2,280	1,482
Cash used in discontinued operations	(188)	(407)
Net cash inflows from operating activities	362	265
Investment activities		
Exploration, evaluation and other intangible assets	(5,003)	(3,258)
Property, plant & equipment	(37)	(40)
Investment in associate	(4,000)	-
Interest received on cash deposits	109	66
Cash provided by discontinued operations	-	277
Net cash outflows to investing activities	(8,931)	(2,955)
Financing activities		
Net proceeds on issuance of shares	56	-
Net cash inflows from financing activities	56	-
Effect of exchange rate changes on cash and cash equivalents	1,089	1,696
Change in cash and cash equivalents	(7,424)	(994)
Cash and cash equivalents, beginning of the period	58,684	63,565
Cash and cash equivalents, end of the period	51,260	62,571

Outlook

The outlook for the four blocks in Kurdistan for the remainder of the year 2011 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. The operating company, GEP, is currently preparing a program to appraise the Atrush Block for development and production.

Pulkhana Block

Pulkhana-9 was spudded in April 2011 and is planned to be drilled to a Total Depth of 2700m. The well is designed to appraise the proven Euphrates/Jaddala & Shiranish oil reservoirs as well as appraise possible upside in the Jeribe & Lower Jaddala formations.

ShaMaran has also received Ministry of Natural Resources (“MNR”) approval for the Pulkhana-10 and preparations are being made to enable drilling of this well. The Company is tendering for a workover rig for the planned third quarter workover of Pulkhana-8 and at the same time progressing with the feasibility study and design for the Pulkhana Early Production Facility (“EPF”) planned to be installed by the end of the year 2011. The first 3 wells (Pulkhana 8, 9 & 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). Tendering and preparations are underway to enable drilling to commence in the 4th quarter of this year.

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. Approval from the KRG is currently pending.

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 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 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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