

SHAMARAN PETROLEUM CORP.
(formerly Bayou Bend Petroleum Ltd.)
Consolidated Balance Sheets

Expressed in Thousands of United States Dollars

	(unaudited)	
	<u>September 30, 2009</u>	<u>December 31, 2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 59,844	\$ 45,282
Investments	79	79
Accounts receivable	511	1,912
Prepaid expenses	534	1,546
	60,968	48,819
Assets held for sale:		
Petroleum and natural gas properties	-	19,946
Accumulated depletion, depreciation & amortization	-	(5,171)
Net properties	-	14,775
	\$ 60,968	\$ 63,594
 LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,778	\$ 5,636
Advances from joint interest holders	-	231
Asset retirement obligation (ARO)	1,001	1,000
Current ARO related to assets held for sale	-	357
	2,779	7,224
Asset Retirement Obligation	350	1,904
	3,129	9,128
 SHAREHOLDERS' EQUITY		
Share capital	251,457	250,899
Contributed surplus	3,180	3,024
Accumulated other comprehensive income	3,282	3,282
Deficit	(200,080)	(202,739)
	57,839	54,466
	\$ 60,968	\$ 63,594

See accompanying notes to consolidated financial statements.

SHAMARAN PETROLEUM CORP.
(formerly Bayou Bend Petroleum Ltd.)
Consolidated Statements of Operations, Other Comprehensive Loss and Deficit
Expressed in Thousands of United States Dollars except Per Share Amounts
(unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Revenues, from assets held for sale				
Oil and gas sales	\$ -	\$ 2,068	\$ 2,089	\$ 4,482
Royalties	-	(485)	(431)	(1,136)
	<u>-</u>	<u>1,583</u>	<u>1,658</u>	<u>3,346</u>
Expenses from assets held for sale				
Operating	-	630	774	1,370
Exploration	-	2,365	810	7,522
Dry hole costs	-	1,711	21	4,968
Impairment of properties	-	11,584	38	11,584
Accretion	-	11	12	39
Depletion, depreciation and amortization	-	414	447	1,369
General and administrative	761	526	3,458	2,019
Stock-based compensation	366	138	447	723
Foreign exchange (gain) loss	(4,381)	806	(5,149)	1,435
Loss (gain) on sale of assets	173	-	(1,604)	-
	<u>(3,081)</u>	<u>18,185</u>	<u>(746)</u>	<u>31,029</u>
Other income				
Interest income	74	448	255	1,789
	<u>74</u>	<u>448</u>	<u>255</u>	<u>1,789</u>
Net income (loss) and other comprehensive income (loss)	3,155	(16,154)	2,659	(25,894)
Deficit, beginning of period	(203,235)	(114,429)	(202,739)	(104,689)
Deficit, end of period	<u>\$ (200,080)</u>	<u>\$ (130,583)</u>	<u>\$ (200,080)</u>	<u>\$ (130,583)</u>
Basic income (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ (0.08)</u>
Diluted income (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ (0.08)</u>
Weighted average number of common shares used in computing earnings per share (in thousands):				
Basic	<u>308,991</u>	<u>308,756</u>	<u>308,836</u>	<u>308,734</u>
Diluted	<u>308,991</u>	<u>308,756</u>	<u>308,836</u>	<u>308,734</u>

See accompanying notes to consolidated financial statements.

SHAMARAN PETROLEUM CORP.
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Consolidated Statements of Cash Flows
Expressed in Thousands of United States Dollars
(unaudited)

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Operating activities				
Net income (loss)	\$ 3,155	\$ (16,154)	\$ 2,659	\$ (25,894)
Adjustments for non-cash and non-operating transactions:				
Depletion, depreciation and amortization	-	414	447	1,369
Impairment of properties	-	11,584	38	11,584
Dry hole costs	-	1,711	21	4,968
Accretion	-	11	12	39
Stock-based compensation	366	138	447	723
Loss (gain) on sale of assets	173	-	(1,604)	-
Changes in non-cash operating working capital:				
Accounts receivable	370	2,496	1,401	1,636
Prepaid expenses	103	(1,759)	1,012	(1,280)
Accounts payable and accrued expenses	(624)	(1,577)	(3,806)	(10,418)
Advances from joint interest holders	-	(748)	-	352
Asset retirement obligation	-	239	1,426	419
	<u>3,543</u>	<u>(3,645)</u>	<u>2,053</u>	<u>(16,502)</u>
Financing activities				
Issuance of share capital	311	-	348	50
	<u>311</u>	<u>-</u>	<u>348</u>	<u>50</u>
Investing activities				
Exploration and development expenditures	124	(4,146)	(326)	(12,601)
Proceeds from sale of assets	-	-	12,487	-
Investments, net	-	13,591	-	16,001
	<u>124</u>	<u>9,445</u>	<u>12,161</u>	<u>3,400</u>
Net increase (decrease) in cash and cash equivalents	<u>3,978</u>	<u>5,800</u>	<u>14,562</u>	<u>(13,052)</u>
Cash and cash equivalents - beginning of period	<u>55,866</u>	<u>39,723</u>	<u>45,282</u>	<u>58,575</u>
Cash and cash equivalents - end of period	<u>\$ 59,844</u>	<u>\$ 45,523</u>	<u>\$ 59,844</u>	<u>\$ 45,523</u>

See accompanying notes to consolidated financial statements.

SHAMARAN PETROLEUM CORP.
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Notes to the Consolidated Financial Statements
Expressed in United States Dollars Unless Otherwise Noted
(Tabular Amounts in Thousands, except Share and Per Share Amounts)

1. NATURE OF OPERATIONS

ShaMaran Petroleum Corp. (formerly Bayou Bend Petroleum Ltd.) (the "Company") is incorporated under the British Columbia Business Corporations Act. The Company is engaged in the business of oil and gas exploration and development.

On October 16, 2009, the Company changed its name to ShaMaran Petroleum Corp. from Bayou Bend Petroleum Ltd. with an effective date of October 21, 2009. The Company's shares trade on the TSX Venture Exchange under the new symbol of "SNM" (formerly "BBP").

On May 28, 2009, the Company sold substantially all of its oil and gas properties located in the United States in the Gulf of Mexico to a third party (See Note 4, Discontinued Operations and Sale of Assets).

On August 31, 2009, the Company announced that it had signed agreements for and acquired working interest in three separate exploration and development blocks with the Kurdistan Regional Government ("KRG") in the southeastern area of the autonomous region of Kurdistan in Northern Iraq. Under the terms of these agreements, the Company will pursue oil and gas exploration and development operations which are governed by production sharing contracts ("PSCs") signed with the KRG. Entry into the PSCs was subject to shareholder and TSX Venture Exchange approval, which was obtained subsequent to the third quarter, during October 2009 (see Subsequent Events Note 9).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

These interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada, using the same accounting policies and methods of computation as set out in note 2 to the audited consolidated financial statements in the Company's Annual Report for the year ended December 31, 2008. Certain disclosures, which are normally required to be included in the notes to annual financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008.

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3. COMPREHENSIVE INCOME

The following table reconciles the changes in accumulated other comprehensive income for the three and nine months ended September 30, 2009 and 2008.

	<u>For the Three Months</u>		<u>For the Nine Months</u>	
	<u>Ended September 30</u>		<u>Ended September 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Accumulated other comprehensive income, beginning of period	\$ 3,282	\$ 3,282	\$ 3,282	\$ 3,282
Other comprehensive income	-	-	-	-
Accumulated other comprehensive income, end of period	<u>\$ 3,282</u>	<u>\$ 3,282</u>	<u>\$ 3,282</u>	<u>\$ 3,282</u>

4. DISCONTINUED OPERATIONS AND SALE OF ASSETS

On May 28, 2009, the Company sold substantially all of its oil and gas properties located in the United States in the Gulf of Mexico to a third party. The remaining oil and gas properties retained by the Company are carried at zero costs.

	<u>September 30, 2009</u>		
	<u>Cost</u>	<u>Accumulated Depletion</u>	<u>Net</u>
	Petroleum and natural gas	\$ -	\$ -
Office equipment	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>December 31, 2008</u>		
	<u>Cost</u>	<u>Accumulated Depletion</u>	<u>Net</u>
	Petroleum and natural gas	\$ 19,717	\$ (5,108)
Office equipment	229	(63)	166
	<u>\$ 19,946</u>	<u>\$ (5,171)</u>	<u>\$ 14,775</u>

The primary sale of its oil and gas properties, including related asset retirement obligations, was for \$12,500,000 in cash and a deferred, contingent payment of up to \$8,000,000 based on proved reserves, as defined, at December 31, 2010. The sale resulted in a gain of \$1,604,000 being recorded in the financial statements in 2009.

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With the exception of interest income, all revenues and expenses on the consolidated statements of operations are related to the assets sold.

5. SHARE CAPITAL

a) Details are as follows:

	<u>Number of Shares</u>	<u>Share Capital</u>	<u>Contributed Surplus</u>
Authorized:			
Unlimited common shares without par value			
Issued and fully paid:			
Balance - December 31, 2008	308,756,088	\$ 250,899	\$ 3,024
Stock options issued			366
Stock options exercised	790,000	558	(210)
Balance - September 30, 2009	<u>309,546,088</u>	<u>\$ 251,457</u>	<u>\$ 3,180</u>

b) Share Options

The Company has an established share purchase option plan whereby a committee of the Company's board of directors may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. The number of shares under option at any specific time to any one optionee shall not exceed 5% of the issued and outstanding common shares of the Company. The term of any options granted under the plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. All options granted are subject to a four month hold period from the date of granting. Vesting terms are at the discretion of the Board of Directors. All issued stock options have terms of three to five years and vest over periods of up to three years. The exercise price of an option is not less than the closing price on the TSX Venture Exchange ("the Exchange") on the last trading day preceding the grant date, less the applicable discount, provided that the exercise price will not be less than Cdn \$0.10 per share.

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The continuity of incentive stock options issued and outstanding is as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at December 31, 2008	6,620,000	Cdn \$0.90
Granted	2,085,000	Cdn \$0.66
Expired	-	-
Exercised	(790,000)	Cdn \$0.48
Cancelled/Forfeited	(3,655,000)	Cdn \$0.92
Outstanding at September 30, 2009	<u>4,260,000</u>	<u>Cdn \$0.84</u>

At September 30, 2009, 2,575,000 options are exercisable at an average exercise price of Cdn \$0.97 per share with a weighted average remaining life of 2.5 years.

Stock Based Compensation

The Company recognizes compensation expense on stock options granted to both employees and non-employees using the fair value method at the date of grant, which the Company records as an expense ratably over the vesting periods. The stock option compensation expense is calculated using the Black-Scholes Option Pricing Model.

Stock option compensation expense for the three months ended September 30, 2009 and 2008 was \$366,000 and \$138,000, respectively. Stock option compensation expense for the nine months ended September 30, 2009 and 2008 was \$447,000 and \$723,000, respectively.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

c) Warrants

At September 30, 2009, the Company had no warrants outstanding.

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6. INCOME TAXES

At December 31, 2008, the Company has available to carryforward the following:

	<u>December 31,</u> <u>2008</u>
Canadian losses from operations	\$ 1,527
Canadian exploration expenses	2,636
Canadian unamortized share issue costs	4,545
U.S. Federal losses from operations	67,565
U.S. Federal - tax basis over carrying values of properties	101,556

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2014 to 2028. The Canadian exploration expenses may be carried forward indefinitely to offset future taxable Canadian income. Canadian unamortized share issue costs may offset future taxable Canadian income of years 2009 to 2011. The U.S. Federal losses are available to offset future taxable income in the United States through 2028.

7. SIGNIFICANT CUSTOMERS

The Company had oil and natural gas sales to significant customers accounting for 74%, 9% and 13% of total oil and natural gas revenues for the nine months ended September 30, 2009. For the nine months ended September 30, 2008, oil and natural gas sales to significant customers accounted for 35%, 33% and 30% of revenues.

8. RELATED PARTY TRANSACTIONS

Namdo Management Services Ltd. (Namdo) provides administrative support to the Company. The amount paid to Namdo during the three and nine months ended September 30, 2009 was \$73,000 and \$187,000, respectively. The comparable amounts in 2008 were \$91,000 and \$216,000, respectively. Namdo is a private corporation owned by a shareholder of the Company.

During the three and nine months ended September 30, 2009, the Company incurred legal fees of \$15,000 and \$68,000, respectively, with a law firm in which an officer of the Company is a partner. The comparable amounts in 2008 were \$5,000 and \$13,000, respectively.

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The Company incurred geological and geophysical (G&G) costs of \$91,000 and \$333,000, respectively, during the three and nine months ended September 30, 2008 with a G&G firm in which an officer of the Company is a managing partner. The contract with that firm was concluded at the end of 2008.

9. SUBSEQUENT EVENTS

Acquisition of Oil and Gas Properties in Kurdistan

On August 31, 2009, the Company announced that it had signed agreements for and acquired working interest in three separate exploration and development blocks with the Kurdistan Regional Government (“KRG”) in the southeastern area of the autonomous region of Kurdistan in Northern Iraq. Under the terms of these agreements, the Company will pursue oil and gas exploration and development operations which are governed by production sharing contracts (“PSCs”) signed with the KRG. Entry into the PSCs was subject to shareholder and TSX Venture Exchange approval, which was obtained subsequent to the third quarter, during October 2009.

Subsequent to the third quarter of 2009, the Company paid US\$90.1 million under the terms of the various acquisition agreements and PSCs comprised of:

- US\$44.1 million to the KRG, pursuant to the Pulkhana PSC;
- US\$21.5 million to the KRG, pursuant to the Arbat Block PSC;
- US\$5 million to the KRG, pursuant to agreements related to Block 42;
- US\$19.5 million of additional costs related to arrangement and participation agreements.

In addition, subsequent to the third quarter, the Company has issued or has an obligation to issue the following shares under the terms of the acquisition agreements and PSCs comprised of:

- 50 million common shares to Lundin Petroleum B.V. (“LUPE”), pursuant to a share purchase agreement acquiring a wholly-owned subsidiary of LUPE. Prior to being acquired by the Company, this LUPE subsidiary had been involved in negotiating with the KRG the terms of the PSCs.
- 65 million common shares to the KRG, pursuant to the Pulkhana PSC, on or before January 25, 2010;

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- 35 million common shares to the KRG, pursuant to the Arbat Block PSC, on or before January 25, 2010;

The following contingent cash consideration may be payable in the future, pending the following circumstances:

- US\$20 million on the date the Block K42 Agreement is converted into a PSC;
- US\$3 million on the date of approval of a development plan in respect of the Pulkhana Block.

The following contingent share consideration may be payable in the future, pending the following circumstances:

- 50 million common shares to the KRG within 30 days of the expiry of the first sub-period, if the Pulkhana PSC is still then in effect;
- 50 million common shares to LUPE upon the approval of a Pulkhana development plan.

Financing

Subsequent to the third quarter, in October 2009, the Company fulfilled the release conditions related to the issuance of 140 million subscription receipts ("Subscription Receipts") at a price of CDN\$0.75 per Subscription Receipt, resulting in gross proceeds of CDN\$105 million. Each Subscription Receipt entitled the holder to receive one common share of the Company without further payment or action on the part of the holder, upon the receipt of required shareholder and TSX Venture Exchange approvals with respect to the Company's agreements for the acquisition of working interests in the exploration and development blocks with the KRG.

The foregoing approvals were obtained and the net proceeds of the financing were released to the Company in October 2009. Such funds will be used to fund commitments related to the Kurdish PSCs, for ongoing exploration and development activity and for general corporate purposes.