



Shamaran Petroleum Corp
Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013
(unaudited)

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the management of the company. The company's independent auditor has not performed a review of these financial statements.

SHAMARAN PETROLEUM CORP.
Condensed Interim Consolidated Statement of Comprehensive Income (unaudited)
(Expressed in thousands of United States Dollars, except for per share data)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2013	2012	2013	2012
Expenses from continuing operations					
General and administrative expense	6	(572)	(512)	(1,377)	(1,355)
Depreciation and amortisation expense		(19)	(46)	(54)	(143)
Share based payments expense	20	(159)	(2)	(725)	(8)
Share of loss of associate		-	(97)	-	(209)
Impairment (loss) / recovery	8	-	(138)	(84)	559
Gain on sale of asset	9	-	1,100	-	1,100
Relinquishment costs	7	-	-	-	(25,732)
(Loss) / income before finance items and income tax expense		(750)	305	(2,240)	(25,788)
Finance cost	10	(64)	(393)	(47)	(719)
Finance income	11	7	1	26	383
Total finance cost		(57)	(392)	(21)	(336)
Loss before income tax expense		(807)	(87)	(2,261)	(26,124)
Income tax expense	12	(13)	(11)	(63)	(63)
Loss from continuing operations		(820)	(98)	(2,324)	(26,187)
Discontinued operations					
Loss from discontinued operations	13	(13)	(12)	(40)	(62)
Loss for the period		(833)	(110)	(2,364)	(26,249)
Other comprehensive income :					
<i>Items that may be reclassified subsequently to net income:</i>					
Currency translation differences		95	21	18	4
Total other comprehensive income		95	21	18	4
Total comprehensive loss for the period		(738)	(89)	(2,346)	(26,245)
Loss in dollars per share:					
Continuing operations					
Basic and diluted		-	-	-	(0.03)
Discontinued operations					
Basic and diluted		-	-	-	-
Continuing and discontinued operations					
Basic and diluted		-	-	-	(0.03)

The accompanying notes are an integral part of these consolidated financial statements.

SHAMARAN PETROLEUM CORP.
Condensed Interim Consolidated Balance Sheet (unaudited)
(Expressed in thousands of United States Dollars)

	Note	At September 30, 2013	At December 31, 2012
Assets			
Non-current assets			
Intangible assets	14	330,059	303,549
Property, plant and equipment	15	197	257
		330,256	303,806
Current assets			
Other current assets		107	127
Inventories	17	-	198
Other receivables		45	204
Cash and cash equivalents		14,711	41,216
		14,863	41,745
Assets associated with discontinued operations	13	5	3
Total assets		345,124	345,554
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	18	13,144	7,027
Current tax liabilities		68	90
Deferred liability	16	-	5,000
		13,212	12,117
Non-current liabilities			
Provisions		161	120
		161	120
Liabilities associated with discontinued operations	13	1,996	1,941
Total liabilities		15,369	14,178
Equity			
Share capital	19	534,068	534,068
Share based payments reserve		4,561	3,836
Cumulative translation adjustment		26	8
Accumulated deficit		(208,900)	(206,536)
Total equity		329,755	331,376
Total liabilities and equity		345,124	345,554

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorized for issue on November 12, 2013 and signed on its behalf:

/s/Cameron Bailey
J. Cameron Bailey, Director

/s/Keith Hill
Keith C. Hill, Director

SHAMARAN PETROLEUM CORP.
Condensed Interim Consolidated Statement of Changes in Equity (unaudited)
(Expressed in thousands of United States Dollars)

	Share capital	Share based payments reserve	Cumulative translation adjustment	Accumulated deficit	Total
Balance at January 1, 2012	533,349	3,828	(18)	(411,900)	125,259
Total comprehensive loss for the period	-	-	4	(26,249)	(26,245)
Transactions with owners in their capacity as as owners:					
Equity based financing fee	719	-	-	-	719
Share based payments expense	-	8	-	-	8
	719	8	-	-	727
Balance at September 30, 2012	534,068	3,836	(14)	(438,149)	99,741
Balance at January 1, 2013	534,068	3,836	8	(206,536)	331,376
Total comprehensive loss for the period	-	-	18	(2,364)	(2,346)
Transactions with owners in their capacity as as owners:					
Share based payments expense	-	725	-	-	725
	-	725	-	-	725
Balance at September 30, 2013	534,068	4,561	26	(208,900)	329,755

The accompanying notes are an integral part of these consolidated financial statements.

SHAMARAN PETROLEUM CORP.
Condensed Interim Consolidated Statement of Cash Flows (unaudited)
(Expressed in thousands of United States Dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2013	2012	2013	2012
Operating activities					
Net loss for the period from continuing operations		(820)	(98)	(2,324)	(26,187)
Adjustments for:					
Interest income	11	(7)	(1)	(26)	(26)
Interest expense on equity based finance fee	10	-	359	-	719
Foreign exchange loss / (gain)	10,11	63	34	46	(357)
Depreciation and amortisation expense		19	46	54	143
Impairment loss / (recovery)	8	-	138	84	(559)
Share-based payment expense	20	159	2	725	8
Share of loss of associates		-	97	-	209
Changes in current tax liabilities		15	13	(22)	(59)
Changes in trade and other receivables		(1)	542	159	(4)
Changes in other current assets		259	75	20	515
Changes in inventories		-	(196)	114	2,509
Changes in accounts payable and accrued expenses		7,589	(991)	6,117	(20,708)
Changes in provisions		(20)		41	
Gain on sale of asset	9	-	(1,100)	-	(1,100)
Cash used in discontinued operations		32	(131)	13	(685)
Net cash inflows from / (outflows to) operating activities		7,288	(1,211)	5,001	(45,582)
Investment activities					
Net proceeds on sale of intangible assets		-	52,671	-	52,671
Purchase of intangible assets		(16,185)	(3,540)	(26,505)	(7,721)
Net proceeds on sale of property, plant & equipment		-	595	-	804
Purchase of property, plant & equipment		-	(134)	-	(595)
Investment in associate		-	(1,105)	-	(5,796)
Repayment of deferred liability		(5,000)	-	(5,000)	-
Interest received on cash deposits		7	1	26	26
Net cash (outflows to) / inflows from investing activities		(21,178)	48,488	(31,479)	39,389
Financing activities					
Repayment of borrowings		-	(10,000)	-	-
Net cash outflows to financing activities		-	(10,000)	-	-
Effect of exchange rate changes on cash and cash equivalents		26	(13)	(27)	361
Change in cash and cash equivalents		(13,864)	37,264	(26,505)	(5,832)
Cash and cash equivalents, beginning of the period		28,575	5,989	41,216	49,085
Cash and cash equivalents, end of the period		14,711	43,253	14,711	43,253

The accompanying notes are an integral part of these consolidated financial statements.

SHAMARAN PETROLEUM CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2013
(Expressed in thousands of United States Dollars unless otherwise stated)

1. General Information

ShaMaran Petroleum Corp. ("ShaMaran" and together with its subsidiaries the "Company") is incorporated under the Business Corporations Act, British Columbia, Canada. The address of the registered office is Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia V6E 3X1. The Company's shares trade on the TSX Venture Exchange and NASDAQ OMX First North Exchange (Stockholm) under the symbol "SNM".

The Company is engaged in the business of oil and gas exploration and development, and is currently in the pre-production stages of an exploration and development campaign in respect of a petroleum property located in the Kurdistan Region of Iraq ("Kurdistan").

2. Basis of preparation and summary of significant accounting policies

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") including IAS 34 Interim financial reporting. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods of application adopted are consistent with those disclosed in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2012 except as described in note 3 below.

These condensed interim consolidated financial statements have been prepared on the going concern basis which assumes that the Company will be able to realize into the foreseeable future its assets and liabilities in the normal course of business as they come due. The ability of the Company to continue as a going concern and to successfully carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves, the resolution of remaining political disputes in Iraq and the ability of the Company to obtain additional financing to develop reserves.

In the absence of current production revenues, the Company is currently dependent upon its existing financial resources, which include \$14.7 million of cash and cash equivalents as at September 30, 2013, to satisfy its obligations and finance its exploration and development program in Kurdistan. Failure to meet exploration and development commitments could put the related license interests at risk of forfeiture. Refer also to notes 21 and 24.

The Company believes that based on the forecasts and projections they have prepared the resources available will be sufficient for the Company and its subsidiaries to satisfy its contractual obligations and commitments under the agreed work program over the next 12 months and to continue as a going concern for the foreseeable future. The Company has a number of financing possibilities which it believes it would be able to pursue if and when required. Nevertheless the possibility remains that the Company's operations and the availability of additional finance could be significantly affected by adverse exploration and appraisal results, geopolitical events in the region, macroeconomic conditions or other risks. Refer also to note 24.

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3. Changes in accounting policies

The Company has adopted effective January 1, 2013 on a prospective basis the following new and revised IFRS, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions.

IFRS 10: Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of the interests currently held in other entities.

IFRS 12: Disclosure of Interests in Other Entities, aggregates and amends disclosure requirements included within other standards to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). The adoption of IFRS 12 will result in incremental disclosures in the Company's annual consolidated financial statements.

IFRS 13: Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Under IFRS 13 the fair value of a liability must reflect the effect of nonperformance risk, which includes an entity's own credit risk. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. Additional information on fair value measurement has been disclosed in note 22.

The Company has adopted the amendments to IAS 1, Presentation of Financial Statements which require the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

4. Critical accounting judgments and key sources of estimation uncertainty

Areas of critical accounting judgments that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2012.

5. Business and geographical segments

The Company operates in one business segment, the exploration and development of oil and gas assets, in one geographical segment, the Kurdistan Region of Iraq. As a result, in accordance with *IFRS 8 Operating Segments*, the Company has presented its financial information collectively for one operating segment. Refer to note 13 for disclosure of the Company's discontinued operations.

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6. General and administrative expense

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
General and administrative expense incurred	1,212	1,083	3,636	4,091
General and administrative expense capitalized as E&E assets	(640)	(571)	(2,259)	(2,736)
General and administrative expense	572	512	1,377	1,355

The Company capitalizes as E&E assets general and administrative expense supporting E&E activities which relate to direct interests held in production sharing contracts. Refer also to note 14.

7. Relinquishment costs

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Relinquishment fees	-	-	-	25,000
Costs to windup Pulkhana and Arbat operations	-	-	-	732
Total relinquishment costs	-	-	-	25,732

On January 17, 2012 the Company signed agreements with the Kurdistan Regional Government (“KRG”) to relinquish the Pulkhana and Arbat Block Production Sharing Contracts (“PSC”). On January 25, 2012 the Company paid a total of \$25 million to the KRG in accordance with the terms of the agreements relieving the Company of all further obligations under the PSCs including its remaining minimum financial commitments. Refer also to note 14.

8. Impairment loss

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Write down drilling inventory to net realizable value	-	132	84	583
Recovery of impairment losses on exploration and evaluation assets	-	-	-	(1,100)
Loss / (recovery) of impairment loss on property, plant and equipment	-	6	-	(42)
Impairment loss / (recovery)	-	138	84	(559)

The impairment loss in the nine months ended September 30, 2013 related to the Pulkhana and Arbat PSC relinquishments. Refer also to notes 14, 15 and 17.

9. Gain on sale of asset

In August 2012 the Company sold the 20% direct interest which it held in the Taza Block PSC. The gain on the sale of the Taza Block asset was determined as follows.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net proceeds on sale of asset	-	53,266	-	53,266
Costs of intangible assets and property, plant and equipment sold	-	(52,166)	-	(52,166)
Gain on sale of asset	-	1,100	-	1,100

The net proceeds on sale of asset was comprised of a \$48 million purchase price plus reimbursement of \$5.8 million in costs incurred on the Taza Block work program from April 1, 2012 to August 2012, less transaction related costs of \$0.5 million. Refer also to notes 14 and 15.

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10. Finance cost

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Foreign exchange loss	63	34	46	-
Unwinding discount on decommissioning provision	1	-	1	-
Interest expense associated with equity based finance fee	-	359	-	719
Total finance cost	64	393	47	719

11. Finance income

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Interest income	7	1	26	26
Foreign exchange gain	-	-	-	357
Total finance income	7	1	26	383

12. Income tax expense

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Income tax expense from continuing operations	13	11	63	63

The Company's income tax expense relates to a provision for income tax on service income generated in Switzerland, and is calculated at the effective tax rate of 25% prevailing in this jurisdiction.

13. Discontinued operations

During May of 2009 the Company sold to a third party its oil and gas properties located in the United States in the Gulf of Mexico. The results of the discontinued operations included in the consolidated statement of comprehensive income are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Expenses				
General, administrative and professional	13	12	40	62
Net loss attributable to discontinued operations	13	12	40	62

The major classes of assets and liabilities included in the consolidated balance sheet are as follows:

	At September 30, 2013	At December 31, 2012
Assets		
Prepaid expenses	5	3
	5	3
Liabilities		
Trade payables and accrued expenses	434	355
Asset retirement obligation provision	1,562	1,586
	1,996	1,941
Net liabilities	1,991	1,938

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The provision relates to site restoration costs pertaining to the interests the Company held in petroleum properties located in the United States. The provision was determined based on the Company's net ownership interest in the corresponding wells and facilities, estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods.

14. Intangible assets

	Exploration and evaluation assets	Other intangible assets	Total
At January 1, 2012			
Cost	251,586	271	251,857
Accumulated amortisation	-	(160)	(160)
Impairment losses	(205,861)	-	(205,861)
Net book value	45,725	111	45,836
For the year ended December 31, 2012			
Opening net book value	45,725	111	45,836
Additions including fair value adjustment	307,022	3	307,025
Disposal	(51,571)	(1)	(51,572)
Amortisation expense	-	(88)	(88)
Adjustment to impairment losses	2,347	-	2,347
Net adjustment on currency translation	-	1	1
Net book value	303,523	26	303,549
At December 31, 2012			
Cost	507,037	280	507,317
Accumulated amortisation	-	(254)	(254)
Impairment losses	(203,514)	-	(203,514)
Net book value	303,523	26	303,549
For the nine months ended September 30, 2013			
Opening net book value	303,523	26	303,549
Additions	26,532	-	26,532
Amortisation expense	-	(22)	(22)
Net book value	330,055	4	330,059
At September 30, 2013			
Cost	533,569	283	533,852
Accumulated amortisation	-	(279)	(279)
Impairment losses	(203,514)	-	(203,514)
Net book value	330,055	4	330,059

The impairment losses of \$203.5 million related to the decision by the Company in December 2011 to relinquish to the KRG the Pulkhana and Arbat Block PSCs and immediately suspend all operations associated with those two production sharing contracts. The Company recorded impairment losses to expense all exploration and evaluation assets, which included acquisition costs, capacity building payments to the KRG, costs of acquiring seismic data, and drilling and testing costs which were incurred by the Company on these two Blocks up to December 31, 2011. The relinquishment was completed on January 17, 2012. Refer also to notes 7 and 8.

In August 2012 the Company sold its 20% direct interest in the Taza Block resulting in the disposal of \$51.6 million in related intangible assets. Refer also to note 9.

On December 31, 2012 the Company acquired control of General Exploration Partners Inc ("GEP") and, in accordance with IFRS 3 which requires the Company to record the fair value on the date of acquisition of the net

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identifiable assets and liabilities of GEP, recorded the addition of \$300.5 million of exploration and evaluation assets relating to the Atrush Block PSC.

The net book value of exploration and evaluation assets at September 30, 2013 relates directly to the Atrush Block in the amount of \$327.0 million (December 31, 2012: \$300.5 million) and an amount of \$3.0 million (December 31, 2012: \$3.0 million) of other costs associated with ongoing operations in Kurdistan.

Other intangible assets comprise computer software licenses. The amortisation charge is presented as part of general and administrative expenses within the Company's consolidated statement of comprehensive income.

15. Property, plant and equipment

	Oil and gas equipment	Computer equipment	Furniture and office equipment	Total
At January 1, 2012				
Cost	445	232	203	880
Accumulated depreciation	(98)	(139)	(60)	(297)
Impairment losses	(174)	(17)	(10)	(201)
Net book value	173	76	133	382
For the year ended December 31, 2012				
Opening net book value	173	76	133	382
Additions	758	-	-	758
Disposals	(781)	(9)	(14)	(804)
Depreciation expense	(31)	(62)	(32)	(125)
Impairment recovery / (loss)	46	4	(6)	44
Net adjustment on currency translation	-	-	2	2
Net book value	165	9	83	257
At December 31, 2012				
Cost	199	199	165	563
Accumulated depreciation	(29)	(190)	(82)	(301)
Impairment losses	(5)	-	-	(5)
Net book value	165	9	83	257
For the nine months ended September 30, 2013				
Opening net book value	165	9	83	257
Depreciation expense	(30)	(6)	(24)	(60)
Net book value	135	3	59	197
At September 30, 2013				
Cost	194	190	167	551
Accumulated depreciation	(59)	(187)	(108)	(354)
Net book value	135	3	59	197

16. Deferred liability

The Company recorded a deferred liability relating to the December 2012 acquisition by the Company of control of General Exploration Partners Inc ("GEP"). On July 8, 2013 the Company paid \$5 million to Aspect Energy International, LLC ("Aspect") upon the satisfactory conclusion of certain closing conditions. Refer also to note 14.

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17. Inventories

	At September 30, 2013	At December 31, 2012
Drilling and downhole equipment	-	198
Total inventories	-	198

18. Accounts payable and accrued expenses

	At September 30, 2013	At December 31, 2012
Trade accounts payable	516	811
Accrued expenses	11,412	5,494
Net payables to joint venture partners	1,216	722
Total accounts payable and accrued expenses	13,144	7,027

19. Share capital

The Company is authorized to issue an unlimited number of common shares with no par value. The Company's issued share capital is as follows:

	Number of shares	Share capital
At January 1, 2012	807,983,860	533,349
Shares issued as equity based financing fee	3,000,000	719
At December 31, 2012	810,983,860	534,068
At September 30, 2013	810,983,860	534,068

20. Share based payments expense

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 option holder 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. A four month hold period may be imposed by the stock exchange from the date of grant. Vesting terms are at the discretion of the Board of Directors. All issued share options have terms of three to five years and vest over periods of up to three years. The exercise prices reflect trading values of the Company's shares at grant date.

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Movements in the Company's share options outstanding are explained as follows:

	Number of share options outstanding	Weighted average exercise price CAD
At January 1, 2012	3,233,334	0.72
Expired	(450,000)	1.52
Forfeited	(160,000)	0.67
At December 31, 2012	2,623,334	0.59
Granted	5,640,000	0.36
At September 30, 2013	8,263,334	0.43
Share options exercisable:		
At December 31, 2012	2,615,001	0.59
At September 30, 2013	4,503,333	0.50

On April 12, 2013, certain officers, directors and other eligible persons of the Company were granted a total of 5,640,000 incentive stock options which are subject to vesting provisions and are exercisable over a period of five years at an exercise price of CAD 0.36

The Company recognizes compensation expense on share 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. The share based payments expense is calculated using the Black-Scholes option pricing model.

The weighted average fair value of options granted and the assumptions used in their determination are as follows:

	For the nine months ended September 30, 2013	For the year ended December 31, 2012
Expected dividend yield	0%	0%
Risk-free interest rate (weighted average)	2.50%	3.20%
Expected share price volatility (weighted average)	84.74%	86.94%
Expected option life in years (weighted average)	4.42	4.12
Grant date fair value (weighted average)	CAD 0.43	CAD 0.53

Share based payments expense for the three and nine months ended September 30, 2013 was \$159 (2012: \$2) and \$725 (2012: \$8)

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 share options.

21. Commitments

Atrush Block Production Sharing Contract ("PSC")

ShaMaran holds a 20.1% direct interest in the PSC through its wholly owned subsidiary General Exploration Partners Inc. TAQA Atrush B.V. ("TAQA"), a subsidiary of Abu Dhabi National Energy Company PJSC, is the operator with a 39.9% direct interest, Marathon Oil KDV B.V. holds a 15% direct interest, and the remaining 25% interest is held by the Kurdistan Regional Government (acquired on March 12, 2013). Refer also to note 14.

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Under the terms of the PSC the development period is for 20 years with an automatic right to a five year extension and the possibility to extend for an additional five years. The PSC requires the Contracting companies to fund certain training and environmental assistance projects over the development period. All qualifying petroleum costs incurred by the Contractor shall be recovered from a portion of available petroleum production, defined under the terms of the PSC. All modifications to the PSC are subject to the approval of the KRG. The Company is responsible for its pro-rata share of the costs incurred in executing the development work program on the Atrush Block which commenced on October 1, 2013.

As at September 30, 2013, the outstanding commitments of the Company were as follows:

	For the year ended September 30,				Total
	2014	2015	2016	Thereafter	
Atrush Block	7,641	120	120	2,052	9,933
Office and other	119	-	-	-	119
Total commitments	7,760	120	120	2,052	10,052

22. Financial instruments

Financial assets

The financial assets of the Company on the balance sheet dates were as follows:

	Fair value hierarchy ²	Carrying and fair values ¹	
		At September 30, 2013	At December 31, 2012
Cash and cash equivalents	Level 1	14,711	41,216
Other receivables	Level 1	45	204
Total financial assets		14,756	41,420

Financial assets classified as receivables and other current assets are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method less any provision for impairment.

Financial liabilities

The financial liabilities of the Company on the balance sheet dates were as follows:

	Fair value hierarchy ²	Carrying and fair values ¹	
		At September 30, 2013	At December 31, 2012
Accounts payable and accrued expenses	Level 1	13,144	7,027
Deferred liability	Level 1	-	5,000
Financial liabilities associated with discontinued operations	Level 1	1,996	1,941
Long term liabilities – provision for decommissioning costs	Level 2	161	120
Current tax liabilities	Level 1	68	90
Total financial liabilities		15,369	14,178

Financial liabilities are initially recognized at the fair value of the amount expected to be paid and are subsequently measured at amortized cost using the effective interest rate method.

¹The carrying amount of the Company's financial assets and liabilities approximates their fair value and none of which are past due.

Refer also to note 24.

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² *Fair value measurements*

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and established a fair value hierarchy of three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1: fair value measurements are based on unadjusted quoted market prices;
- Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices;
- Level 3: fair value measurements are based on unobservable information.

The Company recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during the nine month period ended September 30, 2013.

Valuation techniques

The Company uses a discounted cash flow valuation model to determine the provision for decommissioning costs which includes the Company's estimates and assumptions in determining its share of costs related to decommissioning of assets, the timing of those costs, and the relevant rates of interest and inflation.

23. Related party transactions

	Purchases of services for periods ended September 30,				Amounts owing	
	three months		nine months		at the balance sheet dates	
	2013	2012	2013	2012	30 Sep 2013	31 Dec 2012
Namdo Management Services Ltd.	56	134	187	231	14	28
Mile High Holdings Ltd.	-	6	-	6	-	19
McCullough O'Connor Irwin LLP	1	42	8	83	5	22
Vostok Nafta Investment Ltd.	-	16	13	19	-	-
Lundin family	-	359	-	719	-	-
Lundin Petroleum AB	250	267	457	419	222	75
Total	307	824	665	1,477	241	144

Namdo Management Services Ltd. is a private corporation owned by a shareholder of the Company which has provided corporate administrative support and investor relation services to the Company.

Mile High Holdings Ltd. is a private corporation associated with a shareholder of the Company which has provided transportation services to the Company in relation to its investor relation activities.

McCullough O'Connor Irwin LLP is a law firm in which an officer of the Company is a partner which has provided legal services to the Company.

Vostok Nafta Investment Ltd. is a corporation traded on the NASDAQ OMX Nordic Exchange in Stockholm (trading symbol VNIL SDB) associated with a shareholder of the Company and which has provided investor relations services to the Company in Sweden.

The Company receives services from various subsidiary companies of Lundin Petroleum AB ("Lundin"), a shareholder of the Company. Lundin charges during the three and nine months ended September 30, 2013 of \$250 (2012: \$267) and \$457 (2012: \$419) were comprised of G&G and other technical service costs of \$157 (2012: \$62) and \$178 (2012: \$130) respectively, reimbursement for Company travel and related expenses of \$nil (2012: \$nil) and \$nil (2012: \$1), office rental, administrative and building services of \$93 (2012: \$205) and \$279 (2012: \$288).

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm's length.

Refer also to note 24.

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24. Events after the balance sheet date

The Company announced on October 30, 2013 that its USD 150 million senior secured bond was fully subscribed. Of the total USD 33.8 million was subscribed to by related parties. Net proceeds from the bond will be used to fund the Company's future capital expenditures related to the development of the Atrush Block. The bond will have five years duration without amortization and carries 11.5% fixed semi-annual coupon.

SHAMARAN PETROLEUM CORP.

DIRECTORS
<p>Keith C. Hill Director, Chairman Nairobi, Kenya</p> <p>Pradeep Kabra Director, President & Chief Executive Officer Geneva, Switzerland</p> <p>Brian D. Edgar Director Vancouver, British Columbia</p> <p>Gary S. Guidry Director Calgary, Alberta</p> <p>Alexandre Schneiter Director Anieres, Switzerland</p> <p>J. Cameron Bailey Director Calgary, Alberta</p>
OFFICERS
<p>Brenden Johnstone Chief Financial Officer Geneva, Switzerland</p> <p>Kevin E. Hisko Corporate Secretary Vancouver, British Columbia</p>

CORPORATE INFORMATION
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