



Shamaran Petroleum Corp
Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2012
(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,	
		2012	2011	2012	2011
Expenses from continuing operations					
General and administrative (expense) / recovery	5	(512)	202	(1,355)	(799)
Share based payments expense	20	(2)	(70)	(8)	(243)
Depreciation and amortisation expense		(46)	(58)	(143)	(166)
Share of loss of associate	15	(97)	(173)	(209)	(282)
Relinquishment costs	6	-	-	(25,732)	-
Impairment recovery / (loss)	7	(138)	-	559	-
Gain on sale of asset	8	1,100	-	1,100	-
Income / (loss) before finance items and income tax expense		305	(99)	(25,788)	(1,490)
Finance cost	9	(393)	(2,780)	(719)	(1,984)
Finance income	10	1	147	383	424
Net finance loss		(392)	(2,633)	(336)	(1,560)
Loss before income tax expense		(87)	(2,732)	(26,124)	(3,050)
Income tax expense	11	(11)	(32)	(63)	(106)
Net loss from continuing operations		(98)	(2,764)	(26,187)	(3,156)
Discontinued operations					
Loss from discontinued operations	12	(12)	(46)	(62)	(167)
Net loss for the period		(110)	(2,810)	(26,249)	(3,323)
Other comprehensive income:					
Currency translation differences		21	(61)	4	8
Total other comprehensive income / (loss)		21	(61)	4	8
Total comprehensive loss for the period		(89)	(2,871)	(26,245)	(3,315)
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	September 30, 2012	December 31, 2011
Assets			
Non-current assets			
Intangible assets	13	3,046	45,836
Property, plant and equipment	14	112	382
Investment in associate	15	57,422	51,835
		60,580	98,053
Current assets			
Other current assets		132	647
Inventories	16	236	3,328
Other receivables		109	105
Cash and cash equivalents		43,253	49,085
		43,730	53,165
Assets associated with discontinued operations	12	5	21
Total assets		104,315	151,239
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	17	2,537	23,245
Current tax liabilities		63	122
		2,600	23,367
Liabilities associated with discontinued operations	12	1,974	2,613
Total liabilities		4,574	25,980
Equity			
Share capital	19	534,068	533,349
Share based payments reserve		3,836	3,828
Cumulative translation adjustment		(14)	(18)
Accumulated deficit		(438,149)	(411,900)
Total equity		99,741	125,259
Total liabilities and equity		104,315	151,239

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 20, 2012 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, 2011	432,506	3,968	5	(200,961)	235,518
Total comprehensive loss for the period	-	-	8	(3,323)	(3,315)
Transactions with owners in their capacity as as owners:					
Private placement (note 19)	52,204				52,204
Transaction costs	(948)				(948)
Share based payments	-	243	-	-	243
Share options exercised	1,065	(404)	-	-	661
	52,321	(161)	-	-	52,160
Balance at September 30, 2011	484,827	3,807	13	(204,284)	284,363
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	-	8	-	-	8
	719	8	-	-	727
Balance at September 30, 2012	534,068	3,836	(14)	(438,149)	99,741

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,	
		2012	2011	2012	2011
Operating activities					
Net loss for the period from continuing operations		(98)	(2,764)	(26,187)	(3,156)
Adjustments for:					
Gain on sale of asset	8	(1,100)	-	(1,100)	-
Interest income		(1)	(147)	(26)	(424)
Interest expense on equity based finance fee	9	359	-	719	-
Foreign exchange loss / (gain)	9, 10	34	2,572	(357)	1,320
Depreciation and amortisation expense		46	58	143	166
Income tax		13	(98)	(59)	(7)
Impairment (recovery) / loss	7	138	-	(559)	-
Share based payments expense	20	2	70	8	243
Share of loss of associates	15	97	173	209	282
Capitalized expenses		-	(473)	-	(1,070)
Changes in trade and other receivables		542	14	(4)	(22)
Changes in other current assets		75	489	515	(115)
Changes in inventories		(196)	(210)	2,509	(770)
Changes in accounts payable and accrued expenses		(991)	8,136	(20,708)	15,863
Cash used in discontinued operations		(131)	(104)	(685)	(458)
Net cash inflows from / (outflows to) operating activities		(1,211)	7,716	(45,582)	11,852
Investing activities					
Net proceeds on sale of intangible assets		52,671	-	52,671	-
Purchases of intangible assets		(3,540)	(46,222)	(7,721)	(74,549)
Net proceeds on sale of property, plant and equipment		595	-	804	-
Purchases of property, plant and equipment		(134)	(9)	(595)	(611)
Investment in associate		(1,105)	(2,345)	(5,796)	(17,788)
Interest received on cash deposits		1	147	26	424
Net cash inflows from / (outflows to) investing activities		48,488	(48,429)	39,389	(92,524)
Financing activities					
Net proceeds (costs) on issuance of shares		-	(4)	-	51,917
Repayment of borrowings		(10,000)	-	-	-
Net cash inflows from / (outflows to) financing activities		(10,000)	(4)	-	51,917
Effect of exchange rate changes on cash and cash equivalents		(13)	(2,633)	361	(1,312)
Change in cash and cash equivalents		37,264	(43,350)	(5,832)	(30,067)
Cash and cash equivalents, beginning of the period		5,989	71,967	49,085	58,684
Cash and cash equivalents, end of the period		43,253	28,617	43,253	28,617

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, 2012
(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 an indirect interest which it holds in a petroleum property located in the Kurdistan Region of Iraq (“Kurdistan”). Refer also to note 21.

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 annual financial statements for the year ended December 31, 2011, 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 consolidated financial statements for the year ended December 31, 2011.

These 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 \$43.3 million of cash and cash equivalents as at September 30, 2012 to satisfy its obligations and finance its exploration and evaluation program in Kurdistan. Failure to meet these exploration and evaluation commitments could put the related license interests at risk of forfeiture. Refer also to note 21.

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.

3. 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 consolidated financial statements the year ended December 31, 2011.

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4. 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 12 for disclosure of the Company's discontinued operations.

5. General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
General and administrative expenses incurred	1,083	1,629	4,091	6,163
General and administrative expenses capitalized as E&E assets	(571)	(1,831)	(2,736)	(5,364)
General and administrative expense / (recovery)	512	(202)	1,355	799

The Company capitalizes as E&E assets those general and administrative expenses supporting E&E activities which relate to direct interests held in production sharing contracts. The Company has capitalized no general and administrative expenses subsequent to the sale of its interest in the Taza Block PSC in August 2012 as thereafter it held no direct interests in production sharing contracts. Refer also to notes 8 and 13.

6. Relinquishment costs

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
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 KRG to relinquish the Pulkhana and Arbat Block PSCs. 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 notes 13 and 21.

7. Impairment losses

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Write down drilling inventory to net realizable value	132	-	583	-
Recovery of impairment losses on exploration and evaluation assets	-	-	(1,100)	-
Impairment loss / (recovery) on property, plant and equipment	6	-	(42)	-
Impairment loss / (recovery)	138	-	(559)	-

The above indicated losses and recovery relate to the Pulkhana and Arbat production sharing contract relinquishments. The Company has released excess accrued costs which were capitalized as exploration and evaluation (E&E) assets resulting in a recovery in the current reporting periods of impairment losses previously recognized. Refer also to notes 13, 14, 16 and 21.

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8. 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 has been determined as follows.

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
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 since April 1, 2012 less transaction related costs of \$0.5 million. Refer also to notes 13 and 14.

9. Finance cost

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Interest expense associated with equity based financing fee	359	-	719	-
Foreign exchange loss	34	2,572	-	1,320
Guarantee fees	-	207	-	663
Unwinding of discount on decommissioning provision	-	1	-	1
Total finance costs	393	2,780	719	1,984

The interest expense relates to a loan entered into with two investment companies who jointly are principal shareholders of the Company and represents the amortization of prepaid interest over the loan term. Refer also to notes 18 and 23.

The foreign exchange losses has resulted primarily from holding cash and cash equivalents denominated in Canadian dollars while the Canadian dollar weakened during the reporting period against the United States dollar which is the reporting currency of the Company.

The guarantee fees relate to a guarantee of the minimum financial obligations under the Pulkhana and Arbat PSCs which was provided to the KRG by a related company on behalf of the Company. As a result of having relinquished the Pulkhana and Arbat Blocks the guarantee is no longer required by the Company.

10. Finance income

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Interest income	1	147	26	424
Foreign exchange gain	-	-	357	-
Total finance income	1	147	383	424

Interest income represents bank interest earned on cash and investments in marketable securities.

The foreign exchange gain results primarily from holding cash and cash equivalents denominated in Canadian dollars while the Canadian dollar strengthened during the reporting period against the United States dollar which is the reporting currency of the Company.

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11. Taxation

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Income tax expense from continuing operations	11	32	63	106

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

12. Discontinued operations

During May of 2009 the Company sold to a third party substantially all of 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,	
	2012	2011	2012	2011
Expenses				
Professional, general and administrative, and other	12	46	62	1,245
Income				
Gain on sale of asset	-	-	-	(1,078)
Net loss attributable to discontinued operations	12	46	62	167

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

	September 30, 2012	December 31, 2011
Assets		
Prepaid expenses	5	21
	5	21
Liabilities		
Trade payables and accrued expenses	394	539
Provision	1,580	2,074
	1,974	2,613
Net liabilities	1,969	2,592

The provision relates to site restoration costs pertaining to the remaining interests the Company holds in petroleum properties located in the United States. The provision was determined based on the Company's remaining 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.

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13. Intangible assets

	Exploration and evaluation assets	Other intangible assets	Total
At January 1, 2011			
Cost	149,692	270	149,962
Accumulated amortisation	-	(70)	(70)
Net book value	149,692	200	149,892
Year ended December 31, 2011			
Opening net book value	149,692	200	149,892
Additions	101,894	1	101,895
Amortisation expense	-	(97)	(97)
Impairment losses	(205,861)	-	(205,861)
Exchange differences	-	7	7
Net book value	45,725	111	45,836
At December 31, 2011			
Cost	251,586	271	251,857
Accumulated amortisation	-	(160)	(160)
Impairment losses	(205,861)	-	(205,861)
Net book value	45,725	111	45,836
Nine months ended September 30, 2012			
Opening net book value	45,725	111	45,836
Additions	7,746	3	7,749
Disposal	(51,571)	-	(51,571)
Amortisation expense	-	(68)	(68)
Recovery of impairment losses	1,100	-	1,100
Net book value	3,000	46	3,046
At September 30, 2012			
Cost	207,762	274	208,036
Accumulated amortization	-	(228)	(228)
Impairment losses	(204,762)	-	(204,762)
Net book value	3,000	46	3,046

In December 2011 the Company took the decision 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 has recorded impairment losses to expense all exploration and evaluation assets, which includes acquisition costs, capacity building payments to the KRG, costs of acquiring seismic data, and drilling and testing costs which have been 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 6 and 7.

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 8.

The net book value of exploration and evaluation assets at September 30, 2012 represents other costs associated with the ongoing Atrush appraisal program 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.

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14. Property, plant and equipment

	Oil and Gas equipment	Computer equipment	Furniture and office equipment	Total
At January 1, 2011				
Cost	-	203	217	420
Accumulated depreciation	-	(66)	(24)	(90)
Net book value	-	137	193	330
Year ended December 31, 2011				
Opening net book value	-	137	193	330
Additions	678	36	13	727
Disposals	(171)	(7)	(19)	(197)
Depreciation expense	(160)	(78)	(46)	(284)
Impairment losses	(174)	(17)	(10)	(201)
Exchange differences	-	5	2	7
Net book value	173	76	133	382
At December 31, 2011				
Cost	445	232	203	880
Accumulated depreciation	(98)	(139)	(60)	(296)
Impairment losses	(174)	(17)	(10)	(201)
Net book value	173	76	133	382
Nine months ended September 30, 2012				
Opening net book value	173	76	133	382
Additions	595	-	-	595
Disposals	(781)	(9)	(15)	(805)
Depreciation expense	(28)	(50)	(24)	(102)
Impairment recovery / (losses)	45	3	(6)	42
Exchange differences	-	-	-	-
Net book value	4	20	88	112
At September 30, 2012				
Cost	37	195	161	393
Accumulated depreciation	(26)	(174)	(73)	(273)
Impairment losses	(7)	(1)	-	(8)
Net book value	4	20	88	112

As a result of the relinquishment of the Pulkhana and Arbat PSCs the Company has determined that there is impairment in value of certain property plant and equipment employed in the exploration operations associated with these production sharing contracts and has recorded impairment losses on these assets. Refer also to note 7.

In August 2012 the Company sold its 20% direct interest in the Taza Block PSC resulting in the disposal of \$0.6 million in related property, plant and equipment. Refer also to note 8.

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15. Investment in associate

The Company's investment in associate included in the balance sheet is as follows:

	September 30, 2012	December 31, 2011
Cumulative cash contributions	53,623	47,827
Common share contribution	5,000	5,000
Acquisition costs	204	204
Share of net losses since acquisition	(507)	(298)
Recovery of costs from partner	(898)	(898)
Total investment in associate	57,422	51,835

The share of loss from associate included in the statement of comprehensive income is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Total loss of associate	291	516	624	841
Company's 33.5% share of loss of associate	97	173	209	282

Refer also to note 21.

16. Inventories

	September 30, 2012	December 31, 2011
Drilling and downhole equipment	666	4,570
Impairment losses	(430)	(1,242)
Total inventories	236	3,328

The Company has determined that at December 31, 2011 there was impairment in the value of certain inventory items which were to be used in the drilling programs in the Pulkhana and Arbat Blocks as a result of the termination of these drilling programs. Refer also to note 7.

17. Accounts payable and accrued expenses

	September 30, 2012	December 31, 2011
Trade accounts payable	984	17,409
Accrued expenses	1,553	4,379
Net payables to joint venture partners	-	1,457
Total accounts payable and accrued expenses	2,537	23,245

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18. Borrowings

On April 2, 2012 the Company entered into a debenture financing in the amount of \$10 million (the "Loan") with two investment companies who jointly are principal shareholders of the Company (the "Lenders"). The Loan was repaid in full in August 2012. In connection with the Loan the Company has issued to the Lenders an aggregate of 3,000,000 common shares of the Company. The fair value of the shares issued of \$719 has been accounted for as interest expenses associated with an equity based finance fee. Refer also to notes 9 and 23.

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	\$000
Balance at January 1, 2011	623,182,194	432,506
Private placement, net of issuance costs	183,500,000	99,778
Share options exercised	1,301,666	1,065
Balance at December 31, 2011	807,983,860	533,349
Shares issued as equity based financing fee	3,000,000	719
Balance at September 30, 2012	810,983,860	534,068

Refer also to notes 9 and 18.

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	Weighted average exercise price CAD
Outstanding at January 1, 2011	4,560,000	0.65
Granted	25,000	0.80
Exercised	(1,301,666)	0.49
Forfeited	(50,000)	0.43
Outstanding at December 31, 2011	3,233,334	0.72
Expired	(450,000)	1.52
Forfeited	(143,333)	0.65
Outstanding at September 30, 2012	2,640,001	0.59
Share options exercisable:		
At January 1, 2011	3,155,000	0.69
At December 31, 2011	2,803,335	0.75
At September 30, 2012	2,631,668	0.59

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:

	Nine months ended September 30, 2012	Year ended December 31, 2011
Expected dividend yield	0%	0%
Risk-free interest rate (weighted average)	3.20%	3.20%
Expected share price volatility (weighted average)	86.94%	86.94%
Expected option life in years (weighted average)	4.12	4.12
Grant date fair value (weighted average)	CAD 0.53	CAD 0.54

Share based payments expense for the three and nine months ended September 30, 2012 was \$2 (2011: \$70) and \$8 (2011: \$243).

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.

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For the three and nine months ended September 30, 2012
(Expressed in thousands of United States Dollars unless otherwise stated)

21. Commitments

Production Sharing Contracts (“PSC”)

ShaMaran holds 33.5% of the issued shares of General Exploration Partners Inc (“GEP”) which holds an 80% working interest in the Atrush Block PSC. Marathon Oil Corporation holds the remaining 20% interest with the KRG holding an option to acquire up to a 25% interest in the PSC prior to 180 days after declaration of a commercial discovery. GEP is responsible for 80% of the costs incurred in executing the exploration and development work programs on the Atrush Block.

The PSC contemplates minimum financial commitments during the first exploration sub-period and also requires the Contractor to fund certain community development, personnel, training, environmental, and technological assistance projects during the period over which the contract is in effect. 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.

As at September 30, 2012, the outstanding commitments of the Company were as follows:

	For the year ending September 30,			Thereafter	Total
	2013	2014	2015		
General Exploration Partners Inc	11,035	-	-	-	11,035
Office and other	117	-	-	-	117
Total commitments	11,152	-	-	-	11,152

22. Financial instruments

Financial assets

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

	Cash, loans and receivables		Available-for-sale investments	
	30 Sep 12	31 Dec 11	30 Sep 12	31 Dec 11
Current assets				
Other receivables	109	105	-	-
Other current assets, excluding prepaid expense	-	68	-	-
Cash and cash equivalents	43,253	49,085	-	-
Total financial assets	43,362	49,258	-	-

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

Financial assets classified as available-for sale are recognized at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income.

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

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Financial liabilities

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

	Note	30 Sep 12	31 Dec 11
Current financial liabilities			
Accounts payable and accrued expenses	17	2,537	23,245
Financial liabilities associated with discontinued operations	12	1,974	2,613
Current tax liabilities		63	122
Total financial liabilities		4,574	25,980

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. All financial liabilities have been classified as current as payment is expected within the next twelve months.

23. Related party transactions

	Purchases of services for the period ended September 30,				Amounts owing	
	three months		nine months		at the reporting dates,	
	2012	2011	2012	2011	30 Sep 12	31 Dec 11
Namdo Management Services Ltd.	134	119	231	295	4	7
Mile High Holdings Ltd.	6	-	6	31	6	19
McCullough O'Connor Irwin LLP	42	8	83	52	16	14
Vostok Naphta Investment Ltd.	16	10	19	14	-	-
Lundin family	359	-	719	-	-	-
Lundin Petroleum AB	267	342	419	1,677	38	78
Total	824	479	1,477	2,069	64	118

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 fundraising 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 Naphta 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 relation to its fundraising activities in Sweden.

The Company received a \$10 million loan from the Lundin family through two investment companies who jointly are principal shareholders of the Company (the "Lenders"). In connection with the loan the Company has issued to the Lenders an aggregate of 3,000,000 common shares of the Company. The fair value of the shares issued has been expensed as a finance cost. The loan was repaid in full in August 2012. Refer also to notes 9, 18 and 19.

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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, 2012 of \$267 (2011: \$342) and \$419 (2011: \$1,677) were comprised of G&G and other technical service costs of \$62 (2011: \$38) and \$130 (2011: \$106), reimbursement for Company travel and related expenses of \$nil (2011: \$nil) and \$1 (2011: \$610), office rental, administrative and building services of \$205 (2011: \$98) and \$288 (2011: \$298), and \$nil (2011: \$206) and \$nil (2011: \$663) relating to a guarantee provided to the KRG on behalf of the Company in respect of its minimum financial commitments, payable semi-annually and charged at a rate of 1.5 % per annum (3.0% prior to July 1, 2010).

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.

SHAMARAN PETROLEUM CORP.

DIRECTORS	CORPORATE INFORMATION
<p>Keith C. Hill Director, Chairman Vancouver, British Columbia</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>	<p>CORPORATE OFFICE 885 West Georgia Street Suite 2000 Vancouver, British Columbia V6C 3E8 Telephone: +1-604-689-7842 Facsimile: +1-604-689-4250 Website: www.shamaranpetroleum.com</p> <p>OPERATIONS OFFICE 5 Chemin de la Pallanterie 1222 Vésénaz Switzerland Telephone: +41-22-560-8600 Facsimile: +41-22-560-8601</p> <p>BANKER HSBC Bank Canada Vancouver, British Columbia</p> <p>INDEPENDENT AUDITORS PricewaterhouseCoopers LLP London, UK</p> <p>TRANSFER AGENT Computershare Trust Company of Canada Vancouver, British Columbia</p> <p>STOCK EXCHANGE LISTINGS TSX Venture Exchange and NASDAQ OMX First North Exchange Trading Symbol: SNM</p> <p>INVESTOR RELATIONS Sophia Shane Vancouver, British Columbia</p>
OFFICERS	
<p>Brenden Johnstone Chief Financial Officer Geneva, Switzerland</p> <p>Kevin E. Hisko Corporate Secretary Vancouver, British Columbia</p>	