



Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2013

(unaudited)

Condor Petroleum Inc.

Consolidated Statements of Financial Position (unaudited)

Stated in thousands of Canadian dollars

As at		June 30, 2013	December 31, 2012
	Note		
Assets			
Cash and cash equivalents		8,765	19,820
Restricted cash		-	1,836
Trade and other receivables		412	1,431
Other current assets		1,263	1,635
		10,440	24,722
Assets held for sale	2	67,673	-
Total current assets		78,113	24,722
Exploration and evaluation assets	3	104,485	145,005
Property and equipment	4	4,728	7,686
Other long term assets	5	8,749	10,629
Total assets		196,075	188,042
Liabilities			
Accounts payable and accrued liabilities		4,560	6,498
Current portion of provisions	8	189	1,036
		4,749	7,534
Liabilities held for sale	2	9,308	-
Total current liabilities		14,057	7,534
Long term borrowings	6	2,506	-
Other long term liabilities	7	1,315	3,241
Provisions	8	1,318	2,071
Total liabilities		19,196	12,846
Equity			
Share capital		263,035	263,035
Contributed surplus		16,510	14,390
Translation reserve		2,706	(5,588)
Deficit		(101,713)	(93,761)
Equity attributable to Condor		180,538	178,076
Non-controlling interest		(3,659)	(2,880)
Total equity		176,879	175,196
Total liabilities and equity		196,075	188,042

Going concern (Note 1)

Commitments and contingent liabilities (Note 10)

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

Condor Petroleum Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

Stated in thousands of Canadian dollars

(except for per share amounts)

For the period ended June 30	Note	Three months 2013	Three months 2012	Six months 2013	Six months 2012
Revenue					
Crude oil sales		706	491	2,595	614
Royalty expense		(29)	(20)	(102)	(23)
		677	471	2,493	591
Expenses					
Production costs		847	254	1,976	317
General and administrative		2,270	1,983	4,320	4,884
Depletion and depreciation	3, 4	653	323	2,040	514
Stock based compensation		1,557	1,158	2,120	2,102
		(4,650)	(3,247)	(7,963)	(7,226)
Finance income		187	186	325	455
Finance and accretion expense		(107)	(138)	(193)	(240)
Foreign exchange gain (loss)		(41)	465	51	273
Net loss from continuing operations		(4,611)	(2,734)	(7,780)	(6,738)
Discontinued operations	2	(107)	1,720	(437)	1,507
Net loss		(4,718)	(1,014)	(8,217)	(5,231)
Foreign currency translation adjustment		4,351	2,301	7,780	(225)
Comprehensive income (loss)		(367)	1,287	(437)	(5,456)
Net loss attributable to					
Condor		(4,586)	(879)	(7,952)	(4,933)
Non-controlling interest		(132)	(135)	(265)	(298)
Net loss		(4,718)	(1,014)	(8,217)	(5,231)
Comprehensive income attributable to					
Condor continuing operations		569	(12)	1,510	(6,638)
Condor discontinued operations		(396)	1,577	(1,168)	1,590
Non-controlling interest		(540)	(278)	(779)	(408)
Comprehensive income		(367)	1,287	(437)	(5,456)
Basic and diluted loss per share					
Net loss from continuing operations	9	(0.01)	(0.00)	(0.02)	(0.01)
Discontinued operations	2	(0.00)	(0.00)	(0.00)	(0.00)
Net loss		(0.01)	(0.00)	(0.02)	(0.01)

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

Condor Petroleum Inc.

Consolidated Statements of Changes in Equity (Unaudited)

Stated in thousands of Canadian dollars (except for number of common shares)

	Number of common shares	Share capital	Contributed surplus	Translation reserve	Deficit	Equity attributable to Condor	Non- controlling interest	Total equity
As at December 31, 2011	346,120,871	263,035	11,125	(112)	(80,432)	193,616	(1,833)	191,783
Stock based compensation expense	-	-	2,102	-	-	2,102	-	2,102
Foreign currency translation adjustment	-	-	-	(115)	-	(115)	(110)	(225)
Net loss	-	-	-	-	(4,933)	(4,933)	(298)	(5,231)
As at June 30, 2012	346,120,871	263,035	13,227	(227)	(85,365)	190,670	(2,241)	188,429
Stock based compensation expense	-	-	1,163	-	-	1,163	-	1,163
Foreign currency translation adjustment	-	-	-	(5,361)	-	(5,361)	(173)	(5,534)
Net loss	-	-	-	-	(8,396)	(8,396)	(466)	(8,862)
As at December 31, 2012	346,120,871	263,035	14,390	(5,588)	(93,761)	178,076	(2,880)	175,196
Stock based compensation expense	-	-	2,120	-	-	2,120	-	2,120
Foreign currency translation adjustment	-	-	-	8,294	-	8,294	(514)	7,780
Net loss	-	-	-	-	(7,952)	(7,952)	(265)	(8,217)
As at June 30, 2013	346,120,871	263,035	16,510	2,706	(101,713)	180,538	(3,659)	176,879

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

Condor Petroleum Inc.

Consolidated Statements of Cash Flows (unaudited)

Stated in thousands of Canadian dollars

For the period ended June 30		Three months 2013	Three months 2012	Six months 2013	Six months 2012
	Note				
Operating activities:					
Net loss from continuing operations		(4,611)	(2,734)	(7,780)	(6,738)
Items not affecting cash:					
Depletion and depreciation	3, 4	653	323	2,040	514
Stock based compensation		1,557	1,158	2,120	2,102
Non-cash finance income		(169)	(85)	(280)	(163)
Non-cash finance expense		101	138	187	240
Unrealized exchange (gain) loss		(144)	58	(309)	(83)
Decommissioning costs	8	(319)	-	(319)	-
		(2,932)	(1,142)	(4,341)	(4,128)
Changes in non-cash working capital		1,607	(2,224)	(2,072)	(883)
Cash used in continuing operations		(1,325)	(3,366)	(6,413)	(5,011)
Cash from (used in) discontinued operations	2	(519)	(11)	(369)	669
Cash used in operating activities		(1,844)	(3,377)	(6,782)	(4,342)
Investing activities:					
Exploration and evaluation expenditures	3	(5,976)	(6,091)	(9,636)	(10,422)
Property and equipment expenditures	4	(229)	(260)	(418)	(560)
Value added tax paid	5	(402)	(631)	(726)	(984)
Changes in non-cash working capital		407	557	1,995	(3,539)
Cash used in continuing investing activities		(6,200)	(6,425)	(8,785)	(15,505)
Cash from (used in) discontinued investing	2	2,203	(842)	745	(3,701)
Cash used in investing activities		(3,997)	(7,267)	(8,040)	(19,206)
Financing activities:					
Proceeds from long term borrowings	6	2,500	-	2,500	-
Cash from continuing financing activities		2,500	-	2,500	-
Cash from discontinued financing activities	2	5,235	-	5,235	-
Cash from financing activities		7,735	-	7,735	-
Change in cash		1,894	(10,644)	(7,087)	(23,548)
Effect of foreign exchange on cash		133	119	274	(8)
Cash and cash equivalents, beginning		10,980	55,514	19,820	68,545
Cash and cash equivalents held for sale	2	(4,242)	-	(4,242)	-
Cash and cash equivalents, ending		8,765	44,989	8,765	44,989

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

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2013

1. Corporate information:

Reporting entity:

Condor Petroleum Inc. ("Condor" or the "Company") is a publicly traded company with activities in the Republic of Kazakhstan ("Kazakhstan"). The address of the Company's registered office is 2400, 144 – 4th Ave SW, Calgary, Alberta, Canada, T2P 3N4.

The interim condensed consolidated financial statements (the "financial statements") of the Company as at June 30, 2013 and December 31, 2012 and for the three and six months ended June 30, 2013 and 2012 comprise the Company and its subsidiaries. The financial statements were approved and authorized for issue on August 13, 2013 by the Board of Directors.

Nature of operations:

The Company owns a 100% interest in the Zharkamys West 1 territory ("Zharkamys") in western Kazakhstan. The Zharkamys contract with the Government of Kazakhstan is currently in the exploration period until August 27, 2015. Upon commercial discovery, the Company has the exclusive right to enter the development period by executing a development contract.

The Company owns a 66% interest in the Marsel territory ("Marsel") in south eastern Kazakhstan. The Marsel contract with the Government of Kazakhstan is currently in the exploration period until March 27, 2015. The Company funds 100% of the Marsel territory capital program and exploration commitments. Upon commercial discovery, Marsel has the exclusive right to enter the development period by executing a development contract (Note 2).

Going Concern

The Company is in the business of exploring, developing and producing oil and natural gas properties which, by its nature, involves a high degree of risk. The recoverability of amounts capitalized for exploration and evaluation assets is dependent upon a number of factors, including: the discovery of economically recoverable reserves; obtaining necessary financing to meet work program and other obligations; completing the exploration for and development of the reserves; and, ultimately achieving future profitable production. These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to the going concern basis, under which the Company is assumed to realize its assets and discharge its liabilities in the normal course of operations.

As at June 30, 2013, cash and cash equivalents were \$8.8 million, net working capital, excluding assets and liabilities held for sale, was \$5.7 million and there was \$5.0 million available on the Company's credit facility (Note 6). The Company has future contractual work commitments related to the Kazakhstan properties of US \$9.0 million in 2013 and \$24.3 million in 2014. (Note 10).

As described in Note 2, on April 22, 2013, the Company's wholly owned subsidiary entered into a binding sale and purchase agreement for the sale of Marsel for gross proceeds of US\$ 88.0 million, subject to certain conditions, waivers and consents. The buyer has subsequently issued Condor irrevocable bank guarantees totaling US\$ 83.0 million for the amount due upon completion and a US\$ 5.0 million parent company guarantee for the amount due six months after completion. The buyer has also provided Marsel a US\$ 5.0 million loan to fund the on-going exploration activities of Marsel. Should the Marsel sale not be completed as currently anticipated in the fourth quarter of 2013, the Company will require additional funding to meet minimum work program commitments and general and administrative costs for the next twelve months and to carry out any additional exploration and development programs.

Condor Petroleum Inc.

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In addition to the Marsel disposal, the Company is currently pursuing other funding initiatives including a development loan for the Shoba oilfield within Zharkamys, other debt facilities, a farm down of certain prospects at Zharkamys and drawing on the EurAsia credit facility. Although management believes that necessary financing will be obtained, there is no certainty that such financing will be obtained on terms acceptable to management which may cast significant doubt about the Company's ability to continue as going concern and, accordingly, the appropriateness of the use of accounting principles applicable to going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Basis of presentation

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 'Interim Financial Reporting'. The financial statements should be read in conjunction with the annual 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 used to prepare these financial statements are consistent with the policies at December 31, 2012 except as noted below.

The financial statements are reported in Canadian dollars ("CAD"). CAD is the functional currency of all significant subsidiaries of the Company except for the operating companies in Kazakhstan, which have a Kazakhstan Tenge ("KZT") functional currency.

The financial statements have been prepared on the historical cost basis, except for held for trading financial assets and long term borrowings, inclusive of embedded derivatives, which are measured at fair value with changes in fair value recorded in earnings.

Changes in Accounting Policies

On January 1, 2013 the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7) as well as amendments related to investments in associates and joint ventures (IAS 28). The adoption of these amendments and standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods. An amendment to the presentation of financial statements standard (IAS 1) requires the Company to group items within other comprehensive income ("OCI") that will or will not be subsequently reclassified to profit and loss. The Company's translation reserve amounts recorded in OCI will eventually be reclassified to profit or loss on eventual disposal or sale of the Company's subsidiaries.

Fair value of financial instruments

Loans and receivables include cash and cash equivalents, restricted cash, trade and other receivables, other current assets and other long term assets. Other financial liabilities include accounts payable and accrued liabilities, long term borrowings, and other long term liabilities. The fair value of cash and cash equivalents, accounts receivable, other current assets and accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these instruments. The carrying value of other long term assets and other long term liabilities approximate their fair value.

Condor Petroleum Inc.

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For the three and six months ended June 30, 2013

2. Assets held for sale and discontinued operations:*Marsel territory*

On April 22, 2013, Condor's wholly owned subsidiary, Condor Netherlands Petroleum B.V. entered into a binding sale and purchase agreement (the "Agreement") to sell its 66% participating interest in and certain indebtedness of Marsel for gross proceeds of US\$88.0 million. The transaction requires various waivers and consents from the Government of Kazakhstan and is subject to the satisfaction of certain commercial conditions typical for transactions of this nature. The conditions precedent for completing the sale shall be completed by November 18, 2013, the "Long Stop Date". Unless either Party has breached its obligations under the Agreement, there is an automatic extension of the Long Stop Date until January 17, 2014. In addition, the buyer has the right to further extend the Long Stop Date until April 17, 2014. Completion shall occur within ten business days following the date when the final condition precedent is satisfied.

The buyer was obligated to and has subsequently issued Condor irrevocable bank guarantees totaling US\$ 83.0 million for the amount due upon completion and a US\$ 5.0 million parent company guarantee for the amount due six months after completion. The buyer was also obligated to and has provided Marsel a US\$ 5.0 million loan to fund the on-going Marsel exploration activities which bears interest at 8.0% per annum. The Company has provided a corporate guarantee for the repayment of the loan and accrued interest, which is due on the Long Stop Date should the Marsel sale transaction not conclude.

The net assets and liabilities of Marsel have been presented as held for sale following the execution of the Agreement and are comprised of the following:

As at (000's)	June 30, 2013	December 31, 2012
Cash and cash equivalents	4,242	-
Restricted cash ⁽¹⁾	1,235	-
Other current assets	158	-
Exploration and evaluation assets (Note 3)	58,189	-
Property and equipment	753	-
Other long term assets	3,096	-
Assets held for sale	67,673	-
Accounts payable and accrued liabilities	(1,034)	-
Current portion of provisions ⁽¹⁾	(467)	-
Current borrowings ⁽²⁾	(5,284)	-
Other long term liabilities	(2,250)	-
Provisions (Note 8)	(273)	-
Liabilities held for sale	(9,308)	-
Net assets and liabilities held for sale	58,365	-

For the three and six month periods ended June 30, 2013, Marsel incurred \$389 and \$780 thousand of expenses which have been included in discontinued operations on the statement of comprehensive income (2012: \$398 and \$877 thousand). At June 30, 2013 the translation reserve included a \$1.7 million accumulated gain.

(1) The Company has received Government approval to use funds held in bank deposits, restricted for mandatory decommissioning obligation funding, to cover amounts related to current site reclamation work required on the Marsel territory.

(2) US \$5.0 million loan to fund the on-going Marsel exploration activities.

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2013

Canadian oil and gas properties

During the second quarter, the Company entered and completed an agreement to dispose of substantially all of its remaining non-core oil and gas properties in Canada for net proceeds of \$2.0 million. During year ended December 31, 2012, the Company disposed of non-core properties in Canada, for proceeds of \$3.6 million. As the Company no longer has significant operations in Canada, the results of the Canadian operations, previously presented as the Canadian segment, have been presented as discontinued operations and comprise the following:

For the period ended June 30 (000's)	Three months 2013	Three months 2012	Six months 2013	Six months 2012
Oil and natural gas sales	188	334	627	1,008
Expenses	(155)	(628)	(533)	(1,229)
Gain on disposals	249	2,412	249	2,605
	<u>282</u>	<u>2,118</u>	<u>343</u>	<u>2,384</u>

3. Exploration and evaluation assets:

Exploration and evaluation assets is comprised of the Zharkamys property in Kazakhstan as described in Note 1.

For the period ended (000's)	June 30, 2013	December 31, 2012
Cost		
Balance, beginning of period	146,475	117,186
Capital expenditures ⁽¹⁾	12,285	34,203
Change in decommissioning provision and other	(14)	780
Foreign currency translation adjustment	7,185	(5,694)
Reclassified as assets held for sale (Note 2)	(58,189)	-
Balance, end of period	<u>107,742</u>	<u>146,475</u>
Accumulated depletion		
Balance, beginning of period	(1,470)	(297)
Depletion	(1,703)	(1,228)
Foreign currency translation adjustment	(84)	55
Balance, end of period	<u>(3,257)</u>	<u>(1,470)</u>
Net book value, end of period	<u>104,485</u>	<u>145,005</u>

(1) During the six months ended June 30, 2013, capital expenditures included \$2.6 million (June 30, 2012 - \$6.0 million) of Marsel exploration expenditures (Note 2), and \$2.1 million of general and administrative costs directly attributable to exploration and evaluation of Zharkamys and Marsel (June 30, 2012 – \$2.7 million).

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2013

4. Property and equipment:

(000's)	Oil & gas properties	Other equipment	Total
Cost			
As at December 31, 2011	10,876	5,077	15,953
Capital expenditures	-	2,247	2,247
Disposal of assets (Note 2)	(5,802)	(83)	(5,885)
Change in decommissioning provision and other	748	-	748
Foreign currency translation adjustment	-	(101)	(101)
As at December 31, 2012	5,822	7,140	12,962
Capital expenditures	-	424	424
Disposal of assets (Note 2)	(5,822)	(191)	(6,013)
Foreign currency translation adjustment	-	289	289
Reclassified as assets held for sale (Note 2)	-	(1,249)	(1,249)
As at June 30, 2013	-	6,413	6,413
Accumulated depletion and depreciation			
As at December 31, 2011	6,401	1,088	7,489
Depletion and depreciation	983	761	1,744
Disposal of assets (Note 2)	(3,860)	(61)	(3,921)
Foreign currency translation adjustment	-	(36)	(36)
As at December 31, 2012	3,524	1,752	5,276
Depletion and depreciation	89	386	475
Disposal of assets (Note 2)	(3,613)	(34)	(3,647)
Foreign currency translation adjustment	-	77	77
Reclassified as assets held for sale (Note 2)	-	(496)	(496)
As at June 30, 2013	-	1,685	1,685
Net book value			
As at December 31, 2012	2,298	5,388	7,686
As at June 30, 2013	-	4,728	4,728

5. Other long term assets:

As at (000's)	June 30, 2013	December 31, 2012
Value added tax receivable	7,787	9,072
Non-current bank deposits	962	1,557
	8,749	10,629

Undiscounted value added tax ("VAT") receivables of \$9.1 million (December 31, 2012 - \$12.3 million) are available for offset against VAT collected on future domestic sales and available for refund related to future export sales. The VAT receivables are discounted from the expected date of receipt using a discount rate of 5.4% (2012 – 5.6%), which estimates the market rate of return on a similar instrument.

The non-current bank deposits are invested in special interest bearing accounts and, upon entering the development stage, the funds are available at the Company's discretion for decommissioning obligations.

Other long term assets of Marsel have been presented as held for sale at June 30, 2013 (Note 2).

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2013

6. Long term borrowings:

The Company had a \$20.0 million credit facility provided by EurAsia Resource Holdings AG ("EurAsia"), carrying interest at 5.0% with principal and interest due January 1, 2015. Subsequent to period end, the credit facility was amended from \$20.0 million to \$7.5 million. The Company borrowed \$2.5 million on June 13, 2013, and \$6.0 thousand of interest expense was incurred during the current period (December 31, 2012 – nil). Amounts drawn on the facility are convertible at the request of EurAsia into a variable number of common shares using the twenty day Toronto Stock Exchange volume weighted average trading price preceding the conversion. The conversion option is considered an embedded derivative and the company has elected to account for the entire contract at fair value through profit or loss.

7. Other long term liabilities:

Other long term liabilities comprise obligations to reimburse the Government of Kazakhstan for historical geological and exploration expenditures incurred in Zharkamys. The liabilities are deferred during the exploration periods and are to be repaid during the development period with repayment terms to be determined. The liabilities are non-interest bearing and the undiscounted amount at June 30, 2013 of \$2.0 million (December 31, 2012 – \$5.7 million) has been discounted to a value of \$1.3 million (December 31, 2012 – \$3.2 million) based on the estimated timing of future payments and a 10% discount rate. Prior period liabilities included those of Marsel which have been presented as held for sale in the current period (Note 2).

8. Provisions:

For the period ended (000's)	June 30, 2013	December 31, 2012
Decommissioning obligations, beginning of period	2,071	2,047
Increase in liabilities	6	1,419
Change in estimates	(19)	742
Accretion expense	45	73
Foreign currency translation adjustment	46	(31)
Decommissioning costs	-	(104)
Dispositions	(558)	(1,039)
Transferred to current portion of provisions	-	(1,036)
Transferred to liabilities held for sale (Note 2)	(273)	-
Decommissioning obligations, end of period	1,318	2,071
Current portion of provisions, beginning of period	1,036	-
Change in liabilities	(97)	1,036
Decommissioning costs	(319)	-
Foreign currency translation adjustment	36	-
Transferred to current liabilities held for sale (Note 2)	(467)	-
Current portion of provisions, end of period	189	1,036

Decommissioning obligations are estimated based on the expected costs to abandon existing wells and facilities and to restore the existing sites along with the estimated timing of future payments. At June 30, 2013 the estimated total undiscounted cash flows required to settle the current and non-current liabilities is \$2.0 million (December 31, 2012 - \$4.0 million) which are expected to be incurred between 2013 and 2029.

The calculation of the net present value of the decommissioning obligations included a weighted average inflation rate of 4.5% (December 31, 2012 – 4.0%) and weighted average risk free rate associated with the assets of 5.9% (December 31, 2012 – 5.1%).

Condor Petroleum Inc.

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For the three and six months ended June 30, 2013

9. Loss per share:

Per share amounts are calculated using 346,120,871 weighted average common shares for the periods ended June 30, 2012 and 2013. Outstanding stock options have been excluded from the calculations of diluted weighted average common shares as to include them would be anti-dilutive.

On April 2, 2013 the Company granted 7,720,000 stock options with an exercise price of \$0.55; exercisable one third immediately, one third on April 2, 2014, and one third on April 2, 2015; and expire on April 2, 2018. 80,000 stock options with a weighted average exercise price of \$0.93 were forfeited and 1,082,355 stock options with a weighted average exercise price of \$1.44 expired during the period. 33,448,829 stock options were outstanding at June 30, 2013.

10. Commitments and contingent liabilities:*Work commitments*

The Company has contractual work commitments pursuant to the Zharkamys and Marsel exploration contracts in Kazakhstan. During the period, the Company obtained approval for a two year extension to the Zharkamys exploration period and the increase to the contractual work commitments has been included in the table below.

As at the most recent Marsel contract anniversary date of July 27, 2012, the contractual minimum work program had been underspent by US \$15.5 million. During the Marsel contract year ended July 27, 2012, the Marsel Territory experienced unusually cold weather, well above average precipitation and significant flooding in the region which affected the Company's ability to complete the planned exploration activities. As a result, the Government of Kazakhstan recognized force majeure conditions and extended the contract period to complete the required performance obligations to March 27, 2015 and the underspent portion was added to the remaining work program obligations. The Marsel work commitments will be the responsibility of the buyer upon the closing of the transaction discussed in Note 2.

Non-fulfillment of contractual work commitments in Kazakhstan could result in punitive actions by the Government of Kazakhstan including suspending or revoking the contract. Financial contractual work commitment shortfalls may be subject to penalties of 30% of the shortfall. Any exploration period extensions or subsequent development periods would likely carry additional contractual work commitments, which could be significant.

The remaining work commitments, as at June 30, 2013 are as follows:

Work commitments (in millions of US\$)	2013	2014	2015	Total
Zharkamys	6.5	9.3	9.6	25.4
Marsel (Note 2)	2.5	15.0	15.1	32.6
Total	9.0	24.3	24.7	58.0

Sagiz oil terminal

The Company signed a letter of intent to purchase a 90% interest in the Sagiz oil storage terminal, located 12 kilometers northwest of Zharkamys. The purchase is subject to the terminal being refurbished, operational and licensed for use, and is expected to be completed in 2014 at an expected cost of \$2.5 million.