Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

March 18, 2015

Independent Auditor's Report

To the Shareholders of Condor Petroleum Inc.

We have audited the accompanying consolidated financial statements of Condor Petroleum Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Condor Petroleum Inc. and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

Condor Petroleum Inc.
Consolidated Statements of Financial Position
Stated in thousands of Canadian dollars

As at December 31	Note	2014	2013
Assets			
Cash and cash equivalents	4	64,478	11,950
Trade and other receivables		1,175	414
Other current assets	5	1,722	1,598
		67,375	13,962
Assets held for sale	6	-	67,271
Total current assets		67,375	81,233
Exploration and evaluation assets	7	120,243	112,873
Property and equipment	8	4,967	4,519
Other long term assets	9	10,157	9,601
Total assets		202,742	208,226
Liabilities			
Accounts payable and accrued liabilities		7,778	3,528
Current borrowings	10	-	15,397
Current portion of provisions	13	633	589
		8,411	19,514
Liabilities held for sale	6	-	8,897
Total current liabilities		8,411	28,411
Long term borrowings	11	-	2,569
Other long term liabilities	12	4,184	4,042
Provisions	13	1,527	1,140
Total liabilities		14,122	36,162
Equity			
Share capital	14	263,035	263,035
Contributed surplus		18,429	17,064
Translation reserve		(7,332)	4,919
Deficit		(85,512)	(109,028)
Equity attributable to Condor		188,620	175,990
Non-controlling interest		-	(3,926)
Total equity		188,620	172,064
Total liabilities and equity		202,742	208,226

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

Condor Petroleum Inc.

Consolidated Statements of Comprehensive Income
Stated in thousands of Canadian dollars
(except for per share amounts)

For the year ended December 31	Note	2014	2013
Revenue			
Crude oil sales		2,542	3,987
Other income		975	488
Total Revenue		3,517	4,475
Expenses			
Production costs		2,651	3,768
Royalty expense		112	158
General and administrative		9,639	8,061
Depletion and depreciation	7, 8	2,388	3,288
Stock based compensation	16	1,365	2,674
Total Expenses		(16,155)	(17,949)
Finance income	18	362	657
Finance and accretion expenses	18	(1,904)	(2,014)
Foreign exchange gain	18	3,340	179
Net loss from continuing operations		(10,840)	(14,652)
Discontinued operations	6	(190)	(1,042)
Gain on property disposal	6	34,546	-
Net income (loss) from discontinued operations		34,356	(1,042)
Net income (loss)		23,516	(15,694)
Foreign currency translation adjustment ("FCTA")		(8,209)	9,888
Transfer of accumulated FCTA on disposal	6	(4,042)	-
Comprehensive income (loss)		11,265	(5,806)
Net income (loss) attributable to			
Condor		23,516	(15,267)
Non-controlling interests		-	(427)
Net income (loss)		23,516	(15,694)
Comprehensive income (loss) attributable to			
Condor continuing operations		(20,872)	(2,944)
Condor discontinued operations		32,137	(1,816)
Non-controlling interests		-	(1,046)
Comprehensive income (loss)		11,265	(5,806)
Basic and diluted Income (loss) per share			
Net loss from continuing operations	15	(0.03)	(0.04)
Discontinued operations	15	0.10	(0.00)
Net income (loss)	15	0.07	(0.04)

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

Condor Petroleum Inc.

Consolidated Statements of Changes in Equity
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
	(Notes 14, 15)	(Note 14)	(Note 16)	(Notes 6, 22)			(Note 6)	
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	-	-	2,674	-	-	**2,674**		**2,674**
Foreign currency translation adjustment	-	-	-	10,507	-	**10,507**	(619)	**9,888**
Net loss	-	-	-	-	(15,267)	**(15,267)**	(427)	**(15,694)**
As at December 31, 2013	**346,120,871**	**263,035**	**17,064**	**4,919**	**(109,028)**	**175,990**	**(3,926)**	**172,064**
Stock based compensation expense	-	-	1,365	-	-	**1,365**	-	**1,365**
Foreign currency translation adjustment	-	-	-	(8,209)		**(8,209)**	-	**(8,209)**
Disposal of non-controlling interest	-	-	-	-	-	**-**	3,926	**3,926**
Transfer into income on disposal	-	-	-	(4,042)	-	**(4,042)**	-	**(4,042)**
Net income	-	-	-	-	23,516	**23,516**	-	**23,516**
As at December 31, 2014	**346,120,871**	**263,035**	**18,429**	**(7,332)**	**(85,512)**	**188,620**	**-**	**188,620**

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

Condor Petroleum Inc.

Consolidated Statements of Cash Flows
Stated in thousands of Canadian dollars

For the year ended December 31	Note	2014	2013
Operating activities:			
Net loss from continuing operations		(10,840)	(14,652)
Items not affecting cash:			
Depletion and depreciation	7, 8	2,388	3,288
Stock based compensation	16	1,365	2,674
Non-cash finance income		(226)	(573)
Non-cash finance expenses	18	1,904	2,014
Unrealized exchange gains	18	(4,566)	(350)
Interest paid	10, 11	(1,218)	(561)
Decommissioning costs	13	-	(494)
		(11,193)	(8,654)
Changes in non-cash working capital		(1,059)	(2,670)
Cash used in continuing operations		(12,252)	(11,324)
Cash from discontinued operations	6	30	653
Cash used in operating activities		(12,222)	(10,671)
Investing activities:			
Exploration and evaluation expenditures	7	(18,180)	(14,817)
Property and equipment expenditures	8	(1,431)	(455)
Value added tax paid	9	(1,668)	(1,256)
Deposits for decommissioning obligations	9	(205)	(317)
Changes in non-cash working capital		4,025	1,693
Cash used in continuing investing activities		(17,459)	(15,152)
Proceeds on property disposal	6	95,980	-
Cash from (used in) discontinued investing	6	(167)	(4,157)
Cash from (used in) investing activities		78,354	(19,309)
Financing activities:			
Proceeds from (repayment of) borrowings	10, 11	(17,500)	16,894
Cash from (used in) continuing financing		(17,500)	16,894
Cash from (used in) discontinued financing	6	-	5,085
Cash from (used in) financing activities		(17,500)	21,979
Change in cash		48,632	(8,001)
Effect of foreign exchange on cash	18	3,896	399
Cash and cash equivalents, beginning of year	4	11,950	19,820
Cash and cash equivalents held for sale	6	-	(268)
Cash and cash equivalents, end of year	4	64,478	11,950

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

1. Corporate information:

Reporting entity:

Condor Petroleum Inc. ("Condor" or the "Company") is a publicly traded company, listed on the Toronto Stock Exchange ("TSX") under the symbol "CPI", with activities in Canada and 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 consolidated financial statements (the "financial statements") of the Company as at and for the year ended December 31, 2014 and 2013 comprise the Company and its subsidiaries, and have been prepared using International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB"). The financial statements were approved and authorized for issue on March 18, 2015 by the Board of Directors (the "Board").

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 February 8, 2016. Upon each commercial discovery, the Company has the exclusive right to enter the development period by executing a development contract.

At December 31, 2013, the Company owned a 66% interest in the Marsel territory ("Marsel") in south eastern Kazakhstan. The Company completed the disposal of Marsel on January 28, 2014, as described in Note 6.

2. Basis of presentation:

The financial statements are reported in Canadian dollars ("CAD"), on a going concern basis. CAD is the functional currency of all significant subsidiaries of the Company except for the operating company in Kazakhstan, which has 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, if any, which are measured at fair value with changes in fair value recorded in earnings.

Significant accounting estimates and judgments

The timely preparation of financial statements requires management to make use of judgments, estimates and assumptions when transactions affecting the current accounting period cannot be finalized until future periods. These estimates will affect assets, liabilities and the disclosure of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting periods. Such estimates are based on informed judgments made by management. Actual results could differ from those estimates as future confirming events occur. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include:

i. Reserve and resource estimates

Amounts recorded for depreciation and depletion and assessing the valuation of property and equipment and exploration and evaluation assets are based on estimates of oil and natural gas reserves and resources. By their nature, the estimates of reserves and resources, including estimates of future sales prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty. A downward

revision in the reserve or resource estimates or an upward revision to future capital costs would affect the depletion expense and could result in an asset impairment, which would reduce future earnings and the associated net book value of assets. Accordingly, the impact on the consolidated financial statements of future periods could be material. The Company's oil and gas reserves are evaluated by independent qualified reserves evaluators and resources are internal estimates prepared by qualified reserves evaluators.

ii. *Exploration and evaluation assets*

The decision to transfer assets from exploration and evaluation to property and equipment is based on the determination of an area's technical feasibility and commercial viability, and the execution of a development contract with the Government of Kazakhstan.

iii. *Assets held for sale and discontinued operations*

The decision to classify assets and liabilities of a disposal group as held for sale is based on the judgment of management that the assets and liabilities are available for sale in the current condition, and the sale being highly probable (Note 6).

iv. *Decommissioning obligations*

Amounts recorded for decommissioning obligations and the related accretion expense require the use of estimates with respect to the amount and timing of asset retirements, site remediation, discount rates, inflation rates and related cash flows (Note 13). Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow. As a result of the long-term nature of the Company's operations, these estimates may change over time which may result in a change in the decommissioning provision and corresponding asset value, and impact future earnings as a result of changes in accretion and depletion expense.

v. *Stock based compensation*

Compensation costs related to the Company's stock option plan are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as share price volatility and the expected term of granted stock options (Note 16).

vi. *Income taxes*

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings (Note 19). Changes in the estimate of future taxable income and the recovery of deductible temporary differences may result in the recognition of a deferred tax asset on the statement of financial position and an increase in earnings at the time when the tax recovery is recorded.

vii. *Other long term assets and other long term liabilities*

Other long term assets and other long term liabilities are subject to estimates regarding the timing and amounts of future receipts and payments, discount rates and related cash flows (Notes 9 and 12). A change in the timing of cash flows or discount rates may impact earnings as a result of changes in finance income and expense.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial

statements by the Company and its subsidiaries.

Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at December 31, 2014 the Company has the following significant subsidiaries:

- New Horizon Energy Netherlands B.V. (Netherlands)
- Falcon Oil & Gas Ltd. (Kazakhstan)

ii. Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation and transactions

For the Company's foreign operations, assets and liabilities are translated to Canadian dollars from their functional currency using period end exchange rates, revenues and expenses are translated using average rates during the period. Foreign currency translation adjustments are recognized in the translation reserve.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in the translation reserve.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into the functional currency at period end exchange rates with resulting exchange gains and losses included in profit or loss for the period. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction.

Cash and cash equivalents

Cash and cash equivalents include short term, highly liquid investments that mature within three months of purchase.

Other current assets

Other current assets are comprised of supplies inventory, crude oil inventory, prepaid expenses, refundable Canadian goods and services tax ("GST") and the current portion of refundable Kazakhstan value added tax ("VAT").

Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory cost is determined using the weighted average method. Supplies inventory includes all costs to purchase and other costs incurred in bringing the inventory item to its existing location and condition. Crude oil inventory includes all costs of production, storage, processing, transportation, royalties and attributable depletion expense on produced but unsold crude oil.

Assets held for sale and discontinued operations

Assets and liabilities of a disposal group are classified as held for sale when the disposal group is available for sale in its present condition and the sale is highly probable. Classification as a discontinued operation occurs upon disposal or when an operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Exploration and evaluation assets

All costs directly related to exploration and evaluation assets are initially capitalized. Exploration and evaluation costs are expenditures on areas for which technical feasibility and commercial viability have yet to be determined and include costs associated with unproved property acquisitions, geological and geophysical, decommissioning obligations, exploration and evaluation drilling, sampling, testing and appraisals. Costs incurred prior to acquiring the legal right to explore an area are charged to earnings.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and then transferred to oil and gas properties. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to earnings as exploration and evaluation expense. Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Crude oil sales from test production on exploration and evaluation properties, prior to commercial viability and technical feasibility are recorded according to the Company's revenue recognition policy and all related sales costs, including royalties, production costs, transportation costs and depletion are charged to earnings in the period of occurrence. Depletion of exploration and evaluation assets related to crude oil sales is recorded using the unit-of-production method based on proved plus probable reserves and total project capital expenditures including future development costs.

Oil and gas properties

All costs directly associated with the acquisition and development of oil and gas properties are capitalized on an area-by-area basis for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, asset retirement costs and transfers of exploration and evaluation assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Other equipment

Other equipment including gathering, storage, processing facilities and infrastructure is depreciated on a straight-line basis over their estimated useful lives. Office equipment is depreciated over 3-6 years and field equipment is depreciated mainly over 10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Where an item of property and equipment consists of major components with different useful lives, the

components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Impairment

Oil and gas properties and other property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to expense which reduces the carrying amount to its recoverable amount. Impairment losses related to continuing operations are recognized in profit and loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been objective evidence of a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized and the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Other long term assets

Other long term assets include refundable VAT and restricted bank deposits for mandatory decommissioning obligation funding related to Condor's exploration territories in Kazakhstan. The VAT receivables are available for offset against VAT collected on future domestic sales and available for refund related to future export sales and are discounted from the expected date of receipt using a discount rate which approximates the market rate of interest. The 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.

Income taxes

Income taxes are comprised of current and deferred taxes. Income tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected income tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting period, adjusted for any income tax reassessments from prior periods.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not affect accounting or taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax assets are reviewed at each reporting date.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Stock based compensation

The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model. The model employs various assumptions, based on management's best estimates at the time of grant, which impact the fair value calculated and ultimately, the expense that is recognized. The value of the stock options is recognized as an expense over the vesting period with an offsetting increase to contributed surplus. The expense is recognized on a graded basis, being higher in earlier years and lower in later years. Consideration paid for shares on exercise of the stock options will be added to share capital together with the amount of any contributed surplus that arose as a result of the grant of the exercised stock options. The Company does not capitalize stock based compensation costs.

Revenue recognition

Crude oil sales and other income are recorded in the period in which the product or service has been delivered to the customer, the significant risks and rewards of ownership have been transferred to the customer, the price is determinable, and collection of the sales price is reasonably assured.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a risk free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it's no longer probable that an outflow of economic benefits will be required, the provision is reversed.

Decommissioning obligations

Decommissioning obligations comprise present obligations for well abandonment, facility retirement and site restoration and are measured at the present value of the expected expenditures to be incurred based on projected remediation plans, current industry practices and technology and prevailing legislation. Increases in decommissioning obligations resulting from the passage of time are recorded as accretion expense. The cost is capitalized as a component of oil and gas properties and amortized as depletion and depreciation expense.

Changes in the estimated obligations resulting from revisions to the estimated timing, cost, or changes in the discount rate are recognized as a change in the decommissioning obligations and the related asset retirement cost.

Net income per share

The Company presents basic and diluted net income per share data for its common shares, calculated by dividing the net income attributed to common shareholders by the weighted average number of common

shares outstanding during the period. Diluted net income per share does not adjust the income attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Borrowing costs not directly attributable to a qualifying asset are amortized over the term of the loan.

Financial instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company assesses at the end of each reporting period whether a financial asset is impaired. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit and loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit and loss, is transferred from

equity to profit and loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit and loss.

Other financial liabilities are financial liabilities that are not quoted on an active market and with no intention of being traded. Other financial liabilities include accounts payable and accrued liabilities, and borrowings. Accounts payable are initially recognized at the amount required to be paid less any discount or rebates to reduce the payables to estimated fair value. Accounts payable are subsequently measured at amortized cost using the effective interest method. The current borrowings were recognized initially at fair value, net of any transaction costs incurred, which are capitalized and subsequently amortized using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. The fair value of financial liabilities classified as FVTPL, are recognized in earnings.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Changes in Accounting Policies and new standards and interpretations not yet adopted

On January 1, 2014, the Company adopted new and amended accounting standards with respect to impairment of assets (IAS 36), recognition of liabilities for levies imposed by governments (IFRIC 21) and amendments to IAS 32, “Financial Instruments: Presentation” (“IAS 32”). The adoption of these amendments and standards had no impact on the amounts recorded in the financial statements.

On July 24, 2014, the IASB issued IFRS 9, “Financial Instruments” (“IFRS 9”) to replace International Accounting Standard 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity’s own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 is effective for years beginning on or after January 1, 2018.

On May 28, 2014, the IASB published IFRS 15, “Revenue From Contracts With Customers” (“IFRS 15”) replacing IAS 11, “Construction Contracts”, IAS 18, “Revenue” and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2017. The standard may be applied retrospectively or using a modified retrospective approach.

Early adoption of these standards is permitted and the Company is currently evaluating the impact of these new standards on the financial statements.

4. Cash and cash equivalents:

As at December 31 (000's)	2014	2013
Cash at bank	1,552	1,370
Short-term deposits	62,926	10,580
	64,478	11,950

Cash at bank earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on expected cash requirements and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents approximates its carrying value due to its short-term nature.

5. Other current assets:

As at December 31 (000's)	2014	2013
Supplies inventory	353	382
Crude oil inventory	142	53
Prepaid expenses	814	810
Current portion of VAT receivable (Note 9)	413	353
	1,722	1,598

6. Disposal of Marsel and discontinued operations:

Marsel territory

On January 28, 2014, Condor's wholly owned subsidiary, Condor Netherlands Petroleum B.V., completed the sale of its 66% participating interest in the Marsel territory located in the Chu-Sarysu basin in southeast Kazakhstan ("Marsel") and certain indebtedness of Marsel for gross proceeds of US $88.0 million (the "Marsel Sale"). The following table is presented in 000's:

Gross proceeds	98,102
Purchase price adjustment[(1)]	(1,973)
Net proceeds	96,129
Book value of Marsel net assets (as at January 28, 2014)	
Cash and cash equivalents	167
Restricted cash and other current assets	629
Exploration and evaluation assets	65,790
Property and equipment	3,731
Other long term assets	746
Accounts payable and accrued liabilities	(551)
Current portion of provisions	(209)
Current borrowings	(5,717)
Other long term liabilities	(2,523)
Provisions	(364)
Non-controlling interest	3,926
Book value of Marsel net assets	65,625
Gain on disposal before transfer of accumulated FCTA	30,504
Transfer of accumulated FCTA on disposal	4,042
Gain on disposal	34,546

(1) $2.0 million was deducted from the sale proceeds related to Kazakhstan withholding tax.

The net assets and liabilities of Marsel, including $58.2 million of exploration and evaluation assets, were initially reclassified as held for sale on April 22, 2013 following the execution of the Marsel Sale agreement, and at December 31, 2013, $67.3 million of assets and $8.9 million of liabilities were classified as held for sale. For the year ended December 31, 2014 Marsel incurred $0.2 million of expenses which have been included in discontinued operations on the statement of comprehensive income (2013: $1.4 million).

Canadian operations

The Company's Canadian oil and gas properties provided $0.7 million of revenue and $0.6 million of expenses in 2013. The Company disposed of its remaining Canadian producing oil and gas properties during the second quarter of 2013 for net proceeds of $2.1 million and recognized a $0.2 million gain on disposal.

7. Exploration and evaluation assets:

Exploration and evaluation assets include the Zharkamys territory in Kazakhstan, as described in Note 1.

As at December 31 (000's)	**2014**	**2013**
Cost		
Balance, beginning of period	117,124	146,475
Capital expenditures	18,180	14,817
Capital expenditures of discontinued operations	-	2,649
Increase in historical cost obligations (Note 12)	-	2,602
Change in decommissioning provision and other	426	223
Foreign currency translation adjustment	(9,726)	8,547
Reclassified as assets held for sale	-	(58,189)
Balance, end of period	126,004	117,124
Accumulated depletion		
Balance, beginning of period	(4,251)	(1,470)
Depletion	(1,805)	(2,623)
Foreign currency translation adjustment	295	(158)
Balance, end of period	(5,761)	(4,251)
Net book value, end of period	120,243	112,873

8. Property and equipment:

(000's)	**Oil & gas properties**	**Other equipment**	**Total**
Cost			
As at December 31, 2012	5,822	7,140	12,962
Capital expenditures	-	461	461
Disposal of assets	(5,822)	(191)	(6,013)
Foreign currency translation	-	340	340
Reclassified as assets held for sale	-	(1,249)	(1,249)
As at December 31, 2013	-	6,501	6,501
Capital expenditures	-	1,431	1,431
Foreign currency translation	-	(458)	(458)
As at December 31, 2014	-	7,474	7,474

(000's)	Oil & gas properties	Other equipment	Total
Accumulated depletion and depreciation			
As at December 31, 2012	(3,524)	(1,752)	(5,276)
Depletion and depreciation	(89)	(669)	(758)
Disposal of assets	3,613	34	3,647
Foreign currency translation	-	(90)	(90)
Reclassified as assets held for sale	-	495	495
As at December 31, 2013	-	(1,982)	(1,982)
Depletion and depreciation	-	(625)	(625)
Foreign currency translation	-	100	100
As at December 31, 2014	-	(2,507)	(2,507)
Net book value			
As at December 31, 2013	-	4,519	4,519
As at December 31, 2014	-	4,967	4,967

9. Other long term assets:

As at December 31 (000's)	2014	2013[(1)]
Non-current VAT receivable	8,752	8,303
Non-current bank deposits	1,405	1,298
	10,157	9,601

(1) The other long term assets related to Marsel were presented as assets held for sale at December 31, 2013 (Note 6).

Undiscounted VAT receivables (including non-current and current portion) of $10.8 million (2013: $9.8 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 5.5% (2013: 5.2%), which estimates the market rate of return on a similar instrument.

The non-current bank deposits, as described in Note 3, are invested in special interest bearing accounts and, upon entering the development period, the funds are available at the Company's discretion for decommissioning obligations.

10. Current borrowings:

On September 16, 2013, the Company issued a senior unsecured note with a principal amount of $15.0 million (the "Note") and bearing interest at 16% per annum. The Note was due on the earlier of September 15, 2014 or on the receipt of the proceeds from the Marsel Sale (Note 6). The Note required the equivalent of nine months interest calculated from September 16, 2013, less interest paid, to be paid if the Note was repaid on or before June 16, 2014. The Company estimated the timing of expected cash flows associated with the Note at 2013 year-end and recognized interest using the effective interest rate of the Note.

In February, 2014, upon receipt of the Marsel Sale proceeds as described in Note 6, the full amount of principal and the equivalent of nine months interest, less interest paid to date of $16.1 million was due and paid to the Note holder.

11. Long term borrowings:

At December 31, 2013, the Company had a $7.5 million credit facility provided by EurAsia Resource

Holdings AG ("EurAsia"), the Company's largest shareholder, carrying interest at 5.0% with principal and interest due January 1, 2015. In March, 2014, the Company repaid the outstanding principal and accrued interest amounts of $2.6 million and the facility was canceled.

12. Other long term liabilities:

Other long term liabilities are amounts to be reimbursed to the Government of Kazakhstan for historical costs incurred in Zharkamys by the Government prior to the Company's acquisition of the Zharkamys exploration rights and include expenditures for drilling, seismic and other geological and geophysical works. The liabilities are deferred during the exploration period and are to be repaid during the development period with repayment terms to be determined. Undiscounted historical cost obligations increased by KZT 600 million during 2013 related to the Zharkamys territory expansion, as described in Note 21. The historical cost obligations are non-interest bearing and comprise US $ denominated liabilities of $2.4 million related to the initial Zharkamys license acquisition and KZT denominated liabilities of $3.8 million related to the Zharkamys territory expansion. The total undiscounted amount at December 31, 2014 of $6.2 million (December 31, 2013: $6.4 million) has been discounted to a value of $4.2 million (December 31, 2013: $4.0 million) based on the estimated timing of future payments and a weighted average 8% discount rate based on historical risk-free rates. The other long term liabilities related to Marsel were presented as liabilities held for sale as at December 31, 2013 (Note 6).

13. Provisions:

For the year ended December 31 (000's)	**2014**	**2013**
Decommissioning obligations, beginning of period	1,140	2,071
Increase in liabilities	656	294
Change in estimates	(119)	(19)
Decommissioning costs incurred	(96)	-
Accretion expense	92	78
Foreign currency translation adjustment	(95)	55
Dispositions	-	(558)
Transferred to current portion of provisions	(51)	(509)
Transferred to liabilities held for sale	-	(272)
Decommissioning obligations, end of period	1,527	1,140
Current portion of provisions, beginning of period	589	1,036
Change in liabilities	51	509
Change in estimates	-	(17)
Decommissioning costs incurred	-	(494)
Foreign currency translation adjustment	(7)	22
Transferred to liabilities held for sale	-	(467)
Current portion of provisions, end of period	633	589

Decommissioning obligations are estimated based on the expected costs to abandon existing wells and facilities and to restore the existing sites in Kazakhstan and Canada, along with the estimated timing of future payments. At December 31, 2014, the estimated total undiscounted cash flows required to settle the current and non-current liabilities is $2.4 million (December 31, 2013: $1.8 million) which are expected to be incurred between 2015 and 2029.

The calculation of the net present value of the decommissioning obligations included a weighted average inflation rate of 6.4% (December 31, 2013: 5.2%) and weighted average risk free rate associated with the assets of 7.7% (December 31, 2013: 5.7%).

14. Share capital:

The Company has authorized an unlimited number of common shares without nominal or par value and an unlimited number of first and second preferred shares without nominal or par values. There were 346,120,871 common shares outstanding as at December 31, 2014 and 2013.

15. Income (loss) per share:

Per share amounts are calculated using the 346,120,871 weighted average common shares outstanding during the years ended December 31, 2014 and 2013. Outstanding stock options and convertible long term borrowings have been excluded from the calculations of diluted weighted average common shares as to include them would be anti-dilutive.

16. Stock based compensation:

The Company has a stock option plan under which the Board may grant options for the purchase of common shares to directors, officers and employees for up to 10% of the outstanding common shares. The Board establishes the exercise price of options at the date of grant, provided that such price shall not be less than the volume weighted average trading price of the shares on the TSX for the five trading days immediately preceding the date of grant. The options are granted for a term of five years and fully vest after either two or three years from the date of grant. Each outstanding option is exercisable to acquire one common share of the Company.

The number and weighted average exercise prices of share options are as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2012	26,891,184	1.09
Granted	7,720,000	0.55
Forfeited	(2,263,331)	0.98
Expired	(2,641,184)	1.44
Outstanding at December 31, 2013	29,706,669	0.92
Granted	3,370,000	0.33
Forfeited	(3,406,669)	0.87
Outstanding at December 31, 2014	29,670,000	0.86

Details of the stock options outstanding as at December 31, 2014 are as follows:

	Options outstanding		Options vested	
Exercise price	Number	Average remaining life in years	Number	Average remaining life in years
$0.21	200,000	4.9	-	4.9
$0.30	300,000	4.4	100,002	4.4
$0.34	2,455,000	4.3	818,333	4.3
$0.50	5,290,000	3.3	3,526,677	3.3
$0.55	6,170,000	4.3	4,113,342	4.3
$1.00	7,180,000	1.5	7,180,000	1.5
$1.40	8,075,000	2.5	8,075,000	2.5
	29,670,000	2.0	23,813,354	2.4

The 23,813,354 options exercisable at December 31, 2014 had a $0.96 weighted average exercise price (2013: $1.02). Stock options granted during the year had a grant date fair value of $0.12 - $0.18 (2013: $0.31). The fair value of each option granted is estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life (2013: 3.5 years); a 1% risk free interest rate (2013: 1%); an 80%

expected volatility, which has been based on historical share price volatility of the Company (2013: 80%); 17% expected forfeiture rate (2013: 3%); and weighted average share price of $0.32 (2013: $0.55).

17. Compensation expenses:

The aggregate payroll expense was $8.6 million of salary and benefits (2013: $8.2 million) and $1.4 million of stock based compensation expense (2013: $2.7 million).

Key management comprises the executive officers and directors of the Company. Key management's compensation was comprised of $1.5 million of salary and benefits (2013: $1.5 million) and stock based compensation of $1.1 million (2013: $2.3 million). In the event of termination or change of control, key management (excluding directors) are each entitled to two years annual compensation.

18. Finance income and expenses:

For the year ended December 31 (000's)	2014	2013
Finance income:		
Interest income on bank deposits	136	84
Accretion of long term VAT receivables	226	573
	362	657
Finance expenses:		
Interest expense	(568)	(1,210)
Amortization deferred financing costs	(185)	(423)
Accretion of provisions and other long term liabilities	(392)	(208)
Charges on discounting VAT	(759)	(173)
	(1,904)	(2,014)
Foreign exchange gain	3,340	179
Net finance income (expense)	1,798	(1,178)

19. Income taxes:

The provision for income taxes differs from the amount computed by applying the statutory rates to earnings before taxes. The difference results from the following items:

For the year ended December 31 (000's)	2014	2013
Loss from continuing operations before tax	(10,840)	(14,652)
Statutory rate	25%	25%
Tax provision at statutory rate	(2,710)	(3,663)
Effect on taxes of:		
Non-taxable loss	(48)	(266)
Stock based compensation expense	311	698
Foreign tax rate differentials	409	324
Change in unrecognized temporary differences	2,038	2,907
Current income tax expense	-	-

There was no charge for deferred tax expense (recovery) in the current year and no deferred tax assets were recognized on the statement of financial position for the following deductible temporary differences:

As at December 31(000's)	2014	2013
Property and equipment	(16,847)	(14,874)
Income tax losses	(40,236)	(36,798)
Share issue costs	(2,021)	(3,675)
Other	-	(11,242)
Total deductible temporary differences	(59,104)	(66,589)

For income tax purposes, the Company has losses carried forward as at December 31, 2014 which may be used to reduce future years' taxable income. In Canada, the Company has $17.7 million of losses carried forward which expire between 2028 and 2034. In the United States, the Company has $18.3 million of losses carried forward which expire between 2027 and 2034, and in the Netherlands the Company has $5.3 million of losses carried forward that expire between 2017 and 2023.

At December 31, 2014, there is approximately $21.4 million (2013: $20.4 million) of undistributed retained earnings in foreign subsidiaries that may be subject to dividend withholding taxes in the country of origin upon repatriation. No provision has been made for withholding and other taxes that would become payable on the distribution of these earnings because the Company controls the relevant entities and has no committed plans to remit the earnings in the foreseeable future.

20. Related party transactions:

Credit facility

As discussed in Note 11, as at December 31, 2013 the Company had a credit facility provided by EurAsia which was repaid and cancelled in March, 2014. As at December 31, 2014 EurAsia held 41.2% of the outstanding common shares of Condor (2013: 49.9%).

Personnel services received

General and administration costs for the year ended December 31, 2014 include personnel services provided by affiliates of EurAsia. The expense for the year ended December 31, 2014 was $0.6 million (2013: $0.6 million) and the amount outstanding at December 31, 2014 was $0.1 million (2013: $0.3 million) and is recorded as accounts payable and accrued liabilities.

Equipment purchases

Exploration and evaluation expenditures for the year ended December 31, 2014 include purchases of equipment and materials from an affiliate of EurAsia in the amount of $2.5 million, which have been recorded at the exchange amount, which is the amount of consideration agreed to by the related parties (2013: $0.1 million).

Management services provided

During the year, the Company charged affiliates of EurAsia for management services related to their respective oil and natural gas operations. The amount charged for the year ended December 31, 2014 was $0.04 million (2013: $0.1 million) and was treated as a reduction of general and administration costs.

21. Commitments and contingent liabilities:

Work commitments

The Company has contractual work commitments related to the Zharkamys territory in Kazakhstan. During 2013, the Zharkamys exploration period was extended for two years and during 2014 it was extended for an additional 5 months until February 8, 2016. In 2013 the Zharkamys territory was expanded by 1,167 km^2 to a total area of 3,777 km^2. The associated increases to the contractual work commitments have been included in the table below.

Contractual work commitments are amended from time to time in accordance with planned exploration and development activities proposed by the Company and approved by the Government of Kazakhstan and the amounts could be significant. In addition, any exploration period extensions or subsequent development periods would likely carry additional contractual work commitments, which could be significant.

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.

The remaining work commitments, which are US $ denominated, as at December 31, 2014 are as follows:

	2015	**2016**	**Total**
Zharkamys work commitments (000's)	9,281	1,923	**11,204**

As described in Note 6, the contractual work commitments related to the Marsel territory are no longer the responsibility of the Company following the completion of the Marsel Sale on January 28, 2014.

Sagiz oil terminal

The Company signed a letter of intent in 2012 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 the estimated cost is $2.5 million.

Operating leases

Non-cancellable operating leases are payable $0.6 million in less than one year (2013: $0.4 million), $0.7 million between one and three years (2013: $1.2 million) and nil in more than three years (2013: $0.1 million).

Excess profit tax

Excess profit tax in Kazakhstan ranging at rates from zero to sixty percent is calculated based on the ratio of net income to deductions in excess of 1.25. The Company has not been subject to excess profit tax to date and accordingly has not accrued any related costs but may be subject to excess profit tax in future periods.

Commercial discovery bonus

The Company shall be subject to a commercial discovery bonus of 0.1% of the value of the estimated volume of recoverable reserves as approved by the Government of Kazakhstan, on the signing of each development contract.

Kazakhstan local content requirements

Kazakhstan subsoil users are required to give preference to local companies and domestic products when procuring goods, works and services. Local content deficiencies may be subject to penalties of 30% of the

shortfall. Subsoil users are also required to follow prescribed procurement procedures including certain tendering rules and regulations.

Political and economic conditions in Kazakhstan

The economy in the Republic of Kazakhstan continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the use of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Additionally, the oil and gas sector is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Company's control.

The financial condition and future operations of the Company may be adversely affected by continued economic difficulties that are characteristic of an emerging market. Management is unable to predict the extent and duration of the economic difficulties, or quantify the impact, if any, on these consolidated financial statements.

Environmental matters

Certain activities in oil and gas industry can give rise to environmental issues. Environmental regulations are currently in a state of transition in the Republic of Kazakhstan and the Company continually assesses its obligations thereon. As obligations are determined, they will be provided for over the estimated remaining lives of oil and gas properties or recognised immediately, depending on their nature.

The outcome of environmental liabilities under current or any future environmental legislation cannot reasonably be estimated at present, and could be material. However, Management believes that under existing environmental legislation there are no significant liabilities beyond those amounts, which have already been accrued in these financial statements that will have a materially adverse effect on the operating results or financial position of the Company.

Taxation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application, interpretations and enforcement, and in particular, existing subsurface use contracts are under close scrutiny by the tax and other authorities. This could result in unfavourable changes to the Company's tax positions. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the tax authorities for five years. Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained.

22. Financial risk management:

Credit risk

Credit risk arises from the possibility that a counterparty to which the Company provides goods or services is unable or unwilling to fulfill their obligations.

The maximum exposure to credit risk at year end is as follows:

Carrying amounts as at December 31(000's)	**2014**	**2013**
Cash and cash equivalents	64,478	11,950
Trade and other receivables	1,175	414
Other current financial assets	1,227	1,163
Financial assets held for sale (Note 6)	-	4,490
Other long term assets	10,157	9,601
	77,037	27,618

The Company limits its exposure to credit risk on cash and cash equivalents by depositing and investing in banks with top credit ratings. As at December 31, 2014 the majority of cash and cash equivalents is invested with Canadian chartered banks ($63.4 million) while $1.0 million is held in the Netherlands and $0.1 is held in Kazakhstan. The Company expects the counterparties to meet their obligations.

Credit risk on trade receivables is mainly related to crude oil marketers and the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from crude oil sales in Kazakhstan are from one customer, and are therefore subject to concentration risk. This risk is mitigated by management's policies and practices related to credit risk. As at December 31, 2014, trade and other receivables are comprised of $0.9 million, which is current, and $0.3 million, which is 31 to 60 days past terms.

The Company historically has not experienced any collection issues with its crude oil marketer and has examined its accounts receivable and concluded that an allowance for doubtful accounts is not necessary and that the amount shown as accounts receivable is valid and collectible.

VAT receivable included in other long term assets is collectable from the Government of Kazakhstan and will be either offset against future VAT collected on future domestic sales or refunded on future export sales. Although the VAT recovery process in Kazakhstan is arduous, the Company has not made any provision as considers the amounts to be fully recoverable.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations and commitments and repaying liabilities as they fall due. The Company requires liquidity mainly to satisfy financial obligations and capital and operating requirements related to exploration activities in Kazakhstan.

In Kazakhstan, the Company has certain contractual work commitments related to exploration activities as described in Note 21. Due to the long cycle-time of the Zharkamys property and the stage of the exploration program, the Company relies mainly on the ability to raise debt and equity financing to meet these obligations as they fall due. As at December 31, 2014, the Company has sufficient capital to fund the planned exploration and operating activities for the next twelve months.

To manage capital spending, capital budgets are prepared, monitored regularly and updated as required. The Company also utilizes authorizations for expenditures to manage capital spending.

As at December 31, 2014, all current liabilities are contractually due within the next twelve months. The undiscounted other long term liabilities are expected to become due $1.7 million between 2015 and 2017, $1.2 million between 2018 and 2019, and $3.3 million thereafter (as at December 31, 2013: $1.1 million, $1.1 million, and $4.2 million respectively).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

Foreign currency exchange risk

Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. Although the Company's current crude oil sales are derived from the Zharkamys property in Kazakhstan, and are denominated in KZT, the underlying benchmark prices may be impacted by changes in the exchange rate between KZT and US $. The Company had no forward exchange rate contracts in place at or during the years ended December 31, 2014 and 2013.

In February, 2014, the Government of Kazakhstan lowered the KZT to US $ exchange rate, which had been fixed in prior periods. As a consequence of this, the KZT to CAD exchange rate depreciated from 143 KZT per CAD at December 31, 2013 to 165 at March 31, 2014 and to 172 at June 30, 2014 but appreciated to 163 at September 30, 2014 and 157 at December 31, 2014. These foreign exchange movements overall resulted in significant decreases to KZT denominated assets and liabilities in 2014 and a foreign currency translation adjustment of $(8.2) million for the year ended December 31, 2014 (2013: $9.9 million).

During the year ended December 31, 2014, the CAD depreciated against the US $ from 1.06 CAD per US $ to 1.16, which led to a foreign exchange gain of $3.3 million (2013: $0.2 million).

The Company is exposed to significant foreign currency risk as a substantial portion of the Company's foreign activities are transacted in or referenced to foreign currencies and, in particular, US $ and KZT and a significant portion of its cash and cash equivalents is held in US $ to fund its future investments.

The following is a breakdown of the currency denomination of financial instruments in Canadian dollar equivalents:

As at December 31, 2014 (000's)	CAD	US $	KZT	EUR	Total
Cash and cash equivalents	1,547	62,749	129	53	64,478
Trade and other receivables	56	-	1,119	-	1,175
Other current assets	313	-	909	5	1,227
Accounts payable and accrued liabilities	(529)	-	(7,153)	(96)	(7,778)
Net balance sheet equivalents	1,387	62,749	(4,996)	(38)	59,102

As at December 31, 2013 (000's)	CAD	US $	KZT	EUR	Total
Cash and cash equivalents	10,247	1,060	610	33	11,950
Trade and other receivables	12	-	402	-	414
Other current assets	287	-	871	5	1,163
Assets held for sale	-	-	732	-	732
Accounts payable and accrued liabilities	(886)	-	(2,606)	(36)	(3,528)
Current borrowings	(15,397)	-	-	-	(15,397)
Liabilities held for sale	-	(5,455)	(376)	-	(5,831)
Long term borrowings	(2,569)	-	-	-	(2,569)
Net balance sheet equivalents	(8,306)	(4,395)	(367)	2	(13,066)

Exchange rate per CAD $1.00	US $	KZT	EUR
2014 average	0.91	162	0.68
2014 year end	0.86	157	0.71
2013 average	0.97	148	0.69
2013 year end	0.94	143	0.68

A one percent change in the Canadian dollar rates at December 31, 2014 would have changed profit or loss by $0.6 million (2013: $0.04 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any debt as at December 31, 2014 and therefore has no current exposure to changes in interest rates, except for interest rates on cash and cash equivalents. All borrowings were fully repaid in February and March, 2014 (Note 10 and 11).

Commodity price risk

The Company is exposed to changes in commodity prices inherent in the oil and natural gas industry. Commodity prices for petroleum and natural gas are impacted by economic events and factors which are beyond the Company's control. Fluctuations in petroleum and natural gas prices may have a significant effect on the Company's results of operations and cash flows from operating activities and, subsequently, may also affect the value of the oil and gas properties and the level of spending for exploration and development. The majority of the Company's petroleum test production is sold under short-term contracts, which exposes the Company to the risk of price movements. The Company had no forward price contracts or derivatives in place at or during the years ended December 31, 2014 or 2013.

Fair value of financial instruments

Loans and receivables include cash and cash equivalents, trade and other receivables, other current assets and other long term assets. Other financial liabilities include accounts payable and accrued liabilities, current and 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 as they are either discounted at, or carry interest incurred at certain market rates.

23. Capital management:

Due to the contractual commitments related to the Zharkamys property in Kazakhstan which, on a total and cumulative basis, are non-discretionary and time sensitive, as discussed in Note 21, the Company is dependent on timely debt and equity financing. The key measures of the Company's capital structure are working capital, excluding assets and liabilities held for sale:

As at December 31 (000's)	**2014**	**2013**
Working capital (deficiency) excluding held for sale (Note 6)	58,964	(5,552)
Gross proceeds due from the Marsel Sale (Note 6)	-	US $88,000

As a result of the Marsel Sale, the Company has positive working capital and is no longer responsible for the Marsel work program commitments. The Company does not have any externally imposed restrictions on its capital, except on the noncurrent bank deposits for decommissioning obligations in Kazakhstan, as discussed in Note 9.

24. Supplementary cash flow information:

For the year ended December 31 (000's)	**2014**	**2013**
Interest paid	1,218	561
Interest received	136	84
Income tax paid	-	-
	1,354	645