



**Interim Condensed Consolidated Financial Statements**

**For the three months ended March 31, 2015**

**(unaudited)**

**Condor Petroleum Inc.**

Consolidated Statements of Financial Position (unaudited)

Stated in thousands of Canadian dollars

<b>As at</b>		<b>March 31, 2015</b>	<b>December 31, 2014</b>
	Note		
<b>Assets</b>			
Cash and cash equivalents		60,271	64,478
Trade and other receivables	9	1,330	1,175
Other current assets	2	1,659	1,722
<b>Total current assets</b>		<b>63,260</b>	<b>67,375</b>
Exploration and evaluation assets	3	130,195	120,243
Property and equipment		5,246	4,967
Other long term assets	4	11,019	10,157
<b>Total assets</b>		<b>209,720</b>	<b>202,742</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		3,641	7,778
Current portion of other long-term liabilities	5	332	-
Current portion of provisions		642	633
<b>Total current liabilities</b>		<b>4,615</b>	<b>8,411</b>
Other long term liabilities	5	4,069	4,184
Deferred tax liability	7	1,392	-
Provisions		1,636	1,527
<b>Total liabilities</b>		<b>11,712</b>	<b>14,122</b>
<b>Equity</b>			
Share capital		263,035	263,035
Contributed surplus		18,654	18,429
Translation reserve		1,871	(7,332)
Deficit		(85,552)	(85,512)
<b>Total equity</b>		<b>198,008</b>	<b>188,620</b>
<b>Total liabilities and equity</b>		<b>209,720</b>	<b>202,742</b>

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)

<b>For the three months ended March 31</b>		<b>2015</b>	<b>2014</b>
	Note		
<b>Revenue</b>			
Crude oil sales		103	458
Other income		-	975
<b>Total revenue</b>		<b>103</b>	<b>1,433</b>
<b>Expenses</b>			
Production costs		567	665
Royalty expense		17	20
General and administrative		2,186	3,078
Depletion and depreciation		1,032	628
Stock based compensation	6	225	481
<b>Total expenses</b>		<b>(4,027)</b>	<b>(4,872)</b>
		<b>(3,924)</b>	<b>(3,439)</b>
Finance income		189	159
Finance and accretion expenses		(437)	(874)
Foreign exchange gain	9	5,524	187
<b>Net income (loss) from continuing operations, before tax</b>		<b>1,352</b>	<b>(3,967)</b>
Deferred tax expense	7	(1,392)	-
<b>Net loss from continuing operations</b>		<b>(40)</b>	<b>(3,967)</b>
Discontinued operations		-	(190)
Gain on disposal of discontinued operations		-	34,546
<b>Net income (loss)</b>		<b>(40)</b>	<b>30,389</b>
Foreign currency translation adjustment ("FCTA")	9	9,203	(15,298)
Transfer of accumulated FCTA on disposal		-	(4,042)
<b>Comprehensive income</b>		<b>9,163</b>	<b>11,049</b>
<b>Comprehensive income (loss) attributable to</b>			
Continuing operations		9,163	(21,089)
Discontinued operations		-	32,138
<b>Comprehensive income</b>		<b>9,163</b>	<b>11,049</b>
<b>Basic and diluted income (loss) per share</b>			
Net loss from continuing operations	8	(0.00)	(0.01)
Net income from discontinued operations	8	-	0.10
<b>Net income (loss)</b>	<b>8</b>	<b>(0.00)</b>	<b>0.09</b>

## 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
<b>As at December 31, 2013</b>	<b>346,120,871</b>	<b>263,035</b>	<b>17,064</b>	<b>4,919</b>	<b>(109,028)</b>	<b>175,990</b>	<b>(3,926)</b>	<b>172,064</b>
Stock based compensation expense	-	-	481	-	-	481	-	481
Foreign currency translation adjustment	-	-	-	(15,298)	-	(15,298)	-	(15,298)
Disposal of non-controlling interest	-	-	-	-	-	-	3,926	3,926
Transfer into income on disposal	-	-	-	(4,042)	-	(4,042)	-	(4,042)
Net income	-	-	-	-	30,389	30,389	-	30,389
<b>As at March 31, 2014</b>	<b>346,120,871</b>	<b>263,035</b>	<b>17,545</b>	<b>(14,421)</b>	<b>(78,639)</b>	<b>187,520</b>	<b>-</b>	<b>187,520</b>
Stock based compensation expense	-	-	884	-	-	884	-	884
Foreign currency translation adjustment	-	-	-	7,089	-	7,089	-	7,089
Disposal of non-controlling interest	-	-	-	-	-	-	-	-
Transfer into income on disposal	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	(6,873)	(6,873)	-	(6,873)
<b>As at December 31, 2014</b>	<b>346,120,871</b>	<b>263,035</b>	<b>18,429</b>	<b>(7,332)</b>	<b>(85,512)</b>	<b>188,620</b>	<b>-</b>	<b>188,620</b>
Stock based compensation expense	-	-	225	-	-	225	-	225
Foreign currency translation adjustment	-	-	-	9,203	-	9,203	-	9,203
Net loss	-	-	-	-	(40)	(40)	-	(40)
<b>As at March 31, 2015</b>	<b>346,120,871</b>	<b>263,035</b>	<b>18,654</b>	<b>1,871</b>	<b>(85,552)</b>	<b>198,008</b>	<b>-</b>	<b>198,008</b>

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

<b>For the three months ended March 31</b>		<b>2015</b>	<b>2014</b>
	Note		
<b>Operating activities:</b>			
Net loss from continuing operations		(40)	(3,967)
Items not affecting cash:			
Depletion and depreciation		1,032	628
Deferred tax expense	7	1,392	-
Stock based compensation	6	225	481
Non-cash finance income		(129)	(137)
Non-cash finance expenses		437	874
Unrealized foreign exchange gains		(5,604)	(900)
Interest paid		-	(1,218)
		(2,687)	(4,239)
Changes in non-cash working capital		109	1,891
Cash used in continuing operating activities		(2,578)	(2,348)
Cash from discontinued operating activities		-	30
Cash used in operating activities		(2,578)	(2,318)
<b>Investing activities:</b>			
Exploration and evaluation expenditures	3	(2,247)	(2,107)
Property and equipment expenditures		(138)	(166)
Value added tax paid	4	(381)	(175)
Changes in non-cash working capital		(4,564)	(1,269)
Cash used in continuing investing activities		(7,330)	(3,717)
Proceeds on disposal of discontinued operations		-	90,555
Cash used in discontinued investing activities		-	(167)
Cash from (used in) investing activities		(7,330)	86,671
<b>Financing activities:</b>			
Repayment of borrowings		-	(17,500)
Cash used in financing activities		-	(17,500)
Change in cash		(9,908)	66,853
Effect of foreign exchange on cash	9	5,701	(14)
Cash and cash equivalents, beginning of period		64,478	11,950
Cash and cash equivalents, end of period		60,271	78,789

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 months ended March 31, 2015

**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 March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014 comprise the Company and its subsidiaries. The financial statements were approved and authorized for issue on May 13, 2015 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 December 14, 2016. Upon commercial discovery, the Company has the exclusive right to enter the development period by executing a development contract.

*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, 2014, 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, 2014 except as noted below.

The financial statements are reported in Canadian dollars ("CAD") which is the functional currency of the Company. The company's subsidiary in Kazakhstan 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, which are measured at fair value with changes in fair value recorded in earnings.

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

There were no new or amended accounting standards or interpretations adopted during the three months ended March 31, 2015. There were no new or amended accounting standards or interpretations issued during the three months ended March 31, 2015 that are applicable to the Company in future periods. A description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2014.

**2. Other current assets:**

As at (000's)	March 31, 2015	December 31, 2014
Supplies inventory	414	353
Crude oil inventory	144	142
Prepaid expenses	807	814
Current portion of VAT receivable (Note 4)	294	413
	1,659	1,722

**Condor Petroleum Inc.**

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2015

As of March 31, 2015 crude oil inventory was written down by \$0.7 million from cost to net realizable value. The write down is comprised of \$0.3 million recognized as production costs and \$0.4 million as depreciation and depletion.

**3. Exploration and evaluation assets:**

Exploration and evaluation assets comprise the Zharkamys property in Kazakhstan.

For the period ended (000's)	March 31, 2015	December 31, 2014
<b>Cost</b>		
Balance, beginning of period	126,004	117,124
Capital expenditures	2,259	18,180
Change in decommissioning provision and other	(15)	426
Foreign currency translation adjustment	8,962	(9,726)
Balance, end of period	137,210	126,004
<b>Accumulated depletion</b>		
Balance, beginning of period	(5,761)	(4,251)
Depletion	(859)	(1,805)
Foreign currency translation adjustment	(395)	295
Balance, end of period	(7,015)	(5,761)
Net book value, end of period	130,195	120,243

**4. Other long term assets:**

As at (000's)	March 31, 2015	December 31, 2014
Value added tax receivable	9,511	8,752
Non-current bank deposits	1,508	1,405
	11,019	10,157

Undiscounted value added tax ("VAT") receivables (including non-current and current portion) of \$11.7 million (December 31, 2014: \$10.8 million) are available for offset against VAT collected on future domestic sales and available for refund related to future export sales. Additions to VAT receivables are discounted from the expected date of receipt using a discount rate of 6.6% (2014: 5.5%), 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 for the settlement of decommissioning obligations.

**5. 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 historical cost obligations are non-interest bearing and comprise United States dollar ("USD") denominated liabilities of \$2.5 million related to the initial Zharkamys license acquisition and KZT denominated liabilities of \$4.1 million related to the Zharkamys territory expansion. The total undiscounted amount at March 31, 2015 of \$6.6 million (December 31, 2014: \$6.2 million) has been discounted to a value of \$4.4 million (December 31, 2014: \$4.2 million) based on the estimated timing of future payments and a weighted average 8% discount rate based on historical risk-free rates.

**Condor Petroleum Inc.**

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2015

**6. Stock based compensation:**

During the three months ended March 31, 2015, the Company granted 4,200,000 stock options that have an exercise price of \$0.16 per share, vest at a third annually with the first tranche vesting upon grant, expire five years from the grant date and per option grant date fair value of \$0.09 (three months ended March 31, 2014: no options granted). The fair value of each option granted is estimated using the Black-Scholes option pricing model assuming: 3.5 year expected life; 1.2% risk free interest rate; 80% expected volatility; and 17% expected forfeiture rate. As at March 31, 2015, there were 33,745,000 outstanding stock options with a weighted average exercise price of \$0.77 per share.

**7. Income taxes:**

As of March 31, 2015 the Company recognized a deferred tax liability in the amount of \$1.4 million (December 31, 2014: nil) arising from the foreign currency translation adjustment on Condor's intercompany loans to foreign subsidiaries denominated in USD as well as foreign exchange gains on cash held in USD due to the appreciation of USD against CAD during the period.

**8. Income (loss) per share:**

Per share amounts are calculated using 346,120,871 weighted average common shares for the periods ended March 31, 2015 and 2014. Outstanding stock options have been excluded from the calculations of diluted weighted average common shares as to include them would be anti-dilutive.

**9. Financial risk management:***Credit risk*

During the first quarter of 2015, an oversupply of refined crude oil products in Kazakhstan, mainly from Russia, caused downward pricing pressures on domestically produced refined products and on crude oil. As a result, Kazakhstan refineries either reduced or temporarily suspended operations and offering prices were below the Company's cost of operations. The Government of Kazakhstan subsequently reduced export customs duties on crude oil and certain refined products and placed a temporary ban on imports of gasoline and diesel from Russia. Subsequently, the level of refining operations has increased but is still below regular operating levels. On March 15, 2015 the Company temporarily suspended production for an indeterminate period due to the constraints in domestic refining capacity and low prices for crude oil and refined crude oil products.

Trade and other receivables at March 31, 2015 includes \$1.2 million of crude oil sales receivables comprised of \$0.1 million of current amounts and \$1.1 million of past due amounts related to November and December 2014 crude oil sales which have not been collected to date. Due to disruptions in the local oil refining market during 2015 to date, the refinery which purchased the Company's crude oil in late 2014 and early 2015 has had cash flow interruptions and has been unable to settle their trade payables on a timely basis. The receivables are considered to be fully collectible.

*Foreign currency exchange risk*

The KZT to CAD exchange rate appreciated from 157 KZT per CAD at December 31, 2014 to 147 at March 31, 2015. This foreign exchange movement overall resulted in significant increases in KZT denominated assets and liabilities during the period and a foreign currency translation adjustment of \$9.2 million for the three months ended March 31, 2015 (three months ended March 31, 2014: (\$15.3) million).



**Condor Petroleum Inc.**

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2015

During the three months ended March 31, 2015, the CAD depreciated against the USD from 1.16 CAD per USD to 1.26, which led to a foreign exchange gain of \$5.5 million (three months ended March 31, 2014: \$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, USD and KZT and a significant portion of its cash and cash equivalents is held in USD to fund its future investments.

A description of the nature and extent of other financial risks, including commodity prices, interest rates and liquidity risks arising from the Company's financial assets and liabilities can be found in the notes to the annual consolidated financial statements as at December 31, 2014. The Company's exposure to these risks has not changed significantly since December 31, 2014.

**10. Commitments and contingent liabilities:***Work commitments*

The Company has contractual work commitments pursuant to the Zharkamys territory in Kazakhstan. 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-fulfilment 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 USD denominated, as at March 31, 2015 are as follows:

	<b>2015</b>	<b>2016</b>	<b>Total</b>
Zharkamys work commitments (CAD 000's)	9,281	1,923	<b>11,204</b>