



**Interim Condensed Consolidated Financial Statements**

**For the three and six months ended June 30, 2015**

**(unaudited)**

**Condor Petroleum Inc.**

Consolidated Statements of Financial Position (unaudited)

Stated in thousands of Canadian dollars

<b>As at</b>		<b>June 30, 2015</b>	<b>December 31, 2014</b>
	Note		
<b>Assets</b>			
Cash and cash equivalents		53,834	64,478
Trade and other receivables	9	1,078	1,175
Other current assets	2	1,649	1,722
<b>Total current assets</b>		<b>56,561</b>	<b>67,375</b>
Exploration and evaluation assets	3	128,272	120,243
Property and equipment		4,985	4,967
Other long term assets	4	10,777	10,157
<b>Total assets</b>		<b>200,595</b>	<b>202,742</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		2,152	7,778
Current portion of other long-term liabilities	5	486	-
Current portion of provisions		639	633
<b>Total current liabilities</b>		<b>3,277</b>	<b>8,411</b>
Other long term liabilities	5	3,884	4,184
Deferred tax liability	7	408	-
Provisions		1,599	1,527
<b>Total liabilities</b>		<b>9,168</b>	<b>14,122</b>
<b>Equity</b>			
Share capital		263,035	263,035
Contributed surplus		18,735	18,429
Translation reserve		(2,310)	(7,332)
Deficit		(88,033)	(85,512)
<b>Total equity</b>		<b>191,427</b>	<b>188,620</b>
<b>Total liabilities and equity</b>		<b>200,595</b>	<b>202,742</b>

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		Three months 2015	Three months 2014	Six months 2015	Six months 2014
	<b>Note</b>				
<b>Revenue</b>					
Crude oil sales		-	510	103	968
Other income		-	-	-	975
<b>Total revenue</b>		<b>-</b>	<b>510</b>	<b>103</b>	<b>1,943</b>
<b>Expenses</b>					
Production costs		-	743	567	1,408
Royalty expense		-	25	17	45
General and administrative		2,220	2,125	4,406	5,203
Depletion and depreciation		169	486	1,201	1,114
Stock based compensation	6	81	579	306	1,060
<b>Total expenses</b>		<b>(2,470)</b>	<b>(3,958)</b>	<b>(6,497)</b>	<b>(8,830)</b>
		<b>(2,470)</b>	<b>(3,448)</b>	<b>(6,394)</b>	<b>(6,887)</b>
Finance income		194	141	383	300
Finance expense		(136)	(129)	(573)	(1,003)
Foreign exchange gain (loss)		(1,053)	(2,738)	4,471	(2,551)
Net loss from continuing operations, before tax		(3,465)	(6,174)	(2,113)	(10,141)
Deferred tax expense	7	984	-	(408)	-
<b>Net loss from continuing operations</b>		<b>(2,481)</b>	<b>(6,174)</b>	<b>(2,521)</b>	<b>(10,141)</b>
Discontinued operations		-	-	-	(190)
Gain on disposal of discontinued operations		-	-	-	34,546
<b>Net income (loss)</b>		<b>(2,481)</b>	<b>(6,174)</b>	<b>(2,521)</b>	<b>24,215</b>
Foreign currency translation adjustment ("FCTA")	9	(4,181)	(4,331)	5,022	(19,629)
Transfer of accumulated FCTA on disposal		-	-	-	(4,042)
<b>Comprehensive income (loss)</b>		<b>(6,662)</b>	<b>(10,505)</b>	<b>2,501</b>	<b>544</b>
<b>Comprehensive income (loss) attributable to</b>					
Continuing operations		(6,662)	(10,505)	2,501	(31,593)
Discontinued operations		-	-	-	32,137
<b>Comprehensive income (loss)</b>		<b>(6,662)</b>	<b>(10,505)</b>	<b>2,501</b>	<b>544</b>
<b>Basic and diluted income (loss) per share</b>					
Net loss from continuing operations	8	(0.01)	(0.02)	(0.01)	(0.03)
Net income from discontinued operations	8	-	-	-	0.10
<b>Net Income (loss)</b>	<b>8</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>0.07</b>

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
<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	-	-	1,060	-	-	1,060	-	1,060
Foreign currency translation adjustment	-	-	-	(19,629)	-	(19,629)	-	(19,629)
Disposal of non-controlling interest	-	-	-	-	-	-	3,926	3,926
Transfer into income on disposal	-	-	-	(4,042)	-	(4,042)	-	(4,042)
Net income	-	-	-	-	24,215	24,215	-	24,215
<b>As at June 30, 2014</b>	<b>346,120,871</b>	<b>263,035</b>	<b>18,124</b>	<b>(18,752)</b>	<b>(84,813)</b>	<b>177,594</b>	<b>-</b>	<b>177,594</b>
Stock based compensation expense	-	-	305	-	-	305	-	305
Foreign currency translation adjustment	-	-	-	11,420	-	11,420	-	11,420
Net loss	-	-	-	-	(699)	(699)	-	(699)
<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	-	-	306	-	-	306	-	306
Foreign currency translation adjustment	-	-	-	5,022	-	5,022	-	5,022
Net loss	-	-	-	-	(2,521)	(2,521)	-	(2,521)
<b>As at June 30, 2015</b>	<b>346,120,871</b>	<b>263,035</b>	<b>18,735</b>	<b>(2,310)</b>	<b>(88,033)</b>	<b>191,427</b>	<b>-</b>	<b>191,427</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

For the period ended June 30		Three months 2015	Three months 2014	Six months 2015	Six months 2014
	<b>Note</b>				
<b>Operating activities:</b>					
Net loss from continuing operations		(2,481)	(6,174)	(2,521)	(10,141)
Items not affecting cash:					
Depletion and depreciation		169	486	1,201	1,114
Deferred tax expense		(984)	-	408	-
Stock based compensation	6	81	579	306	1,060
Non-cash finance income		(136)	(132)	(265)	(269)
Non-cash finance expense		136	129	573	1,003
Unrealized exchange (gain) loss		1,062	2,067	(4,542)	1,166
Interest paid		-	-	-	(1,218)
		(2,153)	(3,045)	(4,840)	(7,285)
Changes in non-cash working capital		(122)	(1,668)	(13)	223
Cash used in continuing operations		(2,275)	(4,713)	(4,853)	(7,062)
Cash from discontinued operations		-	-	-	30
Cash used in operating activities		(2,275)	(4,713)	(4,853)	(7,032)
<b>Investing activities:</b>					
Exploration and evaluation expenditures	3	(1,823)	(1,332)	(4,070)	(3,439)
Property and equipment expenditures		(32)	(112)	(170)	(278)
Changes in non-cash working capital		(982)	(1,878)	(5,927)	(3,321)
Cash used in continuing investing activities		(2,837)	(3,322)	(10,167)	(7,038)
Proceeds on disposal		-	-	-	90,555
Cash used in discontinued investing		-	-	-	(167)
Cash from (used in) investing activities		(2,837)	(3,322)	(10,167)	83,350
<b>Financing activities:</b>					
Repayment of borrowings		-	-	-	(17,500)
Cash used in financing activities		-	-	-	(17,500)
Change in cash		(5,112)	(8,035)	(15,020)	58,818
Effect of foreign exchange on cash		(1,325)	(1,883)	4,376	(1,897)
Cash and cash equivalents, beginning		60,271	78,789	64,478	11,950
Cash and cash equivalents, ending		53,834	68,871	53,834	68,871

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, 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 June 30, 2015 and December 31, 2014 and for the three and six months ended June 30, 2015 and 2014 comprise the Company and its subsidiaries. The financial statements were approved and authorized for issue on August 12, 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 each 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.

*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 and six months ended June 30, 2015. There were no new or amended accounting standards or interpretations issued during the three months and six months ended June 30, 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)	June 30, 2015	December 31, 2014
Supplies inventory	320	353
Crude oil inventory	144	142
Prepaid expenses and deposits	728	814
Current portion of VAT receivable (Note 4)	457	413
	1,649	1,722

**Condor Petroleum Inc.**

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2015

During the first quarter of 2015 crude oil inventory was written down by \$0.7 million from cost to net realizable value comprising \$0.3 million of production costs and \$0.4 million of depletion and depreciation.

**3. Exploration and evaluation assets:**

Exploration and evaluation assets comprise the Zharkamys property in Kazakhstan.

For the period ended (000's)	June 30, 2015	December 31, 2014
<b>Cost</b>		
Balance, beginning of period	126,004	117,124
Capital expenditures	4,070	18,180
Change in decommissioning provision and other	(218)	426
Foreign currency translation adjustment	5,251	(9,726)
Balance, end of period	135,107	126,004
<b>Accumulated depletion</b>		
Balance, beginning of period	(5,761)	(4,251)
Depletion	(865)	(1,805)
Foreign currency translation adjustment	(209)	295
Balance, end of period	(6,835)	(5,761)
Net book value, end of period	128,272	120,243

**4. Other long term assets:**

As at (000's)	June 30, 2015	December 31, 2014
Value added tax receivable	9,302	8,752
Non-current bank deposits	1,475	1,405
	10,777	10,157

Undiscounted value added tax ("VAT") receivables (including non-current and current portion) of \$11.5 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 in the six months ended June 30, 2015 are discounted from the expected date of receipt using a discount rate of 7.0% (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 \$4.0 million related to the Zharkamys territory expansion. The total undiscounted amount at June 30, 2015 of \$6.5 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 and six months ended June 30, 2015

**6. Stock based compensation:**

During the first quarter of 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 (six months ended June 30, 2014: 3,170,000 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 June 30, 2015, there were 32,500,000 outstanding stock options with a weighted average exercise price of \$0.77 per share.

**7. Income taxes:**

As of June 30, 2015 the Company recognized deferred tax liabilities of \$0.4 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 the weighted average number of common shares outstanding during the period as follows:

<b>For the period ended June 30</b>	<b>Three months 2015</b>	<b>Three months 2014</b>	<b>Six months 2015</b>	<b>Six months 2014</b>
Basic number of shares	346,120,871	346,120,871	346,120,871	346,120,871
Diluted number of shares	346,452,516	346,120,871	346,258,198	346,120,871

Granted stock options are the reconciling items between the weighted average basic and diluted number of common shares, though not all of the outstanding stock options are dilutive.

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

In early 2015, a combination of low world prices for oil and an oversupply of refined crude oil products in Kazakhstan, mainly from Russia, caused downward pricing pressures on refined products and crude oil sold domestically. As a result, Kazakhstan refineries either reduced or temporarily suspended operations and offering prices were below the Company's cost of operations. 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. Subsequently, the Government of Kazakhstan reduced export customs duties on crude oil and certain refined products and placed a temporary ban on imports of gasoline and diesel from Russia and the level of refining operations has increased but is still below regular operating levels.

Trade and other receivables at June 30, 2015 include \$1.1 million of crude oil sales receivables, which are past due and relate to sales from November 2014 to January 2015, which have not been fully collected to date. Due to disruptions in the local oil refining market during 2015, 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 refinery has provided assurances that past debts will be honored and the receivables are considered to be collectible.



**Condor Petroleum Inc.**

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2015

*Foreign currency exchange risk*

The KZT to CAD exchange rate appreciated from 157 KZT per CAD at December 31, 2014 to 151 at June 30, 2015. This foreign exchange movement overall resulted in increases in KZT denominated assets and liabilities during the period and a foreign currency translation adjustment of \$5.0 million for the six months ended June 30, 2015 (six months ended June 30, 2014: (\$19.6) million).

During the six months ended June 30, 2015, the CAD depreciated against the USD from 1.16 CAD per USD to 1.25, which led to a foreign exchange gain of \$4.5 million (six months ended June 30, 2014: (\$2.5) 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 June 30, 2015 are as follows:

	<b>2015</b>	<b>2016</b>	<b>Total</b>
Zharkamys work commitments (CAD 000's)	8,107	3,666	<b>11,773</b>