



Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2017 and 2016
(Unaudited)

Condor Petroleum Inc.

Consolidated Statements of Financial Position (Unaudited)

Stated in thousands of Canadian dollars

As at		June 30, 2017	December 31, 2016
	Note		
Assets			
Cash and cash equivalents		14,291	21,531
Trade and other receivables		1,834	1,061
Other current assets	3	2,716	2,132
Total current assets		18,841	24,724
Exploration and evaluation assets	4	-	57,415
Property, plant and equipment	5	60,021	46,181
Other long-term assets	6	10,085	9,637
Total assets		88,947	137,957
Liabilities			
Accounts payable and accrued liabilities		5,870	4,526
Current portion of long-term borrowings	7	4,001	-
Current portion of other long-term liabilities	8	492	495
Current portion of provisions	9	835	264
Total current liabilities		11,198	5,285
Long-term borrowings	7	8,571	-
Other long-term liabilities	8	2,811	2,980
Provisions	9	3,296	3,972
Total liabilities		25,876	12,237
Equity			
Share capital	10	271,688	271,688
Contributed surplus		21,377	20,229
Translation reserve		(65,260)	(65,475)
Deficit		(164,734)	(100,722)
Total equity		63,071	125,720
Total liabilities and equity		88,947	137,957

Commitments and contingent liabilities (Note 13)

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

Condor Petroleum Inc.

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

Stated in thousands of Canadian dollars

(except for per share amounts)

For the period ended June 30	Note	Three months 2017	Three months 2016	Six months 2017	Six months 2016
Revenue					
Crude oil sales		1,405	257	2,352	257
Total revenue		1,405	257	2,352	257
Expenses					
Transportation and selling expense		217	-	217	-
Production costs		431	93	779	93
Royalty expense		32	7	61	7
Transaction costs		-	134	-	1,509
General and administrative		1,983	1,952	4,478	3,939
Exploration and evaluation expense	1	1,336	-	57,951	-
Depletion and depreciation		713	127	1,314	232
Stock based compensation	12	72	399	366	510
Total expenses		(4,784)	(2,712)	(65,166)	(6,290)
Finance income		390	178	494	309
Finance expense		(786)	(217)	(1,252)	(319)
Foreign exchange gain (loss)		(330)	(500)	(440)	(2,819)
Net loss before tax		(4,105)	(2,994)	(64,012)	(8,862)
Deferred tax recovery (expense)		-	-	-	1,803
Net loss		(4,105)	(2,994)	(64,012)	(7,059)
Foreign currency translation adjustment	14	(526)	997	215	(6,334)
Comprehensive income (loss)		(4,631)	(1,997)	(63,797)	(13,393)
Basic and diluted income (loss) per share					
Net loss per share	11	(0.10)	(0.07)	(1.48)	(0.18)

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 2017	Three months 2016	Six months 2017	Six months 2016
	Note				
Operating activities:					
Net loss		(4,105)	(2,994)	(64,012)	(7,059)
Items not affecting cash:					
Depletion and depreciation		713	127	1,314	232
Exploration and evaluation expense	1	-	-	56,615	-
Deferred income tax recovery		-	-	-	(1,803)
Stock based compensation		72	364	366	475
Non-cash finance income		(341)	(101)	(373)	(191)
Non-cash finance expenses		788	208	1,254	310
Unrealized foreign exchange (gain) loss		338	(471)	599	2,763
Changes in non-cash working capital		89	(75)	(442)	13
Cash used in operating activities		(2,446)	(2,942)	(4,679)	(5,260)
Investing activities:					
Exploration and evaluation expenditures	4	-	(37)	-	(616)
Property, plant and equipment expenditures	5	(6,265)	(2,046)	(14,563)	(2,067)
Changes in non-cash working capital		571	(1,348)	(9)	(2,605)
Cash used in investing activities		(5,694)	(3,431)	(14,572)	(5,288)
Financing activities					
Net proceeds from borrowings	7	-	-	12,403	-
Cash from financing activities		-	-	12,403	-
Change in cash		(8,140)	(6,373)	(6,848)	(10,548)
Effect of foreign exchange on cash		(198)	496	(392)	(2,753)
Cash and cash equivalents, beginning		22,629	42,858	21,531	50,282
Cash and cash equivalents, ending		14,291	36,981	14,291	36,981

The accompanying notes are an integral part of these interim condensed 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 shares¹	Share capital	Contributed surplus	Translation reserve	Deficit	Total
As at December 31, 2015	34,612,087	263,035	19,380	(62,999)	(88,830)	130,586
Issued on business combination (Note 2)	8,653,013	8,653	-	-	-	8,653
Stock based compensation expense	-	-	510	-	-	510
Foreign currency translation adjustment	-	-	-	(6,334)	-	(6,334)
Net loss	-	-	-	-	(7,059)	(7,059)
As at June 30, 2016	43,265,100	271,688	19,890	(69,333)	(95,889)	126,356
As at December 31, 2016	43,265,100	271,688	20,229	(65,475)	(100,722)	125,720
Stock based compensation expense	-	-	366	-	-	366
Warrants issued (Note 7)	-	-	782	-	-	782
Foreign currency translation adjustment	-	-	-	215	-	215
Net loss	-	-	-	-	(64,012)	(64,012)
As at June 30, 2017	43,265,100	271,688	21,377	(65,260)	(164,734)	63,071

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

¹ On March 24, 2016, the Company's shares were consolidated on a ten-to-one basis. The share consolidation has been applied retrospectively.

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017

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") and the Republic of Turkey ("Turkey"). 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, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and 2016 comprise the Company and its subsidiaries. The financial statements were approved and authorized for issue on August 14, 2017 by the Board of Directors.

Nature of operations

Condor has a 100% interest in and operates the Poyraz Ridge and Destan operating licenses located at Ortakoy in the Gallipoli Peninsula in Turkey (the "Ortakoy Properties"). The operating licenses were converted in 2015 from an exploration license which had been originally awarded in 2004. The Poyraz Ridge operating license was awarded for an initial eight-year term and the Destan operating license was awarded for an initial five year term and each of these licenses may be extended for up to twenty years including the initial term.

The Company has 100% interests in and operates the Shoba and Taskuduk oilfields in Kazakhstan. The Shoba production contract, which provides for a term of 12 years, and the Taskuduk production contract, which provides for a term of 11 years, were both signed in September 2016.

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("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, 2016, 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, 2016 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 company's subsidiary in Netherlands, which has a branch in Turkey, has a Turkish Lira ("TRY") functional currency. The financial statements have been prepared on the historical cost basis, except for acquired net assets as a result of business combinations, which are measured at fair value.

The Company's Zharkamys exploration contract ("Zharkamys Contract") with the Ministry of Energy of the Government of Kazakhstan ("Ministry") was due to expire on December 14, 2016. Prior to this date, the Kazakhstan Chamber of International Commerce and subsequently the Kazakhstan Civil Court ("Civil Court") confirmed that a force majeure event had occurred which, under Kazakhstan subsurface use law, can be the basis for the Zharkamys Contract validity period to be extended for a period of 630 days. In May 2017, the Kazakhstan Court of Appeal ("Court of Appeal"), pursuant to the appeal filed by the Ministry, released its ruling dated April 14, 2017 that the force majeure event is not recognized and reversed the decision of the Civil Court. As a result of the Court of Appeal ruling there is uncertainty regarding the Company's legal rights

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to extend the Zharkamys Contract and the related exploration and evaluation assets in the amount of \$56.6 million were derecognized as at March 31, 2017. The Company has referred the case to the Kazakhstan Supreme Court.

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

On January 13, 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "Revenue From Contracts With Customers" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach.

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, 2018. 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.

2. Business combination:

On January 7, 2016 the Company entered into an agreement with Marsa Energy Inc. ("Marsa") to acquire all of the issued and outstanding common shares of Marsa based on an exchange ratio of 1.84326 Condor common shares for each Marsa common share (the "Marsa Transaction"). On March 24, 2016 the Marsa Transaction was completed and Condor issued 8,653,013 common shares to the Marsa shareholders. Based on the \$1.00 closing price of Condor common shares listed on the Toronto Stock Exchange on the completion date on the post share consolidation basis, the total purchase price for the Marsa Transaction is \$8,653,013. Marsa owned a 100% interest in the Ortakoy Properties in Turkey and the purchase price has been allocated to the fair value of the net assets acquired as follows (000's):

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For the three and six months ended June 30, 2017

Other current assets	64
Property, plant and equipment	9,197
Other long term assets	890
Accounts payable and accrued liabilities	(306)
Provisions	(1,192)
Total net assets acquired	8,653

3. Other current assets:

As at (000's)	June 30, 2017	December 31, 2016
Supplies inventory	320	266
Crude oil inventory	260	307
Prepaid expenses and deposits	1,520	849
Current portion of value added tax ("VAT") receivable (Note 6)	616	710
Total	2,716	2,132

Prepaid expenses and deposits as at June 30, 2017 include \$0.6 million of deposits reclassified from other long-term assets (Note 6), which are invested in special interest bearing bank accounts and reserved for decommissioning obligations related to the Zharkamys Contract.

4. Exploration and evaluation assets:

Exploration and evaluation assets are comprised of the Zharkamys Contract in Kazakhstan.

As at (000's)	June 30, 2017	December 31, 2016
Cost		
Beginning balance	57,415	82,962
Capital expenditures	-	1,019
Transfers to property, plant and equipment (Note 5)	(800)	(23,128)
Exploration and evaluation expense	(56,615)	-
Change in decommissioning costs and other	-	(192)
Foreign currency translation adjustment	-	(3,246)
Ending balance	-	57,415
Accumulated depletion		
Beginning balance	-	(4,286)
Transfers to property, plant and equipment (Note 5)	-	4,041
Foreign currency translation adjustment	-	245
Ending balance	-	-
Ending net book value	-	57,415

The Company derecognized exploration and evaluation assets of \$56.6 million as of March 31, 2017 due to the uncertainty regarding the Company's legal rights to have the Zharkamys Contract extended as described in Note 1. Capital inventory of \$0.8 million was reclassified as of March 31, 2017 from exploration and evaluation assets to oil and gas properties and comprises drilling equipment and parts to be utilized at the Shoba and Taskuduk oilfields.

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5. Property, plant and equipment:

(000's)	Oil and gas properties	Other equipment	Total
Cost			
As at December 31, 2015	-	5,230	5,230
Acquisition of Marsa (Note 2)	8,842	355	9,197
Capital expenditures	15,578	85	15,663
Net transfers from exploration and evaluation assets (Note 4)	19,087	-	19,087
Other transfers	3,602	(3,602)	-
Change in decommissioning and historical costs	856	-	856
Foreign currency translation adjustment	(591)	(27)	(618)
As at December 31, 2016	47,374	2,041	49,415
Capital expenditures	14,547	16	14,563
Transfers from exploration and evaluation assets (Note 4)	1,030	(230)	800
Change in decommissioning and historical costs	(63)	-	(63)
Foreign currency translation adjustment	(135)	(87)	(222)
As at June 30, 2017	62,753	1,739	64,493
Accumulated depletion and depreciation			
As at December 31, 2015	-	(2,291)	(2,291)
Depletion and depreciation	(798)	(375)	(1,173)
Transfers	(1,228)	1,228	-
Foreign currency translation adjustment	130	100	230
As at December 31, 2016	(1,896)	(1,338)	(3,234)
Depletion and depreciation	(1,202)	(36)	(1,238)
Transfers	236	(236)	-
As at June 30, 2017	(2,862)	(1,610)	(4,472)
Net book value			
As at December 31, 2016	45,478	703	46,181
As at June 30, 2017	59,891	130	60,021

6. Other long term assets:

As at (000's)	June 30, 2017	December 31, 2016
Non-current VAT receivable	8,508	7,369
Non-current bank deposits	1,577	2,268
	10,085	9,637

Undiscounted VAT receivables (including non-current and current portion) of \$9.6 million (2016: \$8.9 million) are available for offset against VAT collected on future domestic sales and available for refund related to future export sales. The VAT receivables in Kazakhstan are discounted from the expected date of receipt using a discount rate of 9.9% (2016: 10.7%), which estimates the market rate of return on a similar instrument. The VAT receivables in Turkey are not discounted given the proximity of the expected date of receipt.

The non-current bank deposits are denominated in USD and TRY are invested in special interest bearing accounts and the funds are reserved for decommissioning obligations. As of March 31, 2017, the Company

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reclassified \$0.6 million to other current assets related to the Zharkamys Contract.

7. Long term borrowings:

On January 10, 2017 the Company established a \$13.1 million secured non-revolving credit facility (the "Credit Facility") and on February 1, 2017 (the "Receiving Date") received the loan proceeds from the arm's length lender. The Credit Facility bears interest at 14%, matures three years from the Receiving Date and provides for a one year repayment holiday whereby interest for the first year is due on January 31, 2018 followed by eight payments of USD 1.25 million of principal plus interest due quarterly in arrears commencing March 31, 2018. In conjunction with the Credit Facility, the lender received a warrant certificate exercisable into one million common shares of Condor at \$2.35 per share on or before January 31, 2020 (the "Warrants"). The Warrants have an issue date fair value of \$0.8 million which, along with loan issuance costs of \$0.7 million are amortized over the term of the loan using the effective interest method. The fair value of each warrant is estimated using the Black-Scholes option pricing model assuming: a 3.0 year expected life; a 1.0% risk free interest rate; a 77% expected volatility, which has been based on historical share price volatility of the Company and share price of \$1.80 per share.

The loan proceeds are available to fund capital expenditures related to drilling, infrastructure and workovers at Poyraz Ridge and for general corporate purposes. As of June 30, 2017, the current portion of the loan of \$4.0 million is comprised of \$0.8 million in interest payable and \$3.2 million of principal. There are no financial covenants associated with the Credit Facility. The Company is in compliance with all non-financial covenants.

8. Other long term liabilities:

Other long term liabilities are amounts to be reimbursed to the Government of Kazakhstan for historical costs incurred on the Company's properties prior to acquisition and include expenditures for drilling, seismic and other geological and geophysical works. The historical cost obligations are non-interest bearing and comprise USD denominated liabilities of \$2.5 million and KZT denominated liabilities of \$2.2 million. The total undiscounted historical costs as at June 30, 2017 is \$4.7 million (2016: \$5.0 million). Excluding the current portion of \$0.5 million (2016: \$0.5 million), the non-current portion of historical costs has been discounted to \$2.8 million (2016: \$3.0 million) based on the estimated timing of future payments and a weighted average 8% discount rate based on historical risk-free rates.

9. Provisions:

(000's)	
Non-current portion of provision, as of December 31, 2016	3,972
Increase in liabilities	99
Reclassified to current portion of provisions	(560)
Change in estimates	(309)
Accretion expense	172
Foreign currency translation adjustment	(78)
Non-current portion of provisions as of June 30, 2017	3,296
Current portion of provision, as of December 31, 2016	264
Reclassified from non-current portion of provisions	560
Foreign currency translation adjustment	11
Current portion of provision, as of June 30, 2017	835

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For the three and six months ended June 30, 2017

Provisions are comprised of decommissioning obligations, which are estimated based on the expected costs to abandon existing wells and facilities and to restore the existing sites in Kazakhstan, Turkey and Canada, along with the estimated timing of future payments. At June 30, 2017 the estimated total undiscounted cash flows required to settle the current and non-current liabilities are \$4.5 million (December 31, 2016: \$4.4 million), which are expected to be incurred between 2017 and 2034.

The net present value of the decommissioning obligations is calculated with a weighted average inflation rate of 8.2% (December 31, 2016: 6.9%) and weighted average risk free rate associated with the assets of 9.7% (December 31, 2016: 7.9%).

10. 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. As of June 30, 2017 the number of common shares issued is 43,265,100 (December 31, 2016: 43,265,100).

11. Income (loss) per share:

Per share amounts are calculated using a weighted average number of common shares of 43,265,100 for the three and six months ended June 30, 2017 (three and six months ended June 30, 2016: 43,265,100 and 39,271,416 shares respectively). Outstanding stock options have been excluded from the calculations of diluted weighted average common shares as to include them would be anti-dilutive.

12. 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.

Details of the stock options outstanding as at June 30, 2017 are as follows:

Exercise price	Options outstanding		Options vested	
	Number	Average remaining life in years	Number	Average remaining life in years
\$1.33	1,005,000	3.9	683,336	3.9
\$1.50	948,000	3.6	552,002	3.4
\$1.60	367,500	2.8	367,500	2.8
\$2.10	20,000	2.4	13,334	2.4
\$3.00	30,000	1.9	30,000	1.9
\$3.40	203,500	1.8	203,500	1.8
\$5.00	10,000	0.4	10,000	0.4
\$5.50	540,000	0.8	540,000	0.8
	3,124,000	2.9	2,399,672	2.7

As at June 30, 2017, the Company's outstanding convertible securities are comprised of 3,124,000 stock options with a weighted average exercise price of \$2.30 (December 31, 2016: \$2.73). The 2,399,672 options exercisable at June 30, 2017 had a \$2.56 weighted average exercise price (December 31, 2016: \$3.32). In April, 2017 240,000 stock options were granted and had a fair value of \$0.78 per option. The fair value of each

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option awarded is estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 1.0% risk free interest rate; a 75% expected volatility, which has been based on historical share price volatility of the Company, share price of \$1.49 and exercise price of \$1.50.

The stock options granted in 2016 were approved and ratified by the shareholders at the annual general meeting on June 22, 2017. Upon approval and ratification, the stock options were valued at the grant date and had a fair value of \$0.68. The fair value of each option awarded is estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 0.7% risk free interest rate; a 75% expected volatility, which has been based on historical share price volatility of the Company, share price of \$1.31 and exercise price of \$1.33. The share based compensation expense is calculated assuming a 17% expected forfeiture rate.

13. Commitments and contingent liabilities:

The Company's contractual work commitments as at June 30, 2017 are as follows:

(\$ millions)	< 1 year	2-3 years	Total
Shoba	14.1	2.7	16.8
Taskuduk	0.9	1.4	2.3

The Company has contractual work commitments pursuant to the Shoba and Taskuduk production contracts in Kazakhstan. These work commitments may be amended from time to time in accordance with planned development activities proposed by the Company and approved by the Government of Kazakhstan and additional amounts could be significant. Non-fulfillment of work commitments for Shoba or Taskuduk could result in punitive actions including the suspension or revocation of the respective contract in case financial work commitment fulfillment is less than thirty percent for two subsequent years. Financial work commitment shortfalls for development activities at Shoba and Taskuduk are not subject to penalties while shortfalls on the training, social development and scientific research components may be subject to penalties of 1% of the shortfall.

There are no work commitments related to the Poyraz Ridge or Destan operating licenses in Turkey.

Operating leases

Non-cancellable operating leases are payable \$0.3 million in less than one year (2016: \$0.2 million) and \$0.6 million between one and four years (2016: \$0.8 million).

Excess profit tax

Excess profit tax in Kazakhstan ranging at rates from zero to sixty percent is calculated based on the ratio of revenues versus expenditures 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.

Kazakhstan local content requirements

Kazakhstan subsoil users are required to give preference to local companies and domestic products when procuring goods, works and services and to follow prescribed procurement procedures including certain tendering rules and regulations. Local content deficiencies may be subject to penalties of 1% of the shortfall under the Shoba and Taskuduk production contracts.

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14. 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:

The Company limits its exposure to credit risk on cash and cash equivalents by depositing and investing in banks with investment grade credit ratings. As at June 30, 2017 the majority of cash and cash equivalents are invested with Canadian chartered banks (\$13.6 million) while \$0.2 million is held in the Netherlands, \$0.2 million is held in Kazakhstan and \$0.3 million in Turkey.

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. Sales of crude oil and related receivables 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. The Company 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.

Other long-term assets include Kazakhstan VAT receivable which may be offset against VAT collected on future domestic sales or refunded on future export sales and Turkey VAT receivable which may be offset against VAT collected on future gas sales. The Company has not made any provision and 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 activities in Kazakhstan and Turkey.

As at June 30, 2017, the Company has sufficient capital to fund the planned operating activities for the next twelve months.

As at June 30, 2017, \$10.4 million in current liabilities are contractually due within the next twelve months (2016: \$5.0 million).

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.

Foreign currency exchange risk

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 including USD, KZT and TRY, and a significant portion of the Company's cash and cash equivalents are held in USD. The Company had no forward exchange rate contracts in place at or during the three and six months ended June 30, 2017 and 2016.

During the six months ended June 30, 2017, the CAD appreciated from 1.34 per 1.00 USD to 1.30, which led to a foreign exchange loss of \$0.4 million (2016: loss of \$2.8 million) related to USD denominated cash and cash equivalents held by the Company.

During the six months ended June 30, 2017, the KZT remained at 247 per 1.00 CAD and TRY depreciated from 2.62 per 1.00 CAD to 2.71 resulting in a \$0.2 million translation gain adjustment through equity (2016: loss of \$6.3 million).

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017

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 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 three and six months ended June 30, 2017 or 2016.

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.

15. Supplementary cash flow information:

The Company received interest income of \$0.1 million for the three and six months ended June 30, 2017 (2016: \$0.1 million) and did not pay any interest or income tax in 2017 or 2016.

16. Segmented information:

The Company has the following operating and reporting segments related to foreign subsidiaries, and presents the following segmented information:

(000's)	Corporate	Kazakhstan	Turkey	Total
<u>As at June 30, 2017</u>				
Property, plant and equipment	24	25,173	34,824	60,021
Total assets	13,696	36,935	38,316	88,947
Total liabilities	13,442	5,815	6,619	25,876
<u>As at December 31, 2016</u>				
Exploration and evaluation assets	-	57,415	-	57,415
Property, plant and equipment	23	24,006	22,152	46,181
Total assets	22,610	91,924	23,423	137,957
Total liabilities	952	5,875	5,410	12,237

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017

(000's)	Corporate	Kazakhstan	Turkey	Total
<u>For the three months ended June 30, 2017</u>				
Property, plant and equipment expenditures	6	-	6,259	6,265
Total capital expenditures	6	-	6,259	6,265
Revenue				
Crude oil sales	-	1,405	-	1,405
Expenses				
Transportation and selling expense		217		217
Production costs	-	431	-	431
Royalty expense	-	32	-	32
General and administrative	665	392	926	1,983
Exploration and evaluation expense	-	-	1,336	1,336
Depletion and depreciation	3	694	16	713
Stock based compensation	72	-	-	72
Finance income	(390)	-	-	(390)
Finance expense	786	-	-	786
Foreign exchange loss	330	-	-	330
Net loss	(1,466)	(361)	(2,278)	(4,105)
<u>For the three months ended June 30, 2016</u>				
Exploration and evaluation expenditures	-	37	-	37
Property, plant and equipment expenditures	-	-	2,046	2,046
Total capital expenditures	-	37	2,046	2,083
Revenue				
Crude oil sales	-	257	-	257
Expenses				
Production costs	-	93	-	93
Royalty expense	-	7	-	7
Transaction costs	134	-	-	134
General and administrative	1,575	377	-	1,952
Depletion and depreciation	4	104	19	127
Stock based compensation	399	-	-	399
Finance income	(178)	-	-	(178)
Finance expense	217	-	-	217
Foreign exchange loss	500	-	-	500
Net loss	(2,651)	(324)	(19)	(2,994)

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017

(000's)	Corporate	Kazakhstan	Turkey	Total
<u>For the six months ended June 30, 2017</u>				
Property, plant and equipment expenditures	6	-	14,557	14,563
Total capital expenditures	6	-	14,557	14,563
Revenue				
Crude oil sales	-	2,352	-	2,352
Expenses				
Transportation and selling expense		217		217
Production costs	-	779	-	779
Royalty expense	-	61	-	61
General and administrative	2,057	860	1,561	4,478
Exploration and evaluation expense	-	56,615	1,336	57,951
Depletion and depreciation	6	1,278	30	1,314
Stock based compensation	366	-	-	366
Finance income	(494)	-	-	(494)
Finance expense	1,252	-	-	1,252
Foreign exchange loss	440	-	-	440
Net loss	(3,627)	(57,458)	(2,927)	(64,012)
<u>For the six months ended June 30, 2016</u>				
Exploration and evaluation expenditures	-	616	-	616
Property, plant and equipment expenditures	-	22	2,045	2,067
Acquisitions	-	-	9,197	9,197
Total acquisitions and expenditures	-	638	11,242	11,880
Revenue				
Crude oil sales	-	257	-	257
Expenses				
Production costs	-	93	-	93
Royalty expense	-	7	-	7
Transaction costs	1,509	-	-	1,509
General and administrative	3,939	-	-	3,939
Depletion and depreciation	9	204	19	232
Stock based compensation	510	-	-	510
Finance income	(309)	-	-	(309)
Finance expense	319	-	-	319
Foreign exchange loss	2,819	-	-	2,819
Net loss, before tax	(8,796)	(47)	(19)	(8,862)
Deferred tax recovery	1,803	-	-	1,803
Net loss	(6,993)	(47)	(19)	(7,059)