



Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2019 and 2018
(Unaudited)

Condor Petroleum Inc.

Consolidated Statements of Financial Position (Unaudited)
Stated in thousands of Canadian dollars

As at		June 30, 2019	December 31, 2018
	Note		
Assets			
Cash and cash equivalents		825	1,690
Trade and other receivables		509	843
Other current assets	2	2,758	2,937
Total current assets		4,092	5,470
Property, plant and equipment	3	38,704	43,408
Other long term assets	4	6,080	6,577
Total assets		48,876	55,455
Liabilities			
Accounts payable and accrued liabilities		3,587	5,181
Lease liabilities	15	100	-
Current portion of long term borrowings	5	6,282	3,820
Current portion of other long term liabilities	6	453	469
Current portion of provisions	7	346	357
Deferred revenue		235	292
Total current liabilities		11,003	10,119
Long term borrowings	5	1,502	5,357
Other long term liabilities	6	2,619	2,318
Provisions	7	2,763	2,775
Total liabilities		17,887	20,569
Equity			
Share capital	8	271,931	271,931
Contributed surplus		21,787	21,638
Translation reserve		(78,667)	(77,223)
Deficit		(184,062)	(181,460)
Total equity		30,989	34,886
Total liabilities and equity		48,876	55,455

Going concern (Note 1)

Commitments and contingent liabilities (Note 11)

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		Three months 2019	Three months 2018	Six months 2019	Six months 2018
	Note				
Revenue					
Crude oil and natural gas sales		3,372	4,803	7,064	9,755
Royalties		(191)	(415)	(447)	(873)
Total revenue		3,181	4,388	6,617	8,882
Expenses					
Production costs		725	827	1,429	1,591
Transportation and selling		131	401	272	711
General and administrative		1,569	1,750	3,041	3,345
Depletion and depreciation		1,285	1,637	2,517	3,388
Stock based compensation		84	225	149	244
Total expenses		(3,794)	(4,840)	(7,408)	(9,279)
Finance income		99	129	202	291
Finance expense		(627)	(655)	(1,251)	(1,363)
Foreign exchange loss		(230)	(785)	(762)	(1,097)
Net loss, before tax		(1,371)	(1,763)	(2,602)	(2,566)
Deferred income tax expense		-	(3,451)	-	(3,451)
Net loss		(1,371)	(5,214)	(2,602)	(6,017)
Foreign currency translation adjustment		(987)	(4,927)	(1,444)	(3,461)
Comprehensive loss		(2,358)	(10,141)	(4,046)	(9,478)
Basic and diluted net loss per share	9	(0.03)	(0.12)	(0.06)	(0.14)

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 2019	Three months 2018	Six months 2019	Six months 2018
	Note				
Operating activities:					
Net loss		(1,371)	(5,214)	(2,602)	(6,017)
Items not affecting cash:					
Depletion and depreciation		1,285	1,637	2,517	3,388
Deferred income tax expense		-	3,451	-	3,451
Stock based compensation		84	225	149	244
Finance income		(80)	(118)	(171)	(256)
Finance expenses		627	655	1,251	1,363
Unrealized foreign exchange loss		74	878	641	1,189
Cash from operating activities before changes in non-cash working capital		619	1,514	1,785	3,362
Changes in non-cash working capital		508	212	855	419
Cash from operating activities		1,127	1,726	2,640	3,781
Investing activities:					
Property, plant and equipment expenditures	3	(140)	(1,507)	(174)	(1,757)
Changes in non-cash working capital		(486)	963	(1,357)	636
Cash used in investing activities		(626)	(544)	(1,531)	(1,121)
Financing activities					
Repayment of borrowings	13	(1,180)	(1,646)	(1,314)	(3,258)
Interest paid on borrowings	13	(330)	(402)	(663)	(2,524)
Lease payments	15	(28)	-	(55)	-
Cash used in financing activities		(1,538)	(2,048)	(2,032)	(5,782)
Change in cash		(1,037)	(866)	(923)	(3,122)
Effect of foreign exchange on cash		81	(7)	58	81
Cash and cash equivalents, beginning		1,781	1,742	1,690	3,910
Cash and cash equivalents, ending		825	869	825	869

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 shares	Share capital	Contributed surplus	Translation reserve	Deficit	Total equity
As at December 31, 2017	43,265,100	271,688	21,125	(70,267)	(167,390)	55,156
Stock based compensation expense	-	-	244	-	-	244
Foreign currency translation adjustment	-	-	-	(3,461)	-	(3,461)
Net loss	-	-	-	-	(6,017)	(6,017)
As at June 30, 2018	43,265,100	271,688	21,369	(73,728)	(173,407)	45,922
As at December 31, 2018	44,165,100	271,931	21,638	(77,223)	(181,460)	34,886
Stock based compensation expense	-	-	149	-	-	149
Foreign currency translation adjustment	-	-	-	(1,444)	-	(1,444)
Net loss	-	-	-	-	(2,602)	(2,602)
As at June 30, 2019	44,165,100	271,931	21,787	(78,667)	(184,062)	30,989

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

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

1. Corporate information and going concern:

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 the Republic of Turkey ("Turkey") 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 interim condensed consolidated financial statements (the "financial statements") of the Company as at June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018 comprise the Company and its subsidiaries. The financial statements were approved and authorized for issue on August 13, 2019 by the Board of Directors.

Nature of operations

The Company has a 100% interest in and operates the Poyraz Ridge and Destan operating licenses and gas fields in Turkey. The Poyraz Ridge operating license is valid until 2023 and the Destan operating license is valid until November 2020 and each license may be extended, upon approval by the competent authority in Turkey, until 2035.

The Company has a 100% interest in and operates the Shoba and Taskuduk production contracts and oilfields in Kazakhstan. The Shoba production contract is valid until 2028 and the Taskuduk production contract is valid until 2027 and each production contract may be extended, upon approval by the competent authority in Kazakhstan, until 2041.

Going concern

These financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. At June 30, 2019 the Company had accumulated losses of \$184.1 million since inception (December 31, 2018: \$181.5 million), a working capital deficiency of \$6.9 million (December 31, 2018: deficiency of \$4.6 million) and reported a net loss for the six months ended June 30, 2019 of \$2.6 million (2018: \$6.0 million).

The Company's ability to continue as a going concern is dependent upon the ability to fund operations and repay existing borrowings by generating positive cash flows from operations, renegotiating the terms of the existing borrowings, securing funding from additional debt or equity financing, disposing of assets or making other arrangements. There is no assurance that sufficient debt refinancing of existing borrowings, new financings, equity offerings, asset disposals or other arrangements can be completed on favorable terms, or at all. These conditions lend significant doubt as to the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities, reported amounts of revenue and expenses, and statement of financial position classifications used that would be necessary were the going concern assumption deemed to be inappropriate. Such adjustments could be material.

The Company's current development plan to increase production and cash from operating activities consists of drilling one development well and performing several workovers in Kazakhstan and performing several workovers in Turkey. There is no assurance that the Company will be successful with these initiatives and the outcome of these matters is uncertain.

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

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 (“IASB”) 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, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

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 the Netherlands, which has a branch in Turkey (“Turkey Branch”), has a Turkish Lira (“TRY”) functional currency.

The accounting policies used to prepare these financial statements are consistent with the policies at December 31, 2018 except for the adoption of IFRS 16 Leases (“IFRS 16”). The impact of the adoption of IFRS 16 and the new accounting policy are disclosed in Note 15.

Zharkamys exploration contract extension

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 an appeal filed by the Ministry, ruled that the force majeure event was not recognized and reversed the decision of the Civil Court. As a result of the Court of Appeal ruling there was uncertainty regarding the Company’s legal rights 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 referred the case to the Kazakhstan Supreme Court (“Supreme Court”) and in November 2017 the Supreme Court ruling overturned both the Civil Court and the Court of Appeal rulings and referred the case back to the Civil Court for further review by a new panel of judges. In March 2018, the Civil Court ruling confirmed that the force majeure event had occurred, in April 2018 the Ministry appealed the Civil Court ruling and in May 2018 the Court of Appeal ruling upheld that the force majeure event had occurred. The Ministry did not appeal to the Supreme Court within the six months permitted by Kazakhstan law. The Company has submitted an application to the Ministry and is in the process of preparing and seeking approvals for the various development projects required for the 630 day extension.

2. Other current assets:

As at (000’s)	June 30, 2019	December 31, 2018
Current portion of VAT receivables (Note 4)	1,433	1,588
Bank deposits	346	357
Prepaid expenses	450	443
Supplies inventory	383	392
Crude oil inventory	146	157
	<u>2,758</u>	<u>2,937</u>

The bank deposits are denominated in United States Dollars (“USD”) and reserved for decommissioning obligations related to the Zharkamys Contract.

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

3. Property, plant and equipment:

(000's)	Oil and gas properties	Other	Total
Cost			
As at December 31, 2017	61,613	1,703	63,316
Capital expenditures	5,741	79	5,820
Disposals	(211)	-	(211)
Change in decommissioning costs	(326)	-	(326)
Foreign currency translation adjustment	(9,729)	(107)	(9,836)
As at December 31, 2018	57,088	1,675	58,763
Capital expenditures	172	2	174
Right-of-use lease assets (Note 15)	-	147	147
Change in decommissioning costs	107	-	107
Foreign currency translation adjustment	(3,982)	(52)	(4,034)
As at June 30, 2019	53,385	1,772	55,157
Accumulated depletion and depreciation			
As at December 31, 2017	(4,082)	(1,544)	(5,626)
Depletion and depreciation	(6,363)	(47)	(6,410)
Disposals	22	-	22
Impairment	(3,798)	-	(3,798)
Foreign currency translation adjustment	360	97	457
As at December 31, 2018	(13,861)	(1,494)	(15,355)
Depletion and depreciation	(2,392)	(120)	(2,512)
Foreign currency translation adjustment	1,368	46	1,414
As at June 30, 2019	(14,885)	(1,568)	(16,453)
Net book value			
As at December 31, 2018	43,227	181	43,408
As at June 30, 2019	38,500	204	38,704

Oil and gas properties comprise the Shoba and Taskuduk oilfields in Kazakhstan and the Poyraz Ridge and Destan gas fields in Turkey. Oil and gas properties include capital inventory and work in progress of \$3.4 million (2018: \$3.6 million) which are not subject to depletion.

4. Other long term assets:

As at (000's)	June 30, 2019	December 31, 2018
Non-current VAT receivables	3,971	4,362
Non-current bank deposits	2,109	2,215
	6,080	6,577

Undiscounted VAT receivables (including non-current and current portion) of \$5.7 million (2018: \$6.5 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 8.4% (2018: 8.6%), which estimates the market rate of return on a similar instrument.

The non-current bank deposits consist of \$1.9 million denominated in USD and \$0.2 million denominated in TRL, are invested in special interest bearing accounts and are comprised of \$1.6 million reserved for decommissioning obligations in Kazakhstan and Turkey and \$0.5 million related to the Poyraz Ridge pipeline

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

surface access expropriation in Turkey.

5. Long term borrowings:

As at June 30, 2019 the Company has USD 6.3 million outstanding on its secured non-revolving credit facility (the "Facility"). The Facility bears interest at 14% and principal plus accrued interest payments are due each quarter in arrears. The remaining principal payments consist of two payments of USD 0.9 million followed by three payments of USD 1.5 million with the final payment due September 30, 2020.

In conjunction with the Facility, the lender holds one million warrants exercisable into one million common shares at \$0.35 per share on or before December 31, 2021 (the "Warrants"). The fair value of the Warrants and the loan issuance costs are amortized over the term of the loan using the effective interest method.

The Company may voluntarily prepay the outstanding Facility principal amount in whole or in part at any time by paying a 1% fee of the amount prepaid. All net proceeds from any sale of the Company's properties shall be applied to repayment of the Facility with a fee equal to 2% of the amount prepaid.

The Facility is secured by customary security including a general security agreement over all present and future assets of Condor and a movable assets pledge agreement establishing a first-ranking pledge over the commercial enterprise, any or all assets and any gas sales receivables of the Turkey Branch. The Credit Facility contains no financial covenants and the Company is in compliance with all non-financial covenants.

6. Other long term liabilities:

Other long term liabilities are comprised of the amounts to be reimbursed to the Government of Kazakhstan for historical costs of \$2.1 million and the non-current portion of accounts payable related to capital expenditures in Kazakhstan of \$0.5 million.

The historical costs, which include expenditures for drilling, seismic and other geological and geophysical works, became payable in equal quarterly installments over a ten year period commencing with the signing of the Taskuduk production contract in September 2016. The total undiscounted historical costs as at June 31, 2019 is \$3.4 million (2018: \$3.8 million), is non-interest bearing and comprises USD denominated liabilities of \$1.9 million and KZT denominated liabilities of \$1.5 million. Excluding the current portion of \$0.5 million (2018: \$0.5 million), the non-current portion of historical costs has been discounted to \$2.1 million (2018: \$2.3 million) based on the estimated timing of future payments and a weighted average 8% discount rate based on historical risk-free rates.

7. Provisions:

As at (000's)	June 30, 2019	December 31, 2018
Beginning non-current portion	2,775	2,756
Increase in liabilities	-	254
Reclassified from (to) current portion	-	447
Change in estimates	107	(423)
Accretion expense	135	228
Foreign currency translation adjustment	(254)	(487)
Ending non-current portion	2,763	2,775
Beginning current portion	357	1,019
Change in estimates	-	(156)
Reclassified from (to) non-current portion	-	(447)
Foreign currency translation adjustment	(11)	(59)
Ending current portion	346	357

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

Provisions are comprised of decommissioning obligations which are estimated based on the expected costs to abandon existing wells and facilities and for site restoration along with the estimated timing of future payments. At June 30, 2019 the estimated total undiscounted cash flows required to settle the current and non-current liabilities are \$4.0 million (December 31, 2018: \$4.2 million), which are expected to be incurred between 2019 and 2031.

The net present value of the decommissioning obligations is calculated with a weighted average inflation rate of 8.1% (December 31, 2018: 8.1%) and risk free discount rate of 11.2% (December 31, 2018: 11.2%).

8. 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, 2019 the number of common shares issued and outstanding is 44,165,100 (December 31, 2018: 44,165,100).

9. Income (loss) per share:

Per share amounts are calculated using a weighted average number of common shares of 44,165,100 for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018: 43,265,100). The outstanding stock options (Note 10) and Warrants (Note 5) have been excluded from the calculations of diluted weighted average common shares as to include them would be anti-dilutive.

10. 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, 2019 are as follows:

Exercise price	Options outstanding		Options vested	
	Number	Average remaining life in years	Number	Average remaining life in years
\$0.22	506,500	4.8	168,835	4.8
\$0.59	1,692,000	3.8	1,128,005	3.8
\$1.33	725,000	1.7	725,000	1.7
\$1.50	948,000	1.4	948,000	1.4
\$1.60	335,000	0.8	335,000	0.8
	4,206,500	2.8	3,304,840	2.4

As of June 30, 2019, there are 4,206,500 stock options outstanding with a weighted average exercise price of \$0.96 (December 31, 2018: \$1.18). The 3,304,840 options exercisable at June 30, 2019 had a \$1.10 weighted average exercise price (December 31, 2018: \$1.42). In April, 2019, 506,500 stock options were granted and the fair value of \$0.11 per option was estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 1.6% risk free interest rate; a 78.5% expected volatility, which is based on historical share price volatility of the Company; a grant date share price of \$0.20; and an exercise price of \$0.22.

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

11. Commitments and contingent liabilities:

The Company's contractual work commitments for the next twelve months pursuant to the Shoba and Taskuduk production contracts in Kazakhstan are \$3.0 million. 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 the event that financial work commitment fulfillment is less than thirty percent for two consecutive 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 one percent of the shortfall.

If the Zharkamys exploration contract is reinstated (Note 1), any exploration period extension would carry additional work commitments, which could be significant.

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

There is material uncertainty which lends significant doubt about the Company's ability to continue as a going concern (Note 1).

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 when procuring works and services and to follow prescribed procurement procedures including certain tendering rules and regulations. Local content deficiencies in works and services may be subject to penalties of one percent of the shortfall under the Shoba and Taskuduk production contracts.

12. 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 Company limits its exposure to credit risk on cash and cash equivalents and bank deposits by depositing and investing in banks with investment grade credit ratings.

Credit risk on trade receivables is related mainly to crude oil and natural gas marketers and the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. During the three and six months ended June 30, 2019, sales of crude oil and related receivables in Kazakhstan, sales of natural gas and related receivables in Turkey, and sales of condensate in Turkey were each sold to one respective customer and are therefore subject to concentration risk (three and six months ended June 30, 2018: one respective customer). In 2019 to date, crude oil accounted for \$3.9 million or 55% of total sales (2018: \$2.9 million or 30%), natural gas accounted for \$3.1 million or 44% of total sales (2018: \$6.6 million or 67%) and condensate accounted for \$0.1 million or 1% of total sales (2018: \$0.3 million or 3%). As at June 30, 2019, the one gas marketer in Turkey represented 82% and the one oil marketer in Kazakhstan represented 18% of outstanding trade receivables (December 31, 2018: one gas marketer in Turkey represented 100%).

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

Credit risk is mitigated by management's policies and practices. In Kazakhstan, sales are generally made on a 100% pre-payment basis although the Company occasionally extends credit to proven and reliable off-takers on small volumes of crude oil, subject to the off-taker adhering to a strict pre-determined short term payment schedule. In Turkey, the Company holds a bank guarantee provided by the buyer of its natural gas amounting to two month's estimated gas sales as security on gas sales receivables. The Company has examined its accounts receivable as at June 30, 2019 and concluded that the amount is valid and collectible.

Other long term assets include Kazakhstan VAT receivables which may be offset against VAT collected on future domestic sales or refunded on future export sales. The Company has not made any provision and considers the amounts to be fully recoverable.

Liquidity risk and capital management

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 operating requirements related to activities in Kazakhstan and Turkey, and for repayment of long term borrowings. The Company has the ability to adjust its capital structure by issuing new equity or debt, disposing of assets and making adjustments to its capital expenditure program to the extent the capital expenditures are not committed.

At June 30, 2019 the Company had accumulated losses of \$184.1 million since inception (December 31, 2018: \$181.5 million), a working capital deficiency of \$6.9 million (December 31, 2018: deficiency of \$4.6 million) and reported a net loss for the six months ended June 30, 2019 of \$2.6 million (2018: \$6.0 million). These conditions indicate a material uncertainty which lends significant doubt about the Company's ability to continue as a going concern (Note 1).

The Company's ability to meet obligations and repay liabilities as they come due is dependent upon the ability to generate sufficient cash flows from operations, renegotiate the terms of the existing borrowings, secure funding from additional debt or equity financing, dispose of assets or make other arrangements. The Company's current development plan to increase production and cash from operating activities consists of drilling one development well and performing several workovers in Kazakhstan and performing several workovers in Turkey. There is no assurance that the Company will be able to generate or access the necessary capital to fund its current development plan or that the development plan will be successful.

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

The cash flows presented in the tables below are the contractual undiscounted cash flows and accordingly certain amounts differ from the amounts included in the statement of financial position. The Company's undiscounted contractual obligations are as follows:

As at June 30, 2019 (000's)	< 1 year	1-3 years	4-5 years	> 5 years	Total
Accounts payable and accrued liabilities	3,587	-	-	-	3,587
Borrowings including interest until maturity	7,165	2,032	-	-	9,197
Lease liabilities	100	-	-	-	100
Other long term liabilities (undiscounted)	472	1,453	826	1,182	3,933

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

As at December 31, 2018 (000's)	< 1 year	1-3 years	4-5 years	> 5 years	Total
Accounts payable and accrued liabilities	5,181	-	-	-	5,181
Borrowings including interest until maturity	5,070	6,568	-	-	11,638
Non-cancellable operating leases	319	125	-	-	444
Other long term liabilities (undiscounted)	490	980	980	1,345	3,795

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

The Company is exposed to significant foreign currency risk as the Company's crude oil and natural gas sales and a substantial portion of foreign activities are transacted in or referenced to foreign currencies including USD, KZT and TRL, and the Company's borrowings are denominated in USD. The Company had no forward exchange rate contracts in place at or during the six months ended June 30, 2019 and 2018.

During the six months ended June 30, 2019, the CAD appreciated from 1.36 per 1.00 USD to 1.31, the KZT appreciated from 384.20 per 1.00 USD to 380.53, and TRL depreciated from 5.26 per 1.00 USD to 5.77, which led to a foreign exchange loss of \$0.8 million (2018: loss of \$1.1 million) related mainly to a portion of USD denominated inter-company loans that are not considered part of the net investment in foreign operations.

During the six months ended June 30, 2019, the KZT depreciated from 282 per 1.00 CAD to 291 and TRL depreciated from 3.86 per 1.00 CAD to 4.39 resulting in a \$1.4 million foreign currency translation adjustment loss (2018: loss of \$3.5 million).

Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. As indicated in Note 5, the interest rate on borrowings is fixed and therefore the Company has no current exposure to changes in interest rates except for interest rates on cash and cash equivalents.

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 six months ended June 30, 2019 and 2018.

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

13. Supplementary cash flow information:

The Company received interest income of \$0.03 million for the six months ended June 30, 2019 (2018: \$0.04 million) and did not pay any income tax in 2019 or 2018.

The following table provides a reconciliation of cash flows arising from financing activities:

<u>Long term borrowings (000's)</u>	
As at December 31, 2017	13,083
Repayment of borrowings	(3,258)
Interest paid on borrowings	(2,524)
Non-cash movements	1,700
As at June 30, 2018	9,001
<hr/>	
As at December 31, 2018	9,177
Repayment of borrowings	(1,314)
Interest paid on borrowings	(663)
Non-cash movements	584
As at June 30, 2019	7,784

14. Segmented information:

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

<u>(000's)</u>	<u>Corporate</u>	<u>Kazakhstan</u>	<u>Turkey</u>	<u>Total</u>
<u>As at June 30, 2019</u>				
Property, plant and equipment	107	19,247	19,350	38,704
Total assets	917	26,616	21,343	48,876
Total liabilities	8,839	6,961	2,087	17,887
<hr/>				
<u>As at December 31, 2018</u>				
Property, plant and equipment	18	20,389	23,001	43,408
Total assets	964	28,459	26,032	55,455
Total liabilities	10,038	8,322	2,209	20,569

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

(000's)	Corporate	Kazakhstan	Turkey	Total
For the three months ended June 30, 2019				
Property, plant and equipment expenditures	-	64	76	140
Revenue				
Crude oil sales	-	2,076	-	2,076
Natural gas sales	-	-	1,296	1,296
Condensate sales	-	-	-	-
Royalties	-	(30)	(161)	(191)
Total revenue	-	2,046	1,135	3,181
Expenses				
Production costs	-	465	260	725
Transportation and selling	-	-	131	131
General and administrative	1,028	338	203	1,569
Depletion and depreciation	97	608	580	1,285
Stock based compensation	84	-	-	84
Finance income	(99)	-	-	(99)
Finance expense	627	-	-	627
Foreign exchange loss	230	-	-	230
Net income (loss)	(1,967)	635	(39)	(1,371)
For the three months ended June 30, 2018				
Property, plant and equipment expenditures	-	26	1,481	1,507
Revenue				
Crude oil sales	-	1,596	-	1,596
Natural gas sales	-	-	2,942	2,942
Condensate sales	-	-	265	265
Royalties	-	(29)	(386)	(415)
Total revenue	-	1,567	2,821	4,388
Expenses				
Production costs	-	407	420	827
Transportation and selling	-	233	168	401
General and administrative	945	452	353	1,750
Depletion and depreciation	3	602	1,032	1,637
Stock based compensation	225	-	-	225
Finance income	(129)	-	-	(129)
Finance expense	655	-	-	655
Foreign exchange loss	785	-	-	785
Net income (loss), before tax	(2,484)	(127)	848	(1,763)
Deferred income tax expense	-	(3,451)	-	(3,451)
Net income (loss)	(2,484)	(3,578)	848	(5,214)

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

(000's)	Corporate	Kazakhstan	Turkey	Total
<u>For the six months ended June 30, 2019</u>				
Property, plant and equipment expenditures	-	64	110	174
Revenue				
Crude oil sales	-	3,887	-	3,887
Natural gas sales	-	-	3,078	3,078
Condensate sales	-	-	99	99
Royalties	-	(56)	(391)	(447)
Total revenue	-	3,831	2,786	6,617
Expenses				
Production costs	-	885	544	1,429
Transportation and selling	-	-	272	272
General and administrative	1,894	700	447	3,041
Depletion and depreciation	126	1,131	1,260	2,517
Stock based compensation	149	-	-	149
Finance income	(202)	-	-	(202)
Finance expense	1,251	-	-	1,251
Foreign exchange loss	762	-	-	762
Net income (loss)	(3,980)	1,115	263	(2,602)
<u>For the six months ended June 30, 2018</u>				
Property, plant and equipment expenditures	-	30	1,727	1,757
Revenue				
Crude oil sales	-	2,940	-	2,940
Natural gas sales	-	-	6,550	6,550
Condensate sales	-	-	265	265
Royalties	-	(54)	(819)	(873)
Total revenue	-	2,886	5,996	8,882
Expenses				
Production costs	-	764	827	1,591
Transportation and selling	-	400	311	711
General and administrative	1,838	842	665	3,345
Depletion and depreciation	7	1,120	2,261	3,388
Stock based compensation	244	-	-	244
Finance income	(291)	-	-	(291)
Finance expense	1,363	-	-	1,363
Foreign exchange loss	1,097	-	-	1,097
Net income (loss), before tax	(4,258)	(240)	1,932	(2,566)
Deferred income tax expense	-	(3,451)	-	(3,451)
Net income (loss)	(4,258)	(3,691)	1,932	(6,017)

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

15. Changes in accounting policies:

This note explains the impact of the adoption of IFRS 16, Leases (“IFRS 16”) on the financial statements and also discloses the new accounting policies applied from January 1, 2019, where they are different to those applied in prior periods.

The Company adopted IFRS 16 retrospectively from January 1, 2019 and comparatives for the 2018 reporting period have not been restated as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet as of January 1, 2019.

(a) Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17, Leases. The lease liabilities were measured at the present value of the remaining lease payments and discounted at the Company’s incremental borrowing rate of 14% as at January 1, 2019.

Right-of-use leased assets were measured at the amount of the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(000’s)	
Operating lease commitments disclosed as at December 31, 2018	161
Discounted using the lessee’s incremental borrowing rate at the date of initial application	147
Lease liability recognised as at January 1, 2019	147

The recognized right-of-use assets relate to the following types of assets:

As at (000’s)	June 30, 2019	January 1, 2019
Properties	92	142
Equipment	3	5
Total right-of-use assets	95	147

During the six months ended June 30, 2019, the Company accrued interest expense related to lease liabilities of \$0.01 million and presented it as finance expense.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- Right-of-use assets (classified in property, plant and equipment) – increase by \$0.15 million
- Lease liabilities – increase by \$0.15 million

Practical expedients applied

In applying IFRS 16 for the first time the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases

Condor Petroleum Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) Accounting policies applied from January 1, 2019

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, qualifying leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.