Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited)

Condor Petroleum Inc.

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

As at	Note	March 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents		3,334	4,623
Trade and other receivables		61	119
Other current assets	2	349	406
Total current assets		3,744	5,148
Exploration and evaluation assets	3	1,966	2,238
Property, plant and equipment	4	541	603
Other long term assets	5	686	712
Total assets		6,937	8,701
Liabilities			
Accounts payable and accrued liabilities		1,503	1,701
Current portion of provisions	6	384	409
Total current liabilities		1,887	2,110
Provisions	6	1,526	1,568
Total liabilities		3,413	3,678
Equity			
Share capital	7	273,191	273,191
Contributed surplus		21,385	21,350
Translation reserve		(84,729)	(84,580)
Deficit		(206,323)	(204,938)
Total equity		3,524	5,023
Total liabilities and equity		6,937	8,701

Going concern (Note 1).

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 three months ended March 31	Note	**2022**	**2021**
Revenue			
Natural gas and condensate sales	13	260	362
Royalties		(34)	(47)
Revenue		226	315
Expenses			
Production costs		151	218
Transportation and selling		26	108
General and administrative		1,268	1,252
Depletion and depreciation	4	132	234
Stock based compensation	9	35	36
Total expenses		(1,612)	(1,848)
Finance income		2	29
Finance expense		(39)	(54)
Foreign exchange gain (loss)	11	38	(21)
Net loss		(1,385)	(1,579)
Items that may be reclassified to profit or loss:			
Foreign currency translation adjustment		(149)	(408)
Comprehensive loss		(1,534)	(1,987)
Basic and diluted net loss per share	8	(0.03)	(0.04)

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 three months ended March 31	Note	2022	2021
Operating activities:			
Net loss		(1,385)	(1,579)
Items not affecting cash:			
Depletion and depreciation	4	132	234
Stock based compensation		35	36
Finance income		-	(22)
Finance expenses		39	53
Unrealized foreign exchange (gain) loss		(43)	1
Changes in non-cash working capital		(23)	(917)
Cash used in operating activities		(1,245)	(2,194)
Investing activities:			
Changes in non-cash working capital		-	(3)
Cash used in investing activities		-	(3)
Financing activities			
Exercise of stock options		-	7
Lease payments		-	(1)
Cash from financing activities		-	6
Change in cash		(1,245)	(2,191)
Effect of foreign exchange on cash		(44)	(83)
Cash and cash equivalents, beginning		4,623	12,307
Cash and cash equivalents, ending		3,334	10,033

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, 2020	44,165,100	271,931	22,059	(83,273)	(193,611)	17,106
Exercise of stock options	33,334	11	(4)	-	-	7
Stock based compensation expense	-	-	36	-	-	36
Foreign currency translation adjustment	-	-	-	(408)	-	(408)
Net loss	-	-	-	-	(1,579)	(1,579)
As at March 31, 2021	44,198,434	271,942	22,091	(83,681)	(195,190)	15,162
As at December 31, 2021	45,198,434	273,191	21,350	(84,580)	(204,938)	5,023
Stock based compensation expense	-	-	35	-	-	35
Foreign currency translation adjustment	-	-	-	(149)	-	(149)
Net loss	-	-	-	-	(1,385)	(1,385)
As at March 31, 2022	45,198,434	273,191	21,385	(84,729)	(206,323)	3,524

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

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 March 31, 2022 and for the three months ended March 31, 2022 and 2021 comprise the Company and its subsidiaries. The financial statements were approved and authorized for issue on May 12, 2022 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 and Destan operating licenses are both valid until June 2023 and may be extended upon approval by the competent authority in Turkey until 2035.

The Zharkamys West 1 exploration contract ("Zharkamys") in Kazakhstan expired on January 18, 2022.

Going concern:

These financial statements have been prepared 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 March 31, 2022, the Company had accumulated losses of $206.3 million since inception (December 31, 2021: $204.9 million) and reported a net loss of $1.4 million (2021: $1.6 million) and cash used in operating activities of $1.2 million (2021: $2.2 million) for the three months ended March 31, 2022. The Company's working capital balance has decreased from $3.0 million as at December 31, 2021 to $1.9 million as at March 31, 2022.

The Company's ability to continue as a going concern is dependent upon its existing working capital and the ability to generate positive cash flows from operations, secure funding from debt or equity financings, dispose of assets or make other arrangements. There is no assurance the Company will be able to generate positive cash flow from operations or to secure funding from debt or equity financings, dispose of assets or complete other arrangements on favourable terms, or at all, which may require the utilization of all remaining working capital and financial resources.

These conditions indicate a material uncertainty that may cast 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.

Basis of presentation

These financial statements have been prepared in accordance with 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, 2021.

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. One of the Company's subsidiaries 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, 2021.

Significant accounting estimates and judgments

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include: reserve estimates, determination of Cash Generating Units ("CGUs"), identification of impairment indicators, impairment, exploration and evaluation expenditures, decommissioning obligations, stock based compensation, income taxes, and going concern.

New standards and interpretations not yet adopted

In January 2020, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" to clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective January 1, 2023 with early adoption permitted. The amendments are required to be adopted retrospectively. The Company is assessing the impact of these amendments on its financial statements.

2. Other current assets:

As at (000's)	**March 31, 2022**	**December 31, 2021**
Prepaid expenses	186	218
Supplies inventory	76	69
Value added tax receivables	87	119
	349	406

3. Exploration and evaluation assets:

As at (000's)	**March 31, 2022**	**December 31, 2021**
Opening balance	2,238	252
Capital expenditures	-	4,208
Exploration and evaluation expense	-	(1,266)
Change in decommissioning costs	7	103
Foreign currency translation adjustment	(279)	(1,059)
Closing balance	1,966	2,238

Exploration and evaluation assets as of March 31, 2022 comprises the Yakamoz prospect within the Poyraz Ridge operating license in Turkey which was drilled in 2021. Due to technical difficulties experienced during drilling, the well was not fully completed and requires further re-entry, casing and evaluation which has been deferred subject to available capital. There were no impairment indicators for the exploration and evaluation assets as of March 31, 2022.

4. Property, plant and equipment:

(000's)	**Oil and gas properties**	**Other equipment**	**Total**
Cost			
As at December 31, 2020	22,977	1,467	24,444
Capital expenditures	-	89	89
Transfers	(686)	686	-
Change in decommissioning costs	(606)	-	(606)
Foreign currency translation adjustment	(8,448)	(527)	(8,975)
As at December 31, 2021	13,237	1,715	14,952
Foreign currency translation adjustment	-	(186)	(186)
As at March 31, 2022	13,237	1,529	14,766
Accumulated depletion, depreciation and impairment			
As at December 31, 2020	(18,483)	(1,335)	(19,818)
Depletion and depreciation	(231)	(54)	(285)
Transfers	242	(242)	-
Impairment	(2,461)	-	(2,461)
Foreign currency translation adjustment	7,696	519	8,215
As at December 31, 2021	(13,237)	(1,112)	(14,349)
Depletion and depreciation	-	(17)	(17)
Foreign currency translation adjustment	-	141	141
As at March 31, 2022	(13,237)	(988)	(14,225)
Net book value			
As at December 31, 2021	-	603	603
As at March 31, 2022	-	541	541

Other equipment includes field equipment and capital inventory of $0.4 million (2021: $0.5 million) which are not subject to depletion.

Starting July 1, 2021, movements in the decommissioning obligations of the Poyraz Ridge and Destan CGU resulting from updated cost estimates, changes to estimated lives of operations and revisions to discount rates and inflation rates are recognized in depletion and depreciation (2022: $0.1 million; 2021: nil).

5. Other long term assets:

As at (000's)	March 31, 2022	December 31, 2021
Non-current bank deposits	686	712

The non-current bank deposits are substantially all denominated in USD and are invested in special interest bearing accounts comprised of $0.5 million (2021: $0.5 million) for decommissioning obligations in Kazakhstan, Turkey, and Canada and $0.2 million (2021: $0.2 million) related to the Poyraz Ridge pipeline surface access expropriation in Turkey.

6. Provisions:

As at (000's)	March 31, 2022	December 31, 2021
Beginning non-current portion	1,568	2,421
Increase in liabilities	-	69
Reclassified from (to) current portion	-	(110)
Change in estimates	122	47
Accretion expense	38	172
Foreign currency translation adjustment	(202)	(1,031)
Ending non-current portion	1,526	1,568
Beginning current portion	409	306
Reclassified from (to) non-current portion	-	110
Foreign currency translation adjustment	(25)	(7)
Ending current portion	384	409

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 March 31, 2022 the estimated total undiscounted and uninflated cash flows required to settle the current and non-current liabilities are $1.9 million (December 31, 2021: $2.0 million), which are expected to be incurred between 2022 and 2026.

The net present value of the decommissioning obligations is calculated with an inflation rate of 12.5% (December 31, 2021: 12.5%) and risk free discount rate of 12.5% (December 31, 2021: 12.5%).

7. 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 March 31, 2022 the number of common shares issued is 45,198,434 (December 31, 2021: 45,198,434).

8. Income (loss) per share:

Per share amounts are calculated using a weighted average number of common shares of 45,198,434 for the three months ended March 31, 2022 (2021: 44,165,470 shares). Outstanding stock options (Note 9) have been excluded from the calculations of diluted weighted average common shares as to include them would be anti-dilutive. The Company treats the common shares as either dilutive or anti-dilutive based on net loss from continuing operations. If the common shares are anti-dilutive at this level they are treated as anti-dilutive for all other per share calculations.

9. 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 March 31, 2022 are as follows:

	Options outstanding		Options vested	
Exercise price	**Number**	**Average remaining life in years**	**Number**	**Average remaining life in years**
$0.22	399,000	2.0	399,000	2.0
$0.33	100,000	2.5	100,000	2.5
$0.48	775,000	4.7	258,336	4.7
$0.51	275,000	3.6	91,668	3.6
$0.53	755,000	3.4	503,338	3.4
$0.59	1,312,000	1.0	1,312,000	1.0
$1.50	120,000	0.1	120,000	0.1
	3,736,000	2.6	2,784,342	2.0

As of March 31, 2022, there are 3,736,000 stock options outstanding with a weighted average exercise price of $0.53 (December 31, 2021: $0.53). The 2,784,342 options exercisable at March 31, 2022 had a $0.54 weighted average exercise price (December 31, 2021: $0.54).

10. Commitments and contingent liabilities:

Income taxes

The Dutch Tax Authority (“DTA”) has issued notices of assessment to New Horizon Energy Netherlands B.V., a wholly-owned Company subsidiary based in the Netherlands (“New Horizon”) amounting to 11.0 million Euros (equivalent to $15.3 million using March 31, 2022 exchange rate) related to taxation years 2013-2017, including accrued interest. New Horizon has filed objections and the matter is under further review by the DTA. The assessments seek to disallow interest expense deductions related to inter-company loans New Horizon received from Condor and the majority of which were onward loaned to Falcon on a back-to-back basis to fund exploration and development activities in Kazakhstan. The Company expects to resolve these matters with the DTA without incurring any taxes payable. Assessing whether it is probable that the DTA will accept an uncertain tax treatment and the estimate of the provision, requires significant management judgment related to the interpretation and application of complex tax laws and regulations.

Work commitments

There are no work commitments related to the Poyraz Ridge operating license, the Yakamoz prospect or the Destan operating license in Turkey.

The Zharkamys contract in Kazakhstan expired in January 2022 and there are no further work commitments.

Going concern

There is material uncertainty about the Company’s ability to continue as a going concern (Note 1).

11. 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 fulfil 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 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 months ended March 31, 2022 and 2021 sales of natural gas and related receivables were sold to one single customer and therefore is subject to concentration risk. As at March 31, 2022, the single gas marketer represented 97% of outstanding trade receivables (December 31, 2021: 98%).

Credit risk is mitigated by management's policies and practices. For gas sales, 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 March 31, 2022 and concluded that the amount is valid and collectible.

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. 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 March 31, 2022, the Company had accumulated losses of $206.3 million since inception (December 31, 2021: $204.9 million) and reported a net loss of $1.4 million (2021: $1.6 million) and cash used in operating activities of $1.2 million (2021: $2.2 million) for the three months ended March 31, 2022. The Company's working capital balance has decreased from $3.0 million as at December 31, 2021 to $1.9 million as at March 31, 2022. These conditions indicate a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern (Note 1).

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:

(000's)	**<1 Year**	**>1 Year**	**Total**
As at March 31, 2022			
Accounts payable and accrued liabilities	1,503	-	1,503
As at December 31, 2021			
Accounts payable and accrued liabilities	1,701	-	1,701

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 natural gas sales and a substantial portion of foreign activities are transacted in or referenced to foreign currencies including USD, KZT and TRL, and a significant portion of the Company's cash and cash equivalents is held in USD. The Company had no forward exchange rate contracts in place at or during the three months ended March 31, 2022 and 2021.

During the three months ended March 31, 2022, the CAD appreciated from 1.27 per 1.00 USD to 1.25, the KZT depreciated from 431.67 per 1.00 USD to 458.20, and TRL depreciated from 12.98 per 1.00 USD to 14.65, which led to a foreign exchange gain of $0.04 million (2021: loss of $0.02 million) related mainly to USD denominated cash and cash equivalents held by the Company.

During the three months ended March 31, 2022, the KZT depreciated from 337 per 1.00 CAD to 367 and TRL depreciated from 10.13 per 1.00 CAD to 11.72 resulting in a $0.1 million translation loss adjustment through equity (2021: loss of $0.4 million).

Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any debt as at March 31, 2022 and therefore 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 three months ended March 31, 2022 and 2021.

Natural gas sales in Turkey are domestic sales via pipeline at prices published monthly by the state owned pipeline transportation company BOTAS. The benchmark for Condor's gas sales in Turkey is BOTAS Level 2 wholesale tariffs less a marketing differential.

Fair Value of Financial Assets and Liabilities

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods outlined below. The Company's fair value measurements are classified as one of the following levels of the fair value hierarchy. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability:

Level 1 – Inputs represent unadjusted quoted prices in active markets for identical assets and liabilities as of the reporting date. An active market is characterized by a high volume of transactions that provides pricing information on an ongoing basis.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forward prices for commodities.

Level 3 – Inputs for the asset or liability are not based on observable market data.

The fair value of the Company's cash and cash equivalents and accounts payable and accrued liabilities balances approximate their carrying value at March 31, 2022 and December 31, 2021, due to their short term to maturity.

12. Supplementary cash flow information:

The Company received interest income of $0.002 million for the three months ended March 31, 2022 (2021: $0.01 million) and did not pay any income tax in 2022 or 2021.

13. 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
As at March 31, 2022				
Exploration and evaluation assets	-	-	1,966	1,966
Property, plant and equipment	52	478	11	541
Total assets	3,304	936	2,697	6,937
Total liabilities	568	1,418	1,427	3,413
As at December 31, 2021				
Exploration and evaluation assets	-	-	2,238	2,238
Property, plant and equipment	61	528	14	603
Total assets	4,561	1,042	3,098	8,701
Total liabilities	605	1,557	1,516	3,678
For the three months ended March 31, 2022				
Revenue				
Natural gas sales	-	-	260	260
Royalties	-	-	(34)	(34)
Revenue	-	-	226	226
Expenses				
Production costs	-	-	151	151
Transportation and selling	-	-	26	26
General and administrative	919	151	198	1,268
Depletion and depreciation	10	6	116	132
Stock based compensation	35	-	-	35
Finance income	(2)	-	-	(2)
Finance expense	39	-	-	39
Foreign exchange gain	(38)	-	-	(38)
Net loss	(963)	(157)	(265)	(1,385)

Segmented information (000's)	**Corporate**	**Kazakhstan**	**Turkey**	**Total**
For the three months ended March 31, 2021				
Revenue				
Natural gas sales	-	-	351	351
Condensate sales	-	-	11	11
Royalties	-	-	(47)	(47)
Revenue	-	-	315	315
Expenses				
Production costs	-	-	218	218
Transportation and selling	-	-	108	108
General and administrative	845	175	232	1,252
Depletion and depreciation	10	12	212	234
Stock based compensation	36	-	-	36
Finance income	(29)	-	-	(29)
Finance expense	54	-	-	54
Foreign exchange loss	21	-	-	21
Net loss	(937)	(187)	(455)	(1,579)