



Consolidated Financial Statements

For the years ended December 31, 2016 and 2015



March 22, 2017

Independent Auditor's Report

To the Shareholders of Condor Petroleum Inc.

We have audited the accompanying consolidated financial statements of Condor Petroleum Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Condor Petroleum Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Condor Petroleum Inc.

Consolidated Statements of Financial Position

Stated in thousands of Canadian dollars

As at December 31		2016	2015
	Note		
Assets			
Cash and cash equivalents	5	21,531	50,282
Trade and other receivables		1,061	688
Other current assets	6	2,132	923
Total current assets		24,724	51,893
Exploration and evaluation assets	7	57,415	78,676
Property and equipment	8	46,181	2,939
Other long term assets	9	9,637	8,295
Total assets		137,957	141,803
Liabilities			
Accounts payable and accrued liabilities		4,526	3,962
Current portion of other long-term liabilities	10	495	395
Current portion of provisions	11	264	266
Total current liabilities		5,285	4,623
Other long term liabilities	10	2,980	3,105
Provisions	11	3,972	1,686
Deferred tax liabilities	17	-	1,803
Total liabilities		12,237	11,217
Equity			
Share capital	12	271,688	263,035
Contributed surplus		20,229	19,380
Translation reserve		(65,475)	(62,999)
Deficit		(100,722)	(88,830)
Total equity		125,720	130,586
Total liabilities and equity		137,957	141,803

Commitment and contingent liabilities (Note 19);
Subsequent events (Note 24).

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

Condor Petroleum Inc.

Consolidated Statements of Comprehensive Income (Loss)

Stated in thousands of Canadian dollars

(except for per share amounts)

For the year ended December 31		2016	2015
	Note		
Revenue			
Crude oil sales		1,532	147
Total revenue		1,532	147
Expenses			
Production costs		502	590
Royalty expense		39	22
General and administrative		9,133	8,325
Transaction costs		1,509	-
Depletion and depreciation	7, 8	992	1,544
Stock based compensation	14	849	951
Total expenses		(13,024)	(11,432)
Finance income	16	425	706
Finance expense	16	(811)	(827)
Foreign exchange gain (loss)	16	(1,817)	9,891
Net loss, before tax		(13,695)	(1,515)
Deferred tax recovery (expense)	17	1,803	(1,803)
Net loss		(11,892)	(3,318)
Foreign currency translation adjustment		(2,476)	(55,667)
Comprehensive income (loss)		(14,368)	(58,985)
Basic and diluted net loss per share			
Net loss per share	13	(0.29)	(0.10)

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

Condor Petroleum Inc.

Consolidated Statements of Cash Flows

Stated in thousands of Canadian dollars

For the year ended December 31		2016	2015
	Note		
Operating activities:			
Net loss		(11,892)	(3,318)
Items not affecting cash:			
Depletion and depreciation	7, 8	992	1,544
Deferred tax expense (recovery)	17	(1,803)	1,803
Stock based compensation	16	849	951
Non-cash finance income		(251)	(509)
Non-cash finance expense	16	811	827
Unrealized exchange gains	16	1,893	(10,328)
Decommissioning costs	11	-	(294)
Changes in non-cash working capital		210	279
Cash used in operating activities		(9,191)	(9,045)
Investing activities:			
Exploration and evaluation expenditures	7	(1,019)	(11,850)
Property and equipment expenditures	8	(15,663)	(270)
Changes in non-cash working capital		(1,007)	(3,482)
Cash used in investing activities		(17,689)	(15,602)
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Change in cash		(26,880)	(24,647)
Effect of foreign exchange on cash		(1,871)	10,451
Beginning cash and cash equivalents	5	50,282	64,478
Ending cash and cash equivalents	5	21,531	50,282

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

Condor Petroleum Inc.

Consolidated Statements of Changes in Equity

Stated in thousands of Canadian dollars (except for number of common shares)

	Number of common shares ¹	Share capital	Contributed surplus	Translation reserve	Deficit	Total equity
	(Note 12)	(Note 12)	(Note 14)	(Note 20)		
As at December 31, 2014	34,612,087	263,035	18,429	(7,332)	(85,512)	188,620
Stock based compensation expense	-	-	951	-	-	951
Foreign currency translation adjustment	-	-	-	(55,667)	-	(55,667)
Net loss	-	-	-	-	(3,318)	(3,318)
As at December 31, 2015	34,612,087	263,035	19,380	(62,999)	(88,830)	130,586
Issued on business combination (Note 4)	8,653,013	8,653	-	-	-	8,653
Stock based compensation expense	-	-	849	-	-	849
Foreign currency translation adjustment	-	-	-	(2,476)	-	(2,476)
Net loss	-	-	-	-	(11,892)	(11,892)
As at December 31, 2016	43,265,100	271,688	20,229	(65,475)	(100,722)	125,720

The accompanying notes are an integral part of these 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.

1. Corporate information:

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 consolidated financial statements (the "financial statements") of the Company as at and for the years ended December 31, 2016 and 2015 comprise the Company and its subsidiaries and have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were approved and authorized for issue on March 22, 2017 by the Condor Board of Directors (the "Board").

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.

In western Kazakhstan, the Company has a 100% interest in and operates the Zharkamys West 1 property ("Zharkamys"). See Note 2, "Basis of presentation", for discussion on the Zharkamys exploration contract term and status.

The Company also has 100% interest in and operates the Shoba and Taskuduk properties discovered within Zharkamys 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. Upon any further commercial discovery within Zharkamys, the Company has the exclusive right to enter the development stage by executing a further production contract.

2. Basis of presentation:

The financial statements are reported in Canadian dollars ("CAD") which is the functional currency of the Company. The Company's subsidiary in Kazakhstan, which operates the Zharkamys, Shoba and Taskuduk properties, has a Kazakhstan Tenge ("KZT") functional currency. The Company's subsidiary in Netherlands, which has a branch in Turkey, and operates the Ortakoy Properties, 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.

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. 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 years affected.

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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:

i. Reserve and resource estimates

Amounts recorded for depreciation and depletion and assessing the valuation of property and equipment and exploration and evaluation assets for impairment are based on estimates of oil and natural gas reserves and resources. By their nature, the estimates of reserves and resources, including probability of discovery (resources), future sales prices, domestic versus export sales mix, costs, discount rates and the related future cash flows, are subject to measurement uncertainty. A downward revision in the reserve or resource estimates or an upward revision to future capital costs would affect the depletion expense and could result in an asset impairment, which would reduce future earnings and the associated net book value of assets. Accordingly, the impact on the consolidated financial statements of future periods could be material. The Company's oil and gas reserves and resources are evaluated by independent qualified reserves evaluators.

ii. Business combinations

The purchase price allocation of the assets acquired as part of business combinations is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities, including the fair value of property and equipment, other long-term assets and provisions. Consequently, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings, due to the impact on future depreciation and depletion expense as well as impairment tests.

iii. Impairment

Estimates include volumes of recoverable reserves and resources, future commodity prices, future operating and capital costs, production profiles, discount rates, and consequently fair values of properties. A downward revision in the reserve or resource estimates or an upward revision to future capital costs could result in an asset impairment which would reduce future earnings and the associated net book value of assets. The allocation of assets into cash generating units ("CGU") requires significant judgment and interpretation. Factors considered include the integration between assets, shared infrastructures, the existence of common sales points, geography, geologic structure, and the manner in which management monitors and makes decisions about its operations. The recoverability of the assets is assessed at the CGU level. As such, the determination of a CGU could have a significant impact on impairment losses and reversals.

iv. Exploration and evaluation assets

The decision to transfer assets from exploration and evaluation to property and equipment is based on the determination of an area's technical feasibility and commercial viability, and the execution of a production contract with the Government of Kazakhstan.

v. Zharkamys exploration contract extension

The Zharkamys exploration contract ("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 ("Court") confirmed that a force majeure event had occurred under the Kazakhstan law "On Subsurface and Subsurface Use" and that the Contract validity period is to be extended for a period of 630 days. On December 22, 2016, the Ministry filed an appeal to the Court's decision. On February 7, 2017, the Kazakhstan Court of Appeal ("Court of Appeal") declined to consider the Ministry's submission due to its formal non-compliance with Court of Appeal's regulations. To date, the Ministry has not approved the Contract extension and further appeals are possible. Although there is uncertainty regarding the timing of and ability to obtain the required approval from

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the Ministry, the Company considers that based on the Court ruling on the force majeure extension, the Company retains legal rights to explore Zharkamys until September 5, 2018. As a result, no de-recognition of the respective exploration and evaluation assets in the amount of \$57.4 million is required as of December 31, 2016.

vi. Depletion

Estimates include the amount of reserve volumes and future development capital. Depletion is charged on a unit-of-production basis and a revision in the productive capacity of the assets may result in increased depletion and a reduced net book value of assets.

vii. Decommissioning obligations

Amounts recorded for decommissioning obligations and the related accretion expense require the use of estimates with respect to the amount and timing of asset retirements, site remediation, discount rates, inflation rates and related cash flows (Note 11). Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow. As a result of the long-term nature of the Company's operations, these estimates may change over time which may result in a change in the decommissioning provision and corresponding asset value, and impact future earnings as a result of changes in accretion and depletion expense.

viii. Stock based compensation

Compensation costs related to the Company's stock option plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model, which is based on significant assumptions such as share price volatility, risk free rates and the expected life of granted stock options (Note 14).

ix. Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings (Note 17). Changes in the estimate of future taxable income and the recovery of deductible temporary differences may result in the recognition of a deferred tax asset on the statement of financial position and an increase in earnings at the time when the tax recovery is recorded.

x. Other long term assets and other long term liabilities

Other long term assets and other long term liabilities are subject to estimates regarding the timing and amounts of future receipts and payments, discount rates and related cash flows (Notes 9 and 10). A change in the timing of cash flows or discount rates may impact earnings as a result of changes in finance income and expense.

Other long term assets include refundable VAT and restricted bank deposits for mandatory decommissioning obligation funding related to Condor's activities in Kazakhstan and Turkey. The VAT receivables are available for offset against VAT collected on future domestic sales and available for refund related to future export sales and are discounted from the expected date of receipt using a discount rate which approximates the market rate of interest. The bank deposits are invested in special interest bearing accounts and the funds are available at the Company's discretion for decommissioning obligations.

Other long term liabilities are amounts to be reimbursed to the Government of Kazakhstan for historical costs incurred on the Company's properties by the Government prior to the Company's acquisition of the related

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exploration rights and include expenditures for drilling, seismic and other geological and geophysical works. The historical cost obligations are non-interest bearing and comprise USD and KZT denominated liabilities and are discounted based on the estimated timing of future payments at the historical risk-free rates.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Company and its subsidiaries.

Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at December 31, 2016 the Company has the following significant and wholly owned subsidiaries:

- New Horizon Energy Netherlands B.V. (Netherlands)
- Falcon Oil & Gas Ltd. (Kazakhstan)
- Marsa Turkey B.V. (Netherlands and Turkey)

ii. Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation and transactions

For the Company's foreign operations, assets and liabilities are translated to Canadian dollars from their functional currency using period end exchange rates, revenues and expenses are translated using average rates during the period. Foreign currency translation adjustments are recognized in the translation reserve.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in the translation reserve.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into the functional currency at period end exchange rates with resulting exchange gains and losses included in profit or loss for the period. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction.

Business combinations

The Company uses the acquisition method to account for business combinations. Assets acquired and liabilities assumed in a business combination are recorded at fair value at the time of acquisition. The determination of fair value requires estimates, assumptions and judgments that are subject to measurement uncertainty.

Cash and cash equivalents

Cash and cash equivalents include short term, highly liquid investments that mature within three months of purchase.

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Other current assets

Other current assets are comprised of supplies inventory, crude oil inventory, prepaid expenses, deposits, refundable Canadian goods and services tax ("GST") and the current portion of refundable value added tax ("VAT") of foreign operations.

Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory cost is determined using the weighted average method. Supplies inventory includes all costs to purchase and other costs incurred in bringing the inventory item to its existing location and condition. Crude oil inventory includes all costs of production, storage, processing, transportation, royalties and attributable depletion expense on produced but unsold crude oil.

Exploration and evaluation assets

All costs directly related to exploration and evaluation assets are initially capitalized. Exploration and evaluation costs are expenditures on areas for which technical feasibility and commercial viability have yet to be determined and include costs associated with unproved property acquisitions, geological and geophysical, decommissioning obligations, exploration and evaluation drilling, sampling, testing and appraisals. Costs incurred prior to acquiring the legal right to explore an area are charged to earnings.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and then transferred to oil and gas properties. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to earnings as exploration and evaluation expense. Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Crude oil sales from test production on exploration and evaluation properties, prior to commercial viability and technical feasibility are recorded according to the Company's revenue recognition policy and all related sales costs, including royalties, production costs, transportation costs and depletion are charged to earnings in the period of sale. Depletion of exploration and evaluation assets related to crude oil sales is recorded using the unit-of-production method based on proved plus probable reserves and total project capital expenditures including future development costs.

Oil and gas properties

All costs directly associated with the acquisition and development of oil and gas properties are capitalized on an area-by-area basis for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, gathering, storage, processing facilities, infrastructure completion, asset retirement costs and transfers of exploration and evaluation assets. Oil and gas properties are depleted on a unit-of-production basis over the proved and probable reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

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Other equipment

Other equipment includes office equipment, which is depreciated over 3-6 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Where an item of property and equipment consists of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Impairment

Oil and gas properties and other property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication of impairment exists an estimate of the asset's or CGU's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to expense which reduces the carrying amount to its recoverable amount. Impairment losses related to continuing operations are recognized in profit and loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been objective evidence of a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized and the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Income taxes

Income taxes are comprised of current and deferred taxes. Income tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected income tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting period, adjusted for any income tax reassessments from prior periods.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not affect accounting or taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax assets are reviewed at each reporting date.

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Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Stock based compensation

The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model. The model employs various assumptions, based on management's best estimates at the time of grant, which impact the fair value calculated and ultimately, the expense that is recognized. The value of the stock options is recognized as an expense over the vesting period with an offsetting increase to contributed surplus. The expense is recognized on a graded basis, being higher in earlier years and lower in later years. Consideration paid for shares on exercise of the stock options will be added to share capital together with the amount of any contributed surplus that arose as a result of the grant of the exercised stock options. The Company does not capitalize stock based compensation costs.

Revenue recognition

Crude oil sales are recorded in the period in which the product or service has been delivered to the customer, the significant risks and rewards of ownership have been transferred to the customer, the price is determinable, and collection of the sales price is reasonably assured.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it's no longer probable that an outflow of economic benefits will be required, the provision is reversed.

Decommissioning obligations

Decommissioning obligations comprise present obligations for well abandonment, facility retirement and site restoration and are measured at the present value of the expected expenditures to be incurred based on projected remediation plans, current industry practices and technology and prevailing legislation. Increases in decommissioning obligations resulting from the passage of time are recorded as accretion expense. The cost is capitalized as a component of oil and gas properties and amortized as depletion and depreciation expense.

Changes in the estimated obligations resulting from revisions to the estimated timing, cost, or changes in the discount rate are recognized as a change in the decommissioning obligations and the related asset retirement cost.

Net income (loss) per share

The Company presents basic and diluted net income (loss) per share data for its common shares, calculated by dividing the net income (loss) attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share does not adjust the income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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Financial instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company assesses at the end of each reporting period whether a financial asset is impaired. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit and loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Other financial liabilities are financial liabilities that are not quoted on an active market and with no intention of being traded. Other financial liabilities include accounts payable and accrued liabilities, and borrowings. Accounts payable are initially recognized at the amount required to be paid less any discount or rebates to reduce the payables to estimated fair value. Accounts payable are subsequently measured at amortized cost using the effective interest method. The current borrowings were recognized initially at fair value, net of any transaction costs incurred, which are capitalized and subsequently amortized using the effective interest method.

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Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. The fair value of financial liabilities classified as FVTPL, are recognized in earnings.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

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

A number of new accounting standards, amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 1, 2017 and have not been applied in preparing the financial statements as of and for the year ended December 31, 2016:

“Disclosure Initiative (Amendments to IAS 7)” is mandatory effective from January 1, 2017. It includes additional disclosures for changes in liabilities arising from financing activities.

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.

4. 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 (Note 12). 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, through its subsidiaries, owns a 100% interest in the Ortakoy properties in Turkey. The purchase price has been allocated to the fair value of the net assets acquired as follows (000’s):

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

If the Marsa Transaction had been completed on January 1, 2016, the Company’s revenues for the year ended December 31, 2016, when combined with Marsa’s revenues and not taking into consideration any combined synergies, would have remained the same at \$1.5 million and net loss would have increased by \$0.5 million to \$12.2 million. This pro-forma information is not necessarily indicative of the results had the Marsa Transaction actually occurred on January 1, 2016.

The Company incurred \$1.5 million of transaction costs related to the Marsa Transaction.

5. Cash and cash equivalents:

As at December 31 (000’s)	2016	2015
Cash at bank	852	2,186
Short-term deposits	20,679	48,096
	21,531	50,282

Cash at bank earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on expected cash requirements and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents approximates its carrying value due to its short-term nature.

6. Other current assets:

As at December 31 (000’s)	2016	2015
Supplies inventory	266	212
Crude oil inventory	307	121
Prepaid expenses and deposits	849	473
Current portion of VAT receivable (Note 9)	710	117
	2,132	923

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7. Exploration and evaluation assets:

Exploration and evaluation assets comprise the Zharkamys territory in Kazakhstan.

As at December 31 (000's)	2016	2015
Cost		
Beginning balance	82,962	126,004
Capital expenditures	1,019	11,850
Transfers to property and equipment (Note 8)	(23,128)	-
Change in decommissioning costs and other	(192)	(45)
Foreign currency translation adjustment	(3,246)	(54,847)
Ending balance	57,415	82,962
Accumulated depletion		
Beginning balance	(4,286)	(5,761)
Depletion	-	(932)
Transfers to property and equipment (Note 8)	4,041	-
Foreign currency translation adjustment	245	2,407
Ending balance	-	(4,286)
Ending net book value	57,415	78,676

As an indicator of impairment was noted, the Company has tested the exploration and evaluation assets for impairment as of December 31, 2016. The forward commodity prices used to determine future cash flows from the Company's risked prospective resources are:

USD per barrel	2017	2018	2019	2020	2021	2022	2023	2036	Average annual change to 2036 (%)
Brent	55.00	58.70	62.40	69.00	75.80	77.30	78.80	100.02	2.0
Domestic field price	23.67	25.61	27.55	31.20	34.90	35.58	36.25	46.95	2.0

The evaluation of discounted future cash flows was performed using a sales mix of 80% export and 20% domestic based on estimated domestic sales obligations, a discount rate of 18% percent and an inflation rate of 2%, which is common industry practice and used by the Company's independent qualified reserves evaluators in preparing their assessment of certain resource prospects. Based on the individual characteristics of the asset, other economic and operating factors are also considered, which may increase or decrease the implied discount rate. No impairment was identified as of December 31, 2016. See Note 2, "Basis of presentation", for discussion on the Zharkamys exploration contract extension.

For the year ended December 31, 2016, capital expenditures include \$0.4 million of general and administrative costs directly attributable to the exploration and evaluation assets and activities (2015: \$1.8 million).

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8. Property and equipment:

(000's)	Oil and gas properties	Other equipment	Total
Cost			
As at December 31, 2014	-	7,474	7,474
Capital expenditures	-	270	270
Foreign currency translation adjustment	-	(2,514)	(2,514)
As at December 31, 2015	-	5,230	5,230
Acquisition of Marsa (Note 4)	8,842	355	9,197
Capital expenditures	15,578	85	15,663
Transfers from exploration and evaluation assets (Note 7)	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
Accumulated depletion and depreciation			
As at December 31, 2014	-	(2,507)	(2,507)
Depletion and depreciation	-	(612)	(612)
Foreign currency translation adjustment	-	828	828
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)
Net book value			
As at December 31, 2015	-	2,939	2,939
As at December 31, 2016	45,478	703	46,181

Oil and gas properties comprise the Shoba and Taskuduk properties in Kazakhstan and the Poyraz Ridge operating license in Turkey. During the third quarter of 2016, the production contracts for Shoba and Taskuduk were signed and the exploration and evaluation assets and other equipment related to these properties were transferred to oil and gas properties and tested for impairment. No impairment was identified as of the date of transfer. Oil and gas properties are depleted on a unit-of-production basis over the proved plus probable reserves. Other equipment is subject to depreciation on a straight-line basis over 3-6 years.

9. Other long term assets:

As at December 31 (000's)	2016	2015
Non-current VAT receivable	7,369	6,536
Non-current bank deposits	2,268	1,759
	9,637	8,295

Undiscounted VAT receivables (including non-current and current portion) of \$8.9 million (2015: \$7.7 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

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receipt using a discount rate of 10.7% (2015: 7.4%), 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 denominated in USD and TRY, as described in Note 3, are invested in special interest bearing accounts and the funds are available at the Company's discretion for decommissioning obligations.

10. 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 \$2.6 million and KZT denominated liabilities of \$2.4 million. The total undiscounted historical costs as at December 31, 2016 is \$5.0 million (2015: \$5.3 million). Excluding the current portion of \$0.5 million (2015: \$0.4 million), the non-current portion of historical costs has been discounted to \$3.0 million (2015: \$3.1 million) based on the estimated timing of future payments and a weighted average 8% discount rate based on historical risk-free rates.

11. Provisions:

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 December 31, 2016, the estimated total undiscounted cash flows required to settle the current and non-current liabilities are \$4.4 million (December 31, 2015: \$2.4 million), which are expected to be incurred between 2017 and 2034.

The calculation of the net present value of the decommissioning obligations included a weighted average inflation rate of 6.9% (December 31, 2015: 5.1%) and weighted average risk free rate associated with the assets of 7.9% (December 31, 2015: 7.1%).

As at December 31 (000's)	2016	2015
Beginning non-current portion of provisions	1,686	1,527
Marsa acquisition	1,192	-
Increase in liabilities	550	262
Change in estimates	705	450
Decommissioning costs incurred	-	(17)
Accretion expense	232	22
Foreign currency translation adjustment	(393)	(558)
Ending non-current portion of provisions	3,972	1,686
Beginning current portion of provisions	266	633
Change in estimates	-	(45)
Decommissioning costs incurred	-	(294)
Foreign currency translation adjustment	(2)	(28)
Ending current portion of provisions	264	266

12. 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. On March 24, 2016 the Marsa Transaction was completed and Condor issued 8,653,013 common shares to the Marsa shareholders (Note 4).

	Common shares
As at December 31, 2015	34,612,087
Marsa Transaction	8,653,013
As at December 31, 2016	43,265,100

13. Income (loss) per share:

Per share amounts are calculated using a weighted average number of common shares of 41,279,183 for the year ended December 31, 2016 (2015: 34,612,087 shares). Outstanding stock options have been excluded from the calculations of diluted weighted average common shares as to include them would be anti-dilutive.

14. 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.

The number and weighted average exercise prices of share options are as follows:

	Number of options	Weighted average exercise price
Outstanding as at December 31, 2014	2,967,000	8.59
Granted	1,128,000	1.54
Forfeited	(159,000)	7.63
Expired	(718,000)	10.00
Outstanding as at December 31, 2015	3,218,000	5.85
Granted	1,025,000	1.33
Forfeited	(91,500)	3.57
Expired	(757,500)	14.00
Outstanding as at December 31, 2016	3,394,000	2.73

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Details of the stock options outstanding as at December 31, 2016 are as follows:

Exercise price	Options outstanding		Options vested	
	Number	Average remaining life in years	Number	Average remaining life in years
\$1.33	1,025,000	4.4	341,669	4.4
\$1.50	708,000	3.6	472,002	3.6
\$1.60	377,500	3.2	251,676	3.2
\$2.10	20,000	2.9	13,334	2.9
\$3.00	30,000	2.4	30,000	2.4
\$3.40	212,500	2.3	212,500	2.3
\$5.00	475,000	0.3	475,000	0.3
\$5.50	546,000	1.3	546,000	1.3
	3,394,000	2.9	2,342,181	2.3

The 2,342,181 options exercisable at December 31, 2016 had a \$3.32 weighted average exercise price (2015: \$7.32). Stock options granted during the year had a fair value of \$1.12 (2015: \$0.78-\$0.82), which are subject to shareholder approval. The previous shareholder approval of the stock option plan expired on May 23, 2016 and the renewal of the stock option plan was approved by the shareholders during the annual general meeting of shareholders on June 23, 2016. Since the options were awarded between the expiration and renewal dates of the shareholder approvals, the Company will need to obtain shareholder approval ratifying the grant at next year's shareholders' meeting in the second quarter of 2017. As employee services have commenced, the Company has recognized \$0.6 million in stock based compensation expense in the year ended December 31, 2016 related to the May 25, 2016 grant. The remaining \$0.2 million of stock based compensation expense for the year ended December 31, 2016 relates to the grants issued in prior periods. Stock options subject to approval are revalued each period end and had a fair value of \$1.2 million as of December 31, 2016. The fair value of each option awarded is estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life (2015: 3.5 years); a 1.0% risk free interest rate (2015: a 0.5% to 1% risk free interest rate); a 76% expected volatility (2015: 74%), which has been based on historical share price volatility of the Company; 17% expected forfeiture rate (2015: 17%); and share price of \$1.85 (2015: \$1.50-\$1.60).

15. Compensation expenses:

The aggregate payroll expense was \$5.6 million of salary and benefits (2015: \$6.4 million) and \$0.8 million of stock based compensation expense (2015: \$1.0 million). Key management comprises the executive officers and directors of the Company. Key management's compensation was comprised of \$1.4 million of salary and benefits (2015: \$1.4 million) and stock based compensation of \$0.7 million (2015: \$0.7 million). In the event of termination or change of control, members of key management (excluding directors) are each entitled to from six months to two years' annual compensation.

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16. Finance income and expense:

For the year ended December 31 (000's)	2016	2015
Finance income:		
Interest income on bank deposits	172	183
Accretion of long term VAT receivables	253	523
	<u>425</u>	<u>706</u>
Finance expenses:		
Charges on discounting VAT	(19)	(534)
Accretion of provisions and other long term liabilities	(782)	(293)
	<u>(811)</u>	<u>(827)</u>
Foreign exchange gain (loss)	(1,817)	9,891
Net finance income (expense)	<u>(2,203)</u>	<u>9,770</u>

17. Income taxes:

The provision for income taxes differs from the amount computed by applying the statutory rates to earnings before taxes. The difference results from the following items:

For the year ended December 31 (000's)	2016	2015
Net loss, before tax	(13,695)	(1,515)
Statutory rate	27%	26%
Tax provision (recovery) at statutory rate	(3,697)	(394)
Effect on taxes of:		
Tax pools, for which no deferred tax asset was recognized	2,776	1,303
Utilization of previously unrecognized tax pools	(1,803)	(6,364)
Permanent component of capital loss	430	6,316
Non-deductible expenses / non-taxable income	(87)	1,062
Stock based compensation expense	229	248
Foreign tax rate differentials	21	240
Effect of changes in tax rates	-	(200)
Other	328	(408)
Deferred income tax (recovery) expense	<u>(1,803)</u>	<u>1,803</u>

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For the year ended December 31, 2016 the Company recognized deferred tax recovery of \$1.8 million (December 31, 2015: expense of \$1.8 million) arising from the foreign currency translation adjustment on intercompany loans to foreign subsidiaries denominated in USD as well as foreign exchange gains on cash held in USD due to the appreciation of CAD against USD during the period. No deferred tax assets were recognized on the statement of financial position for the following deductible temporary differences:

As at December 31(000's)	2016	2015
Property and equipment	164,254	131,381
Income tax losses	34,362	14,581
Other	6,955	6,607
Total deductible temporary differences	205,571	152,569

For income tax purposes, the Company has losses carried forward as at December 31, 2016 which may be used to reduce future years' taxable income. In Canada, the Company has \$6.6 million of losses carried forward which expire between 2028 and 2036. In the United States, the Company has \$4.4 million of losses carried forward which expire between 2027 and 2036, in the Netherlands the Company has \$19.0 million of losses carried forward that expire between 2017 and 2025 and in Turkey the Company has \$4.4 million of losses carried forward that expire between 2017 and 2021.

At December 31, 2016, there is approximately \$44.6 million (2015: \$32.5 million) of undistributed retained earnings in foreign subsidiaries. Due to applicable foreign tax legislation only portion of such undistributed retained earnings in foreign subsidiaries may be subject to dividend withholding taxes in the country of origin upon repatriation. No provision has been made for withholding and other taxes that would become payable on the distribution of these earnings because the Company controls the relevant entities and has no committed plans to remit the earnings in the foreseeable future.

18. Related party transactions:

General and administration costs for the year ended December 31, 2016 include \$0.3 million (2015: \$0.2 million) of personnel services provided by affiliates of EurAsia Resource Value SE, a shareholder of the Company. The amount outstanding at December 31, 2016 was \$0.3 million (2015: \$0.1 million) and is included in accounts payable and accrued liabilities.

19. Commitments and contingent liabilities:

The Company has various work commitments related to the respective Zharkamys, Shoba and Taskuduk contracts in Kazakhstan. There are no work commitments related to the Poyraz Ridge or Destan operating licenses in Turkey:

(\$ millions)	< 1 year	2-3 years	Total
Zharkamys	-	-	-
Shoba	14.6	3.7	18.3
Taskuduk	0.7	0.4	1.1

Zharkamys work program

The Company has contractual work commitments pursuant to the Zharkamys exploration contract in Kazakhstan. These work commitments may be amended from time to time in accordance with planned exploration and development activities proposed by the Company and approved by the Government of Kazakhstan and additional amounts could be significant. In addition, any exploration period extensions or

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subsequent development periods may carry additional work commitments, which could be significant. Non-fulfilment of work commitments for Zharkamys could result in punitive actions including the suspension or revocation of the contract and financial work commitment shortfalls may be subject to penalties of 30% of the shortfall. No additional work commitments are expected related to the contract extension from December 14, 2016 until September 5, 2018 (see Notes 1 and 2).

Shoba and Taskuduk work programs

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-fulfilment 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.

Other operating licenses in Turkey

As at December 31, 2016, the Company owned the rights to the H17 a2-1 and H17 b1-1 operating licenses in Turkey and each license carried a commitment to drill an exploration well. The commitment wells were not drilled and each license expired on February 19, 2017. Neither license had any associated reserves, carrying value in the financial statements or has any future commitments or obligations.

Operating leases

Non-cancellable operating leases are payable \$0.2 million in less than one year (2015: \$0.6 million) and \$0.8 million between one and four years (2015: \$0.2 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.

Commercial discovery bonus

The Company shall be subject to a commercial discovery bonus of 0.1% of the value of the estimated volume of recoverable reserves as approved by the Government of Kazakhstan, on the signing of each new production contract or upon the fact of additional discovery made.

For the year ended December 31, 2016 total commercial discovery bonuses of \$0.2 million were paid related to the signing of the Shoba and Taskuduk production contracts.

Kazakhstan local content requirements

Kazakhstan subsoil users are required to give preference to local companies and domestic products when procuring goods, works and services. Local content deficiencies may be subject to penalties of 30% of the shortfall under the Zharkamys exploration contract and 1% of the shortfall under the Shoba and Taskuduk production contracts. Subsoil users are also required to follow prescribed procurement procedures including certain tendering rules and regulations.

20. 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:

Carrying amounts as at December 31(000's)	2016	2015
Cash and cash equivalents	21,531	50,282
Trade and other receivables	1,061	688
Other current financial assets	1,559	590
Other long term assets	9,637	8,295
	33,788	59,855

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 December 31, 2016 the majority of cash and cash equivalents are invested with Canadian chartered banks (\$21.1 million) while \$0.2 million is held in the Netherlands, \$0.1 million is held in Kazakhstan and \$0.1 million in Turkey. The Company expects the counterparties to meet their obligations.

Trade and other receivables as at December 31, 2016 include \$0.3 million of crude oil sales receivables (December 31, 2015: \$0.6 million), which are significantly past due and relate to sales from November 2014 to January 2015. Due to disruptions in the local oil refining market during 2015 and 2016, the refinery which accepted delivery of the Company's crude oil has had cash flow interruptions and has been unable to settle their trade payables on a timely basis. Although past due, no provision for bad debts has been recorded and the Company considers the receivables fully 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 exploration activities in Kazakhstan.

In Kazakhstan, the Company has certain contractual work commitments related to exploration activities as described in Note 19. As at December 31, 2016, the Company has sufficient capital to fund the planned exploration and operating activities for the next twelve months.

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.

As at December 31, 2016, all current liabilities are contractually due within the next twelve months. With \$0.5 million reclassified to current liabilities, the undiscounted other long-term liabilities are expected to become due \$1.0 million in the years 2018-2019, \$1.0 in the years 2020-2021, and \$2.5 million thereafter (as at December 31, 2015: \$1.1 million for the years 2017-2018, \$1.1 million for 2019-2020, and \$2.8 million thereafter respectively).

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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 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 years ended December 31, 2016 and 2015.

During the year ended December 31, 2016, the CAD appreciated from 1.38 per 1.00 USD to 1.34, which led to a foreign exchange loss of (\$1.8) million (2015: gain of \$9.9 million) related to USD denominated cash and cash equivalents held by the Company.

During the year ended December 31, 2016, the KZT depreciated from 245 per 1.00 CAD to 247 and TRY depreciated from 2.18 per 1.00 CAD as of the date of Marsa acquisition to 2.62 resulting in a (\$2.4) million translation loss adjustment through equity (2015: loss of \$55.7 million).

A \$0.01 change in the Canadian dollar to U.S. dollar exchange rate at December 31, 2016 would have changed profit or loss by \$0.2 million (2015: \$0.5 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

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 December 31, 2016 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 years ended December 31, 2016 or 2015.

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.

21. Capital management:

The key measure of the Company's capital structure is current assets minus current liabilities defined as working capital, which is not defined by IFRS.

As at December 31 (000's)	2016	2015
Current assets	24,724	51,893
Current liabilities	(5,285)	(4,623)
Working capital	19,439	47,270

Subsequent to year-end, the Company entered into and received the proceeds from a loan agreement of USD 10.0 million as described in Note 24. The Company does not have any externally imposed restrictions on its capital, except on the noncurrent bank deposits for decommissioning obligations in Kazakhstan and Turkey, as discussed in Note 9.

22. Supplementary cash flow information:

The Company received interest income of \$0.2 million for the year ended December 31, 2016 (2015: \$0.2 million) and did not pay any interest or income tax in 2016 or 2015.

23. 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 December 31, 2016				
Exploration and evaluation assets	-	57,415	-	57,415
Property 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
As at December 31, 2015				
Exploration and evaluation assets	-	78,676	-	78,676
Property and equipment	26	2,913	-	2,939
Total assets	48,599	93,204	-	141,803
Total liabilities	2,826	8,391	-	11,217

Condor Petroleum Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

(000's)	Corporate	Kazakhstan	Turkey	Total
<u>For the year ended December 31, 2016</u>				
Exploration and evaluation expenditures	-	1,019	-	1,019
Property and equipment expenditures	16	402	15,245	15,663
Total capital expenditures	16	1,421	15,245	16,682

Revenue

Crude oil sales	-	1,532	-	1,532
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Expenses

Production costs	-	502	-	502
Royalty expense	-	39	-	39
General and administrative	5,415	1,767	1,951	9,133
Transaction costs	1,509	-	-	1,509
Depletion and depreciation	19	926	47	992
Stock based compensation	849	-	-	849
Finance income	(425)	-	-	(425)
Finance expense	811	-	-	811
Foreign exchange loss	1,817	-	-	1,817
Net loss, before tax	(9,995)	(1,702)	(1,998)	(13,695)
Deferred tax recovery	1,803	-	-	1,803
Net loss	(8,192)	(1,702)	(1,998)	(11,892)

For the year ended December 31, 2015

Exploration and evaluation expenditures	-	11,850	-	11,850
Property and equipment expenditures	16	254	-	270
Total capital expenditures	16	12,104	-	12,120

Revenue

Crude oil sales	-	147	-	147
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Expenses

Production costs	-	590	-	590
Royalty expense	-	22	-	22
General and administrative	5,325	3,000	-	8,325
Depletion and depreciation	20	1,524	-	1,544
Stock based compensation	951	-	-	951
Finance income	(706)	-	-	(706)
Finance expense	827	-	-	827
Foreign exchange gain	(9,891)	-	-	(9,891)
Net income (loss), before tax	3,474	(4,989)	-	(1,515)
Deferred tax expense	(1,803)	-	-	(1,803)
Net income (loss)	1,671	(4,989)	-	(3,318)

24. Subsequent events

Long term borrowings

On January 10, 2017 the Company established a USD 10.0 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 the first anniversary of the Receiving Date followed by eight payments of USD 1.25 million of principal plus interest due quarterly in arrears. Condor also issued to the lender a warrant certificate exercisable into one million common shares of Condor at \$2.35 per share on or before January 31, 2020. The Loan Proceeds are available to fund capital expenditures related to drilling, infrastructure and workovers at Poyraz Ridge and for general corporate purposes.

Other operating licenses in Turkey

The Company previously owned the rights to the H17 a2-1 and H17 b1-1 operating licenses in Turkey and each license carried a commitment to drill an exploration well. The commitment wells were not drilled and each license expired on February 19, 2017. Neither license had any associated reserves, carrying value in the financial statements or has any future commitments or obligations.