



## **ANNUAL INFORMATION FORM**

For the year ended December 31, 2017

March 20, 2018

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## GLOSSARY OF TERMS

### GLOSSARY OF TERMS

In this annual information form ("AIF"), the terms set forth below have the following meanings:

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations thereunder, as amended;

"**Action**" has the meaning given under the heading "Cease Trade Orders, Bankruptcies, Penalties or Sanctions";

"**AIF**" means annual information form;

"**Antimonopoly Agency**" means the Kazakhstan Agency for Competition Protection;

"**API**" means American Petroleum Institute, but is generally referred to as a degree of gravity that provides a relative measure of crude oil density compared to water. If API gravity is greater than 10, it is lighter than water and floats on water; if it is less than 10, it is heavier than water and sinks;

"**ASC**" means the Alberta Securities Commission;

"**Associated Rights**" has the meaning given under the heading "Risk Factors - Risks Relating to Operating in Kazakhstan";

"**barrel**" means a stock tank barrel, a standard measure of volume for petroleum corresponding to approximately 159 litres, or 42 U.S. gallons;

"**Board**" or "**Condor Board**" means the board of directors of the Company, as constituted from time to time;

"**boe**" means barrels of oil equivalent derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil (6 Mcf: 1 bbl). Expressing natural gas volumes in boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum;

"**Common Shares**" means common shares in the capital of the Company;

"**Company**" or "**Condor**" or the "**Corporation**" means Condor Petroleum Inc.;

"**Destan Operating License**" means the 100% interest held by Marsa Turkey in the operating license issued by the Government of Turkey effective June 9, 2015 for commercial oil and gas development and production at the Destan gas field in Turkey, as amended from time to time;

"**Developed Non-Producing**" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown;

"**Developed Producing**" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

**"Discovered Petroleum Initially-in-Place"** or **"DPIIP"** means the quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production;

**"Distribution"** has the meaning given under the heading "Description of Share Capital - Common Shares";

**"EurAsia"** means EurAsia Resource Value S.E.;

**"Falcon"** means Falcon Oil & Gas Ltd. LLP, a wholly-owned subsidiary of the Company;

**"First Preferred Shares"** means first preferred shares in the capital of the Company;

**"Gross"** means:

- (a) in relation to the Company's interest in production and reserves, its "Company Gross reserves", which means Company working interest before calculation of royalties, and before consideration of royalty interests;
- (b) in relation to wells, the total number of wells in which the Company has an interest; and
- (c) in relation to properties, the total area of properties in which the Company has an interest;

**"High Plains"** has the meaning given under the heading "Cease Trade Orders, Bankruptcies, Penalties or Sanctions";

**"Kazakhstan"** means the Republic of Kazakhstan;

**"Local Content Amendments"** has the meaning given under the heading "Risk Factors - Risks Relating to Operating in Kazakhstan";

**"Marsa Turkey"** means Marsa Turkey B.V., a wholly-owned subsidiary of the Company;

**"Marsel Sale"** means the sale of Marsel Petroleum LLP, a subsidiary of the Company, which was completed on January 28, 2014;

**"McDaniel"** means McDaniel & Associates Consultants Ltd., an independent petroleum engineering and geological consulting firm based in Calgary, Alberta;

**"McDaniel Reserve Report"** means the NI 51-101 compliant report prepared by McDaniel entitled "Evaluation of Crude Oil and Natural Gas Reserves, Kazakhstan and Turkey, as of December 31, 2017" having a preparation date of March 2, 2018;

**"MWP"** means minimum work programs associated with the Company's properties in Kazakhstan;

**"Net"** means:

- (a) in relation to the Company's interest in production and reserves, its "Company net reserves", which are the Company's working interest (operating and non-operating) share after deduction of royalty obligations;
- (b) in relation to wells, the number of wells obtained by aggregating the Company's current working interest in each of its gross wells; and
- (c) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company;

"**NI 51-101**" means "National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities" of the Canadian Securities Administrators;

"**NI 52-110**" means "National Instrument 52-110 - Audit Committees" of the Canadian Securities Administrators;

"**Options**" means options to purchase Common Shares pursuant to the Option Plan;

"**Option Plan**" means the Company's stock option plan, dated August 16, 2010;

"**Order**" has the meaning given under the heading "Executive Officers and Directors - Cease Trade Orders, Bankruptcies, Penalties or Sanctions";

"**Possible reserves**" are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

"**Poyraz Ridge Operating License**" means the 100% interest held by Marsa Turkey in the operating license issued by the Government of Turkey effective June 9, 2015 for commercial oil and gas development and production at the Poyraz Ridge gas field in Turkey, as amended from time to time;

"**Probable reserves**" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

"**Proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"**Regulatory Framework**" has the meaning given under the heading "Industry Conditions";

"**Second Preferred Shares**" means second preferred shares in the capital of the Company;

"**Shoba Production Contract**" means the 100% interest held by Falcon in the contract for commercial oil and gas development and production at the Shoba oilfield in western Kazakhstan signed with the Government of Kazakhstan on September 1, 2016, as amended from time to time;

"**Taskuduk Production Contract**" means the 100% interest held by Falcon in the contract for commercial oil and gas development and production at the Taskuduk oilfield in western Kazakhstan signed with the Government of Kazakhstan on September 28, 2016, as amended from time to time;

"**TSX**" means the Toronto Stock Exchange;

"**Turkey**" means the Republic of Turkey;

"**Undeveloped reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned;

"**Zharkamys**" means the 3,777 km<sup>2</sup> Zharkamys West 1 block in the Pre-Caspian basin in western Kazakhstan in which Falcon holds a 100% interest in the oil and gas exploration rights;

**"Zharkamys Exploration Contract"** means the 100% interest held by Falcon in the contract for oil and gas exploration rights at Zharkamys signed with the Government of Kazakhstan on August 27, 2007, as amended from time to time;

Certain other terms used in this AIF but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. Unless otherwise noted, the Company's production volumes disclosed herein are based on the Company's working interest production before deduction of royalties paid to others.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation. Words importing the singular number include the plural and vice versa and words importing any gender include all genders.

All dollar amounts set forth in this AIF are in Canadian dollars, except where otherwise indicated.

## **ABBREVIATIONS, TERMS AND CONVERSIONS**

### **Abbreviations**

In this AIF, the abbreviations set forth below have the following meanings:

bbl	barrels of oil	Q	quarter
boe	barrel of oil equivalent	d	day
CAD	Canadian Dollar	NGL	natural gas liquid
km	Kilometers	\$/bbl	dollars per barrel
km <sup>2</sup>	square kilometers	2D	two dimensional
Mbbl	thousand barrels	3D	three dimensional
MBOE	thousand barrels of oil equivalent	KZT	Kazakhstan Tenge
Mcf	thousand cubic feet	TRY	Turkish Lira
MMcf	million cubic feet	USD, US\$ or	
Bcf	billion cubic feet	\$US	Unites States Dollar

### **Conversions**

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

<b>To Convert From</b>	<b>To</b>	<b>Multiply By</b>
Mcf	cubic meters	28.174
cubic meters	cubic feet	35.494
bbl	cubic meters	0.159
cubic meters	Bbl	6.290
litre	Bbl	0.0063

## MARKET AND INDUSTRY DATA

This AIF contains certain statistical, market and industry data obtained from government or other industry publications and reports or based on estimates derived from same and management's knowledge of, and experience in, the markets in which the Company operates. Government and industry publications and reports generally indicate that information has been obtained from sources believed to be reliable, but has not been verified. Further, certain of these organizations are participants in, or advisors to participants in, the oil and natural gas industry, and they may present information in a manner that is more favourable to the industry than would be presented by an independent source. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Company believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying assumptions relied upon by such sources.

### NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF and the documents incorporated by reference constitute forward looking statements. All statements other than statements of historical fact are forward looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "predict" and "potential" and similar expressions are intended to identify forward looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. No assurance can be given that these expectations will prove to be correct and such forward looking statements included in this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF. In addition, this AIF may contain forward looking statements and forward looking information attributed to third party industry sources. These statements may relate to future events or the Company's future performance, including:

- the Company's growth strategy and opportunities;
- the Company's capital expenditure programs;
- the estimated quantity and value of the Company's crude oil, natural gas and NGL reserves;
- the Company's expectations regarding costs and commodity prices;
- the timing of commencement of certain of the Company's operations and the level of production anticipated by the Company;
- the potential for production disruption and constraints;
- supply and demand fundamentals for crude oil, natural gas and NGLs;
- the Company's drilling plans;
- the Company's plans for, and results of, exploration and development activities;
- the timing and ability to obtain various approvals, including production contracts or operating licenses;
- the timing of future legal hearings and rulings related to the Zharkamys Exploration Contract extension and possible outcomes including the possibility that the term may be extended or, conversely, that the Zharkamys Exploration Contract may revert back to the Ministry; the timing and ability to submit extension applications and obtain contract extensions; and the timing and ability to appeal court rulings;

- the timing, ability, and implementation of the development and production plans for the Company's properties; and
- the Company's treatment under governmental regulatory regimes and tax laws.

With respect to forward looking statements and forward looking information contained in this AIF, assumptions have been made regarding, among other things:

- future commodity prices being consistent with those forecast in the McDaniel Reserve Report;
- the Company's ability to obtain qualified staff and equipment in a timely and cost efficient manner;
- the regulatory framework governing royalties, taxes and environmental matters in Kazakhstan, Turkey, and any other jurisdictions in which the Company may conduct its business in the future;
- the Company's ability to market crude oil, natural gas and NGL production;
- the Company's future production levels meeting those estimated in the McDaniel Reserve Report;
- the applicability of technologies for recovery and production of the Company's oil, natural gas and NGL reserves;
- the recoverability of the Company's crude oil, natural gas and NGL reserves;
- the ability to obtain and the timing of regulatory approvals;
- future development plans for the Company's assets proceeding substantially as currently envisioned;
- future capital expenditures to be made by the Company;
- future cash flows from production meeting the expectations stated herein;
- the Company's future debt levels;
- operating costs;
- the geography of the areas in which the Company is exploring;
- the impact of increasing competition on the Company; and
- the Company being able to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth below and included elsewhere in this AIF under the heading "Risk Factors", including:

- general economic, market and business conditions, including volatility in foreign currency exchange rates in Kazakhstan and Turkey, which could potentially impact the cost of services and the prices of crude oil, natural gas and NGL sales, and the Canadian dollar denominated accounting carrying value of assets and liabilities on the Company's consolidated financial statements;
- volatility in market prices for crude oil, natural gas and NGLs, marketability and hedging activities related thereto;
- risks related to the exploration, development and production of crude oil, natural gas and NGL reserves;
- risks inherent in the Company's international operations, including security and legal risks in Kazakhstan and Turkey;
- risks related to the timing of completion of the Company's projects;



- competition for, among other things, capital, the acquisition of resources and skilled personnel;
- actions by governmental authorities, including changes in government regulation, re-assessments of environmental obligations and liabilities, and taxation;
- environmental risks and hazards;
- failure of the Company to receive or extend production permits including certain test production licenses within the exploration period and further commercial production licenses which require production contracts to be signed with the Government of Kazakhstan to transition each field from the exploration period into the development period;
- failure to accurately estimate abandonment and reclamation costs, or additional liabilities assessed by regulatory bodies outside of the Company's control;
- failure of third parties' reviews, reports and projections to be accurate;
- the availability of capital on acceptable terms;
- political and security risks;
- failure of the Company or the holder of certain licenses or leases to meet specific requirements of such licenses or leases;
- failure of the Company to obtain development/export licenses for its production;
- adverse claims made in respect of the Company's properties or assets;
- failure to engage or retain key personnel;
- potential losses which could result from disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which the Company relies to transport crude oil, natural gas and NGLs;
- uncertainties inherent in estimating quantities of crude oil, natural gas and NGL reserves;
- failure to acquire or develop replacement reserves;
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties;
- failure by counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties;
- current or future financial conditions, including fluctuations in interest rates, foreign exchange rates, inflation, commodity prices, and stock market volatility;
- disruption of production or production not occurring in sufficient quantities;
- reliance on third parties to execute the Company's strategy; and
- increasing regulations affecting the Company's future operations.

In addition, information and statements in this AIF relating to "reserves" are deemed to be forward looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive.

The forward looking statements included in this AIF and the documents incorporated by reference are expressly qualified by this cautionary statement and are made as of the date of this AIF. The Company does not undertake any obligation to publicly update or revise any forward looking statements except as required by applicable securities laws.

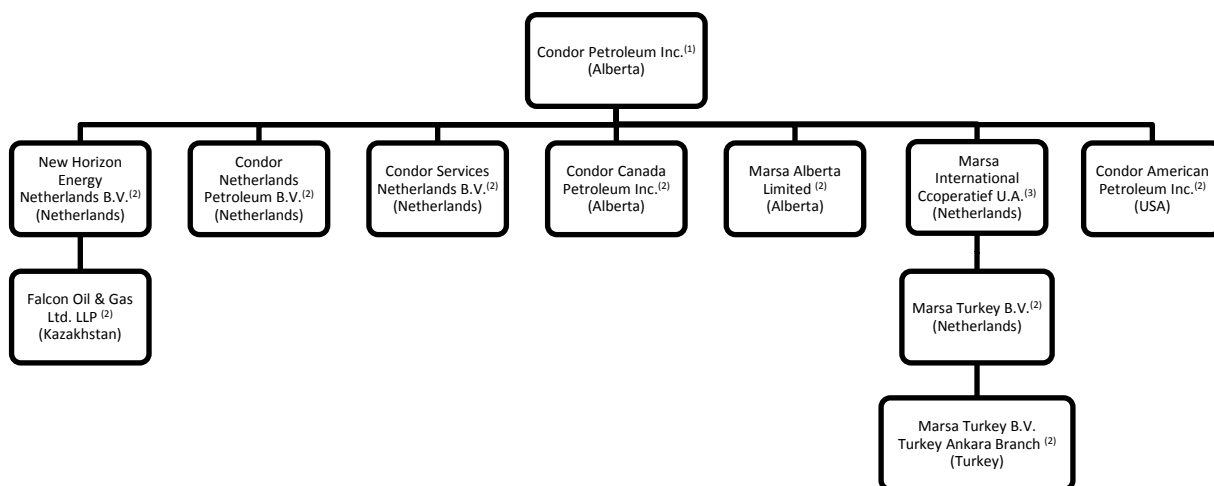
## INCORPORATION AND STRUCTURE

### Company Structure

Condor Petroleum Inc. was incorporated on October 20, 2006, pursuant to the ABCA. By Articles of Amendment dated September 26, 2007, the share structure of Condor was reorganized by changing the issued and outstanding Class "A" common shares into common shares on a 1:1 basis and removing the authorized Class "B" common shares and Class "C" common shares. By Articles of Amalgamation dated August 16, 2010, Condor and New Horizon Energy Inc. amalgamated under the ABCA in accordance with the terms of an amalgamation agreement entered into between New Horizon Energy Inc. and Condor on December 28, 2009.

The registered office and head office of Condor is located at 2400, 144 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N4.

The following diagram illustrates Condor's subsidiaries, together with their respective jurisdictions of incorporation and the percentage of voting securities beneficially owned or controlled or directed, directly or indirectly, by Condor as of the date hereof:



#### Notes:

- (1) As of December 31, 2017 approximately 21.5% of Condor is owned, directly and indirectly, by EurAsia Resource Value SE.
- (2) 100% owned.
- (3) 99.9275% owned directly and 0.0725% owned indirectly via Marsa Alberta Limited.

## DESCRIPTION OF THE BUSINESS

The following is a general description of the Company's business and its subsidiaries. For a more detailed description of the business and operations of the Company and its subsidiaries, see "General Development of the Business of Condor" and "Industry Conditions".

## *Summary*

Condor is a publicly traded oil and gas company engaged, through its subsidiaries, in exploration and production activities in Kazakhstan and Turkey.

Through Falcon, its wholly-owned subsidiary, the Company has a 100% interest in and operates the Shoba Production Contract and Taskuduk Production Contract in western Kazakhstan.

In 2014 and 2015 the Company produced and sold crude oil from Shoba and Taskuduk under the Zharkamys Exploration Contract as trial production. In 2016, following the execution of the respective contracts, the Company commenced commercial production and selling crude oil under the Shoba Production Contract and Taskuduk Production Contract.

Through Marsa Turkey, its wholly-owned subsidiary, the Company owns a 100% interest in and operates the Poyraz Ridge Operating License and Destan Operating License in Turkey. The Company acquired these properties during 2016, with natural gas production and sales from Poyraz Ridge commencing in December 2017.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

#### **2015**

Shoba operations were suspended on March 15, 2015 due to constraints in local refining capacity and low prices for domestic crude oil and refined crude oil products.

On June 30, 2015, the Zharkamys Exploration Contract was extended until December 14, 2016.

#### **2016**

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 post-consolidation common shares to the Marsa shareholders.

Following the Marsa Transaction, the outstanding Condor common shares were consolidated on a ten-to-one basis with numbers of common shares adjusted retrospectively.

The Shoba Production Contract was signed with the Government of Kazakhstan on September 1, 2016 and commercial production commenced on September 26, 2016.

The Taskuduk Production Contract was signed with the Government of Kazakhstan on September 28, 2016 and commercial production commenced on October 26, 2016.

#### **2017**

On February 1, 2017, the Company received a loan of US\$10 million via a credit facility from a private lender ("Credit Facility"). Pursuant to the Credit Facility, the Company issued the lender a warrant certificate exercisable into one million common shares of the Company at price of \$2.35 per share on or before January 31, 2020. The loan funds were used to fund capital expenditures related to drilling, infrastructure, workovers and the Poyraz Ridge Central Processing Facility ("Poyraz Ridge CPF") and for general corporate purposes.

Natural gas production and sales from Poyraz Ridge began in December 2017.

## **Zharkamys Exploration Contract**

The Zharkamys Exploration Contract with the Ministry of Energy of the Government of Kazakhstan (“Ministry”) was due to expire on December 14, 2016. Prior to this date, the Kazakhstan Chamber of International Commerce and subsequently the Kazakhstan Civil Court (“Civil Court”) confirmed that a force majeure event had occurred which, under Kazakhstan subsurface use law, can be the basis for the Zharkamys Exploration Contract validity period to be extended for a period of 630 days.

In May 2017, the Kazakhstan Court of Appeal (“Court of Appeal”), pursuant to an appeal filed by the Ministry, released its ruling that the force majeure event was not recognized and reversed the decision of the Civil Court. As a result of the Court of Appeal ruling there was uncertainty regarding the Company’s legal rights to extend the Zharkamys Exploration Contract and the related exploration and evaluation assets in the amount of \$56.6 million were derecognized as at March 31, 2017.

The Company referred the case to the Kazakhstan Supreme Court (“Supreme Court”) and in November 2017 the Supreme Court released its ruling which overturned both the Civil Court and the Court of Appeal rulings and referred the case back to the Civil Court for further review by a new panel of judges.

On March 1, 2018 the Civil Court released its ruling which confirmed that the force majeure event had occurred. The Ministry has the right to appeal the Civil Court ruling within 30 calendar days following the issuance of the ruling. If the Ministry does not appeal within the mandated period, the Civil Court ruling will enter into legal force and would allow the Company to submit an addendum to the Zharkamys Exploration Contract to the Ministry which, after ratification, would extend the exploration period by 630 days.

The on-going court proceedings do not affect the Company’s production rights for the Shoba and Taskuduk oilfields which are each governed by separate production contracts.

## **OIL AND NATURAL GAS RESERVES, PROPERTIES AND PROSPECTS**

The following paragraphs describe Condor’s principal properties. Readers are cautioned that the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. References to reserves in the following property descriptions are to Condor’s working interest share of reserves before deducting royalties. Unless otherwise stated, operational information provided below with respect to 2017 relates to the year ended December 31, 2017.

The Company owns a 100% gross and net interest in and operates the Shoba oilfield (“Shoba”) in Kazakhstan. The Shoba Production Contract is valid until September 1, 2028. Commercial production commenced at the Shoba oilfield in September 2016.

The Company owns a 100% gross and net interest in and operates the Taskuduk oilfield (“Taskuduk”) in Kazakhstan. The Taskuduk Production Contract is valid until September 28, 2027. Commercial production commenced at the Taskuduk oilfield in October 2016.

The Company owns a 100% interest in and operates the Poyraz Ridge Operating License in Turkey. The Poyraz Ridge Operating License was awarded effective June 9, 2015 for an initial eight year term and may be extended for up to twenty years including the initial term.

The Company owns a 100% interest in and operates the Destan Operating License in Turkey. The Destan Operating License was awarded effective June 9, 2015 for an initial five year term and may be extended for up to twenty years including the initial term.

The Company does not expect any of these rights to expire within one year.

## STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

### Disclosure of Reserves Data

Condor engaged McDaniel & Associates Consultants Ltd. ("McDaniel") to prepare a reserve report as of December 31, 2017 for the Company's oil and gas properties in Kazakhstan and Turkey. The information set forth below relating to Condor's reserves constitutes forward looking information which is subject to certain risks and uncertainties. See "Note Regarding Forward-Looking Statements" and "Risk Factors".

The preparation date of the McDaniel Reserve Report is March 2, 2018. The pricing used in the forecast price evaluations is presented in Table 5. Columns and rows may not add in the following tables due to rounding.

The evaluations were prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101. The Reports on Reserves Data by McDaniel in Form 51-101F2 and the Report of Management and Directors on Reserves Data and Other Information in Form 51-101F3 are attached as Schedule 2 and Schedule 3 respectively, hereto.

**All evaluations of future revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the estimated future net revenue shown below is representative of the fair market value of Condor's properties. There is no assurance that the forecast price and cost assumptions contained in the McDaniel Reserve Report will be attained and variances could be material. The recovery and reserve estimates of crude oil and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil and natural gas reserves may be greater than or less than the estimates provided herein. Natural gas and natural gas liquids reserves have not been assigned to the Shoba and Taskuduk Properties. Six Mcf of natural gas and 1 bbl of NGL are each deemed to be equivalent to 1 bbl of oil. Disclosure provided herein in respect of boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The following disclosure includes Possible reserves. Possible reserves are those additional reserves that are less certain to be recovered than Probable reserves. There is a 10% probability that the quantities actually recovered will be equal or exceed the sum of Proved, Probable plus Possible reserves. Probable plus Possible reserves is an arithmetic sum of Probable plus Possible reserves, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of each individual class of reserves and appreciate the differing probabilities of recovery associated with each class.**

## Reserves Data (Forecast Prices and Costs)

(Monetary values and figures presented in Tables 1 through 8 below related to the Company's reserves are presented in \$US).

**Table 1**  
**Summary of Oil and Gas Reserves**

Reserves Category	Heavy Crude Oil		Light/Medium Crude Oil (Kazakhstan)		Conventional Natural Gas (Turkey)	
	Gross <sup>(1)</sup> (Mbbbl)	Net <sup>(2)</sup> (Mbbbl)	Gross <sup>(1)</sup> (Mbbbl)	Net <sup>(2)</sup> (Mbbbl)	Gross <sup>(1)</sup> (MMcf)	Net <sup>(2)</sup> (MMcf)
<u>Proved</u>						
Proved developed producing	-	-	372	372	4,384	3,836
Proved developed non-producing	-	-	-	-	1,966	1,720
Proved undeveloped	-	-	1,027	1,027	1,877	1,643
<b>Total Proved</b>	-	-	1,399	1,399	8,228	7,199
<b>Total Probable</b>	-	-	1,188	1,188	10,034	8,780
<b>Total Proved Plus Probable</b>	-	-	2,587	2,587	18,262	15,979
<b>Total Possible</b>	-	-	1,048	1,048	7,166	6,270
<b>Total Proved Plus Probable Plus Possible</b>	-	-	3,635	3,635	25,427	22,249

(1) Company Gross reserves are based on Company working interest share of the reserves for each property.

(2) Company net reserves are based on Company working interest share after deducting royalties payable to others. In Kazakhstan there are no royalties paid to others.

**Table 2**  
**Summary of Net Present Value of Future Net Revenue**

Reserves Category	Before Income Taxes Discounted at (%/year)					After Income Taxes Discounted at (%/year)					Unit Value <sup>(1)</sup> before Income Tax Discounted at 10%/year
	0	5	10	15	20	0	5	10	15	20	
	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	
<b>KAZAKHSTAN</b>											
<u>Proved</u>											
Proved developed producing	1,119	1,380	1,573	1,716	1,821	1,106	1,368	1,562	1,706	1,812	4.23
Proved developed non-producing	-	-	-	-	-	-	-	-	-	-	-
Proved undeveloped	12,553	9,984	7,969	6,376	5,105	12,102	9,624	7,676	6,132	4,898	7.76
<b>Total Proved</b>	<b>13,673</b>	<b>11,363</b>	<b>9,542</b>	<b>8,091</b>	<b>6,926</b>	<b>13,208</b>	<b>10,992</b>	<b>9,238</b>	<b>7,838</b>	<b>6,711</b>	<b>6.82</b>
<b>Total Probable</b>	<b>22,953</b>	<b>16,947</b>	<b>12,957</b>	<b>10,215</b>	<b>8,270</b>	<b>22,733</b>	<b>16,802</b>	<b>12,857</b>	<b>10,141</b>	<b>8,213</b>	<b>10.90</b>
<b>Total Proved Plus Probable</b>	<b>36,625</b>	<b>28,310</b>	<b>22,499</b>	<b>18,306</b>	<b>15,195</b>	<b>35,941</b>	<b>27,795</b>	<b>22,095</b>	<b>17,979</b>	<b>14,924</b>	<b>8.70</b>
<b>Total Possible</b>	<b>31,784</b>	<b>21,928</b>	<b>15,930</b>	<b>12,081</b>	<b>9,491</b>	<b>31,761</b>	<b>21,916</b>	<b>15,924</b>	<b>12,077</b>	<b>9,489</b>	<b>15.20</b>
<b>Total Proved Plus Probable Plus Possible</b>	<b>68,410</b>	<b>50,238</b>	<b>38,429</b>	<b>30,387</b>	<b>24,687</b>	<b>67,702</b>	<b>49,711</b>	<b>38,019</b>	<b>30,056</b>	<b>24,413</b>	<b>10.57</b>
<b>TURKEY</b>											
<u>Proved</u>											
Proved developed producing	13,234	12,366	11,618	10,967	10,397	13,119	12,259	11,518	10,873	10,308	3.03
Proved developed non-producing	8,096	7,375	6,776	6,273	5,844	8,092	7,380	6,788	6,290	5,866	3.94
Proved undeveloped	3,617	3,144	2,741	2,401	2,115	3,382	2,943	2,568	2,250	1,983	1.67
<b>Total Proved</b>	<b>24,947</b>	<b>22,885</b>	<b>21,135</b>	<b>19,641</b>	<b>18,356</b>	<b>24,593</b>	<b>22,582</b>	<b>20,874</b>	<b>19,413</b>	<b>18,157</b>	<b>2.94</b>
<b>Total Probable</b>	<b>45,177</b>	<b>36,596</b>	<b>30,425</b>	<b>25,862</b>	<b>22,402</b>	<b>37,591</b>	<b>30,359</b>	<b>25,172</b>	<b>21,350</b>	<b>18,462</b>	<b>3.47</b>
<b>Total Proved Plus Probable</b>	<b>70,123</b>	<b>59,482</b>	<b>51,560</b>	<b>45,503</b>	<b>40,758</b>	<b>62,184</b>	<b>52,942</b>	<b>46,046</b>	<b>40,763</b>	<b>36,619</b>	<b>3.23</b>
<b>Total Possible</b>	<b>33,223</b>	<b>22,638</b>	<b>16,315</b>	<b>12,321</b>	<b>9,670</b>	<b>26,702</b>	<b>17,996</b>	<b>12,806</b>	<b>9,542</b>	<b>7,386</b>	<b>2.60</b>
<b>Total Proved Plus Probable Plus Possible</b>	<b>103,346</b>	<b>82,119</b>	<b>67,875</b>	<b>57,824</b>	<b>50,428</b>	<b>88,885</b>	<b>70,938</b>	<b>58,852</b>	<b>50,305</b>	<b>44,005</b>	<b>3.05</b>
<b>TOTAL</b>											
<u>Proved</u>											
Proved developed producing	14,353	13,746	13,191	12,683	12,218	14,225	13,627	13,080	12,579	12,120	13.04
Proved developed non-producing	8,096	7,375	6,776	6,273	5,844	8,092	7,380	6,788	6,290	5,866	23.63
Proved undeveloped	16,170	13,128	10,710	8,777	7,220	15,484	12,567	10,243	8,382	6,882	8.24
<b>Total Proved</b>	<b>38,619</b>	<b>34,249</b>	<b>30,677</b>	<b>27,732</b>	<b>25,282</b>	<b>37,801</b>	<b>33,575</b>	<b>30,112</b>	<b>27,251</b>	<b>24,867</b>	<b>11.81</b>
<b>Total Probable</b>	<b>68,129</b>	<b>53,543</b>	<b>43,382</b>	<b>36,077</b>	<b>30,671</b>	<b>60,323</b>	<b>47,162</b>	<b>38,029</b>	<b>31,491</b>	<b>26,676</b>	<b>16.36</b>
<b>Total Proved Plus Probable</b>	<b>106,749</b>	<b>87,792</b>	<b>74,059</b>	<b>63,809</b>	<b>55,954</b>	<b>98,124</b>	<b>80,737</b>	<b>68,141</b>	<b>58,742</b>	<b>51,543</b>	<b>14.11</b>
<b>Total Possible</b>	<b>65,007</b>	<b>44,566</b>	<b>32,245</b>	<b>24,402</b>	<b>19,161</b>	<b>58,463</b>	<b>39,912</b>	<b>28,730</b>	<b>21,619</b>	<b>16,875</b>	<b>15.40</b>
<b>Total Proved Plus Probable Plus Possible</b>	<b>171,756</b>	<b>132,358</b>	<b>106,304</b>	<b>88,211</b>	<b>75,115</b>	<b>156,588</b>	<b>120,649</b>	<b>96,871</b>	<b>80,361</b>	<b>68,418</b>	<b>14.48</b>

1) Unit values are calculated using estimated net present value of future net revenue before income taxes using a discount rate of 10%. Unit values are presented on a US\$/bbl basis for light and medium crude oil reserves in Kazakhstan and on a US\$/Mcf basis for conventional natural gas reserves in Turkey. The unit values for the Corporation's total reserves are presented on a US\$/boe basis. (see "Glossary of Terms" for information regarding presentation of boe information)

**Table 3**  
**Total Future Net Revenue (Undiscounted)**

Reserves Category	Revenue	Royalties (1)	Other Expenses (2)	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue before Income Taxes	Income Taxes	Future Net Revenue after Income Taxes
	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)	(US\$M)
<b>LIGHT/MEDIUM CRUDE OIL (Kazakhstan)</b>									
Total Proved	54,582	2,276	11,810	15,894	9,157	1,773	13,673	464	13,208
Total Probable	54,080	2,334	9,447	16,867	2,301	177	22,953	220	22,733
Total Proved Plus Probable	108,662	4,610	21,257	32,761	11,458	1,950	36,625	685	35,941
Total Possible	48,882	2,123	8,763	6,058	141	12	31,784	23	31,761
Total Proved Plus Probable Plus Possible	157,544	6,733	30,020	38,819	11,599	1,962	68,410	708	67,702
<b>CONVENTIONAL NATURAL GAS (Turkey)</b>									
Total Proved	48,696	6,087	-	11,914	4,273	1,475	24,947	354	24,593
Total Probable	62,796	7,849	-	9,162	454	154	45,177	7,586	37,591
Total Proved Plus Probable	111,491	13,936	-	21,076	4,727	1,629	70,123	7,940	62,184
Total Possible	48,875	6,109	-	9,374	-	170	33,223	6,521	26,702
Total Proved Plus Probable Plus Possible	160,367	20,046	-	30,450	4,727	1,798	103,346	14,460	88,885
<b>TOTAL</b>									
Total Proved	103,278	8,363	11,810	27,808	13,429	3,248	38,619	818	37,801
Total Probable	116,875	10,183	9,447	26,029	2,755	331	68,129	7,806	60,323
Total Proved Plus Probable	220,153	18,547	21,257	53,837	16,185	3,579	106,749	8,624	98,124
Total Possible	97,757	8,232	8,763	15,432	141	182	65,007	6,544	58,463
Total Proved Plus Probable Plus Possible	317,910	26,779	30,020	69,269	16,326	3,761	171,756	15,168	156,588

(1) Royalties include Mineral Extraction Tax in Kazakhstan

(2) Other Expenses include export rent tax and repayment of historical costs



**Table 4**  
**Future Net Revenue by Product Type**

Reserves Category	Product Type	Future Net Revenue before Income Taxes (Discounted at 10%/Year)	Unit Value <sup>(1)</sup>
		(US\$M)	(US\$/bbl) (US\$/Mcf) (US\$/boe)
Proved Reserves	Heavy Crude Oil	-	-
	Light and Medium Crude Oil	9,541.7	6.82
	Conventional Natural Gas	21,135.2	2.94
	Total	30,676.9	11.81
Proved Plus Probable Reserves	Heavy Crude Oil	-	-
	Light and Medium Crude Oil	22,499.0	8.70
	Conventional Natural Gas	51,560.1	3.23
	Total	74,059.1	14.11
Proved Plus Probable Reserves Plus Possible	Heavy Crude Oil	-	-
	Light and Medium Crude Oil	38,429.1	10.57
	Conventional Natural Gas	67,874.8	3.05
	Total	106,303.9	14.48

(1) Unit values are calculated using estimated net present value of future net revenue before income taxes using a discount rate of 10%. Unit values are presented on a US\$/bbl basis for light and medium crude oil reserves in Kazakhstan and on a US\$/Mcf basis for conventional natural gas reserves in Turkey. The unit values for the Corporation's total reserves are presented on a US\$/boe basis. (see "Glossary of Terms" for information regarding presentation of boe information)

**Table 5**  
**Summary of Pricing Assumptions and Inflation Rate**

Year	Kazakhstan			Turkey			Inflation Forecast	
	Brent Crude	Export Price	Export Field	Domestic Field	Domestic Transport	Domestic Field		Gas Realized
	Oil Price \$US/bbl	Differential \$US/bbl	Price \$US/bbl	Price % of Brent	Differential \$US/bbl	Price \$US/bbl		Price \$US/Mcf
2018	63.50	22.66	40.84	51.00	3.52	27.60	5.69	2.00
2019	61.30	22.66	38.64	51.00	3.59	26.45	5.80	2.00
2020	63.40	22.66	40.74	51.00	3.66	27.40	5.92	2.00
2021	70.10	24.03	46.07	51.00	3.74	30.61	6.03	2.00
2022	74.20	24.03	50.17	51.00	3.81	32.55	6.15	2.00
2023	75.60	24.71	50.89	51.00	3.89	33.16	6.28	2.00
2024	77.10	24.71	52.39	51.00	3.96	33.81	6.40	2.00
2025	78.60	24.71	53.89	51.00	4.04	34.47	6.53	2.00
2026	80.30	25.40	54.90	51.00	4.12	35.22	6.66	2.00

Escalation Rate of 2.0 percent per year thereafter

For historical prices realized during 2017, see "Production History" in this AIF.

**Table 6**  
**Reconciliation of Corporation Gross Reserves by Product Type**

Factors	Heavy Crude Oil			Light/Medium Crude Oil (Kazakhstan)			Conventional Natural Gas (Turkey)		
	Gross Proved	Gross Probable	Gross Proved Plus Probable	Gross Proved	Gross Probable	Gross Proved Plus Probable	Gross Proved	Gross Probable	Gross Proved Plus Probable
	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(MMcft)	(MMcft)	(MMcft)
December 31, 2016	-	-	-	1,569	1,433	3,003	12,534	10,646	23,180
Extensions and Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	(25)	(245)	(271)	(4,924)	(753)	(5,678)
Discoveries	-	-	-	-	-	-	672	141	814
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	-	-	-	(145)	-	(145)	(54)	-	(54)
December 31, 2017	-	-	-	1,399	1,188	2,587	8,228	10,034	18,262

**Table 7**  
**Undeveloped Reserves by Product Type**

Proved Undeveloped	Heavy Crude Oil		Light/Medium Crude Oil (Kazakhstan)		Conventional Natural Gas (Turkey)	
	First Attributed	Booked	First Attributed	Booked	First Attributed	Booked
	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(MMcft)	(MMcft)
2015	-	-	955	955	-	-
2016	-	-	-	913	1,804	1,804
2017	-	-	-	1,027	-	1,877

Probable Undeveloped	Heavy Crude Oil		Light/Medium Crude Oil (Kazakhstan)		Conventional Natural Gas (Turkey)	
	First Attributed	Booked	First Attributed <sup>1</sup>	Booked <sup>2</sup>	First Attributed	Booked
	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(MMcft)	(MMcft)
2015	-	-	472	1,007	-	-
2016	-	-	-	1,060	7,427	7,427
2017	-	-	-	1,066	-	8,129

<sup>1</sup> The First Attributed amounts related to 2015 have been revised from the amount incorrectly presented in the Company's 2016 AIF.

<sup>2</sup> The Booked amounts related to 2015 and 2016 have been revised from the amounts incorrectly presented in the Company's 2016 AIF.

**Table 8**  
**Summary of Estimated Future Development Costs**

	Heavy Crude Oil (US\$M)	Light/Medium Crude Oil (Kazakhstan) (US\$M)	Conventional Natural Gas (Turkey) (US\$M)	Total (US\$M)
<b>Proved Reserves</b>				
2018	-	2,997.0	3,696.0	6,693.0
2019	-	3,966.8	306.0	4,272.8
2020	-	1,541.4	-	1,541.4
2021	-	100.8	-	100.8
2022	-	97.4	270.6	368.0
Thereafter	-	453.4	-	453.4
<b>Total Future Development Costs</b>	-	9,156.8	4,272.6	13,429.4
<b>Total Proved Plus Probable Reserves</b>				
2018	-	2,997.0	3,946.0	6,943.0
2019	-	5,519.2	510.0	6,029.2
2020	-	1,772.8	-	1,772.8
2021	-	137.1	-	137.1
2022	-	122.3	270.6	392.9
Thereafter	-	909.5	-	909.5
<b>Total Future Development Costs</b>	-	11,457.9	4,726.6	16,184.5
<b>Total Proved plus Probable plus Possible Reserves</b>				
2018	-	2,997.0	3,946.0	6,943.0
2019	-	5,519.2	510.0	6,029.2
2020	-	1,772.8	-	1,772.8
2021	-	138.0	-	138.0
2022	-	137.1	270.6	407.7
Thereafter	-	1,035.3	-	1,035.3
<b>Total Future Development Costs</b>	-	11,599.4	4,726.6	16,326.0

## Additional Information Relating to Reserves Data

### Undeveloped Reserves

Undeveloped reserves are those reserves related to planned infill drilling locations. See “Kazakhstan Properties” and Turkey Properties”.

Property	Country	Product	Proved Undeveloped	Probable Undeveloped
Shoba (Mbbbl)	Kazakhstan	Crude oil	1,027	1,066
Poyraz Ridge (MMcf)	Turkey	Natural gas	1,877	8,129

There are no undeveloped reserves attributed to the Destan (natural gas) or Taskuduk (crude oil) properties.

### Kazakhstan Properties

The Company’s crude oil reserves in Kazakhstan are located in the Shoba and Taskuduk oilfields, located in the Aktobe Province of Western Kazakhstan. Plans for future development of these reserves (based on Forecast Prices) are summarized below:

#### Shoba

Company Gross reserves for Shoba have been estimated by production decline analysis and comprise 1,351 Mbbbl of Proved, 2,514 Mbbbl of Proved plus Probable and 3,541 Mbbbl of Proved plus Probable plus Possible reserves. Shoba oil is a high quality 34 degree API medium crude. The Proved reserves are forecast to be recoverable by drilling five additional horizontal oil wells between 2018 and 2020, drilling one additional water injection well in 2019 and production from four existing vertical wells and two existing horizontal wells. In addition to the development plans for the Proved reserves, the Proved plus Probable reserves and Proved plus Probable plus Possible reserves are each forecast to be recoverable by drilling one additional water injection well, installing additional water injection surface facilities and increasing the fluid processing capacity at the field facilities in 2019.

#### Taskuduk

Company Gross reserves for Taskuduk have been estimated by production decline analysis and comprise 48 Mbbbl of Proved reserves, 73 Mbbbl of Proved plus Probable and 94 Mbbbl of Proved plus Probable plus Possible reserves. Taskuduk oil is characterized as medium gravity crude of 35 degree API. The Proved reserves, Proved plus Probable reserves, and Proved plus Probable plus Possible reserves are each forecast to be recoverable from two existing wells.

### Turkey Properties

The Company’s natural gas reserves in Turkey are located in the Poyraz Ridge and Destan fields, located in the Gallipoli Peninsula in western Turkey. Plans for future development of these reserves (based on Forecast Prices) are summarized below:

#### Poyraz Ridge

Company Gross reserves for Poyraz Ridge have been estimated volumetrically and comprise 7,576 MMcf of Proved, 17,473 MMcf of Proved plus Probable and 24,501 MMcf of Proved plus Probable plus Possible reserves. The Proved reserves, Proved plus Probable reserves, and Proved plus Probable plus Possible reserves are each forecast to be recoverable by drilling two wells in 2018 and the production from eight existing wells.

#### Destan

Company Gross reserves for Poyraz Ridge have been estimated volumetrically and comprise 652 MMcf of Proved, 789 MMcf of Proved plus Probable and 927 MMcf of Proved plus Probable plus Possible reserves. The Proved reserves, Proved plus Probable reserves, and Proved plus Probable plus Possible reserves are each forecast to be recoverable from the production from three existing wells.

### Significant Factors or Uncertainties

A number of additional factors which are beyond Condor's control can significantly affect the reserves, including product pricing, royalty and tax regimes, changing operating and capital costs, surface access issues, availability of services and processing facilities and technical issues affecting well performance. See "Risk Factors".

### Future Development Costs

Future development costs are expected to be funded from a combination of the following: current working capital, internally generated cash flow, debt and equity financings and/or farm out arrangements with other companies. The timing of such funding may influence the timing of the developmental work expenditures. There can be no guarantee that funds will be available or that the Board of Directors of the Company will allocate funding to develop all of the reserves requiring development in the McDaniel Reserve Report. Failure to develop such reserves could negatively impact future net revenue. See "Note Regarding Forward Looking Statements".

### Other Oil and Gas Information

The following table sets forth the number of injection, crude oil and natural gas wells in which Condor held a working interest as at December 31, 2017:

	Crude Oil Wells (Kazakhstan)		Natural Gas Wells (Turkey)	
	Gross <sup>(1)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)</sup>	Net <sup>(1)</sup>
Producing	8	8	3	3
Non-producing	9 <sup>(2)</sup>	9 <sup>(2)</sup>	11 <sup>(3)</sup>	11 <sup>(3)</sup>
Injection	2	2	-	-
Total	19	19	14	14

Note:

- (1) "Gross Wells" are the total number of wells in which Condor has an interest. "Net Wells" are the number of wells obtained by aggregating Condor's working interest in each of its gross wells. All wells are located onshore.
- (2) The number includes 7 wells located in Zharkamys.
- (3) Includes 3 wells related to the Destan Operating License which has attributed reserves but is not producing as of December 31, 2017. In 2015, Destan produced gas which was sold at the wellhead and shipped by the buyer via compressed natural gas trucks. The Company is exploring sales options and expects production to resume during 2018.

### Work Commitments

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

#### *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. During 2017, the capital expenditure portion of the Shoba work commitments were reduced from \$16.9 million to \$8.8 million and the remaining expenditures and development activities previously scheduled for 2017 were shifted into 2018 and 2019. 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 fulfilment is less than thirty percent for two consecutive years. Financial work commitment shortfalls for development activities at Shoba and Taskuduk are not subject to penalties while shortfalls on the training, social development and scientific research components may be subject to penalties of 1% of the shortfall.

The Company's contractual work commitments as at December 31, 2017 are as follows:

(\$000's)	< 1 year	1-3 years	4-5 years	> 5 years	Total
Shoba	4,519	5,398	1,040	2,111	13,068
Taskuduk	948	67	55	119	1,189

*Additional information concerning abandonment and reclamation costs*

Condor follows the Chartered Professional Accountants Canada standard on decommissioning obligations. This standard requires liability recognition for retirement obligations associated with long-lived assets, which would include abandonment of oil and natural gas wells, related facilities, compressors and gas plants, removal of equipment from leased acreage and returning such land to its original condition. Under the standard, the estimated fair value of each asset retirement obligation is recorded in the period a well or related asset is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows for the restoration of the asset at Condor's risk-free interest rate. The obligation is reviewed regularly by management of Condor based upon current regulations, costs, technologies and industry standards. The discounted obligation is recognized as a liability and is accreted against income until it is settled or the property is sold and is included in finance expenses. Actual restoration expenditures are charged to the accumulated obligation as incurred.

As at December 31, 2017, the estimated total undiscounted amount required to settle the decommissioning obligations in respect of Condor's 33 net wells and facilities was \$4.7 million and the discounted present value was \$3.8 million. These obligations are expected to be incurred between 2018 and 2034, with \$1.0 million estimated to be incurred in the next year.

**Tax Horizon**

For income tax purposes, the Company has losses carried forward as at December 31, 2017 which may be used to reduce future years' taxable income. In Canada, the Company has \$32.8 million of losses carried forward which expire between 2028 and 2036. In the United States, the Company has \$4.2 million of losses carried forward which expire between 2028 and 2036, in the Netherlands the Company has \$17.7 million of losses carried forward that expire between 2019 and 2026, in Kazakhstan the Company has \$34.2 million of losses carried forward that expire between 2025 and 2027 and in Turkey the Company has \$8.7 million of losses carried forward that expire between 2018 and 2022.

**Capital Expenditures**

The following table summarizes the Company's capital expenditures in Turkey on exploration and development activities for the year ended December 31, 2017:

	<u>Costs incurred (\$ thousands)</u>
Property acquisition costs	-
Exploration costs	1,569
Development costs	19,272

The Company did not incur any costs for capital expenditures in Kazakhstan during 2017.

## **Exploration and Development Activities**

### Historical Activities

#### *Kazakhstan*

Falcon became operator of Zharkamys on August 27, 2007. From late 2007 through 2009, Falcon acquired numerous Soviet-era historical reports of geological and geophysical studies and built an exploration database. Falcon also obtained the previous operator's geologic data including 1,189 km of 1990s vintage 2D seismic data and over 1,900 km of reprocessed, vintage 2D seismic data.

In 2009, Falcon acquired and subsequently processed 670 km of new 2D data, while also reprocessing several hundred kilometers of historical 2D seismic data. In 2010, Condor completed a 1,252 km<sup>2</sup> 3D seismic acquisition program in the north half of Zharkamys. In 2011, Condor completed a 1,280 km<sup>2</sup> 3D seismic acquisition program in the south half of Zharkamys.

Interpretation of the historic records and current seismic data, which includes integration of over 1,000 shallow Soviet-era stratigraphic tests, has led to the development of five post-salt play types, including post-canopy Jurassic and Cretaceous plays, Triassic salt-rim structures, sub-Canopy, salt flank and primary basin plays, in addition to two pre-salt plays in the lower Permian and Carboniferous.

Historical exploration drilling focused on Phase 1 shallow, post-salt prospects (up to 2,000 meters). Fifteen Phase 1 exploration wells have been drilled by the Company and two commercial oil discoveries have been made at the Company's Shoba and Taskuduk fields.

The first Phase 2 Primary Basin well, KN-E 201, was drilled in 2013 and resulted in a light oil discovery and was followed in 2013 with the drilling of the KN-E-202 appraisal well. The KN-E-205 appraisal well was drilled in 2014 to a total depth of 1,876 meters and encountered three sandstone reservoirs from 1,208 to 1,410 meters, with 71 meters of net oil pay, 12% average porosity and light hydrocarbons indicated from wireline and mudlogs. Further appraisal is required on the KN-E structure to assess commerciality.

The KN-501 Primary Basin well was drilled to 3,992 meters and encountered numerous gas shows while drilling the over-pressured main hole section. However, no commercial hydrocarbon reservoirs were identified and the well was abandoned.

Commercial production commenced at the Shoba oilfield in September 2016 and at the Taskuduk oilfield in October 2016 after the respective production contracts were signed with the Government of Kazakhstan in September 2016.

The Company did not drill any wells in Kazakhstan during 2017 and is planning to drill up to two additional horizontal wells in the Shoba field during 2018.

#### Turkey

Condor acquired the Poyraz Ridge and Destan properties in Turkey on March 24, 2016. Prior to the acquisition, the former operator drilled three wells at Poyraz Ridge, seven wells at Destan and acquired 16 km<sup>2</sup> of 3D seismic over Poyraz Ridge. The Company drilled four wells in 2016 and one well in 2017 at Poyraz Ridge. Engineering, procurement and construction activities on the Poyraz Ridge gas processing facility commenced in 2016 and the facility was completed and commissioned in 2017. During 2017, the Company constructed a 16 km gas pipeline and tied into the main Turkish gas pipeline system and gas production and sales commenced in December 2017.

During 2017, the Company drilled one development gas well (gross and net) and one exploration gas well (gross and net) which was a dry hole, and is planning to optimize current wells and drill one or two new wells during 2018.

## **Transportation and Marketing**

### Kazakhstan

The Shoba Production Contract and the Taskuduk Production Contract each contain a domestic sales obligation to deliver up to thirty five percent of production to the domestic market and provide the Government of Kazakhstan the right to purchase up to seventy percent of the production of each property at prevailing market prices.

All crude oil sales in Kazakhstan to date have been in the domestic market at prevailing local prices. The Government of Kazakhstan does not set a domestic price for crude oil and there is no industry accepted reference price. The domestic market is influenced by market factors and industry conditions and while it usually trends similar to world oil prices (e.g. Brent or Urals Med), there is no set differential. The domestic prices are denominated and settled in KZT, the local currency. Export sales prices are denominated and settled in USD and based on benchmark prices such as Brent or Urals Med less differentials for quality and transportation.

Shoba wells are produced to a central in-field gauging station and treatment facility and the Shoba crude oil is delivered by truck to a nearby refinery and sold. Taskuduk wells are produced to a central in-field gauging station and treatment facility and the Taskuduk crude oil is either trucked to a nearby refinery and sold or trucked to the Shoba gauging station for further treatment and onward delivery and sales along with Shoba crude oil. Subject to the level of in-field oil treatment at the gauging station and resulting oil quality, if the oil meets specification standards, the oil may be delivered directly to the refinery or sold to export markets without further third party treatment.

For export sales, the state operated oil pipeline between Kenkiak and Atyrau provides an option for future pipeline tie-in while near-term sales options include trucking oil to one of several pipeline access points including the pipeline terminal located on the pipeline between Makat and Kenkiak (90 km west). The state-owned railway line between Aktobe and Atyrau also provides sales options including trucking oil to one of several nearby rail terminals including Baiganin (100 km north).

### Turkey

There are no domestic obligations per the Company's operating licenses in Turkey, but the Turkish Petroleum Law requires that sixty five percent of production from onshore producers be sold to domestic markets. All gas sales in the near term are expected to be domestic sales at domestic prices which are denominated and settled in Turkish Lira. Turkish gas prices are set and published monthly by the state owned pipeline transportation company BOTAS. The Company has executed a depletion based gas sales agreement for up to 10 Bcf of gas. The annual and daily quantities are nominated by the Company and the benchmark prices are the BOTAS Level 2 wholesale tariff prices which are published monthly.

The Poyraz Ridge wells are tied into the Poyraz Ridge CPF for gathering, processing. The delivery point for gas sales is at the exit side of the outlet valve of the Company's metering station located within the Poyraz Ridge CPF which leads to a six inch pipeline for sixteen kilometers and connects into the main Turkish natural gas pipeline system.

### Forward contracts

As at December 31, 2017, the Company was not bound by any agreements which may impact the realization of future market prices for its oil and gas production. The Company has no transportation obligations or commitments for future deliveries which exceed its expected related future production from Proved reserves, as estimated using forecast prices and costs.



### Production History

The following table summarizes production history and per unit for each quarter and in total for the financial year ended December 31, 2017:

	2017	Q1	Q2	Q3	Q4
<b>Crude oil (Kazakhstan)</b>					
Total production (bbl)	145,459	37,648	32,099	42,059	33,653
Average daily production (bopd)	399	418	353	457	366
Total sales (bbl)	152,895	31,844	41,655	47,655	31,741
Average Daily Sales (bbl)	419	354	458	518	345
Revenue (\$/bbl)	34.74	29.72	33.76	35.70	39.66
Production costs (\$/bbl)	(10.86)	(10.92)	(10.36)	(10.59)	(11.85)
Royalties (\$/bbl)	(0.81)	(0.91)	(0.77)	(0.82)	(0.76)
Transportation and selling expense (\$/bbl)	(3.79)	-	(5.22)	(4.48)	(4.66)
Operating netback (\$/bbl)	19.29	17.89	17.41	19.79	22.40
<b>Natural gas (Turkey)</b>					
Total production (Mcf)	53,817	-	-	-	53,817
Average daily production (Mcfpd)	147	-	-	-	585
Total sales (Mcf)	52,174	-	-	-	52,174
Average Daily Sales (Mcf)	143	-	-	-	567
Revenue (\$/Mcf)	6.52	-	-	-	6.52
Production costs (\$/Mcf)	(0.77)	-	-	-	(0.77)
Royalties (\$/Mcf)	(0.84)	-	-	-	(0.84)
Transportation and selling expense (\$/Mcf)	(0.27)	-	-	-	(0.27)
Operating netback (\$/Mcf)	4.64	-	-	-	4.64

*The Company refers to "operating netback" in this AIF, a term with no standardized meaning as prescribed by GAAP and which may not be comparable with similar measures presented by other issuers. This additional information should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP. Operating netback is calculated as revenue less production costs, royalty expense and transportation and selling expense on a dollar basis and divided by the sales volume for the period on a per barrel of oil equivalent basis. This non-GAAP measure is commonly used in the oil and gas industry to assist in measuring operating performance against prior periods on a comparable basis and has been presented in order to provide an additional measure to analyze the Company's crude oil and natural gas sales on a per barrel of oil equivalent basis and ability to generate funds.*

### Production Estimates

The following table summarizes the average daily volume of gross working interest production, before royalties, estimated for 2018 (in the McDaniel Reserve Report):

<b>Estimated 2018 Gross Working Interest Production</b>	<b>Proved</b>	<b>Proved plus Probable</b>
Crude oil at Shoba (Kazakhstan) (bbl/d)	462	578
Crude oil at Taskuduk (Kazakhstan) (bbl/d)	47	48
Natural gas at Poyraz Ridge (Turkey) Mcf/d)	7,331	10,147
Natural gas at Destan (Turkey) (Mcf/d)	485	485
Total (boe/d)	1,812	1,959

## DESCRIPTION OF SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of Common Shares, without nominal or par value, an unlimited number of First Preferred Shares, issuable in series, and an unlimited number of Second Preferred Shares, issuable in series, of which 43,265,100 Common Shares, no First Preferred Shares and no Second Preferred Shares are issued and outstanding as at December 31, 2017.

### Common Shares

Each Common Share entitles the holder thereof to: (i) one vote at all meetings of shareholders of the Company except meetings at which only holders of another class of share are entitled to vote; (ii) subject to the preferences accorded to holders of First Preferred Shares, Second Preferred Shares and any other shares of the Company ranking senior to the Common Shares, the right to receive any dividend on the Common Shares declared by the Company; and (iii) subject to the preferences accorded to holders of First Preferred Shares, Second Preferred Shares and any other shares of the Company ranking senior to the Common Shares, the right to share equally in the remaining property of the Company in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, or any other distribution of its assets among its shareholders for the purpose of winding up its affairs (a "Distribution").

### First Preferred Shares

Subject to the filing of articles of amendment in accordance with the ABCA: (i) First Preferred Shares are issuable at any time and from time to time in one or more series; and (ii) the Board may fix, before issuance, the designation, rights, privileges, restrictions and conditions attached to each series of First Preferred Shares. The holders of each series of First Preferred Shares shall be entitled, in priority to holders of Common Shares, the Second Preferred Shares and any other shares of the Company ranking junior to the First Preferred Shares with respect to the payment of dividends, to be paid rateably with holders of each other series of First Preferred Shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series. In the event of a Distribution, holders of each series of First Preferred Shares shall be entitled, in priority to holders of Common Shares, the Second Preferred Shares and any other shares of the Company ranking junior to the First Preferred Shares with respect to the payment on a Distribution, to be paid rateably with holders of each other series of First Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series. Holders of First Preferred Shares shall not be entitled to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting, except as may be required by law.

### Second Preferred Shares

Subject to the filing of articles of amendment in accordance with the ABCA: (i) Second Preferred Shares are issuable at any time and from time to time in one or more series; and (ii) the Board may fix, before issuance, the designation, rights, privileges, restrictions and conditions attached to each series of Second Preferred Shares. The holders of each series of Second Preferred Shares shall be entitled, in priority to holders of Common Shares and any other shares of the Company ranking junior to the Second Preferred Shares with respect to the payment of dividends, to be paid rateably with holders of each other series of Second Preferred Shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series. In the event of a Distribution, holders of each series of Second Preferred Shares shall be entitled, in priority to holders of Common Shares and any other shares of the Company ranking junior to the Second Preferred Shares with respect to the payment on a Distribution, to be paid rateably with holders of each other series of Second Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series. Holders of Second Preferred Shares shall be entitled to receive notice of, attend at and vote at all meetings of the shareholders of the Company, except meetings of another class of shares. Each Second Preferred Share shall entitle the holder thereof to one vote.

### Prior Sales

On February 1, 2017, the Company issued a warrant certificate exercisable into one million common shares of the Company at \$2.35 per share on or before January 31, 2020 to the lender of the US\$10 million credit facility.

On April 3, 2017, the Company issued Options to acquire an aggregate of 240,000 Common Shares having a weighted average exercise price of \$1.50 per share. As of December 31, 2017, there were 3,029,000 Options issued and outstanding.

These Options and warrant certificate are the only unlisted securities of the Company.

### Dividend Policy

The Company has not declared or paid any dividends on the Common Shares to date. The payment of dividends in the future will be dependent on the Company's earnings, financial condition and such other factors as the Board considers appropriate.

### Market for Securities

The outstanding Common Shares are listed and posted for trading on the TSX under the symbol "CPI". The following table summarizes the high and low trading prices and volume of trading in respect of the Common Shares during the year ended December 31, 2017.

Period	High (\$)	Low (\$)	Volume (shares)
January.....	2.02	1.70	776,381
February.....	1.87	1.74	403,535
March.....	1.77	1.43	410,600
April.....	1.50	1.18	251,800
May.....	1.18	1.00	370,835
June.....	1.09	0.96	141,465
July.....	0.97	0.78	161,117
August.....	0.82	0.65	97,463
September.....	0.70	0.64	238,794
October.....	0.67	0.54	194,929
November.....	0.74	0.52	486,402
December.....	0.82	0.58	1,391,775

### DIRECTORS AND OFFICERS

The following are the names and municipality of residence of the current directors and officers of the directors and executive officers of the Company, their respective positions and offices held with the Company, the date they were first appointed to the Board and their principal occupation during the past five years.

Name and Jurisdiction of Residence	Current Positions and Offices Held	Principal Occupation During the Past Five Years	Director Since
Sean Roosen <sup>(2)(4)</sup> Québec, Canada	Director and Chairman	CEO of Osisko Gold Royalties since June 2014, and prior thereto the CEO of Osisko Mining Corporation, a public gold mining company.	October, 2006
Donald Streu <sup>(3)</sup> Alberta, Canada	Director President and Chief Executive Officer	President and Chief Executive Officer of Condor since August 2008.	March, 2011

<b>Name and Jurisdiction of Residence</b>	<b>Current Positions and Offices Held</b>	<b>Principal Occupation During the Past Five Years</b>	<b>Director Since</b>
Walter Dawson <sup>(1)(2)(3)</sup> Alberta, Canada	Director	Businessman, prior thereto the President and CEO of Tuscany International Drilling Inc., a public oilfield services company, since 2009, and prior thereto (2002 – Sept 2008) founder and Chairman of the Board of Saxon Energy Services Inc., an oilfield services company.	March, 2011
Dennis Balderston <sup>(1)(2)</sup> Alberta, Canada	Director	Independent businessman since July 2005, prior thereto a Partner with Ernst & Young LLP, a firm of Chartered Accountants.	March, 2011
Werner Zoellner <sup>(1)</sup> Bavaria, Germany	Director	Independent businessman since April 2015, prior thereto Head of Patrimonium Private Equity, an asset management company, since 2009.	March, 2011
Dr. Edward W. Bogle <sup>(3)(4)</sup> Alberta, Canada	Lead Director	Corporate Director. Formerly President and CEO of Holocene Equity in 2012, and prior thereto President and CEO of Compton Petroleum Corporation from 2011 to 2012, Executive in Residence, Alberta Department of Energy in 2011, Chief Strategic Officer of Nexen International Petroleum (a subsidiary of Nexen Inc.), a public oil and gas company from 2005 to 2010.	March, 2011
Stefan Kaltenbach <sup>(4)</sup> St. Gallen, Switzerland	Director	Managing director and sole limited partner of Orangedental GmbH & Co. KG, a German software company, since 2000.	March, 2011
Sandy Quilty Alberta, Canada	Vice-President of Finance, Chief Financial Officer and Corporate Secretary	Vice-President of Finance and Chief Financial Officer of Condor since September 2007.	Not applicable
William Hatcher Alberta, Canada	Chief Operating Officer	Chief Operating Officer of Condor since November 2012, prior thereto Senior Vice-President of Operations of Condor since 2009.	Not applicable

**Notes:**

- (1) Member of the Audit Committee, of which Mr. Balderston is the Chairman.
- (2) Member of the Compensation Committee, of which Mr. Roosen is the Chairman.
- (3) Member of the Reserves, Health, Safety and Environment Committee, of which Dr. Bogle is the Chairman.
- (4) Member of the Nominating and Corporate Governance Committee, of which Mr. Roosen is the Chairman.

The Company's directors shall hold office for a term expiring at the conclusion of the next annual meeting of shareholders of the Company, or until their successors are duly elected or appointed pursuant to the ABCA. Each current director devotes the amount of time that is required to fulfill his obligations to the Company. The Company's officers are appointed by, and serve at the discretion of, the Board.

### **Share Ownership by Directors and Officers**

As a group, the Company's current directors and executive officers beneficially own or exercise either direct or indirect control over 4.7 million Common Shares representing approximately 10.9% of the issued and outstanding Common Shares (on an undiluted basis), and no Common Shares of the Company's subsidiaries.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

#### *Cease Trade Orders*

Except as disclosed below, to the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "Order"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Walter Dawson became a director of Action Energy Inc. (formerly High Plains Energy Inc.) ("Action") through a reverse take-over by High Plains Energy Inc. ("High Plains") in November 2006. On May 2, 2007, Action's request for a management cease trade order was granted by the ASC in connection with a failure to file Action's annual financial statements within the time period prescribed by applicable securities laws. Finalization of the audit of the disclosure documents was delayed as a result of increased audit procedures required by the completion of Action's business combination with High Plains. On May 15, 2007, Action filed its annual audited financial statements. The management cease trade order expired June 4, 2007. Mr. Dawson resigned as a director of Action on October 28, 2009.

#### *Corporate Bankruptcies*

Except as disclosed below, to the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Walter Dawson became a director of Action Energy in November 2006. On October 28, 2009, Action's senior lender, National Bank of Canada, obtained an order from the Court of Queen's Bench of Alberta appointing Ernst & Young Inc. as receiver and manager over all of the undertakings, property and assets of Action. Mr. Dawson resigned as a director of Action on October 28, 2009.

Mr. Bogle was a director of Skope Energy Inc. ("Skope") which commenced proceedings in the Court of Queen's Bench of Alberta under the *Companies' Creditors Arrangement Act* ("CCAA") to implement a restructuring in November of 2012 which was completed on February 19, 2013. Mr. Bogle resigned as a director of Skope on February 19, 2013.

Walter Dawson was the President, CEO, and a Director of Tuscany International Drilling ("Tuscany") from November 2008 to June 2014. On February 2, 2014, Tuscany announced that it and one of its subsidiaries, Tuscany International Holdings (U.S.A.) Ltd. ("Tuscany USA") commenced proceedings under Chapter 11 of the United States Bankruptcy Code ("US Code") in the United States Bankruptcy Court for the District of Delaware (the "Chapter 11 Proceedings") to implement a restructuring of the Company's debt obligations and capital structure through a plan of reorganization under the US Code (the "Plan"). Tuscany and Tuscany USA also commenced ancillary proceedings under the Court of Queen's Bench of Alberta under the CCAA to seek recognition of the Chapter 11 Proceedings and certain related relief (the "CCAA Proceedings"). The Chapter 11 Proceedings and the CCAA Proceedings provided for a stay of proceedings against Tuscany and Tuscany USA. Pursuant to the Plan, Mr. Dawson resigned from his positions at Tuscany on June 9, 2014. The Chapter 11 Proceedings and the CCAA Proceedings are ongoing. Tuscany's common stock was delisted from the facilities of the TSX and trading halted on the facilities of the Colombian Stock Exchange. Additionally, all of Tuscany's issued and outstanding common shares, other than those held by the receiver, have been redeemed for nominal consideration.

Mr. Balderston was a director of Spyglass Resources Corp. (a TSX listed company) and resigned on November 26, 2015. Spyglass Resources Corp. was placed into receivership by a syndicate of its lenders on November 26, 2015. Spyglass Resources Corp. was an intermediate oil and gas exploration and production company

#### *Penalties or Sanctions*

Except as disclosed below, to the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Walter Dawson was a director of High Plains from March 2005 to November 2006. On February 2, 2009, Mr. Dawson entered into a settlement agreement and undertaking with the ASC in connection with inadequate rectification of incorrect oil and gas production disclosed to the public in press releases issued by High Plains between July 2005 and January 2006. Mr. Dawson admitted to acting contrary to the public interest by failing to disclose in a proper and timely manner the actual production for the period July 2005 to January 2006 with a comparative to the incorrect production that was set out in the previous press releases for that period. The ASC noted that Mr. Dawson was provided with false information by management of High Plains and had no knowledge of the untrue statements at the time of their release. The ASC also noted that upon being made aware of a potential problem with High Plains' reported production, Mr. Dawson made substantial efforts and committed significant amounts of time in a good faith effort to resolve the problem and determine High Plains' actual production. Pursuant to the terms of the settlement agreement, Mr. Dawson agreed to pay to the ASC \$20,000 in settlement and to pay to the ASC the amount of \$5,000 toward investigative costs.

As a result of the above settlement agreement, Mr. Dawson is required to obtain the written approval of the TSX or the TSX Venture Exchange, as applicable, prior to becoming an officer or director of a listed issuer. In addition, the TSX Venture Exchange required Mr. Dawson to complete a course of study relating to timely disclosure requirements (which Mr. Dawson has completed), and it will require any TSX Venture Exchange listed issuer on whose board Mr. Dawson sits to implement a written disclosure policy.

#### **Conflicts of Interest**

Certain of the officers and directors of the Company are also officers and/or directors of other companies engaged in the oil and natural gas business generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Company. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall

disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

### **Promoter**

EurAsia may be considered the promoter of the Company pursuant to applicable securities law. As at December 31, 2017, EurAsia was the registered holder of 9,299,316 Common Shares, representing approximately 21.5% of the outstanding Common Shares.

### **Audit Committee**

#### *Audit Committee Mandate*

The Condor Board has established an Audit Committee. The Condor Board has adopted a written mandate for the Audit Committee, which sets out the Audit Committee's responsibility for (among other things) reviewing the Company's financial statements and the Company's public disclosure documents containing financial information and reporting on such review to the Board, ensuring the Company's compliance with legal and regulatory requirements, overseeing qualifications, engagement, compensation, performance and independence of the Company's external auditors, and reviewing, evaluating and approving the internal control and risk management systems that are implemented and maintained by management. A copy of the Charter of the Audit Committee is attached to this AIF as Schedule 1.

#### *Composition of the Audit Committee and Relevant Education and Experience*

The Audit Committee consists of Messrs. Balderston, Dawson and Zoellner. Each member of the Audit Committee is considered to be "financially literate" and "independent" within the meaning of NI 52-110.

The Company believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting. For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see "Audit Committee - Member Biographies".

#### *Member Biographies*

##### *Dennis Balderston*

Mr. Balderston is a Chartered Accountant and independent businessman with over 38 years of public accounting experience specializing in public and private energy sector companies. Mr. Balderston was a partner with Ernst & Young LLP from 1990 to 2005. Since 2005, Mr. Balderston has been a director of a number public companies.

##### *Walter Dawson*

Mr. Dawson, businessman, was the President, Chief Executive Officer, and founder of Tuscany International Drilling Inc., Saxon Energy Services Inc., Enserco Energy Services Inc. and Computalog Ltd., all publicly-traded oilfield services companies.

##### *Werner Zoellner*

Dr. Zoellner has spent more than 15 years in the private equity domain, during which time he held positions as an Investment Principal and Partner with Wellington Finanz GmbH, an Investment Partner with the Landes-Bank of the State of Baden-Württemberg and a Partner with Patrimonium Advisors in Switzerland. Dr. Zoellner serves and has served on the boards of directors of several companies in Germany, Switzerland and the United States. Previously, Dr. Zoellner spent 10 years in senior management positions with various technology companies, including 3M ESPE.

### *Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services*

The Audit Committee pre-approves all audit and non-audit services to be provided to the Company and its subsidiaries by its external auditors, as described in the Charter of the Audit Committee attached hereto as Schedule 1.

### *External Audit Service Fees*

The following table summarizes the fees paid by the Company to its auditors, PricewaterhouseCoopers LLP, for external audit and other services provided to the Company in each of the last two fiscal years.

<u>Year</u>	<u>Audit Fees</u>	<u>Audit Related Fees (Interim Reviews)</u>	<u>Tax Fees</u>	<u>Other Non-audit Fees</u>
2017	\$192,175	\$47,250	-	2,542
2016	\$200,176	\$47,250	7,150	23,625

Other non-audit fees in 2017 comprise consulting services and in 2016 comprise the review of the information circular related to the Marsa Transaction.

## **PERSONNEL**

As at December 31, 2017, the Company had approximately 71 full time employees in Kazakhstan, Turkey, the Netherlands and Canada.

## **INDUSTRY CONDITIONS**

### **Kazakhstan**

The Company's requirements in Kazakhstan under sub surface use contracts and the country's fiscal regime include the following:

#### *Domestic sales obligation*

The Shoba Production Contract and the Taskuduk Production Contract each contain a domestic sales obligation to deliver up to thirty five percent of production to the domestic market and provide the Government of Kazakhstan the right to purchase up to seventy percent of the production of each property at prevailing market prices.

#### *Local content requirements*

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

#### *Training and social program obligations*

Included within the MWP is a requirement for Falcon to allocate one percent of the annual capital budget to the professional training of Kazakh personnel and certain amounts annually to social development within the local region.

#### *Research and development obligations*

Included within the MWP is a requirement for Falcon to provide yearly financing of scientific and technical research, design and development activities of one percent of the prior year's oil and gas revenues.

#### *Liquidation fund obligations*

For each property, Falcon is required to allocate one percent of the production costs to a liquidation fund for remediation of the licensed area and the liquidation funds are held in restricted, USD denominated, interest bearing bank accounts. Falcon is also responsible for any restoration expenses associated with damage to the natural environment, geological, archaeological or historic sites within the licensed area or harm to the health of the local population and shall provide additional funding if actual restoration costs exceed the



liquidation fund but is entitled to any amount remaining if the liquidation fund exceeds the actual restoration costs.

#### *Historical cost obligations*

Falcon is required to reimburse 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 are repaid in equal quarterly payments through 2027.

#### *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 any new production contract.

#### *Tax legislation – Kazakhstan*

A mineral extraction tax ("MET") is paid by subsoil users for each type of natural resources extracted. The MET is paid in cash unless the Government of Kazakhstan specifically requires payment in kind. There is no reduction of the tax base for transportation or other expenses. Tax rates for oil and gas condensate are based on a progressive scale of tax rates depending on the volume of extraction.

MET on exported crude oil and condensate is based on world oil prices. MET on domestically sold crude oil and condensate is based on domestic oil sales prices. MET rates are set forth in the table below.

<b>Mineral Extraction Tax Rates – Crude Oil and Condensate</b>										
<b>Tons (000's) per annum</b>	First 250	Next 250	Next 500	Next 1,000	Next 1,000	Next 1,000	Next 1,000	Next 2,000	Next 3,000	Over 10,000
<b>Domestic Rate</b>	2.5%	3.5%	4%	4.5%	5%	5.5%	6%	6.5%	7.5%	9%
<b>Export Rate</b>	5%	7%	8%	9%	10%	11%	12%	13%	15%	18%

The MET rate is 10% on exported natural gas. The MET rates for natural gas sold domestically are 0.5% on volumes up to 1 billion cubic meters; 1.0% on volumes between 1 and 2 billion cubic meters; and 1.5% on volumes over 2 billion cubic meters.

Export rent tax is applied on crude oil and condensate exports on a monthly basis at rates depending on prevailing benchmark world prices as set forth in the below table. There is no reduction of the tax base for transportation or other expenses.

<b>Export Rent Tax Rates – Crude Oil and Condensate</b>																
<b>Brent Price (in USD per barrel) (up to)</b>	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	200
<b>Rate</b>	0%	7%	11%	14%	16%	17%	19%	21%	22%	23%	25%	26%	27%	29%	30%	32%

Export customs duty is applied on crude oil and natural gas condensate exports on a monthly basis at rates depending on prevailing benchmark world prices as set forth in the below table.

<b>Export Customs Duty Rates – Crude Oil and Condensate</b>													
<b>Brent price (in USD per barrel)</b>	0-25	25-30	30-35	35-40	40-45	45-50	50-55	55-60	60-65	65-70	70-75	75-80	80-85
<b>Rate (in SD per ton)</b>	0	10	20	35	40	45	50	55	60	65	70	75	80

<b>Export Customs Duty Rates – Crude Oil and Condensate (continued)</b>													
<b>Brent price (in USD per barrel)</b>	85-90	90-95	95-100	100- 105	105- 115	115- 125	125- 135	135- 145	145- 155	155- 165	165- 175	175- 185	Over 185
<b>Rate (in USD per ton)</b>	85	90	95	100	115	130	145	160	176	191	206	221	236

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.

### **Turkey**

The Company's requirements in Turkey under sub surface use contracts and the country's fiscal regime include the following:

#### *Domestic sales obligation*

There are no domestic obligations per the Company's operating licenses in Turkey, but the Turkish Petroleum Law requires that sixty five percent of production from onshore producers be sold to domestic markets.

#### *Liquidation fund obligations*

For each property, the Company is required to maintain a liquidation fund for remediation of the licensed areas and the liquidation funds are held in restricted, TRY denominated, interest bearing bank accounts. The Company is also responsible for any restoration expenses associated with damage to the natural environment, geological, archaeological or historic sites within the licensed area or harm to the health of the local population and shall provide additional funding if actual restoration costs exceed the liquidation fund but is entitled to any amount remaining if the liquidation fund exceeds the actual restoration costs.

#### *Tax legislation – Turkey*

A royalty is paid in cash by subsoil users in Turkey for natural resources extracted. A royalty rate of 12.5% is applied to actual oil and gas revenues realized.

### **Competitive Conditions**

The oil and natural gas industry is highly competitive. The Company competes for acquisitions and in the exploration, development, production and marketing of oil and natural gas with numerous other participants, some of whom may have greater financial resources, staff and facilities than the Company.

The Company's ability to increase reserves in the future will depend not only on its ability to develop or continue to develop existing properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, methods and reliability of delivery and availability of imported products.

### **Environmental and Worker Protection**

The Company's operations are subject to environmental regulations which require environmental impact assessments and permitting in the jurisdictions in which it operates. Such regulations cover a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Under such regulations there are clean-up costs and liabilities for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and legislation relating to exploration and production of natural resources are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Such

stricter standards could impact on the Company's costs and have a material adverse effect on the Company's business, financial condition or results of operations. See "Risk Factors".

### **Specialized Skill and Knowledge**

The Company believes its success is largely dependent on the performance of its management and key employees, many of whom have specialized skills and knowledge relating to oil and natural gas operations. The Company believes that it has adequate personnel with the specialized skills and knowledge to successfully carry out the Company's business and operations.

### **Foreign Operations**

A majority of the Company's assets are located in Kazakhstan and Turkey. Consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability. See "Risk Factors" for a further description of the risk factors affecting the Company's foreign operations.

## **RISK FACTORS**

### **Risks Relating to the Company**

#### Exploration and development risks

Condor's future success depends upon its ability to find, develop and acquire additional oil and natural gas reserves that are economically recoverable. Without successful exploration, exploitation or acquisition activities, Condor's reserves, revenues and cash flow will decline. Condor cannot assure shareholders that it will be able to find and develop or acquire additional reserves at an acceptable cost or at all. The successful acquisition and development of oil and natural gas properties requires an assessment of:

- recoverable reserves;
- future oil and natural gas prices and operating and capital costs;
- potential environmental and other liabilities; and
- productivity of new wells drilled.

These assessments are inexact and, if Condor makes them inaccurately, it might not recover the purchase price of a property from the sale of production from the property or might not recognize an acceptable return from properties it acquires. In addition, the costs of exploitation and development could materially exceed Condor's initial estimates.

If Condor is unable to increase its reserves, Condor's business will be adversely affected because it will eventually deplete its reserves.

#### Reserve estimates

Undue reliance should not be placed on estimates of reserves since these estimates are subject to numerous uncertainties. The Company's actual reserves could be lower than any such estimates. There are numerous uncertainties inherent in estimating quantities of Proved, Probable and Possible reserves and future net revenues to be derived therefrom, including many factors beyond the Company's control. The reserve and future net revenue information set forth herein represents estimates only. The reserves and estimated future net cash flow from the Company's properties have been independently evaluated by McDaniel with an effective date of December 31, 2017. The evaluation includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recoverable volumes, timing and amount of capital expenditures, marketability of production, future prices of crude oil and natural gas, operating costs, abandonment, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on prices in use at the date the evaluation was prepared, and many of these assumptions are subject to change and are beyond the Company's control. Actual production and cash flow derived therefrom, if any, will vary from these evaluations, and such variations could be material.

Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and analogy to similar types of reserves, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be material, in the estimated reserves.

The present value of estimated future net revenue referred to herein does not represent the fair market value of estimated crude oil and natural gas reserves attributable to the Company's properties. The estimated discounted future revenue from reserves are based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net revenue will also be affected by factors such as the amount and timing of actual production, supply and demand for crude oil and natural gas, curtailments or increases in consumption by purchasers and changes in governmental regulations or taxation.

#### Oil prices and marketability

Condor's ability to market its oil and natural gas depends upon numerous factors beyond its control. These factors include (but are not limited to):

- the availability of processing capacity;
- the availability and proximity of pipeline and railway capacity;
- the supply of, and demand for, oil and natural gas;
- the availability of alternative fuel sources;
- the effects of weather conditions;
- regulation of oil and natural gas marketing; and
- regulation of international oil and natural gas sales or transportation.

Because of these factors, Condor may be unable to market all or a portion of the crude oil or natural gas it produces. In addition, Condor may be unable to obtain favorable prices for the crude oil and natural gas it produces.

#### Operational risks

Drilling activities are subject to many risks, including the risk that no commercially productive reservoirs will be encountered and that Condor will not recover all or any portion of its investment. The cost of drilling, completing and operating wells is often uncertain.

There are many operating hazards in exploring for and producing oil and natural gas, including:

- Condor's drilling operations could encounter unexpected formations or pressures that could cause damage to Condor's employees or other persons, equipment and other property or the environment;
- Condor could experience blowouts, accidents, oil spills, fires or incur other damage to a well that could require Condor to re-drill the well or take other corrective action;
- Condor could experience equipment failure that curtails or stops production; and
- Condor's drilling and production operations, such as trucking of oil, are often interrupted by bad weather.

Any of these events could result in damage to, or destruction of, oil and natural gas wells, production facilities or other property. In addition, any of the above events could result in environmental damage or personal injury for which Condor will be liable.

The occurrence of a significant event against which Condor is not fully insured or indemnified could have a material adverse effect on Condor's business, financial condition or results of operations.

Condor's drilling operations could be curtailed, delayed or cancelled as a result of numerous factors, many of which are beyond its control, including, but not limited to:

- weather conditions;
- compliance with governmental requirements; and
- shortages or delays in the delivery of equipment and services.

Future exploration, exploitation and development projects are subject to change

Whether Condor ultimately undertakes an exploration, exploitation or development project will depend upon the following factors among others:

- the availability and cost of capital;
- the receipt of additional seismic data or the reprocessing of existing data;
- current and projected crude oil or natural gas prices;
- terms of exploration and production contracts negotiated with the foreign governments;
- the cost and availability of drilling rigs, other equipment, supplies and personnel necessary to conduct operations;
- access to transportation and processing;
- the success or failure of activities in similar areas;
- changes in the estimates of the costs to complete a project; and
- Condor's ability to attract other industry partners to acquire a portion of the working interest so as to reduce Condor's costs and risk exposure.

Condor will continue to gather data about Condor's projects and it is possible that additional information will cause Condor to alter its schedule or determine that a project should not be pursued at all. Condor's plans regarding its projects might change.

Oil and natural gas prices

Fluctuations in the prices of oil and natural gas may affect many aspects of Condor's business, including:

- Condor's revenues, cash flows and earnings;
- Condor's ability to attract capital to finance its operations;
- Condor's cost of capital;
- Condor's level of credit and ability to obtain borrowings; and
- the value of Condor's crude oil and natural gas properties.

Both oil and natural gas prices are extremely volatile. Oil and natural gas prices have fluctuated widely during recent years and are likely to continue to be volatile in the future. Oil and natural gas prices may fluctuate in response to a variety of factors beyond Condor's control, including:

- global energy policy, including the ability of the Organization of Petroleum Exporting Countries to set and maintain production levels and prices for oil;
- geopolitical conditions;
- global and domestic economic conditions;
- weather conditions;
- the supply and price of imported oil and liquefied natural gas;
- industry production and storage levels of oil and natural gas;

- the level of consumer demand;
- the price and availability of alternative fuels;
- the proximity of reserves to, and capacity of, transportation facilities;
- the effect of world-wide energy conservation measures; and
- government regulations.

Condor's operations are highly focused on crude oil and natural gas. Any material decline in crude oil and/or natural gas prices could result in a significant reduction of Condor's production revenue and overall value. Any material decline in crude oil and natural gas prices could also result in a reduction of Condor's production revenue and overall value.

The economics of producing from some oil wells could change as a result of lower prices. As a result, Condor could elect not to produce from certain wells. Any material decline in crude oil and/or natural gas prices could also result in a reduction in Condor's crude oil and/or natural gas acquisition and development activities.

Any substantial and extended weakness in the price of crude oil and/or natural gas could have a material adverse effect, possibly significant, on Condor's business, financial condition or results of operations.

#### Foreign Currency 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, 2017 and 2016.

During the year ended December 31, 2017, the CAD appreciated from 1.34 per 1.00 USD to 1.25, which led to a foreign exchange loss of \$1.1 million (2016: loss of \$1.8 million) related mainly to USD denominated cash and cash equivalents and inter-company loans.

During the year ended December 31, 2017, the KZT depreciated from 247 per 1.00 CAD to 265 and TRY depreciated from 2.62 per 1.00 CAD to 3.02 resulting in a \$4.8 million translation loss adjustment through equity (2016: loss of \$2.5 million) and a \$0.2 million foreign exchange loss related mainly to USD denominated inter-company loans.

No assurance can be given that the KZT or TRY will not experience steady or rapid depreciation against the USD in the future. No assurance can be given that KZT or TRY will continue to be freely exchangeable into USD.

Although expenses incurred inside Kazakhstan and future revenues, if any, generated are, and will be, in KZT for domestic sales and in USD for export sales, Condor's financial statements are reported in CAD while Falcon keeps its accounts in and has a KZT functional currency and Marsa Turkey keeps its accounts in and has a TRY functional currency. If the exchange rate of the KZT or TRY fluctuates substantially or the rate of inflation materially increases in Kazakhstan or Turkey in the future, Condor's financial statements may not be indicative of its future performance and may not accurately reflect the CAD value of its assets or current operations.

#### Competitive conditions

The oil and natural gas industry is highly competitive. Many of Condor's competitors have greater financial and personnel resources and/or have greater access to capital markets than Condor does. Condor's ability to acquire additional properties and to discover reserves depends upon its ability to evaluate and select suitable properties and to complete transactions in a highly competitive and challenging environment.

#### Environmental and other regulations

Condor's operations are governed by numerous local laws and regulations at the municipal, regional and state levels. These laws and regulations govern the operation and maintenance of Condor's facilities, the discharge of materials into the environment, storage, treatment and disposal of wastes, remediation of contaminated sites, reclamation of facilities to be abandoned and other environmental protection issues.

If environmental damage occurs, Condor could be liable for personal injury, clean-up costs, remedial measures and other environmental and property damage, as well as administrative, civil and criminal penalties, and Condor could also be required to cease production.

#### Environmental laws and policies

The costs of complying with new environmental laws, regulations or guidelines, or changes in enforcement policy, or newly discovered environmental conditions, may have a material adverse effect on Condor's business, financial condition or results of operations. Future changes in environmental legislation could occur and result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, which could have a material adverse effect on Condor's business, financial condition or results of operations. Such changes may also apply to Condor's service providers, who may in turn pass on such compliance costs to Condor. Examples of this could include local regulators expanding the scope of Condor's abandonment obligations.

#### Equipment availability

Oil and natural gas exploration and development activities depend upon the availability of drilling and related equipment and qualified personnel in the particular areas in which those activities will be conducted. Demand for that equipment or access restrictions may affect the availability of that equipment and delay Condor's exploration and development activities. Likewise, a shortage of qualified personnel may delay Condor's exploration and development activities.

#### Access restrictions

The exploration for and development of oil and natural gas reserves depends upon access to areas where operations are to be conducted. Condor operates in remote locations in Kazakhstan where access is often hampered by poor roads, or in some cases, no roads. There are few main hard-surface highways near the Company's properties with little road maintenance on such hard-surface highways. There are severe pot-holes on many of such highways that could seriously delay or prevent the passage of certain motor vehicles. After exiting the hard-surface highway, some roads are merely sand based trails across desert. Only off-road vehicles with desert tires are able to cross poor sections of such roads. Condor will incur costs to maintain and upgrade existing roads and either establish passable tracks or construct roads to provide field access which could cause severe delays. Road access can also be negatively affected by adverse weather conditions, particularly related to periods of sand storms, blizzards and heavy rain or flooding. Operations can be delayed or shut down due to cold weather in the winter due to insufficient winterizing of drilling rigs, service rigs and support equipment.

Condor's inability to access its properties in foreign jurisdictions or to conduct its operations as planned could result in a shutdown or slowdown of its operations, which would have a material adverse effect on Condor's business, financial condition or results of operations.

#### Cost of New Technologies

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost.

One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

#### Issuance of Debt

Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. The level of the Company's indebtedness from time to time, could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

### Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive.

### Share Price Volatility

A number of factors could influence the volatility in the trading price of the Common Shares, including changes in the economy or in the financial markets, industry related developments and the impact of changes in the Company's daily operations. Each of these factors could lead to increased volatility in the market price of the Common Shares. In addition, variations in earnings estimates by securities analysts and the market prices of the securities of the Company's competitors may also lead to fluctuations in the trading price of the Common Shares.

### Dividends

The Company has not declared or paid any cash dividends on the Common Shares to date. The payment of dividends in the future will be dependent on the Company's earnings and financial condition and on such other factors as the Board considers appropriate. Unless and until the Company pays dividends, shareholders may not receive a return on their shares.

### Condor is highly dependent on certain senior officers

Condor is highly dependent on its senior management team, including its President and Chief Executive Officer and its Chief Financial Officer. The loss of any of its senior officers could impede the achievement of Condor's objectives and could have a material adverse effect on Condor's business, financial condition or results of operations.

### Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration, development and operation of oil and gas properties in the jurisdictions in which the Company operates is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, technical and operations staff.

If Condor is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, net income, results of operations and financial condition.

### Timing of regulatory approvals

The subsoil use laws in Kazakhstan are still evolving and as a result, the process and interpretation involved in obtaining approvals for exploration and development activity takes time. Delays in receiving approvals could delay Condor's exploration, development and production activities and have an adverse impact on the Company's business.

### Tax rates and regulations are subject to change

If tax and royalty regimes change in the countries in which Condor conducts business, such changes could have a material adverse effect on Condor's business, financial condition or results of operations.

### Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to, but not limited to, personal injuries, property damage, property tax, land rights, the environment and contractual disputes.

The terms of the Marsel Sale provide that the Company's liability for claims related to taxes shall not exceed USD 5.0 million for claims brought forth on or before January 28, 2019. The Company is not aware of any potential claims related to the Marsel Sale.



The outcome of outstanding, pending or future proceedings including the lawsuits cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

#### Income Taxes

The Company and its subsidiaries file all required income tax returns and the Company believes that it is in full compliance with applicable Canadian, Dutch, Turkish and Kazakh tax laws; however, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable. Income tax laws relating to the oil and gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Company. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates our income for tax purposes or could change administrative practices to the Company's detriment.

#### Credit Risk

Credit risk arises from the possibility that a counterparty to which the Company provides goods or services is unable or unwilling to fulfill their obligations.

The Company limits its exposure to credit risk on cash and cash equivalents by investing the majority of its cash with Canadian chartered banks that have a good credit rating. Management does not expect the counterparties to fail to meet their obligations.

Credit risk on trade receivables is mainly related to crude oil and natural gas marketers and the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. Sales of crude oil and related receivables in Kazakhstan are with one customer and sales of natural gas and related receivables in Turkey are with one customer, and are therefore subject to concentration risk. This risk is mitigated by management's policies and practices related to credit risk. In Turkey, the Company holds a bank guarantee provided by the buyer of its natural gas amounting to two month's estimated gas sales as security on gas sales receivables. The Company has examined its accounts receivable and concluded that an allowance for doubtful accounts is not necessary and that the amount shown as accounts receivable is valid and collectible.

#### Accounting Adjustments

The presentation of financial information in accordance with IFRS requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the Company's consolidated financial statements. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the consolidated financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and may result in an inability to borrow funds and/or may result in a decline in the Common Share price.

#### Corruption

The Company's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Company has policies in place to prevent any form of corruption or bribery, and enforces policies against giving or accepting money or gifts. It is possible that the Company, or some of its subsidiaries, employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of its employees or contractors. If the Company is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Company could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements. In addition, bribery allegations or bribery or corruption convictions could impair the Company's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Company from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

#### Political, Economic, Legal and Fiscal Instability

These risk factors include, among other things: inconsistent regulations; no court or administrative precedents within the scope of legislative interpretation; relatively limited experience of judges in the resolution of

commercial disputes; lack of a fully independent judicial system and lack of possibilities to enforce court rulings; broad powers of Government authorities, which may result in the suspension, change of conditions, revocation or issuance of arbitrary decisions concerning licenses, permits and consents; foreign currency controls, availability of foreign currencies, availability of hard currency and other banking restrictions; amendments to tax regulations; changes in subsoil, export and transportation regulations; changes in antimonopoly legislation; nationalization or expropriation of property; interruption or blockage of oil or gas exports; poorly developed bankruptcy law procedures, providing the grounds for possible abuse; devaluation of local currency; occurrence of social unrest; changing local currency exchange rates; inflation; growth of a "grey area"; and occurrence of phenomena limiting the free and secure running of business operations.

The Turkish coup attempt of July 15, 2016 resulted in a State of Emergency being implemented shortly afterwards and is still in effect as of the date of the 2017 Annual Information Form. The Government of Turkey is preparing to move to an executive presidential system after the presidential elections of November 2019. Turkish involvement in the Syrian civil war continues.

To date these events have not impacted the Company's ability to carry on business at its Poyraz Ridge and Destan gas fields and there have been no significant delays or security issues affecting the operations. All of the Company's operations are in the Thrace Basin of northwest Turkey, more than 1,000 kilometers from the Syrian border.

The occurrence of any of these factors could have a material adverse effect on Condor's business, financial condition or results of operations.

#### Currency Control

Under the Turkish Petroleum Law, foreign entities investing capital into Turkey are required to classify the relevant portion of capital used for oil and gas operations as registered capital ("Registered Capital") with the General Directorate of Petroleum Affairs ("GDPA"), which acts under the Ministry of Energy as the regulatory body for the oil and gas industry in Turkey. Revenues from oil and gas operations should be accredited by the GDPA as resulting from and related to the oil and gas operations before the funds may be repatriated from Turkey as a return of Registered Capital and therefore not subject to the dividend withholding tax otherwise applicable on the distribution of profits from Turkey. The Company commenced gas production and sales in December 2017 and to date have completed return of Registered Capital transfers related to a portion of gas sales for December 2017 and January 2018. Other than Registered Capital in Turkey, there are no known currency regulations, currency controls or banking restrictions which restrict or prevent the repatriation of profits from Turkey or Kazakhstan.

#### Cyber Security

The Company's information technology systems are subject to cyber security risks. While the Company invests in security systems to prevent and detect inappropriate or illegal access to its key systems and regularly reviews its policies, procedures and protocols for data and system integrity, there can be no assurance that critical systems will not be breached or compromised. Targeted attacks on Condor's systems (or on systems of third-parties that it relies on), the failure or non-availability of a key information technology system or a breach of security measures designed to protect Condor's information technology systems could result in the theft, misuse, modification or destruction of information, including trade secrets and confidential business information, and cause disruptions to various systems and equipment

#### Climate Change

Condor's exploration and production facilities and other operations and activities emit greenhouse gases and which may require compliance with greenhouse gas emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. The direct or indirect costs of compliance with climate change regulations may have a material adverse effect on Condor's business, financial condition, results of operations and prospects. Some of Condor's operations may ultimately be subject to future climate change regulations to manage greenhouse gas emissions. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate

related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on Condor's operations and financial condition.

#### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

There are no material interests, direct or indirect, of the directors or executive officers of the Company, or any shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of the Company's outstanding Common Shares, or any known associates or affiliates of such persons, in any transaction within the last three years before the date of this AIF that has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company, except as disclosed below or as otherwise disclosed in this AIF.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The Company's auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, at its offices located at Suite 3100, 111-5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 5L3. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Professional Accountants of Alberta.

The Company's transfer agent and registrar is Computershare Trust Company Canada at its principal offices in Toronto, Ontario.

#### **INTEREST OF EXPERTS**

No person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named in this AIF or referred to in another filing made by the Company under NI 51-102 during or related to the financial year ended December 31, 2017, as having prepared or certified a report, valuation, statement or opinion described or included in this AIF or other filing, has received or shall receive a direct or indirect interest in any securities or other property of the Company or any associate or affiliate of the Company.

Information relating to reserves in this AIF and in such other filings was calculated by McDaniel, as independent qualified reserves evaluators. The principals of McDaniel, individually or as a group, neither own nor expect to receive any of the Company's securities, directly or indirectly. See "Auditors, Transfer Agent and Registrar".

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no legal proceedings that the Company is or was a party to, or that any of the Company's property is or was the subject of, during the financial year ended December 31, 2017 nor is the Company aware of any contemplated legal proceedings which involve a claim for damages, exclusive of interest and costs, that may exceed 10% of the current assets of the Company.

During the year ended December 31, 2017, there were no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Company that would be likely considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority. See "Risk Factors".

#### **MATERIAL CONTRACTS**

There are no material contracts entered into by Condor during the most recently completed financial year or since January 1, 2018 and which are still in effect, other than contracts entered into in the ordinary course of business and other than:

- The Credit Facility. See *General Development of The Business*.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information related to the remuneration of directors and officers, the indebtedness of directors and officers, the principal holders the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Management Proxy Statement and Information Circular of Condor for its most recent annual meeting of Shareholders that involved the election of directors.

Additional financial information is provided in Condor's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2017.

### **RESERVE ADVISORY**

This AIF includes information pertaining to the McDaniel Reserve Report.

Statements relating to reserves are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. The estimates included in this presentation include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recoverable volumes, timing and amount of capital expenditures, marketability of production, future prices of crude oil and natural gas, operating costs, abandonment, royalties and other government levies that may be imposed over the producing life of the reserves. The reserve assumptions were based on prices in use at the date the McDaniel Reserve Report was prepared, and many of these assumptions are subject to change and are beyond the Company's control. The estimated values of future net revenues of reserves disclosed in this AIF do not represent fair market value.

The reserve estimates of Condor's properties described herein are estimates only. The actual reserves may be greater or less than those calculated. Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and analogy to similar types of reserves, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be material, in the estimated reserves.

**SCHEDULE 1  
CHARTER OF THE AUDIT COMMITTEE**

**I. PURPOSE**

The audit committee (the "Audit Committee") is a committee of the board of directors (the "Board of Directors") of Condor Petroleum Inc. (the "Corporation"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the financial accounting and reporting process and internal controls of the Corporation by:

1. reviewing the financial reports and other financial information before such reports and other financial information are provided by the Corporation to any governmental body or the public;
2. recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;
3. serving as an independent and objective party to monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
4. encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels;
5. creating a culture of honesty and ethical behaviour in order to set the proper tone and to emphasise fraud prevention;
6. overseeing management, including monitoring that management establishes and maintains internal control to provide reasonable assurance regarding reliability of financial reporting;
7. reporting to the board on members' views of the interim and annual financial statements, including the management's discussion & analysis ("MD&A"); and
8. deciding, at its discretion, whether or not to establish an internal audit function. If an internal audit function is not established by the Corporation, the Audit Committee shall ensure that effective internal controls, processes and systems are provided.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter. The Audit Committee's primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Corporation's management which is responsible for preparing the Corporation's financial statements and it is the Corporation's external auditors who are responsible for auditing those financial statements.

**II. COMPOSITION AND MEETINGS**

The Audit Committee is to be comprised of a minimum of three non-executive directors with sufficient financial literacy, as determined by the Board of Directors, all of whom must be "independent" directors (as such term is defined in applicable securities laws). All members of the Audit Committee must, to the satisfaction of the Board of Directors, be "financially literate" (as such term is defined in applicable securities laws).

The members of the Audit Committee must be elected by the Board of Directors at the annual organizational meeting of the Board of Directors and serve until their successors are duly elected. Unless a Chairman is elected by the full Board of Directors, the members of the Audit Committee may designate a Chairman by majority vote of the full Audit Committee membership.

The Audit Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to the filing of quarterly financial statements in order to review and discuss the unaudited financial results for the preceding quarter and the related MD&A and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

As part of its role in fostering open communication, the Audit Committee should meet at least annually with management and the external auditors in separate sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

The Audit Committee may request members of management or others to attend meetings and provide pertinent information as necessary. For the purposes of performing their oversight related duties, members of the Audit Committee are to be provided with full access to all corporate information and are to be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and external auditors of the Corporation.

A quorum for the transaction of business at any meeting of the Audit Committee is (the presence in person or by telephone or other communication equipment of) a simple majority of the total number of members of the Audit Committee or such greater number as the Audit Committee may by resolution determine. If within one hour of the time appointed for a meeting of the Audit Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Should a vacancy arise among the members of the Audit Committee, the remaining members of the Audit Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Audit Committee are to be held from time to time at such place as the Audit Committee or the Chairman of the Audit Committee may determine, within or outside Alberta, Canada, upon not less than 48 hours prior notice to each of the members. Meetings of the Audit Committee may be held without 48 hours prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. Any member of the Audit Committee, the Chairman of the Board of Directors, the Corporation's external auditors, or the Chief Executive Officer or Chief Financial Officer of the Corporation are entitled to request that the Chairman of the Audit Committee call a meeting. A notice of the Audit Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Audit Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Audit Committee will require the vote of a majority of its members present at a meeting at which quorum is present. Action of the Audit Committee may be taken by an instrument or instruments in writing signed by all of the members of the Audit Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

### **III. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Audit Committee shall:

## **Generally**

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, prepare revisions to its provisions where conditions so dictate and submit such proposed revisions to the Board of Directors for approval.
3. Describe briefly in the Corporation's annual report (if any) and more fully in the Corporation's management information circular or its annual information form ("AIF") the Audit Committee's composition and responsibilities and how they were discharged, and otherwise assist management in providing the information required by applicable securities legislation (including the form requirements under National Instrument 52-110) in the Corporation's AIF.
4. Report periodically to the Board of Directors.
5. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and compensate independent counsel, accountants and other professionals to assist it in the performance of its duties as it deems necessary.
6. Perform any other activities consistent with this Charter, the Corporation's by-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

## **Documents/Reports Review**

1. Review the Corporation's interim and annual financial statements, results of audits as well as all interim and annual MD&A and interim and annual earnings press releases prior to their publication and/or filing with any governmental body, or the public.
2. Review policies and procedures with respect to directors' and senior officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors, if any, based on terms of reference agreed upon by the external auditors and the Audit Committee.
3. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure addressed in paragraph 7 of this part, and periodically assess the adequacy of such procedures.
4. Review the audited annual financial statements to satisfy itself that they are presented in accordance with general accepted accounting principles.
5. Provide insight to related party transactions entered into by the Corporation.

## **External Auditors**

1. Recommend to the Board of Directors: (i) the selection of the external auditors, considering independence and effectiveness; and (ii) the fees and other compensation to be paid to the external auditors. The external auditors shall report directly to the Audit Committee.
2. Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors and discussing and resolving any material differences of opinion between management and the external auditors.

3. Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Corporation to determine their independence.
4. Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiaries by the external auditors.
5. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.
6. Periodically consult with the external auditors out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Corporation's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
7. Ensure that the external auditors report directly to the Audit Committee, ensure that significant findings and recommendations made by the external auditors are received and discussed with the Audit Committee on a timely basis and arrange for the external auditors to be available to the Audit Committee and the full Board of Directors as needed.
8. Review and approve the Corporation's any hiring by the Corporation of any partners, employees and former partners and employees of the Corporation's external auditors.

#### **Financial Reporting Processes**

1. In consultation with the external auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.
2. Consider the external auditors' judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices.
3. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

#### **Process Improvement**

1. Establish regular and separate systems of reporting to the Audit Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
2. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit Committee may deem desirable.
3. Following completion of the annual audit and quarterly reviews, review separately with management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on



the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit and reviews.

4. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.
5. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.
6. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.
7. Review activities, organizational structure, and qualifications of the Corporation's Chief Financial Officer and staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the full Board of Directors.

### **Ethical and Legal Compliance**

1. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
2. Review and update periodically a code of business conduct and ethics (the "Code of Conduct") and ensure that management has established a system to enforce the Code of Conduct. Review appropriateness of actions taken to ensure compliance with the Code of Conduct and to review the results of confirmations and violations thereof.
3. Review management's monitoring of the Corporation's systems in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
4. Review with management the legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the Corporation's financial statements.

### **Risk Management**

1. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditors' opinion of management's assessment of significant financial risks facing the Corporation and how effectively such risks are being managed or controlled.

### **Review**

2. The Audit Committee shall review its effectiveness periodically, through self-assessments or independent evaluations.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

## Schedule "A"

### Independence and Financial Literacy

#### Independence Requirement of National Instrument 52-110

*National Instrument 52-110 - Audit Committees* ("NI 52-110") provides, in effect, that a member of the Audit Committee is "**independent**" if that member has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the member's independent judgment. NI 52-110 provides that the following individuals are considered to have a "**material relationship**" with the Corporation and, as such, would not be considered independent:

- (a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
- (c) an individual who:
  - (i) is a partner of a firm that is the Corporation's internal or external auditor,
  - (ii) is an employee of that firm, or
  - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time,

except that for the purposes of this paragraph (c), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor of the Corporation is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service;

- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
  - (i) is a partner of a firm that is the Corporation's internal or external auditor,
  - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
  - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time,

except that for the purposes of this paragraph (d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor of the Corporation is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service;

- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than \$75,000 in direct compensation from the Corporation during any 12 month period within the last three years, except that for the purposes of this paragraph (f), direct compensation does not include (i) remuneration for acting as a member of the board of directors or of any board committee of the Corporation, and (ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (a) to (f) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member:

- (i) has previously acted as an interim chief executive officer of the Corporation, or
- (ii) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the Corporation on a part-time basis.

For purpose of the definition of “material relationship”, the terms set out below shall have the following meanings:

“company” means any corporation, incorporated association, incorporated syndicate or other incorporated organization;

“control” means the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise, except that an individual will not be considered to control a company if the individual owns, directly or indirectly, ten per cent or less of any class of voting securities of such company and is not an executive officer of such company;

“executive officer” of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

“immediate family member” means an individual’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual’s immediate family member) who shares the individual’s home;

“person” means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative; and

“subsidiary entity” – a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other’s subsidiary entity.

### **Financial Literacy**

NI 52-110 provides that a director will be considered “**financially literate**” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

**SCHEDULE 2**  
**FORM 51-101 F2 - REPORT ON RESERVES**  
**DATA BY INDEPENDENT QUALIFIED EVALUATOR OR AUDITOR**

**Report on Reserves Data**

To the Board of Directors of Condor Petroleum Inc. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2017. The reserves data are estimates of Proved and Probable and Possible reserves and related future net revenue as at December 31, 2017, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook"), maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to Proved plus Probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated as of December 31, 2017, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date	Location of Reserves (Country)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate) Proved plus Probable Reserves			
			Audited (M US\$)	Evaluated (M US\$)	Reviewed (M US\$)	Total (M US\$)
McDaniel & Associates Consultants Ltd.	December 31, 2017	Kazakhstan	-	22,499	-	22,499
McDaniel & Associates Consultants Ltd.	December 31, 2017	Turkey	-	51,560	-	51,560
<b>Total</b>			-	<b>73,059</b>	-	<b>73,059</b>

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are presented in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

McDaniel & Associates Consultants Ltd.  
Calgary, Alberta  
March 20, 2018

C. Boulton, P. Eng., Vice President  
*"Signed"*

**SCHEDULE 3  
FORM 51-101 F3  
REPORT OF MANAGEMENT AND DIRECTORS ON  
RESERVES DATA AND OTHER INFORMATION**

Management of Condor Petroleum Inc. (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of Proved reserves, Probable reserves and Possible reserves and related future net revenue as at December 31, 2017, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves, Health, Safety and Environment Committee of the board of directors of the Company has:

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation, and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves, Health, Safety and Environment Committee has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves, Health, Safety and Environment Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator of the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

*"Signed"*

Don Streu, President and Chief Executive Officer

*"Signed"*

Sandy Quilty, Vice President of Finance and Chief Financial Officer

*"Signed"*

Dr. Edward Bogle, Director

*"Signed"*

Walter Dawson, Director

March 20, 2018