



Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited)

Condor Petroleum Inc.

Consolidated Statements of Financial Position (Unaudited)

Stated in thousands of Canadian dollars

As at		March 31, 2018	December 31, 2017
	Note		
Assets			
Cash and cash equivalents		1,742	3,910
Trade and other receivables		1,720	976
Other current assets	2	5,631	5,440
Total current assets		9,093	10,326
Property, plant and equipment	3	56,912	57,690
Deferred tax assets		3,601	3,357
Other long term assets	4	6,250	6,257
Total assets		75,856	77,630
Liabilities			
Accounts payable and accrued liabilities		2,508	2,608
Current portion of long term borrowings	5	6,447	7,958
Current portion of other long-term liabilities	6	484	461
Current portion of provisions	7	849	1,019
Total current liabilities		10,288	12,046
Long term borrowings	5	3,824	5,125
Other long term liabilities	6	2,614	2,547
Provisions	7	3,292	2,756
Total liabilities		20,018	22,474
Equity			
Share capital	8	271,688	271,688
Contributed surplus		21,144	21,125
Translation reserve		(68,801)	(70,267)
Deficit		(168,193)	(167,390)
Total equity		55,838	55,156
Total liabilities and equity		75,856	77,630

Commitments and contingent liabilities (Note 11);

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

Condor Petroleum Inc.

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

Stated in thousands of Canadian dollars

(except for per share amounts)

For the three months ended March 31		2018	2017
	Note		
Revenue			
Crude oil and natural gas sales	14	4,952	947
Royalties		(458)	(29)
Total revenue		4,494	918
Expenses			
Production costs		764	348
Transportation and selling		310	-
General and administrative		1,595	2,495
Exploration and evaluation		-	56,615
Depletion and depreciation		1,751	601
Stock based compensation		19	294
Total expenses		(4,439)	(60,353)
Finance income		162	104
Finance expense		(708)	(466)
Foreign exchange loss		(312)	(110)
Net loss		(803)	(59,907)
Foreign currency translation adjustment		1,466	739
Comprehensive income (loss)		663	(59,168)
Basic and diluted net loss per share	9	(0.02)	(1.38)

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

Condor Petroleum Inc.

Consolidated Statements of Cash Flows (Unaudited)

Stated in thousands of Canadian dollars

For the three months ended March 31		2018	2017
	Note		
Operating activities:			
Net loss		(803)	(59,907)
Items not affecting cash:			
Depletion and depreciation		1,751	601
Exploration and evaluation		-	56,615
Stock based compensation		19	294
Finance income		(138)	(32)
Finance expenses		708	466
Unrealized foreign exchange loss		311	261
Cash from (used in) operating activities before changes in non-cash working capital		1,848	(1,702)
Changes in non-cash working capital		207	(531)
Cash from (used in) operating activities		2,055	(2,233)
Investing activities:			
Property, plant and equipment expenditures	3	(250)	(8,298)
Changes in non-cash working capital		(327)	(580)
Cash used in investing activities		(577)	(8,878)
Financing activities			
Net proceeds from borrowings	13	-	12,403
Repayment of borrowings	13	(1,612)	-
Interest paid	13	(2,122)	-
Cash from (used in) financing activities		(3,734)	12,403
Change in cash		(2,256)	1,292
Effect of foreign exchange on cash		88	(194)
Cash and cash equivalents, beginning		3,910	21,531
Cash and cash equivalents, ending		1,742	22,629

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

Condor Petroleum Inc.

Consolidated Statements of Changes in Equity (Unaudited)

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

	Number of common shares	Share capital	Contributed surplus	Translation reserve	Deficit	Total equity
As at December 31, 2016	43,265,100	271,688	20,229	(65,475)	(100,722)	125,720
Stock based compensation expense	-	-	294	-	-	294
Warrants issued (Note 5)	-	-	782	-	-	782
Foreign currency translation adjustment	-	-	-	739	-	739
Net loss	-	-	-	-	(59,907)	(59,907)
As at March 31, 2017	43,265,100	271,688	21,305	(64,736)	(160,629)	67,628
As at December 31, 2017	43,265,100	271,688	21,125	(70,267)	(167,390)	55,156
Stock based compensation expense	-	-	19	-	-	19
Foreign currency translation adjustment	-	-	-	1,466	-	1,466
Net loss	-	-	-	-	(803)	(803)
As at March 31, 2018	43,265,100	271,688	21,144	(68,801)	(168,193)	55,838

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

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2018

1. Corporate information:

Reporting entity:

Condor Petroleum Inc. ("Condor" or the "Company") is a publicly traded company, listed on the Toronto Stock Exchange ("TSX") under the symbol "CPI", with activities in the Republic of Turkey ("Turkey") and the Republic of Kazakhstan ("Kazakhstan"). The address of the Company's registered office is 2400, 144 – 4th Ave SW, Calgary, Alberta, Canada, T2P 3N4.

The interim condensed consolidated financial statements (the "financial statements") of the Company as at March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017 comprise the Company and its subsidiaries. The financial statements were approved and authorized for issue on May 14, 2018 by the Board of Directors.

Nature of operations:

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

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

Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 'Interim Financial Reporting'. The financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

The financial statements are reported in Canadian dollars ("CAD") which is the functional currency of the Company. The company's subsidiary in Kazakhstan has a Kazakhstan Tenge ("KZT") functional currency. The company's subsidiary in the Netherlands, which has a branch in Turkey ("Turkey Branch"), has a Turkish Lira ("TRY") functional currency.

During the three months ended March 31, 2018, the Company reclassified royalty expense to royalties for presentation purposes within the statement of comprehensive income (loss).

The accounting policies used to prepare these financial statements are consistent with the policies at December 31, 2017 except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Company:

A number of new or amended standards became applicable for the current reporting period and the Company has changed its accounting policies as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 15.

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New standards and interpretations not yet adopted:

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

Zharkamys exploration contract extension:

The Company's Zharkamys exploration contract ("Zharkamys Contract") with the Ministry of Energy of the Government of Kazakhstan ("Ministry") was due to expire on December 14, 2016. Prior to this date, the Kazakhstan Chamber of International Commerce and subsequently the Kazakhstan Civil Court ("Civil Court") confirmed that a force majeure event had occurred which, under Kazakhstan subsurface use law, can be the basis for the Zharkamys Contract validity period to be extended for a period of 630 days. In May 2017, the Kazakhstan Court of Appeal ("Court of Appeal"), pursuant to an appeal filed by the Ministry, ruled that the force majeure event was not recognized and reversed the decision of the Civil Court. As a result of the Court of Appeal ruling there was uncertainty regarding the Company's legal rights to extend the Zharkamys Contract and the related exploration and evaluation assets in the amount of \$56.6 million were derecognized as at March 31, 2017. The Company referred the case to the Kazakhstan Supreme Court ("Supreme Court") and in November 2017 the Supreme Court ruling overturned both the Civil Court and the Court of Appeal rulings and referred the case back to the Civil Court for further review by a new panel of judges. In March 2018, the Civil Court ruling confirmed that the force majeure event had occurred, in April 2018 the Ministry appealed the Civil Court ruling and in May 2018 the Court of Appeal ruling upheld that the force majeure event had occurred. The Ministry has up to six months to appeal the case back to the Supreme Court.

2. Other current assets:

As at (000's)	March 31, 2018	December 31, 2017
Current portion of VAT receivables (Note 4)	3,380	3,415
Bank deposits	1,248	1,194
Prepaid expenses	437	452
Supplies inventory	302	269
Crude oil inventory	264	110
	5,631	5,440

The bank deposits are comprised of \$1.0 million denominated in USD and \$0.2 million denominated in TRY and include \$0.6 million reclassified from other long term assets as of March 31, 2017 related to the derecognition of the Zharkamys Contract assets.

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For the three months ended March 31, 2018

3. Property, plant and equipment:

(000's)	Oil and gas properties	Other equipment	Total
Cost			
As at December 31, 2016	47,374	2,041	49,415
Capital expenditures	19,230	42	19,272
Transfers from exploration and evaluation assets	1,030	(230)	800
Change in decommissioning and historical costs	(399)	-	(399)
Foreign currency translation adjustment	(5,622)	(150)	(5,772)
As at December 31, 2017	61,613	1,703	63,316
Capital expenditures	249	1	250
Change in decommissioning costs	214	-	214
Foreign currency translation adjustment	793	116	909
As at March 31, 2018	62,869	1,820	64,689
Accumulated depletion and depreciation			
As at December 31, 2016	(1,896)	(1,338)	(3,234)
Depletion and depreciation	(2,660)	(68)	(2,728)
Transfers	236	(236)	-
Foreign currency translation adjustment	238	98	336
As at December 31, 2017	(4,082)	(1,544)	(5,626)
Depletion and depreciation	(1,780)	(13)	(1,793)
Foreign currency translation adjustment	(253)	(105)	(358)
As at March 31, 2018	(6,115)	(1,662)	(7,777)
Net book value			
As at December 31, 2017	57,531	159	57,690
As at March 31, 2018	56,754	158	56,912

Oil and gas properties comprise the Shoba and Taskuduk properties in Kazakhstan and the Poyraz Ridge and Destan operating licenses in Turkey. Oil and gas properties include \$3.6 million (2017: \$3.4 million) which is not depleted.

4. Other long term assets:

As at (000's)	March 31, 2018	December 31, 2017
Non-current VAT receivables	4,867	4,874
Non-current bank deposits	1,383	1,383
	6,250	6,257

Undiscounted VAT receivables (including non-current and current portion) of \$9.0 million (2017: \$9.2 million) are available for offset against VAT collected on future domestic sales and available for refund related to future export sales. The VAT receivables in Kazakhstan are discounted from the expected date of receipt using a discount rate of 8.6% (2017: 9.3%), which estimates the market rate of return on a similar instrument. The VAT receivables in Turkey are not discounted given the proximity of the expected date of receipt and are classified as other current assets (Note 2).

The non-current bank deposits, which are comprised of \$1.1 million denominated in USD and \$0.3 million denominated in TRY, are invested in special interest bearing accounts and the funds are reserved for

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decommissioning obligations. As of March 31, 2017, the Company reclassified \$0.6 million to other current assets related to the derecognition of the Zharkamys Contract assets.

5. Long term borrowings:

In January 2017, the Company established a USD 10.0 million secured non-revolving credit facility (the "Credit Facility") and on February 1, 2017 (the "Receiving Date") received the loan proceeds equivalent to \$13.1 million from the arm's length lender. The Credit Facility bears interest at 14% and matures three years from the Receiving Date. Interest for the first year was due and paid on January 31, 2018 and the first of eight quarterly principal payments of USD 1.25 million plus interest was due and paid on March 31, 2018. The Credit Facility is secured by customary security including a general security agreement of all present and future assets of Condor and a movable assets pledge agreement establishing a first-ranking pledge over the commercial enterprise, any or all assets and any gas sales receivables of the Turkey Branch. In conjunction with the Credit Facility, the lender received a warrant certificate exercisable into one million common shares of Condor at \$2.35 per share on or before January 31, 2020 (the "Warrants") and the fair value of the Warrants are amortized over the term of the loan using the effective interest method. The Credit Facility contains no financial covenants and the Company is in compliance with all non-financial covenants. The Company may voluntarily prepay the outstanding Credit Facility principal amount in whole or in part at any time by paying a 2% fee of the amount of principal prepaid from February 1, 2018 to January 31, 2019 and a 1% fee of the amount of principal prepaid from February 1, 2019 to January 31, 2020.

6. Other long term liabilities:

Other long term liabilities are amounts to be reimbursed to the Government of Kazakhstan for historical costs and include expenditures for drilling, seismic and other geological and geophysical works. The historical costs became payable in equal quarterly installments over a ten year period commencing with the signing of the Taskuduk production contract in September 2016. The total undiscounted historical costs as at March 31, 2018 is \$4.3 million (2017: \$4.2 million), is non-interest bearing and comprises USD denominated liabilities of \$2.2 million and KZT denominated liabilities of \$2.1 million. Excluding the current portion of \$0.5 million (2017: \$0.5 million), the non-current portion of historical costs has been discounted to \$2.6 million (2017: \$2.5 million) based on the estimated timing of future payments and a weighted average 8% discount rate based on historical risk-free rates.

7. Provisions:

As at (000's)	March 31, 2018	December 31, 2017
Beginning non-current portion	2,756	3,972
Increase in liabilities	-	356
Reclassified from (to) current portion	219	(758)
Change in estimates	203	(719)
Accretion expense	50	311
Foreign currency translation adjustment	64	(406)
Ending non-current portion	3,292	2,756
Beginning current portion	1,019	264
Reclassified from (to) non-current portion	(219)	758
Change in estimates	11	-
Foreign currency translation adjustment	38	(3)
Ending current portion	849	1,019

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For the three months ended March 31, 2018

Provisions are comprised of decommissioning obligations which are estimated based on the expected costs to abandon existing wells and facilities and for site restoration along with the estimated timing of future payments. At March 31, 2018 the estimated total undiscounted cash flows required to settle the current and non-current liabilities are \$4.9 million (December 31, 2017: \$4.7 million), which are expected to be incurred between 2018 and 2031.

The net present value of the decommissioning obligations is calculated with a weighted average inflation rate of 5.4% (December 31, 2017: 5.2%) and weighted average discount risk free rate associated with the assets of 7.4% (December 31, 2017: 7.4%).

8. Share capital:

The Company has authorized an unlimited number of common shares without nominal or par value and an unlimited number of first and second preferred shares without nominal or par values. As of March 31, 2018 the number of common shares issued is 43,265,100 (December 31, 2017: 43,265,100).

9. Income (loss) per share:

Per share amounts are calculated using a weighted average number of common shares of 43,265,100 for the three months ended March 31, 2018 (2017: 43,265,100 shares). Outstanding stock options (Note 10) and the outstanding Warrants (Note 5) have been excluded from the calculations of diluted weighted average common shares as to include them would be anti-dilutive.

10. Stock based compensation:

The Company has a stock option plan under which the Board may grant options for the purchase of common shares to directors, officers and employees for up to 10% of the outstanding common shares. The Board establishes the exercise price of options at the date of grant, provided that such price shall not be less than the volume weighted average trading price of the shares on the TSX for the five trading days immediately preceding the date of grant. The options are granted for a term of five years and fully vest after either two or three years from the date of grant. Each outstanding option is exercisable to acquire one common share of the Company.

Details of the stock options outstanding as at March 31, 2018 are as follows:

Exercise price	Options outstanding		Options vested	
	Number	Average remaining life in years	Number	Average remaining life in years
\$1.33	905,000	2.9	546,669	3.2
\$1.50	948,000	2.4	873,000	1.9
\$1.60	362,500	2.0	362,500	2.0
\$3.00	30,000	1.2	30,000	1.2
\$3.40	203,500	1.0	203,500	1.0
\$5.50	540,000	0.1	540,000	0.1
	2,989,000	2.0	2,555,669	1.7

As at March 31, 2018, there are 2,989,000 stock options outstanding with a weighted average exercise price of \$2.33 (December 31, 2017: \$2.31). The 2,555,669 options exercisable at March 31, 2018 had a \$2.49 weighted average exercise price (December 31, 2017: \$2.47).

Condor Petroleum Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

11. Commitments and contingent liabilities:

The Company's contractual work commitments as at March 31, 2018 are as follows:

(000's)	< 1 year	1-3 years	4-5 years	> 5 years	Total
Shoba	4,644	5,548	1,069	2,170	13,431
Taskuduk	974	69	56	123	1,222

The Company has contractual work commitments pursuant to the Shoba and Taskuduk production contracts in Kazakhstan. These work commitments may be amended from time to time in accordance with planned development activities proposed by the Company and approved by the Government of Kazakhstan and additional amounts could be significant. Non-fulfillment of work commitments for Shoba or Taskuduk could result in punitive actions including the suspension or revocation of the respective contract in case financial work commitment fulfillment is less than thirty percent for two 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.

There are no work commitments related to the Poyraz Ridge or Destan operating licenses in Turkey. Related to Destan, the Government of Turkey has notified the Company to commence production activities by September 17, 2018 or the Destan operating license could be revoked.

Operating leases

Non-cancellable operating leases are payable \$0.5 million in less than one year (2017: \$0.5 million) and \$0.4 million between one and four years (2017: \$0.4 million).

Excess profit tax

Excess profit tax in Kazakhstan ranging at rates from zero to sixty percent is calculated based on the ratio of revenues versus expenditures in excess of 1.25. The Company has not been subject to excess profit tax to date and accordingly has not accrued any related costs but may be subject to excess profit tax in future periods.

Kazakhstan local content requirements

Kazakhstan subsoil users are required to give preference to local companies 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.

12. Financial risk management:*Credit risk*

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

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

Credit risk on trade receivables is 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

Condor Petroleum Inc.

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For the three months ended March 31, 2018

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 the amount shown as accounts receivable is valid and collectible.

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

Liquidity risk and capital management

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations and commitments and repaying liabilities as they fall due. The Company requires liquidity mainly to satisfy financial obligations and operating requirements related to activities in Kazakhstan and Turkey.

At March 31, 2018 the Company had a working capital deficit of \$1.2 million (December 31, 2017 – deficit of \$1.7 million). The Company commenced gas production and sales in December 2017 and accordingly anticipates cash from operating activities to provide the necessary capital for oil and gas development activities and repayment of the loan principal and interest. Also, the Company has the ability to adjust its capital structure by issuing new equity or debt, disposing of assets and making adjustments to its capital expenditure program to the extent the capital expenditures are not committed.

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

Foreign currency exchange risk

The Company is exposed to significant foreign currency risk as a substantial portion of the Company's foreign activities are transacted in or referenced to foreign currencies including USD, KZT and TRY, and a significant portion of the Company's cash and cash equivalents and borrowings are held in USD. The Company had no forward exchange rate contracts in place at or during the three months ended March 31, 2018 and 2017.

During the three months ended March 31, 2018, the CAD depreciated from 1.25 per 1.00 USD to 1.29, which led to a foreign exchange loss of \$0.3 million (2017: loss of \$0.1 million) related mainly to USD denominated borrowings.

During the three months ended March 31, 2018, the KZT appreciated from 265 per 1.00 CAD to 247 and TRY depreciated from 3.02 per 1.00 CAD to 3.07 resulting in a \$1.5 million translation gain adjustment through equity (2017: gain of \$0.7 million).

Interest rate risk

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

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Commodity price risk

The Company is exposed to changes in commodity prices inherent in the oil and natural gas industry. Commodity prices for petroleum and natural gas are impacted by economic events and factors which are beyond the Company's control. Fluctuations in petroleum and natural gas prices may have a significant effect on the Company's results of operations and cash flows from operating activities and, subsequently, may also affect the value of the oil and gas properties and the level of spending for exploration and development. The majority of the Company's production is sold under short-term contracts, which exposes the Company to the risk of price movements. The Company had no forward price contracts or derivatives in place at or during the three months ended March 31, 2018 or 2017.

13. Supplementary cash flow information:

The Company received interest income of \$0.02 million for the three months ended March 31, 2018 (2017: \$0.1 million) and did not pay income tax in 2018 or 2017.

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

Long term borrowings (000's)	
As at December 31, 2016	-
Loan proceeds	13,089
Loan issuance costs	(686)
Net proceeds from borrowings	12,403
Non-cash movements	(167)
As at March 31, 2017	12,236
As at December 31, 2017	13,083
Loan repayment	(1,612)
Interest paid	(2,122)
Non-cash movements	922
As at March 31, 2018	10,271

14. Segmented information:

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

(000's)	Corporate	Kazakhstan	Turkey	Total
As at March 31, 2018				
Property, plant and equipment	19	21,570	35,323	56,912
Total assets	620	33,694	41,542	75,856
Total liabilities	11,292	5,648	3,078	20,018
As at December 31, 2017				
Property, plant and equipment	23	20,653	37,014	57,690
Total assets	3,804	32,567	41,259	77,630
Total liabilities	13,981	5,358	3,135	22,474

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(000's)	Corporate	Kazakhstan	Turkey	Total
For the three months ended March 31, 2018				
Property, plant and equipment expenditures	-	4	246	250
Revenue				
Crude oil sales	-	1,344	-	1,344
Natural gas sales	-	-	3,608	3,608
Royalties	-	(25)	(433)	(458)
Total revenue	-	1,319	3,175	4,494
Expenses				
Production costs	-	357	407	764
Transportation and selling	-	167	143	310
General and administrative	893	390	312	1,595
Depletion and depreciation	4	518	1,229	1,751
Stock based compensation	19	-	-	19
Finance income	(162)	-	-	(162)
Finance expense	708	-	-	708
Foreign exchange loss	312	-	-	312
Net income (loss)	(1,774)	(113)	1,084	(803)
For the three months ended March 31, 2017				
Property and equipment expenditures	-	-	8,298	8,298
Revenue				
Crude oil sales	-	947	-	947
Royalties	-	(29)	-	(29)
Total revenue	-	918	-	918
Expenses				
Production costs	-	348	-	348
General and administrative	1,392	468	635	2,495
Exploration and evaluation	-	56,615	-	56,615
Depletion and depreciation	3	584	14	601
Stock based compensation	294	-	-	294
Finance income	(104)	-	-	(104)
Finance expense	466	-	-	466
Foreign exchange loss	110	-	-	110
Net loss	(2,161)	(57,097)	(649)	(59,907)

15. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the financial statements and also discloses the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods.

(a) IFRS 9 Financial Instruments – Adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

and hedge accounting. The Company adopted IFRS 9 effective January 1, 2018 and applied it retrospectively. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The adoption of IFRS 9 did not have a material impact on the financial statements.

Classification and Measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the company's business model for managing the financial assets. Additionally, embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9. Instead, the entire hybrid contract is assessed for classification and measurement.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The differences between the two standards did not impact the Company at the time of transition.

As of January 1, 2018, the date of initial application of IFRS 9, the Company assessed which business models apply to the financial assets held by the Company and classified its financial instruments into the appropriate IFRS 9 categories. The classification and measurement of financial instruments under IFRS 9 did not have a material impact on the Company's opening retained earnings as at January 1, 2018.

The Company's financial assets and financial liabilities under IAS 39 comprised loans and receivables and other financial liabilities, respectively. As at January 1, 2018, the Company's financial assets and financial liabilities were reclassified to an amortized cost category under IFRS 9 and included cash and cash equivalents, trade and other receivables, bank deposits, accounts payable, current portion of long term borrowings and long term borrowings. There were no adjustments to the carrying amounts of financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

Impairment of financial assets

The Company's trade receivables are subject to IFRS 9's new expected credit loss model. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at March 31, 2018, 99% of the Company's trade receivables were investment grade, and 100% were outstanding for less than 30 days. The average expected credit loss on the Company's trade receivables was 0.5 percent as at March 31, 2018.

While the Company's cash and cash equivalents and bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(b) IFRS 15 Revenue from Contracts with Customers – Adoption

The Company has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 using the modified retrospective approach recognizing the cumulative impact of adoption in retained earnings as of January 1, 2018.

The adoption of IFRS 15 did not materially impact the timing or measurement of revenue.

Condor Petroleum Inc.

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For the three months ended March 31, 2018

(c) Accounting policies applied from January 1, 2018**Financial instruments***Classification and Measurement*

From January 1, 2018, the Company classifies its financial assets in the amortized cost measurement category which include assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. The Company's amortized cost category is comprised of cash and cash equivalents, trade and other receivables and bank deposits. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies financial assets if and when its business model for managing those assets changes.

The Company's classifies its financial liabilities in the amortized cost measurement category which includes accounts payable, current portion of long term borrowings and long term borrowings.

Impairment

From January 1, 2018, the Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Revenue recognition

The Company produces and sells crude oil and natural gas. Sales are recognized when control of the products has transferred, being when the products are delivered to a customer. Delivery occurs when the products have been shipped to the specific location, the risks of loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Company has objective evidence that all criteria for acceptance have been satisfied. Revenue is recognized based on the price specified in the sales contract. No element of financing is deemed present as the sales are made with credit terms of thirty days or less, which is consistent with market practice.

The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. The Company also applies a practical expedient of IFRS 15 that allows any incremental costs of obtaining contracts with customers to be recognized as an expense when incurred rather than being capitalized.

In its modified retrospective adoption of IFRS 15, the Company applied a practical expedient that allows the Company to avoid re-considering the accounting for any sales contracts that were completed prior to January 1, 2018 and were previously accounted for under its previous revenue accounting policy.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.