

# Condor Announces 2018 Second Quarter Results

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CALGARY, Aug. 14, 2018 - [Condor Petroleum Inc.](#) ("Condor" or the "Company") (TSX: CPI), a Canadian based oil and gas company focused on exploration and production activities in Turkey and Kazakhstan, is pleased to announce the release of its unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2018, together with the related management's discussion and analysis. These documents will be made available under Condor's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Condor website at [www.condorpetroleum.com](http://www.condorpetroleum.com). All financial amounts in this news release are presented in Canadian dollars, unless otherwise stated.

## Q2 2018 Highlights

- Achieved an average production of 1,173 boepd in the three months ended June 30, 2018 and 1,283 boepd in the six months ended June 30, 2018, representing 233% increases from the same respective periods in 2017.
- Realized crude oil and natural gas sales of \$4.8 million in the three months ended June 30, 2018 and \$9.8 million in the six months ended June 30, 2018, representing a 242% and 315% increase from the same respective periods in 2017.
- Realized an operating netback<sup>1</sup> of \$6.6 million or \$28.95 per boe, representing a 408% increase from \$1.3 million and a 64% increase from \$17.63 per barrel respectively in the six months ended June 30, 2017.
- Generated cash from operating activities of \$3.8 million or \$0.09 per basic share during the six months ended June 30, 2018 versus cash used in operating activities of \$4.7 million or \$0.11 per basic share during the same period in 2017.
- Initiated drilling 2 new horizontal wells and 2 existing well workovers in Kazakhstan. This program is intended to more than double current oil production rates.
- Drilled an infill gas well in Turkey. Multiple gas charged reservoirs were encountered with gas readings as high as 80%. Completion activities are underway.
- In March 2018, a Kazakhstan Civil Court ruling confirmed and in May 2018 a Kazakhstan Court of Appeal ruling upheld that the force majeure event had occurred related to the Zharkamys Contract extension. Since the Court of Appeal ruling is enforceable under law, the Company has submitted a 630 day extension application to the Ministry of Energy of Kazakhstan, and it is currently under review. The Ministry of Energy has up to six months to appeal the case to the Supreme Court.
- In 2018 the reference natural gas sales price in Turkey set by BOTAŞ, the state owned pipeline transportation company, was increased three times including 14% on January 1, 10% on April 1, and 14% on August 1. Using an exchange rate of 3.78 TL/CAD, the natural gas sales price as of August 1, 2018 is equivalent to \$7.49 per Mscf.
- The Company recorded a net loss of \$1.8 million before tax and \$5.2 million after tax for the three months ended June 30, 2018 (2017: net loss before and after tax of \$4.1 million) and a net loss of \$2.6 million before tax and \$6.0 million after tax for the six months ended June 30, 2018 (2017: net loss before and after tax of \$64.0 million which includes \$56.6 million of exploration and evaluation expense pertaining to the derecognition of the Zharkamys Contract assets).
- Effective August 13, 2018, Stefan Kaltenbach resigned from the Board of Directors to pursue other business interest in Europe where Mr. Kaltenbach is resident. Effective August 14, 2018, Dr. Edward Bogle resigned from the Board of Directors to pursue other personal interests. The Company would like to thank Mr. Kaltenbach and Dr. Bogle for their significant contributions to the Company.

## Operations

The Company produces crude oil in Kazakhstan and natural gas and associated condensate in Turkey. Overall production for the three months ended June 30, 2018 increased 233% to 106,758 barrels of oil equivalent or an average of 1,173 boepd from 32,099 barrels of oil or an average of 353 bopd for the same period in 2017 and also increased 233% for the six months ended June 30, 2018 to 232,325 barrels of oil equivalent or an average of 1,283 boepd from 69,747 barrels of oil or an average of 385 bopd for the same period in 2017. The production increases in 2018 are due mainly to the commencement of natural gas production in Turkey in December of 2017 and to the 5% year to date increase in crude oil production in Kazakhstan.

The Company produced 70,092 boe in Turkey or an average of 770 boepd and received an operating netback<sup>1</sup> of \$30.52 per boe for the three months ended June 30, 2018 (three months ended June 30, 2017: no gas production or sales) and 155,833 boe in Turkey or an average of 861 boepd and received an operating netback<sup>1</sup> of \$31.08 per boe for the six months ended June 30, 2018 (six months ended June 30, 2017: no gas production or sales). The Company also produced 1,398 barrels of condensate or 15 bopd for the three months ended June 30, 2018 and 3,314 barrels or 18 bopd for the six months ended June 30, 2018 (three and six months ended June 30, 2017: no condensate production).

The PW-6 infill well was drilled to a total depth of 1,896 meters and encountered multiple gas-charged reservoirs within three formations. Drill gas readings were observed to be as high as 80%. Completion activities are underway on the lowest two formations. Paraffin has not been observed on this well.

Production to date from Poyraz Ridge has been below the rates initially forecast due to greater variability in reservoir quality and continuity than originally modelled. The limited production history indicates reservoir compartmentalization, which is reducing each well's effective gas drainage radius. The existing wells as currently completed appear unable to drain all of the gas sands. As per the original Poyraz Ridge development plan, additional infill wells will be required. A workover program for existing wells is also being developed and focusing on completing additional pay sections and stimulation options to realize commercial flow rates for the lower permeability reservoirs.

The Company produced 35,268 barrels of oil or an average of 388 bopd and realized an operating netback<sup>1</sup> of \$23.72 per barrel in Kazakhstan for the second quarter of 2018 (second quarter of 2017: 32,099 barrels or an average of 353 bopd and an operating netback<sup>1</sup> of \$19.68 per barrel). For the six months ended June 30, 2018 the Company produced 73,178 barrels or an average of 404 bopd with an operating netback<sup>1</sup> of \$23.41 per barrel in Kazakhstan (six months ended June 30, 2017: 69,747 barrels or an average of 385 bopd and an operating netback<sup>1</sup> of \$17.63 per barrel)

Drilling has commenced on a 2 well infill program in Kazakhstan. The first well is expected to be completed in August 2018 and begin producing in September 2018. The second well should begin producing in October 2018. Two well workovers are also planned to be completed in September 2018. This drilling and workover program is intended to increase oil production to over 800 bopd.

Cash from operating activities increased to \$3.8 million for the six months ended June 30, 2018 versus cash used in operating activities of \$4.7 million for the same period in 2017. Cash from operating activities before changes in non-cash working capital increased to \$3.4 million for the six months ended June 30, 2018 versus cash used in operating activities before changes in non-cash working capital of \$4.2 million for the same period in 2017.

## Zharkamys Contract

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. 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 upheld the Civil Court ruling that the force majeure event had occurred. Since the Court of Appeal ruling is enforceable under law, the Company has submitted a 630 day extension application to the Ministry, and it is currently under review. The Ministry has up to six months to appeal the case to the Supreme Court. Should the case not be appealed by the Ministry to the Supreme Court or, in the case of an appeal and a positive ruling by the Supreme Court to uphold the force majeure, the Company expects the exploration period would be extended by 630 days. Conversely, if the case is appealed by the Ministry to the Supreme Court and the Supreme Court delivers a negative ruling, the Zharkamys Contract would likely revert back to the Ministry. 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.

## Financial Results

For the three months ended June 30

	2018				2017
	Oil (\$'000's)	Gas (\$'000's)	Condensate (\$'000's)	Total (\$'000's)	Oil (\$'000's)
Sales	1,596	2,942	265	4,803	1,405
Royalties	(29)	(354)	(32)	(415)	(32)
Production costs	(407)	(408)	(12)	(827)	(431)
Transportation and selling	(233)	(106)	(62)	(401)	(217)
Operating netback <sup>1</sup>	927	2,074	159	3,160	725
	Oil (\$/bbl)	Gas (\$/boe)	Condensate (\$/bbl)	Total (\$/boe)	Oil (\$/bbl)
Sales	40.83	43.28	102.61	43.80	33.76
Royalties	(0.74)	(5.21)	(12.31)	(3.79)	(0.77)
Production costs	(10.42)	(5.99)	(4.80)	(7.54)	(10.36)
Transportation and selling	(5.95)	(1.56)	(24.10)	(3.66)	(2.95)
Operating netback <sup>1</sup>	23.72	30.52	61.40	28.81	19.68
Sales volume (boe)	39,090	67,999	2,581	109,670	41,655

For the six months ended June 30

	2018				2017
	Oil (\$'000's)	Gas (\$'000's)	Condensate (\$'000's)	Total (\$'000's)	Oil (\$'000's)
Sales	2,940	6,550	265	9,755	2,352
Royalties	(54)	(787)	(32)	(873)	(61)
Production costs	(764)	(815)	(12)	(1,591)	(779)
Transportation and selling	(400)	(249)	(62)	(711)	(217)
Operating netback <sup>1</sup>	1,722	4,699	159	6,580	1,295
	Oil (\$/bbl)	Gas (\$/boe)	Condensate (\$/bbl)	Total (\$/boe)	Oil (\$/bbl)
Sales	39.96	43.33	102.61	42.92	32.01
Royalties	(0.73)	(5.21)	(12.31)	(3.84)	(0.83)
Production costs	(10.39)	(5.39)	(4.80)	(7.00)	(10.60)
Transportation and selling	(5.43)	(1.65)	(24.10)	(3.13)	(2.95)
Operating netback <sup>1</sup>	23.41	31.08	61.40	28.95	17.63
Sales volume (boe)	73,573	151,162	2,581	227,316	73,499



1. Operating netback is a non-GAAP measure and is a term with no standardized meaning as prescribed by GAAP and may not be comparable with similar measures presented by other issuers. See non-GAAP financial measures. The calculation of operating netback is aligned with the definition found in the Canadian Oil and Gas Evaluation Handbook.

The Company's ability to realize assets and discharge liabilities in the normal course of business as they become due is dependent upon the ability to fund operations and the repayment of existing borrowings by generating positive cash flows from operations, renegotiating the terms of the current borrowings, securing funding from additional debt or equity financing, disposing of assets or making other arrangements. The Company is actively pursuing various strategies to enhance its liquidity position and those matters are discussed in greater detail in the Company's financial statements and management's discussion and analysis for the three and six months ended June 30, 2018.

During the past week the Turkish Lira ("TL") has experienced significant volatility in the foreign currency exchange markets. The Company is exposed to foreign currency risk as a substantial portion of the Company's foreign activities are transacted in or referenced to foreign currencies and the Company's borrowings are denominated in USD.

## NON-GAAP FINANCIAL MEASURES

The Company refers to "operating netback" in this news release, 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 sales less royalties, production costs and transportation and selling on a dollar basis and divided by the sales volume for the period on a per barrel of oil equivalent basis. The reconciliation of this non-GAAP measure is presented in the "Financial Results" section of this news release. 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 sales on a per barrel of oil equivalent basis and ability to generate funds.

## FORWARD-LOOKING STATEMENTS

Certain statements in this news release constitute forward-looking statements under applicable securities legislation. Such statements are generally identifiable by the terminology used, such as "anticipate", "appear", "believe", "intend", "expect", "plan", "estimate", "budget", "outlook", "scheduled", "may", "will", "should", "could", "would", "in the process of" or other similar wording. Forward-looking information in this news release includes, but is not limited to, information concerning: the ability to realize assets and discharge liabilities in the normal course of business as they become due; the timing and ability to drill new wells and the ability of the drilled wells to become producing wells; projections and timing with respect to crude oil and natural gas production; expected markets, prices and netbacks for future oil and gas sales; the timing and ability to obtain various approvals and conduct the Company's planned exploration and development activities; the timing and ability to access oil and gas pipelines and oil and gas domestic and export sales markets; anticipated capital expenditures and cash flows; sources and availability of financing for potential budgeting shortfalls; the timing and ability to obtain future funding on favorable terms, if at all; general business strategies and objectives; possible outcomes regarding the Zharkamys Contract including the possibility that the term may be extended or, conversely, that it may revert back to the Ministry; the timing and ability to obtain exploration contract, production contract and operating license extensions; the potential for additional contractual work commitments; the ability to meet and fund the contractual work commitments; the satisfaction of the work commitments; the results of non-fulfillment of work commitments.

By its very nature, such forward-looking information requires Condor to make assumptions that may not materialize or that may not be accurate. Forward-looking information is subject to known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such information. Such risks and uncertainties include,

but are not limited to: regulatory changes; the timing of regulatory approvals; the risk that actual minimum work programs will exceed the initially estimated amounts; the results of exploration and development drilling and related activities; imprecision of reserves estimates and ultimate recovery of reserves; historical production and testing rates may not be indicative of future production rates, capabilities or ultimate recovery; the historical composition and quality of oil and gas may not be indicative of future composition and quality; general economic, market and business conditions; industry capacity; uncertainty related to marketing and transportation; competitive action by other companies; fluctuations in oil and natural gas prices; the effects of weather and climate conditions; fluctuation in interest rates and foreign currency exchange rates; the ability of suppliers to meet commitments; actions by governmental authorities, including increases in taxes; decisions or approvals of administrative tribunals and the possibility that government policies or laws may change or government approvals may be delayed or withheld; changes in environmental and other regulations; risks associated with oil and gas operations, both domestic and international; international political events; and other factors, many of which are beyond the control of Condor. Capital expenditures may be affected by cost pressures associated with new capital projects, including labor and material supply, project management, drilling rig rates and availability, and seismic costs.

These risk factors are discussed in greater detail in filings made by Condor with Canadian securities regulatory authorities including the Company's Annual Information Form, which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Readers are cautioned that the foregoing list of important factors affecting forward-looking information is not exhaustive. The forward-looking information contained in this news release are made as of the date of this news release and, except as required by applicable law, Condor does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

## ABBREVIATIONS

The following is a summary of abbreviations used in this news release:

bbl	Barrels of oil
bopd	Barrels of oil per day
boe	Barrels of oil equivalent *
boepd	Barrels of oil equivalent per day
Mscf	Thousand standard cubic feet
CAD	Canadian dollars
TL	Turkish Lira
USD	United States dollars
/	Per

\* Barrels of oil equivalent ("boe") are derived by converting gas to oil in the ratio of six thousand standard cubic feet ("Mscf") of gas to one barrel of oil based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mscf to 1 barrel, utilizing a conversion ratio at 6 Mscf to 1 barrel may be misleading as an indication of value, particularly if used in isolation.

The TSX does not accept responsibility for the adequacy or accuracy of this news release.

For further information, please contact Don Streu, President and CEO or Sandy Quilty, Vice President of Finance and CFO at 403-201-9694.

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