

Condor Petroleum Inc. Announces 2019 Year End Results

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CALGARY, March 18, 2020 - [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 Consolidated Financial Statements for the year ended December 31, 2019, 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](#) and on the Condor website at [www.condorpetroleum.com](#). Readers are invited to review the latest corporate presentation available on the Condor website. All financial amounts in this news release are presented in Canadian dollars, unless otherwise stated.

2019 Highlights

- In September 2019 the Company's wholly owned subsidiary, [Falcon Oil & Gas Ltd.](#) ("Falcon") entered into a binding agreement to sell Falcon's 100% interests in the Shoba and Taskuduk production contracts and associated field equipment in Kazakhstan for USD 24.6 million ("Sale Proceeds").
- To date, USD 22.5 million of the Sale Proceeds have been received and the remaining USD 2.1 million is due within ten business days following the signing of the addendums to the Shoba and Taskuduk production contracts by the Government of Kazakhstan.
- In January 2020 Condor fully repaid its non-revolving credit facility ("Credit Facility") and subsequently the Company has positive working capital and no long term debt.
- On November 12, 2019 Condor signed a Heads of Agreement with the Ministry of Energy of the Government of Uzbekistan ("Uzbekistan Ministry") which provided the Company a 120 day window to negotiate a definitive production sharing agreement ("PSA") with the Uzbekistan Ministry. An application to extend the Heads of Agreement has been submitted.
- On February 27, 2020, the Company received the 630 day extension to the Zharkamys West 1 exploration contract ("Zharkamys Contract") from the Government of Kazakhstan and holds a 100% working interest in the contract area.
- The Company is in discussions for a farm-in to drill the Yakamoz prospect in Turkey. The intent is to drill the Yakamoz side-track well in 2020.
- The reference natural gas sales prices in Turkey set by BOTAAS, the state owned pipeline transportation company, were increased in both July and August of 2019 and the Canadian Dollar equivalent price is \$9.54 per Mscf as of March 1, 2020.
- For continuing operations, production decreased to an average of 266 boepd for the year ended December 31, 2019 from 739 boepd in 2018, sales decreased to \$5.2 million for 2019 from \$11.7 million in 2018 and the net loss decreased to \$10.1 million for 2019 from \$14.1 million in 2018.

Shoba and Taskuduk Sale

On September 23, 2019, Falcon entered into a binding agreement to sell Falcon's 100% interests in the Shoba production contract, Taskuduk production contract and associated field equipment for United States dollars ("USD") 24.6 million ("Sale Agreement"). The buyer ("Buyer") paid the USD 3.8 million deposit within ten business days of signing the Sale Agreement. In January 2020 certain terms of the Sale Agreement were amended and instead of using an escrow account for the remaining USD 20.8 million to be released upon closing the transaction ("Closing"), the Buyer paid USD 18.7 million in January 2020 and the remaining USD 2.1 million is due upon Closing.

Falcon remains the oilfield owner and operator until Closing occurs. Upon Closing, the net revenues less operating costs generated from the production and sale of crude oil from the oilfields will be attributed to the Buyer from the effective date of December 25, 2019 until the Closing date as an adjustment to the purchase consideration.

The various Government of Kazakhstan consents and confirmations required for Closing have been received

and all commercial conditions have been satisfied by Falcon and the Buyer. The respective addendums to the Shoba and Taskuduk production contracts have been signed by Falcon and the Buyer and submitted to the Government of Kazakhstan for final processing and execution. As per the Sale Agreement, Closing is scheduled to occur within ten business days from the receipt of the signed addendums.

Heads of Agreement with the Government of Uzbekistan

On November 12, 2019 Condor signed a Heads of Agreement with the Uzbekistan Ministry which provided the Company a 120 day window to negotiate a definitive PSA with the Uzbekistan Ministry. An application to extend the Heads of Agreement has been submitted. If executed, the PSA is expected to include five producing gas fields and associated gathering pipelines and gas treatment infrastructure along with the right to explore and develop certain exploration areas surrounding the current producing gas fields. The fiscal and operating terms expected to be defined in the PSA include royalty rates, cost recovery, profit splits, gas marketing and pricing, governance and steering committee structures and baseline production levels and reimbursement methodology. The Company recently submitted a detailed feasibility study for the five producing gas fields to the Uzbekistan Ministry and an independent reserves evaluation is underway. The Company also submitted an economic analysis and discussions related to the fiscal terms are continuing.

Zharkamys Contract

On February 27, 2020, the Company received the 630 day extension to the Zharkamys Contract from the Government of Kazakhstan and holds a 100% working interest in the contract area. The extension period carries additional work commitments of \$4.0 million for the first twelve months and is comprised mainly of drilling two exploration wells. The Company has been having farm-in discussions for this program which have been temporarily deferred due to recent travel restrictions.

Continuing and discontinued operations classification

Following the execution of the agreement for the Sale Transaction, as of September 30, 2019 the related Shoba and Taskuduk net assets and liabilities have been reclassified to assets and liabilities held for sale and the respective results of operations are presented as discontinued operations for all current and prior periods throughout this news release. For further information relating to discontinued operations, please refer to the Company's Financial Statements.

Continuing operations

The Company produces natural gas and associated condensate in Turkey. The Company produced 97,074 boe in Turkey or an average of 266 boepd and received an operating netback¹ of \$30.84 per boe for the full year 2019 (full year 2018: produced 269,498 boe or an average of 739 boepd and an operating netback¹ of \$31.34 per boe). A study is underway to identify stimulation workover alternatives that could increase Poyraz Ridge production rates for the lower permeability reservoirs.

Cash used in continuing operations decreased to \$3.6 million for the full year 2019 versus cash from continuing operations of \$3.6 million for the same period in 2018.

Subsurface characterization continued on the Yakamoz sub-thrust fold prospect that included reprocessing seismic data and incorporating additional 2D seismic information into a revised geological model. These efforts identified up-dip targets in both the proven Miocene and Upper Eocene reservoirs, in addition to the deeper Middle to lower Eocene reservoirs, which have not yet been tested. The Company previously drilled Yakamoz 1 and encountered numerous gas shows while drilling. A successful Yakamoz 1 side-track well would be tied 2km into the existing Poyraz Ridge gas plant for processing and onward sales. The non-binding letter of intent and term sheet signed during the second quarter of 2019 with a potential farm-in partner to drill the Yakamoz 1 side-track well and a subsequent appraisal well in Turkey has expired. The Company is discussing the farm-in with another interested party. The intent is to drill the side-track well in 2020.

Selected Financial Results of Continuing Operations

As at, and for the year ended December 31 (\$'000's except per share amounts)	2019	2018	2017
Natural gas and condensate sales	5,169	11,675	340
Cash from (used in) continuing operations	(3,570)	3,638	(11,155)
Net loss from continuing operations	(13,870)	(11,658)	(69,752)
Net loss from continuing operations per share (basic and diluted)	(0.31)	(0.26)	(1.61)
Total assets	45,485	55,455	77,630
Total non-current financial liabilities	-	7,675	7,672
Capital expenditures	152	2,004	19,249

RESULTS OF CONTINUING OPERATIONS

Sales and operating netback¹ for the year ended December 31

(\$'000's)	2019 Condensate Total	2018 Condensate Total		
Sales	5,169	11,675	471	11,675
Royalties	(622)	(1,407)	(53)	(1,407)
Production costs	(1,204)	(1,491)	(22)	(1,491)
Transportation and selling	(435)	(615)	(103)	(615)
Operating netback ¹	2,908	8,162	293	8,162
(\$/boe)				
Sales	59.16	44.83	106.15	44.83
Royalties	(6.61)	(5.40)	(11.95)	(5.40)
Production costs	(13.20)	(5.73)	(4.96)	(5.73)
Transportation and selling	(4.20)	(2.36)	(23.21)	(2.36)
Operating netback ¹	30.84	31.34	66.03	31.34
Sales volume (boe)	90,781	92,593	4,437	260,430

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 ¹ "Non-GAAP Financial Measures" in this news release. The calculation of operating netback is aligned with the definition found in the Canadian Oil and Gas Evaluation Handbook.

Results of Discontinued Operations

As noted above, the Company's subsidiary Falcon entered into a binding agreement to sell Falcon's 100% interests in the Shoba and Taskuduk production contracts and associated field equipment in Kazakhstan and accordingly the related activities are presented as discontinued operations. Upon Closing, the net revenues less operating costs generated from the production and sale of crude oil from the oilfields will be attributed to the Buyer from the effective date of December 25, 2019 until the Closing date as an adjustment to the purchase consideration.

Kazakhstan oil production increased 47% to 217,813 barrels or an average of 597 bopd for 2019 as compared to 2018 in which the Company produced 147,788 barrels or an average of 405 bopd.

Crude oil sales increased to \$2.0 million on 55,682 bbl or \$36.56 per bbl for the three months ended December 31, 2019 (2018: \$1.6 million on 40,707 bbl or \$39.23 per bbl) and to \$8.0 million on 216,560 bbl or \$36.92 per bbl for the year ended December 31, 2019 (2018: \$5.8 million on 146,454 bbl or \$39.74 per bbl) due mainly to the higher production and sales volumes.

Overall production costs decreased to \$7.00 per bbl for the three months and to \$8.48 per bbl for the year ended December 31, 2019 from \$11.10 per bbl for the three months and \$11.02 per bbl for the year ended December 31, 2018 mainly due to the increase in oil production volumes.

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.

OTHER HEALTH RISKS

Condor has offices, activities and operations in various municipalities and rural areas in Canada, the Netherlands, Turkey, Kazakhstan and Uzbekistan. Company personnel are working, stationed and travel to and from these locations on a regular basis. Such personnel are exposed to various concentrated groups of people and locations within and outside the Company for varying lengths of time. Any personnel or visitor becoming infected with a serious illness that has the potential to spread rapidly could place the personnel and the operations of the Company at risk. The 2020 outbreak of the novel coronavirus (“COVID-19”) is one example of such an illness. Although the Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines, there can be no assurance that COVID-19 or other infectious illnesses will not negatively impact Condor’s personnel or its operations.

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 timing and ability to obtain the signed production contract addendums, the timing and ability to receive the remaining amount due at Closing and the timing and ability to complete the Closing of the Shoba and Taskuduk Sale Agreement; the timing and ability to pursue other growth opportunities; the timing and ability to increase natural gas production and realize commercial gas flow rates for the lower permeability reservoirs; the timing and ability to extend the Heads of Agreement with the Uzbekistan Ministry; the timing and ability to execute a PSA with the Uzbekistan Ministry under favorable terms, or at all; the fields and exploration area to be included in the PSA; the terms and conditions of the PSA including but not limited to royalty rates, cost recovery, profit splits, gas marketing and pricing, governance, baseline production levels and reimbursement methodology; 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, natural gas and condensate production; expected markets, prices costs and operating netbacks for future oil, gas and condensate 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; the timing and ability to access domestic and export sales markets; anticipated capital expenditures; 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; the timing and ability to obtain exploration contract, production contract and operating license extensions; the timing and ability to obtain a farm-in partner for the Zharkamys Contract; the timing and ability to obtain a farm-in partner for Yakamoz; the timing and ability to tie the Yakamoz field into the Company’s existing gas plant; 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; and treatment under governmental regulatory regimes and tax laws.

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).

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

* 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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