



**Management's Discussion and Analysis**  
**For the three and nine months ended September 30, 2022**  
**Dated November 14, 2022**

**BUSINESS DESCRIPTION AND READER GUIDANCE**

Condor Energies Inc., formerly Condor Petroleum Inc. (see "Corporate Name Change") is a Canadian based energy transition company incorporated on October 20, 2006 ("Condor" or the "Company") with activities in the Republic of Kazakhstan ("Kazakhstan") and the Republic of Turkiye ("Turkiye"). Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2021, is available on SEDAR at: [www.sedar.com](http://www.sedar.com).

The Company's Management's Discussion and Analysis ("MD&A") which follows should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 (the "Financial Statements"), and the audited consolidated financial statements for the years ended December 31, 2021 and 2020. The Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' under International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board. This MD&A is dated November 14, 2022, the date the Condor Board of Directors approved the Financial Statements and MD&A.

All financial amounts are in Canadian dollars, unless otherwise stated.

**NON-GAAP FINANCIAL MEASURES**

The Company refers to "operating netback" in this MD&A, 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 "Sales and operating netback" section of this MD&A. 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 to provide an additional measure to analyze the Company's sales on a per barrel of oil equivalent basis and ability to generate funds.

**OVERALL PERFORMANCE**

**Highlights**

- The Company has entered into a binding sale and purchase agreement to acquire a 95% working interest in a mining license in Kazakhstan.
- Gas production increased 130% for an average of 122 boepd for the third quarter of 2022 compared to an average of 53 boepd for the second quarter of 2022 due to the recently drilled P-7 infill well and P-2 workover.

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- The infill drilling and workover programs allow the Company to benefit from strong Turkish gas prices which have increased 202% year-to-date to \$35.41 (CAD) per Mscf as of November 1, 2022 and for the three months ended September 30, 2022 the Company realized natural gas sales prices of \$157.48 per boe (2021: \$43.91) and netbacks of \$115.18 per boe (2021: negative).
- In Kazakhstan, discussions are ongoing to reach agreement on feed-gas and LNG end-user delivered volumes, plant locations and fiscal terms.
- Condor continues to actively pursue an agreement to operate multiple producing gas fields in Uzbekistan and has held numerous meetings during 2022 with various government ministries to discuss the proposed project.

**Lithium License Acquisition**

The Company has entered into a binding sale and purchase agreement with a state-owned entity (the "Seller") to acquire a 95% working interest in a mining license in Kazakhstan (the "Lithium License"). A prior well drilled in the Lithium License for hydrocarbon exploration encountered and tested lithium brine deposits with lithium concentrations of up to 130 milligrams per litre as reported by the Ministry of Geology of the Kazakh Republic.

The Company and the Seller have established a partnership company to hold and operate the Lithium License. As per the terms of the partnership, Condor holds a 95% working interest, will operate and be responsible for funding all activities under the Lithium License while the Seller maintains a 5% carried working interest. The transaction is subject to customary approvals from the Government of Kazakhstan and satisfaction of certain commercial conditions typical for transactions of this nature. The transaction is expected to be completed during the first quarter of 2023.

The Lithium License was assigned to the Seller on April 3, 2019, for a six-year term and provides the subsurface exploration rights for solid minerals on a contiguous 68 km<sup>2</sup> area. Within the Lithium License area, a well drilled in 1975 was tested for lithium in the Devonian-aged and Carboniferous-aged intervals and based on wireline logs, the tested Devonian sand interval is 70 meters and the tested Carboniferous sand interval is 118 meters. The untested Devonian and Carboniferous sand intervals provide an additional 863 meters of lithium brine potential. During 2023, the Company plans to drill and test two wells to confirm the lateral extension and concentrations of the brine deposits, conduct preliminary engineering for the production facilities, and to prepare a National Instrument 43-101 compliant mineral resources or mineral reserves report.

The Company intends to produce the lithium by utilizing closed-looped Direct Lithium Extraction ("DLE") technologies. With the lithium already in brine solution and with the use of existing DLE production technologies, the Company expects to have a much smaller environmental footprint than existing lithium production operations. Furthermore, the Company is evaluating the construction of a solar power generation project to support the long-term expansion of the project to achieve net-zero emissions.

The Company is not treating the historical estimate as current mineral resources or mineral reserves as additional drilling and testing is necessary, and a qualified person has not done sufficient work to classify the historical estimates as current mineral resources or mineral reserves. It is uncertain if further drilling will result in the area being delineated as a mineral resource or reserve.

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### **Turkiye Operations**

Gas production increased 995% to 11,249 boe for an average of 122 boepd for the third quarter of 2022 compared to 1,028 boe for an average of 11 boepd for the third quarter of 2021. The Company also produced 320 barrels of condensate in the third quarter of 2022, compared to 5 barrels in the third quarter of 2021. The production increase was a result of the successfully drilled P-7 infill well, a workover on the existing P-2 well and that in the third quarter of 2021, all wells were shut-in for 66 days for pressure build-up tests. Comparing 2022 third quarter to second quarter, gas production increased 132% as a result of the drilling and workover program.

As the Poyraz Ridge field has produced for almost five years, water production has increased and will require additional workovers to help mitigate its impact along with natural pressure declines. Additional workover operations are planned for the fourth quarter of 2022 to continue taking advantage of Turkish gas prices which have maintained their strong escalation: posted in Turkish Lira and converted in CAD at prevailing exchange rates, gas prices have increased 202% year-to-date to \$35.41 CAD per Mscf as of November 1, 2022 and for the three months ended September 30, 2022, the Company realized natural gas sales prices of \$157.48 per boe (2021: \$43.91) and netbacks of \$115.18 per boe (2021: negative).

### **LNG Initiatives**

The Company continues to mature opportunities to implement proven North American modular LNG technologies and processes in Central Asia to displace diesel fuel usage in the industrial, transportation and power generation sectors. Discussions with senior government and industry officials have taken place to progress agreements, including with His Excellency the President of the Republic of Kazakhstan, the Deputy Prime Minister of Kazakhstan, the Minister of Energy, and the Chairman of QazaqGaz.

### **Uzbekistan Production Contract**

Natural gas production in Uzbekistan continues to decline due to inadequate capital investment and limited new technology applications into the sector. As internal demand continues to escalate, the government has announced its intention to cease natural gas exports by 2025 to address the country's domestic needs and foster the production of value-added products. The country's large producing gas fields may realize reduced margins, in-line with having to supply gas at subsidized domestic prices.

As a result, the Company has adjusted its focus to revitalizing and operating mid-sized existing gas fields with the intent to use the incremental gas production for LNG feedstock. Providing LNG to mining operations to displace diesel usage, as is planned in Kazakhstan, is expected to yield stronger returns, especially given the high diesel prices that currently prevail in the Uzbekistan market. The Company's LNG initiative should also result in decreased operating costs for the mines, less dependence by the country for diesel imports, and positively impact the country's carbon reduction efforts. The Company's redefined corporate strategy has excellent synergies that could create a vertically integrated business with self-sufficient gas supply.

### **Corporate Name Change**

On June 23, 2022, the Company announced the corporate name change to "Condor Energies Inc." (formerly "Condor Petroleum Inc."). The addition of "Energies" to the Company's name represents the Company's transition away from oil exploration and development to the current focus on natural gas and gas transition fuels such as Liquefied Natural Gas to support decarbonization and overall green-house gas emission reductions.

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**SELECTED FINANCIAL INFORMATION**

**For the three months ended September 30**

(\$000's except per share amounts)	2022	2021
Natural gas and condensate sales	1,612	47
Total revenue (sales less royalties)	1,397	40
Cash used in operating activities	(267)	(1,171)
Net income (loss)	35	(1,251)
Net income (loss) per share (basic and diluted)	0.00	(0.03)
Capital expenditures	394	944

**For the nine months ended September 30**

(\$000's except per share amounts)	2022	2021
Natural gas and condensate sales	2,478	632
Total revenue (sales less royalties)	2,149	548
Cash used in operating activities	(2,951)	(4,629)
Net loss	(2,121)	(6,557)
Net loss per share (basic and diluted)	(0.05)	(0.15)
Capital expenditures	1,723	3,359

**RESULTS OF OPERATIONS**

**Production**

For the three months ended September 30	2022	2021	Change	Change %
Natural gas (Mscf)	67,494	6,164	61,330	995%
Natural gas (boe)	11,249	1,028	10,221	995%
Condensate (bbl)	320	5	315	6,300%
Total production volume (boe)	11,569	1,033	10,536	1,020%

Natural gas (Mscfpd)	734	67	667	995%
Natural gas (boepd)	122	11	111	995%
Condensate (bopd)	3.5	0.1	3.4	6,300%
Average daily production (boepd)	126	11	115	1,020%

For the nine months ended September 30	2022	2021	Change	Change %
Natural gas (Mscf)	114,550	107,260	7,290	7%
Natural gas (boe)	19,092	17,877	1,215	7%
Condensate (bbl)	389	77	312	405%
Total production volume (boe)	19,481	17,954	1,527	9%

Natural gas (Mscfpd)	420	393	27	7%
Natural gas (boepd)	70	65	5	7%
Condensate (bopd)	1.4	0.3	1.1	405%
Average daily production (boepd)	71	66	5	9%

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Overall production increased 1,020% to 11,569 boe or an average of 126 boepd for the three months ended September 30, 2022 from 1,033 boe or an average of 11 boepd for the same period in 2021 and increased 9% to 19,481 boe or an average of 71 boepd for the nine months ended September 30, 2022 from 17,954 boe or an average of 66 boepd for the same period in 2021 due mainly to the newly drilled P-7 infill well in June 2022 and the P-2 workover during the third quarter of 2022.

**Sales and operating netback<sup>1</sup>**

**For the three months ended September 30**

(\$000's)	2022	2021		
	Gas and Total	Gas	Condensate	Total
Sales	1,612	35	12	47
Royalties	(215)	(6)	(1)	(7)
Production costs	(206)	(183)	(1)	(184)
Transportation and selling	(12)	(24)	(2)	(26)
Operating netback <sup>1</sup>	1,179	(178)	8	(170)
<b>(\$/boe)</b>				
Sales	157.48	43.91	101.69	51.37
Royalties	(21.00)	(7.53)	(8.47)	(7.65)
Production costs	(20.13)	(229.61)	(8.47)	(201.09)
Transportation and selling	(1.17)	(30.11)	(16.95)	(28.42)
Operating netback <sup>1</sup>	115.18	(223.34)	67.80	(185.79)
Sales volume (boe)	10,236	797	118	915

**For the nine months ended September 30**

(\$000's)	2022	2021		
	Gas and Total	Gas	Condensate	Total
Sales	2,478	609	23	632
Royalties	(329)	(82)	(2)	(84)
Production costs	(491)	(585)	(2)	(587)
Transportation and selling	(44)	(220)	(4)	(224)
Operating netback <sup>1</sup>	1,614	(278)	15	(263)
<b>(\$/boe)</b>				
Sales	142.50	39.30	96.64	40.17
Royalties	(18.92)	(5.29)	(8.40)	(5.34)
Production costs	(28.24)	(37.75)	(8.40)	(37.31)
Transportation and selling	(2.53)	(14.20)	(16.81)	(14.24)
Operating netback <sup>1</sup>	92.81	(17.94)	63.03	(16.72)
Sales volume (boe)	17,389	15,497	238	15,735

<sup>1</sup> 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" in this MD&A. The calculation of operating netback is aligned with the definition found in the Canadian Oil and Gas Evaluation Handbook.

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**Sales**

Natural gas sales increased to \$1.6 million on 10,236 boe or \$157.48 per boe for the three months ended September 30, 2022 (2021: \$0.04 million on 797 boe or \$43.91 per boe) and increased to \$2.5 million on 17,389 boe or \$142.50 per boe for the nine months ended September 30, 2022 (2021: \$0.6 million on 15,497 boe or \$39.30 per boe). Overall sales have increased to date in 2022 versus the same periods in 2021 due mainly to the higher natural gas sales prices in 2022, as well as higher levels of natural gas production.

Operating netbacks (related to total sales) increased to \$1.2 million or \$115.18 per boe for the three months ended September 30, 2022 from \$(0.2) million or \$(185.79) per boe for the same period in 2021 and increased to \$1.6 million or \$92.81 per boe for the nine months ended September 30, 2022 from \$(0.3) million or \$(16.72) per boe in 2021 due mainly to higher natural gas prices.

**Marketing**

Natural gas sales are domestic sales via pipeline at Turkish Lira denominated prices published monthly by the state-owned pipeline transportation company BOTAS. The benchmark for Condor's gas sales is BOTAS Level 2 wholesale tariffs less a marketing differential.

Gas from the neighbouring Destan gas field is produced, compressed and trucked to the Company's owned and operated Poyraz Ridge gas plant and is marketed along with Poyraz Ridge gas production which is directly tied into the gas plant.

Along with natural gas the Company produces small amounts of associated condensate. The condensate is trucked to a near-by facility for blending, storage and onward sales. The pricing for condensate sales is based on the nearest accessible global free market and determined by a formula provided for under the Petroleum Market Law and published monthly in Turkish Lira by Turkish Petroleum Corporation, the Turkish national oil company.

**Royalties**

Royalties increased to \$0.2 million for the three months ended September 30, 2022 from \$0.01 million for the same period in 2021 and increased to \$0.3 million for the nine months ended September 30, 2022 from \$0.1 million in 2021 due mainly to higher natural gas prices in 2022. The Company is subject to a flat royalty rate of 12.5% of natural gas and condensate sales.

**Production costs**

Production costs were consistent at \$0.2 million for both the three months ended September 30, 2022 and 2021, and decreased to \$0.5 million for the nine months ended September 30, 2022 from \$0.6 million in the same period in 2021 due to mainly to reduced personnel costs. Per boe, production costs were \$20.13 for the three months ended September 30, 2022 compared to \$201.09 in 2021 due to significantly higher sales volumes. For the nine months ended September 30, 2022, production costs decreased to \$28.24 per boe compared to \$37.31 per boe in 2021 due mainly to reduced personnel costs and higher sales volumes. Production costs are comprised mainly of non-capital workovers, fuel, personnel, chemicals, water disposal, safety and maintenance costs.

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**Transportation and selling expenses**

Transportation and selling expenses decreased to \$0.01 million or \$1.17 per boe for the three months ended September 30, 2022 from \$0.03 million or \$28.42 per boe for the three months ended September 30, 2021 and decreased to \$0.04 million or \$2.53 per boe for the nine months ended September 30, 2022 from \$0.2 million or \$14.24 per boe in 2021. The overall and per boe costs decreased due mainly to the lower proportion of sales in 2022 from Destan which requires additional trucking costs. Transportation costs on gas sales are comprised of pipeline transmission fees and compressed natural gas trucking costs on Destan sales and on condensate sales are comprised of trucking, blending, storage and loading costs.

**General and administrative expenses**

General and administrative expenses are comprised mainly of personnel, professional services, office, and travel costs and remained consistent at \$1.2 million for the three months ended September 30, 2022 and 2021, and increased slightly from \$3.6 million for the nine months ended September 30, 2021 to \$3.8 million in 2022 due mainly to additional staff and travel costs in 2022 related to the Company's new business initiatives.

**Depletion, depreciation and impairment expenses**

Depletion and depreciation expenses were higher in the three and nine months ended September 30, 2022 compared to 2021 due to mainly to the inclusion of \$0.3 million in 2022 due to changes in the Poyraz Ridge and Destan decommissioning obligations estimates while no related expense was recorded in 2021. Total depletion, depreciation and impairment expenses were higher in 2021 due to the \$2.2 million impairment recorded in 2021 while there was no impairment in 2022.

**Stock based compensation expenses**

Stock based compensation expenses increased to \$0.07 million for the three months ended September 30, 2022 from \$0.04 million for the same period in 2021 and increased to \$0.15 million for the nine months ended September 30, 2022 from \$0.10 million for the same period in 2021. The expense is recognized on a graded basis and fluctuates based on the timing of the grants and vesting periods.

**Finance income**

For the nine months ended September 30, 2022, finance income increased to \$0.15 million from \$0.1 million for the same period in 2021 and includes interest income and, in 2022, includes \$0.1 million related to a grant from the Government of Canada to fund site restoration activities.

**Finance expense**

Finance expense decreased to \$0.13 million for the nine months ended September 30, 2022 from \$0.14 million for the same period in 2021. Finance expense is primarily related to the accretion cost on decommissioning provisions.

**Foreign currency exchange gains and losses**

The foreign exchange gain for the three months ended September 30, 2022 amounted to \$0.02 million compared to a gain of \$0.16 million for the same period in 2021 and the gain for the nine months ended September 30, 2022 amounted to \$0.19 million compared to a gain of \$0.03 million for the same period in 2021 due mainly to USD denominated cash and cash equivalents held by the Company. The Company is exposed to significant foreign currency risk as the Company's natural gas sales and a substantial portion of foreign

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activities are transacted in or referenced to foreign currencies including USD, KZT and TRL, and a significant portion of the Company's cash and cash equivalents is held in USD. The Company had no forward exchange rate contracts in place at or during the nine months ended September 30, 2022 and 2021.

**Net monetary gain**

The Company adopted IAS 29, Financial Reporting in Hyper-Inflationary Economies, in the three months ended June 30, 2022 related to the Company's Turkish Subsidiary which has a TRY functional currency. The Company recognized a net monetary gain of \$0.2 million for the three months and \$0.5 million for the nine months ended September 30, 2022 due to an increase in the inflation rate of 7% since June 30, 2022 and 52% since January 1, 2022.

**LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN**

The Company will need to increase production and cash from operating activities, use cash on hand or raise additional equity or debt financing to fund future operations.

There are no work commitments related to the Poyraz Ridge operating license, the Yakamoz prospect or the Destan operating license in Turkiye. Depending on the timing and availability of capital including funds from operating activities, the Company may use cash on hand to complete additional workovers at Poyraz Ridge and Destan, drill additional wells at Poyraz Ridge, re-enter, case and evaluate the Yak 1-ST well and drill additional wells at Yakamoz in the next twelve months.

The Zharkamys contract in Kazakhstan expired in January 2022 and there are no further work commitments.

The Company's Financial Statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. At September 30, 2022, the Company had accumulated losses of \$207.1 million since inception (December 31, 2021: \$204.9 million). For the three months ended September 30, 2022, the Company reported net income of \$0.04 million (2021: net loss of \$1.3 million) and cash used in operating activities of \$0.3 million (2021: \$1.2 million), and for the nine months ended September 30, 2022, the Company reported a net loss of \$2.1 million (2021: \$6.6 million) and cash used in operating activities of \$3.0 million (2021: \$4.6 million). The Company's working capital balance has decreased from a surplus of \$3.0 million as at December 31, 2021 to a deficiency of \$0.05 million as at September 30, 2022.

The Company's ability to continue as a going concern is dependent upon its existing working capital and the ability to generate positive cash flows from operations, secure funding from debt or equity financings, dispose of assets or make other arrangements. There is no assurance the Company will be able to generate positive cash flow from operations or to secure funding from debt or equity financings, dispose of assets or complete other arrangements on favourable terms, or at all, which may require the utilization of all remaining working capital and financial resources. These conditions indicate a material uncertainty that may cast significant doubt as to the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities, reported amounts of revenue and expenses, and statement of financial position classifications used that would be necessary were the going concern assumption deemed to be inappropriate. Such adjustments could be material.



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Upon completion of the Lithium License acquisition transaction, the Company will become responsible for contractual work commitments of \$0.06 million per annum during the final three years of the Lithium License term and plans to commence exploration mining activities to evaluate the potential for commercial lithium brine deposits. These initiatives will require the Company to use a combination of cash on hand, funds from operating activities, securing funding from debt or equity financing, disposing of assets or making other arrangements. There is no assurance that the Company will be successful with these initiatives and the outcome of these matters is uncertain.

Condor is seeking a partner to fund development plans at Yakamoz which is focused on increasing near term production and cash from operating activities and consists of re-entering, casing and evaluating the Yak 1-ST well, drilling the Yak-2 well and drilling additional production wells. If successful, the Yakamoz field would be tied by pipeline into the Company's existing production and sales facilities.

In addition, the Company is seeking to produce and deliver LNG to displace diesel fuel usage in Central Asia and continues to seek a production contract with the Government of Uzbekistan for fields of interest. Any of these initiatives, if successful, would require the Company to use a combination of cash on hand, funds from operating activities, securing funding from debt or equity financing, disposing of assets or making other arrangements. There is no assurance that the Company will be successful with these initiatives and the outcome of these matters is uncertain.

#### **COMMITMENTS AND CONTINGENT LIABILITIES**

There are no work commitments related to the Poyraz Ridge operating license, the Yakamoz prospect or the Destan operating license in Turkiye.

The Zharkamys contract in Kazakhstan expired in January 2022 and there are no further work commitments.

Upon completion of the Lithium License acquisition transaction, the Company will become responsible for contractual work commitments of \$0.06 million per annum during the final three years of the Lithium License term. The contractual work commitments may be amended from time to time in accordance with planned exploration activities proposed by the Company and approved by the Government of Kazakhstan and additional contractual work commitment and subsequent liquidation fund amounts could be significant.

The Dutch Tax Authority ("DTA") has issued notices of assessment to New Horizon Energy Netherlands B.V., a wholly-owned Company subsidiary based in the Netherlands ("New Horizon") related to taxation years 2013-2017. New Horizon has filed objections and the matter is under further review by the DTA. The Company expects to resolve these matters with the DTA without incurring any taxes payable. For further information relating to the notices of assessment, please refer to the Company's Financial Statements.

There is a material uncertainty about the Company's ability to continue as a going concern (see "Liquidity, Capital Resources and Going Concern" in this MD&A).

#### **FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of risks. For a discussion of these risks please see the Company's MD&A for the year ended December 31, 2021, filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **HEALTH RISK MANAGEMENT**

Condor has offices, activities and operations in various areas in Canada, the Netherlands, Turkiye, Kazakhstan and Uzbekistan. Company personnel are stationed and work and travel to and from these locations as required. Such personnel are exposed from time to time to concentrated groups of people at various locations both within and outside the Company's direct control, for varying lengths of time. Any personnel or visitors that become infected with a serious illness that has the potential to spread rapidly throughout the organization could place the personnel and the operations of the Company at risk. 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.

The COVID-19 pandemic has resulted in, and may continue to result in, a fluctuating demand for oil and gas, volatile oil and gas prices and the implementation of various travel restrictions which constrain or prohibit international travel and limit or forbid movement within the individual countries of operation. Condor's future operations could be materially impacted by these factors, as well as COVID-19 related emergency measures including, but not limited to: travel restrictions including shelter in place orders, curfews and lockdowns which may impact the timing and ability of Company personnel, suppliers and contractors to travel internationally or domestically and to access or deliver services, goods and equipment to the fields of operation; the risk of shutting-in or reducing production due to travel restrictions, Government orders, crew illnesses and the availability of goods, works and essential services for the fields of operations; the potential for gas pipeline or sales market interruptions; the risk of changes to foreign currency controls, availability of foreign currencies, availability of hard currency, and currency controls or banking restrictions which restrict or prevent the repatriation of funds from or to foreign jurisdiction in which the Company operates; the timing and ability to meet financial and other reporting deadlines; potential decreased interest in and ability to conclude farm-in transactions, potential decreased ability to raise additional capital to fund current operations and new business projects; and the inherent increased risk of information technology failures and cyber-attacks.

## **OUTSTANDING SHARE DATA**

### **Common shares**

As at September 30, 2022, and the date of this MD&A, there were 45,198,434 common shares of the Company outstanding.

### **Convertible securities**

As at the date of this MD&A, outstanding convertible securities are comprised of 3,354,000 stock options with a weighted average exercise price of \$0.49.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not have any off-balance sheet arrangements as at September 30, 2022.

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**QUARTERLY INFORMATION**

The following table sets forth selected financial information of the Company for the eight most recently completed quarters to September 30, 2022:

<b>For the quarter ended</b> (000's except per share amounts)	<b>Q3</b> <b>2022</b>	<b>Q2</b> <b>2022</b>	<b>Q1</b> <b>2022</b>	<b>Q4</b> <b>2021</b>	<b>Q3</b> <b>2021</b>	<b>Q2</b> <b>2021</b>	<b>Q1</b> <b>2021</b>	<b>Q4</b> <b>2020</b>
Sales	1,612	606	260	251	47	223	362	482
Net income (loss) from continuing operations <sup>(1)</sup>	35	(771)	(1,385)	(4,770)	(1,251)	(3,727)	(1,579)	(8,948)
Net income (loss) from discontinued operations	-	-	-	-	-	-	-	(400)
Net income (loss) <sup>(1)</sup>	35	(771)	(1,385)	(4,770)	(1,251)	(3,727)	(1,579)	(9,348)
Net income (loss) from continuing operations per share <sup>(1) (2)</sup>	0.00	(0.02)	(0.03)	(0.11)	(0.03)	(0.08)	(0.04)	(0.21)
Net income (loss) from discontinued operations per share <sup>(2)</sup>	-	-	-	-	-	-	-	(0.01)
Net income (loss) per share <sup>(2)</sup>	0.00	(0.02)	(0.03)	(0.11)	(0.03)	(0.08)	(0.04)	(0.22)

- 1 The net loss in all periods has been impacted by, among other things, production and sales volumes, commodity prices, operating costs, depletion, depreciation and impairment expense, foreign exchange gains and losses and deferred income tax expense/recovery in the respective periods. The net income (loss) amount includes specific significant period items of: \$2.6 million exploration and evaluation expense in Q4 2021; \$2.2 million impairment expense in Q2 2021; and \$5.9 million impairment expense in Q4 2020.
- 2 Per share amounts are basic and diluted. The Company treats the common shares as either dilutive or anti-dilutive based on net income (loss) from continuing operations. If the common shares are anti-dilutive at this level they are treated as anti-dilutive for all other per share calculations.

**SIGNIFICANT ACCOUNTING POLICIES**

The Company continues to follow the accounting policies described in the Company's December 31, 2021 audited consolidated financial statements, as filed on SEDAR at [www.sedar.com](http://www.sedar.com), except for the adoption of *IAS 29, Financial Reporting in Hyper-inflationary Economies* ("IAS 29"), for the Company's Turkish operating subsidiary effective April 1, 2022.

IAS 29, sets out the accounting standards where an entity's functional currency is that of hyper-inflationary economy, whereby its financial statements are restated for changes in the general purchasing power of that currency before translation at the exchange rate current as at the reporting date for consolidation. The resulting restated financial information is considered to be more meaningful, relevant and representative of a measuring unit current as at the reporting date. The Company adopted IAS 29 in its financial statements for the three months ended June 30, 2022, as a result of its Turkish operating subsidiary, which uses the Turkish Lira as its

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functional currency, and the designation of Turkiye as a hyper-inflationary economy as of April 1, 2022 for accounting purposes.

The Company, which uses the Canadian dollar, a stable currency, as its presentation currency, has applied this accounting policy on a retrospective basis without restatement of comparative and prior period figures. Accordingly, an adjustment is immediately recognized upon adoption for the restatement of opening non-monetary assets held by the Turkish subsidiary as of April 1, 2022, for the cumulative effects of inflation from the historic date when they were first recognized to April 1, 2022 (the "Opening Hyperinflation Adjustment"). The Company has elected as an accounting policy choice to recognize the Opening Hyperinflation Adjustment directly to opening equity.

### **CRITICAL ACCOUNTING ESTIMATES**

The timely preparation of the interim consolidated financial statements requires that management uses judgment and make estimates and assumptions regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the interim condensed consolidated financial statements. The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Further information on the Company's critical accounting estimates can be found in the notes to the annual consolidated financial statements and annual MD&A for the year ended December 31, 2021. There have been no significant changes to the Company's critical accounting estimates as of September 30, 2022.

### **NEW ACCOUNTING PRONOUNCEMENTS**

In January 2020, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" to clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective January 1, 2023 with early adoption permitted. The amendments are required to be adopted retrospectively. The Company is assessing the impact of these amendments on its financial statements.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's President and Chief Executive Officer (CEO) and Vice President, Finance and Chief Financial Officer (CFO) have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P) and internal controls over financial reporting ("ICFR") as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

During the nine months ended September 30, 2022, there have been no changes to the Company's ICFR that have materially or are reasonably likely to materially affect the ICFR. Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

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## **GEOPOLITICAL INSTABILITY**

Kazakhstan experienced a period of social and civil unrest in early 2022 and a State of Emergency was declared on January 5, 2022 and lifted on January 19, 2022. Condor's personnel wishes to express our condolences to the nation of Kazakhstan and its people for the loss of life during the unrest.

On February 24, 2022, Russia began a military operation in Ukraine and the UN General Assembly overwhelmingly condemned the invasion and has called for Russia to immediately and completely withdraw its troops. The United States, the European Union, the United Kingdom, Canada, Australia, Japan, Switzerland, and other countries have imposed new financial and trade sanctions against Russia, including prohibitions or restrictions from doing business anywhere in the world with listed Russian individuals or companies. The entire Condor team remains deeply saddened by the ongoing humanitarian crisis and wishes to express its sympathy and support for the people who are suffering because of this tragic situation.

To-date these events have not impacted the Company's ability to carry on business, there have been no significant delays or direct security issues affecting the Company's operations, offices or personnel, and the enacted sanctions have not affected the Company's operations. The outcome of these events is uncertain at this time and may impact the peace and stability of the region and the world and could affect the global economy including regions and markets in which the Company operates. Any subsequent oil and gas supply shortages or volatile commodity prices could have adverse impacts on the world economy and the Company's business. If these events continue, re-occur or escalate, they could have a material adverse effect on Condor's business, financial condition or results of operations.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A 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 MD&A includes, but is not limited to, information concerning: the timing and ability to obtain the approvals from the Government of Kazakhstan, satisfy the commercial conditions and complete the Lithium License acquisition transaction; the potential for the Lithium License area to contain commercial deposits; future lithium testing results; the timing and ability to fund, permit and complete the planned drilling activities including drilling two additional wells and conduct preliminary engineering for the production facilities; the timing and ability to optimize the planned method for direct lithium extraction; the timing and ability of the untested Devonian and Carboniferous sand intervals to provide additional lithium brine potential; the timing and ability to generate a NI 43-101 compliant report; the timing and ability to produce the lithium by utilizing closed-looped DLE production technologies; the timing and ability to have a much smaller environmental footprint than existing lithium production operations; and the timing and ability to evaluate the construction of a solar power generation project to support the long-term expansion of the project to achieve net-zero emissions; the result and timing of negotiation with the Government of Kazakhstan regarding the construction and operation of modular LNG facilities; the timing and ability to operate gas fields in Uzbekistan, increase gas production, use incremental gas for LNG feedstock, provide LNG to mining operations to displace diesel usage resulting in decreased operating costs and stronger returns for the mines and decrease Uzbekistan's dependence on diesel imports, positively impact the country's carbon reduction efforts, and to create a vertically integrated business with self-sufficient gas supply; the timing and ability to execute a production contract with the

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Government of Uzbekistan under favorable terms, or at all, the fields and exploration areas to be included and the terms and conditions including but not limited to royalty rates, cost recovery, profit allocation, gas marketing and pricing, government participation, governance, baseline production levels and reimbursement methodology; the expected benefits related to the Company's proposal to the Government of Uzbekistan and the timing and ability to receive feedback and endorsement of the proposal, if at all; the timing and ability to conduct future drilling, workover and perforating activities; the timing and ability to re-enter, case and fully evaluate the Yakamoz structure; the timing of and ability to drill new wells, the expected drilling depths, the expected number and location of target formations and the ability of the new wells to become producing wells; the timing and ability to tie the Yakamoz field into the Company's existing gas plant; the timing and ability to pursue other initiatives and commercial opportunities; 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; forecasted capital and operating budgets and cash flows; anticipated working capital; 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 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; projections relating to the adequacy of the Company's provision for taxes; and treatment under governmental regulatory regimes and tax laws.

This MD&A also includes forward-looking information regarding COVID-19 including, but not limited to: travel restrictions including shelter in place orders, curfews and lockdowns which may impact the timing and ability of Company personnel, suppliers and contractors to travel internationally, travel domestically and to access or deliver services, goods and equipment to the fields of operation; the risk of shutting in or reducing production due to travel restrictions, Government orders, crew illness, and the availability of goods, works and essential services for the fields of operations; decreases in the demand for oil and gas; decreases in natural gas, condensate and crude oil prices; potential for gas pipeline or sales market interruptions; the risk of changes to foreign currency controls, availability of foreign currencies, availability of hard currency, and currency controls or banking restrictions which restrict or prevent the repatriation of funds from or to foreign jurisdiction in which the Company operates; the timing and ability to execute a production contract with the Government of Uzbekistan; the Company's financial condition, results of operations and cash flows; access to capital and borrowings to fund operations and new business projects; the timing and ability to meet financial and other reporting deadlines; and the inherent increased risk of information technology failures and cyber-attacks.

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; factors affecting the Lithium License Seller's ability to complete the sale of the Lithium License to Condor; prior lithium testing results may not be indicative of future testing results or actual results; imprecision of reserves estimates and ultimate recovery of reserves; the effectiveness of lithium mining and production methods including DLE technology;

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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 MD&A are made as of the date of this MD&A 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 MD&A is expressly qualified by this cautionary statement.

#### **ABBREVIATIONS**

The following is a summary of abbreviations used in this MD&A:

bbl	Barrels of oil
bopd	Barrels of oil per day
boe	Barrels of oil equivalent *
boepd	Barrels of oil equivalent per day
M	Thousands
MM	Millions
scf	Standard cubic feet
scfpd	Standard cubic feet per day
CAD	Canadian dollars
KZT	Kazakhstan tenge
TRL	Turkish lira
USD	United States dollars
Q	Quarter

\* 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.