



Consolidated Financial Statements

For the years ended December 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Condor Energies Inc.

Opinion

We have audited the consolidated financial statements of Condor Energies Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “*Auditors’ Responsibilities for the Audit of the Financial Statements*” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements, which indicates that the Entity has accumulated losses since inception and incurred a net loss and used cash in operating activities for the year ended December 31, 2022. The Entity's ability to continue as a going concern is dependent upon its existing working capital being sufficient to sustain operating activities while the Company attempts to generate positive cash flows from operations, secure funding from debt or equity financings, dispose of assets or make other arrangements.

As stated in note 1 in the financial statements, these events or conditions, along with other matters as set forth in note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "*Material Uncertainty related to Going Concern*" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of indicators of impairment for exploration and evaluation assets

Description of the matter

We draw attention to note 2, note 3, and note 6 to the financial statements. Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest the carrying amount exceeds the recoverable amount. The Entity assesses its exploration and evaluation assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Entity has the right to explore, whether expenditures on further exploration for and evaluation of properties are budgeted, whether commercially viable quantities of mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered. At December 31, 2022, the Entity has exploration and evaluation assets of \$3.3 million. There were no impairment indicators for the exploration and evaluation assets as of December 31, 2022.



Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for exploration and evaluation assets as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures with respect to the Entity's indicators of impairment assessment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Entity's indicators of impairment assessment by:

- assessing the period for which the entity has the right to explore by comparing the remaining term of the exploration rights to the Entity's operating license
- comparing the 2022 actual exploration and evaluation expenditures to the budgeted 2022 expenditures in the prior year to assess the Entity's ability to accurately budget
- assessing whether expenditures on further exploration for and evaluation of properties are budgeted by comparing to the Entity's capital budget
- assessing whether commercially viable quantities of mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered by examining external market and industry data, the Entity's press releases and certain minutes of the meetings of the Board of Directors

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is David Yung.

A handwritten signature in blue ink that reads 'KPMG LLP'.

Chartered Professional Accountants
Calgary, Canada
March 16, 2023

Condor Energies Inc.

Consolidated Statements of Financial Position
Stated in thousands of Canadian dollars

As at		December 31, 2022	December 31, 2021
	Note		
Assets			
Cash and cash equivalents	4	3,751	4,623
Trade and other receivables		353	119
Other current assets	5	300	406
Total current assets		4,404	5,148
Exploration and evaluation assets	6	3,302	2,238
Property, plant and equipment	7	1,939	603
Other long term assets	8	417	712
Total assets		10,062	8,701
Liabilities			
Accounts payable and accrued liabilities		1,626	1,701
Current portion of lease liabilities		93	-
Current portion of provisions	9	295	409
Total current liabilities		2,014	2,110
Lease liabilities		99	-
Provisions	9	1,652	1,568
Total liabilities		3,765	3,678
Equity			
Share capital	10	276,543	273,191
Contributed surplus		21,686	21,350
Accumulated other comprehensive loss		(83,930)	(84,580)
Deficit		(208,002)	(204,938)
Total equity		6,297	5,023
Total liabilities and equity		10,062	8,701

Going concern (Note 1).

Commitments and contingent liabilities (Note 17).

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

Condor Energies Inc.

Consolidated Statements of Comprehensive Income (Loss)

Stated in thousands of Canadian dollars

(except for per share amounts)

For the year ended December 31		2022	2021
	Note		
Revenue			
Natural gas and condensate sales	20	3,607	883
Royalties		(488)	(115)
Total revenue		3,119	768
Expenses			
Production costs		750	729
Transportation and selling		62	281
General and administrative		5,242	4,993
Depletion and depreciation	7	902	904
Impairment expense	7	-	2,461
Exploration and evaluation	6	-	2,612
Stock based compensation	12	281	194
Total expenses		(7,237)	(12,174)
Finance income	14	142	110
Finance expense	14	(186)	(178)
Foreign exchange gain	18	240	147
Other income		52	-
Gain on property, plant and equipment sales	7	219	-
Net monetary gain	15	587	-
Net loss		(3,064)	(11,327)
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation adjustment		(350)	(1,307)
Comprehensive loss		(3,414)	(12,634)
Net loss per share			
Basic and diluted net loss per share	11	(0.07)	(0.26)

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

Condor Energies Inc.

Consolidated Statements of Cash Flows
Stated in thousands of Canadian dollars

For the year ended December 31		2022	2021
	Note		
Operating activities:			
Net loss		(3,064)	(11,327)
Items not affecting cash:			
Depletion and depreciation	7	902	904
Impairment expense	7	-	2,461
Exploration and evaluation		-	2,612
Stock based compensation	12	281	194
Finance income		(110)	(85)
Finance expenses		182	178
Unrealized foreign exchange loss (gain)		3	(120)
Gain on property, plant and equipment sales	7	(219)	-
Net monetary gain	15	(555)	-
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Cash used in operating activities before changes in non-cash working capital		(2,580)	(5,183)
Changes in non-cash working capital		(591)	(917)
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Cash used in operating activities		(3,171)	(6,100)
Investing activities:			
Exploration and evaluation expenditures	6	-	(4,208)
Property, plant and equipment expenditures	7	(1,713)	(89)
Proceeds from property, plant and equipment sales		222	-
Changes in non-cash working capital		285	2,294
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Cash used in investing activities		(1,206)	(2,003)
Financing activities:			
Issue of common shares	10	3,728	-
Share issue costs	10	(321)	-
Exercise of Loan Warrants	10	-	350
Exercise of stock options	10	-	7
Lease payments		-	(1)
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Cash from financing activities		3,407	356
Change in cash		(970)	(7,747)
Effect of foreign exchange on cash		98	63
Cash and cash equivalents, beginning	4	4,623	12,307
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Cash and cash equivalents, ending	4	3,751	4,623

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

Condor Energies Inc.

Consolidated Statements of Changes in Equity

Stated in thousands of Canadian dollars

(except for number of common shares)

	Number of common shares	Share capital	Contributed surplus	Accumulated Other Comprehensive Loss	Deficit	Total equity
As at December 31, 2020	44,165,100	271,931	22,059	(83,273)	(193,611)	17,106
Exercise of stock options (Note 10)	33,334	11	(4)	-	-	7
Exercise of Loan Warrants (Note 10)	1,000,000	1,249	(899)	-	-	350
Stock based compensation expense	-	-	194	-	-	194
Foreign currency translation adjustment	-	-	-	(1,307)	-	(1,307)
Net loss	-	-	-	-	(11,327)	(11,327)
As at December 31, 2021	45,198,434	273,191	21,350	(84,580)	(204,938)	5,023
Issue of common shares (Note 10)	10,966,019	3,728	-	-	-	3,728
Share issue costs (Note 10)	-	(376)	55	-	-	(321)
Impact of hyperinflation (Note 3)	-	-	-	1,000	-	1,000
Stock based compensation expense	-	-	281	-	-	281
Foreign currency translation adjustment	-	-	-	(350)	-	(350)
Net loss	-	-	-	-	(3,064)	(3,064)
As at December 31, 2022	56,164,453	276,543	21,686	(83,930)	(208,002)	6,297

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

Condor Energies Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

1. Corporate information:

Reporting entity:

On June 23, 2022, the name of the Company was changed to Condor Energies Inc. from Condor Petroleum Inc. ("Condor" or the "Company") as approved by the Company's Board of Directors and shareholders. Condor is a publicly traded company, listed on the Toronto Stock Exchange ("TSX") under the symbol "CDR" (formerly "CPI" prior to the Company's name change), with activities in the Republic of Turkiye ("Turkiye") and the Republic of Kazakhstan ("Kazakhstan"). The address of the Company's registered office is 1000, 521 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 3T3.

The consolidated financial statements (the "financial statements") of the Company as at and for the years ended December 31, 2022 and 2021 comprise the Company and its subsidiaries. The financial statements were approved and authorized for issue on March 16, 2023 by the Board of Directors.

Nature of operations:

The Company has a 100% interest in and operates the Poyraz Ridge and Destan operating licenses and gas fields in Turkiye. The Poyraz Ridge and Destan operating licenses are both valid until June 9, 2023 and may be extended upon approval by the competent authority in Turkiye until 2035.

The Zharkamys West 1 exploration contract ("Zharkamys") in Kazakhstan expired on January 18, 2022.

Going concern:

These 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 December 31, 2022, the Company had accumulated losses of \$208.0 million since inception (December 31, 2021: \$204.9 million). For the year ended December 31, 2022, the Company reported a net loss of \$3.1 million (December 31, 2021: \$11.3 million) and cash used in operating activities of \$3.2 million (December 31, 2021: \$6.1 million). The Company's working capital balance has decreased from \$3.0 million as at December 31, 2021 to \$2.4 million as at December 31, 2022.

The Company's ability to continue as a going concern is dependent upon its existing working capital being sufficient to sustain operating activities while the Company attempts to generate positive cash flows from operations, secure funding from debt or equity financings, dispose of assets or make other arrangements. While the Company was successful in raising additional equity in December 2022 of \$3.7 million resulting in a working capital balance of \$2.4 million as of December 31, 2022, there is no assurance the Company will be able to generate positive cash flow from operations or to secure funding from debt or additional 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. These 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.

Condor Energies Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

2. 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. 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. One of the Company’s subsidiaries in the Netherlands, which has a branch in Turkiye (“Turkiye Branch”), has a Turkish Lira (“TRL”) functional currency.

Significant accounting estimates and judgments

The timely preparation of financial statements requires management to make use of judgments, estimates and assumptions when transactions affecting the current accounting period cannot be finalized until future periods. These estimates will affect assets, liabilities and the disclosure of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting periods. Such estimates are based on informed judgments made by management and actual results could differ from those estimates as future confirming events occur. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include:

i. Reserve estimates

Amounts recorded for depletion and depreciation and assessing the valuation of property, plant and equipment for impairment are based on estimates of natural gas and condensate reserves. By their nature, the estimates of reserves, including future production, sales prices, operating, royalty, and capital costs, discount rates and the related future cash flows, are subject to measurement uncertainty. A downward revision in the reserve estimates or an upward revision to future capital costs would affect the depletion expense and could result in an asset impairment, which would reduce future earnings and the associated net book value of assets. Accordingly, the impact on the consolidated financial statements of future periods could be material. The Company’s oil and gas reserves are evaluated by an independent qualified reserves evaluator.

ii. Determination of Cash Generating Units (“CGUs”)

The allocation of assets into CGU requires significant judgment and interpretation. Factors considered include the integration between assets, shared infrastructure, the existence of common sales points, geography, geologic structure, and the manner in which management monitors and makes decisions about its operations. The recoverability of the assets is assessed at the CGU level. As such, the determination of a CGU could have a significant impact on impairment expense and reversals.

iii. Identification of impairment indicators – Property, plant and equipment

Significant judgment is required to assess when internal or external indicators of impairment or impairment reversal exist, and impairment testing is required. Management considers internal and external sources of information including oil and gas commodity prices, expected production volumes, anticipated recoverable quantities of proved and probable oil and gas reserves and rates used to discount the related future cash flow estimates. Judgment is required to assess these factors when determining if the carrying amount of an asset or CGU is impaired, or in the case of a previously impaired asset or CGU, whether the carrying amount of the asset or CGU has been restored.

Condor Energies Inc.

Notes to the Consolidated Financial Statements
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iv. Impairment

Estimates include volumes of recoverable reserves, forward natural gas and condensate prices, future operating, royalty, and capital costs, production profiles, discount rates, and consequently fair values of properties. A downward revision in the reserve estimates or an upward revision to future capital costs could result in an asset impairment which would reduce future earnings and the associated net book value of assets.

v. Exploration and evaluation ("E&E") expenditures

Costs associated with acquiring oil and gas licenses and exploratory drilling are accumulated as exploration and evaluation assets pending determination of technical feasibility and commercial viability. Establishment of technical feasibility and commercial viability is subject to judgment and involves management's review of project economics, resource quantities, expected production techniques, production costs and required capital expenditures to develop and extract the underlying resources. Management uses the establishment of commercial reserves within the exploration area as the basis for determining technical feasibility and commercial viability. Upon determination of commercial reserves, E&E assets attributable to those reserves are tested for impairment and reclassified from E&E assets to a separate category within property, plant and equipment referred to as oil and gas properties.

vi. Identification of Impairment Indicators – E&E

The Company assesses its E&E assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of properties are budgeted, whether commercially viable quantities of mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered.

vii. Depletion

Estimates include the amount of reserve volumes and future development capital. Depletion is charged on a unit-of-production basis over the proved plus probable reserves and a revision in the productive capacity of the assets may result in increased depletion and a reduced net book value of assets.

viii. Decommissioning obligations

Amounts recorded for decommissioning obligations and the related accretion expense require the use of estimates with respect to the amount and timing of asset retirements, site remediation, discount rates, inflation rates and related cash flows. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow. As a result of the long-term nature of the Company's operations, these estimates may change over time which may result in a change in the decommissioning provision and corresponding asset value, and impact future earnings as a result of changes in accretion and depletion expense.

ix. Stock based compensation

Compensation costs related to the Company's stock option plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes option pricing model, which is based on significant assumptions such as share price volatility, risk free rates, forfeiture rates and the expected life of granted stock options.

Condor Energies Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

x. Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Changes in the estimate of future taxable income and the recovery of deductible temporary differences may result in the recognition of a deferred tax asset on the statement of financial position and an increase in earnings at the time when the tax recovery is recorded.

xi. Going concern

These 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.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Company and its subsidiaries.

Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at December 31, 2022 the Company has the following significant and wholly-owned subsidiaries:

- Falcon Oil & Gas Ltd. LLP (Kazakhstan)
- Marsa Turkey B.V. (Netherlands and Turkiye)

ii. Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation and transactions

For the Company's foreign operations, assets and liabilities are translated to Canadian dollars from their functional currency using period end exchange rates, revenues and expenses are translated using average exchange rates during the period. Foreign currency translation adjustments are recognized in Accumulated Other Comprehensive Income (Loss).

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in Accumulated Other Comprehensive Income (Loss).

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into the functional currency at period end exchange rates with resulting exchange gains and losses included in profit or loss for the period. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction.

Condor Energies Inc.

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Cash and cash equivalents

Cash and cash equivalents include short term, highly liquid investments that mature within three months of purchase.

Other current assets

Other current assets are comprised of prepaid expenses and inventory, as well as the current portion of VAT receivables of foreign operations and Canadian goods and services tax receivables.

Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory cost is determined using the weighted average method. Supplies inventory includes all costs to purchase and other costs incurred in bringing the inventory item to its existing location and condition.

Exploration and evaluation assets

All costs directly related to exploration and evaluation activities for which technical feasibility and commercial viability have yet to be determined are initially capitalized and include costs to acquire and maintain unproved properties, geological, geophysical, drilling, sampling, testing, appraisal and asset retirement. Costs incurred prior to acquiring the legal right to explore an area are charged to earnings.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and then transferred to oil and gas properties. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to earnings as exploration and evaluation expense. Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest the carrying amount exceeds the recoverable amount. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Oil and gas properties

All costs directly associated with the acquisition and development of oil and gas properties are capitalized on an area-by-area basis for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, gathering, storage, processing facilities, infrastructure completion, asset retirement costs, historical costs and transfers of exploration and evaluation assets. Oil and gas properties are depleted on a unit-of-production basis over the proved plus probable reserves and total project capital expenditures including future development costs.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Other equipment

Other equipment includes office equipment, which is depreciated over 3-6 years. Useful lives and residual values are reviewed at each reporting date.

Condor Energies Inc.

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Where an item of property, plant and equipment consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Impairment

Oil and gas properties and other equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication of impairment exists, an estimate of the asset or CGU recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment expense is charged to expense which reduces the carrying amount to its recoverable amount. Impairment expenses related to continuing operations are recognized in profit and loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment expense may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment expense is reversed only if there has been objective evidence of a change in the estimates used to determine the asset's recoverable amount since the last impairment expense was recognized and the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment expense been recognized for the asset in prior years.

Income taxes

Income taxes are comprised of current and deferred income taxes. Income tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized in equity.

Current income tax expense is the expected income tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting period, adjusted for any income tax reassessments from prior periods.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not affect accounting or taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax assets are reviewed at each reporting date.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and current tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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Uncertain tax positions

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Stock based compensation

The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model which employs various assumptions, based on management's best estimates at the time of grant, which impact the fair value calculated and ultimately, the expense that is recognized. The value of the stock options is recognized as an expense over the vesting period with an offsetting increase to contributed surplus. The expense is recognized on a graded basis, being higher in earlier years and lower in later years. Consideration paid for shares on exercise of the stock options is added to share capital together with the amount of any contributed surplus that arose as a result of the grant of the exercised stock options. The Company does not capitalize stock based compensation costs.

Revenue recognition

The Company produces and sells natural gas and condensate. 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 "Revenue from contracts with customers" (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.

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.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

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Decommissioning obligations

Decommissioning obligations comprise present obligations for well abandonment, facility retirement and site restoration and are measured at the present value of the expected expenditures to be incurred based on projected remediation plans, current industry practices and technology and prevailing legislation. Increases in decommissioning obligations resulting from the passage of time are recorded as accretion expense. The cost is capitalized as a component of oil and gas properties and amortized as depletion and depreciation expense.

Changes in the estimated obligations resulting from revisions to the estimated timing, cost, or changes in the discount rate are recognized as a change in the decommissioning obligations and the related asset retirement cost.

Net income (loss) per share

The Company presents basic and diluted net income (loss) per share data for its common shares, calculated by dividing the net income (loss) attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share does not adjust the income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Financial instruments - Classification and Measurement

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 classifies its financial liabilities in the amortized cost measurement category which includes accounts payable and accrued liabilities.

Financial instruments - Impairment

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 "Financial Instruments" (IFRS 9), which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Operating leases and right of use assets

Qualifying leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments.

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The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Hyper-inflationary economy

Due to various qualitative factors and developments with respect to the economic environment in Türkiye during the three months ended June 30, 2022, including, but not limited to, the acceleration of multiple local inflation indices, the three-year cumulative inflation rate of the local Turkish wholesale price index exceeding 100% at the end of February 2022 and the significant devaluation of the Turkish Lira, Türkiye has been designated a hyper-inflationary economy as of April 1, 2022 for accounting purposes.

Accordingly, *IAS 29, Financial Reporting in Hyper-Inflationary Economies* was adopted by the Company in its financial statements for the three months ended June 30, 2022, and applied to these financial statements in relation to the Company's Turkish subsidiary which has a TRL functional currency. The financial statements are based on the historical cost approach in *IAS 29*.

The application of hyperinflation accounting requires restatement of the Company's Turkish subsidiary non-monetary assets and liabilities, equity and comprehensive income (loss) items from the original transaction date when they were first recognized into the current purchasing power which reflects a price index current at the end of the reporting period. To measure the impact of inflation on its financial position and results, the Company has elected to use the Turkish consumer price index ("Turkish CPI") as published by the Turkish Statistical Institute "TURKSTAT".

As per *IAS 29*, the financial statements of the Company have previously been presented in Canadian dollars, a stable currency, and the comparative period amounts do not require restatement.

On April 1, 2022, the Company recognized an adjustment of \$1.0 million for the impact of hyperinflation within accumulated other comprehensive loss related to the non-monetary assets held by the Turkish subsidiary, which have been restated from the historic date when they were first recognized to the beginning of the reporting period (the "Opening Hyperinflation Adjustment"). On initial adoption of *IAS 29*, there is an accounting policy choice to recognize the Opening Hyperinflation Adjustment directly to opening equity or to other comprehensive income and the Company has elected to recognize this amount directly to opening equity.

New standards and interpretations not yet adopted

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, and the amendments are required to be adopted retrospectively. The Company does not expect that these amendments will have a significant impact on its financial statements.

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4. Cash and cash equivalents:

As at December 31 (000's)	2022	2021
Cash at bank	3,721	4,593
Short-term deposits	30	30
	3,751	4,623

Cash at bank earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on expected cash requirements and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents approximates its carrying value due to its short-term nature.

5. Other current assets:

As at December 31 (000's)	2022	2021
Prepaid expenses	189	218
Inventory	84	69
Value added tax receivables	27	119
	300	406

6. Exploration and evaluation assets:

As at December 31 (000's)	2022	2021
Opening balance	2,238	252
Capital expenditures	-	4,208
Exploration and evaluation expense	-	(1,266)
Change in decommissioning costs	21	103
Impact of hyperinflation (Note 15)	1,590	-
Foreign currency translation adjustment	(547)	(1,059)
Closing balance	3,302	2,238

In October 2021, the Company drilled the Akshoky North exploration well at Zharkamys in Kazakhstan. The well was not commercial and was plugged and abandoned. The Zharkamys contract expired on January 18, 2022 and the related exploration and evaluation assets have been derecognized as of December 31, 2021. The total exploration and evaluation expense for 2021 of \$2.6 million was comprised of \$1.3 million of exploration and evaluation assets and \$1.3 million of VAT receivables.

Exploration and evaluation assets as of December 31, 2021 and 2022 comprises the Yakamoz prospect within the Poyraz Ridge operating license in Turkiye which was drilled in 2021. There were no impairment indicators for the exploration and evaluation assets as of December 31, 2021 or 2022.

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7. Property, plant and equipment:

(000's)	Oil and gas properties	Other equipment	Total
Cost			
As at December 31, 2020	22,977	1,467	24,444
Capital expenditures	-	89	89
Transfers	(686)	686	-
Change in decommissioning costs	(606)	-	(606)
Foreign currency translation adjustment	(8,448)	(527)	(8,975)
As at December 31, 2021	13,237	1,715	14,952
Capital expenditures	1,785	207	1,992
Transfers	100	(100)	-
Change in decommissioning costs	5	-	5
Property, plant and equipment sales	(209)	(1)	(210)
Impact of hyperinflation (Note 15)	142	-	142
Foreign currency translation adjustment	(1,076)	(21)	(1,097)
As at December 31, 2022	13,984	1,800	15,784
Accumulated depletion, depreciation and impairment			
As at December 31, 2020	(18,483)	(1,335)	(19,818)
Depletion and depreciation	(231)	(54)	(285)
Transfers	242	(242)	-
Impairment expense	(2,461)	-	(2,461)
Foreign currency translation adjustment	7,696	519	8,215
As at December 31, 2021	(13,237)	(1,112)	(14,349)
Depletion and depreciation	(620)	(55)	(675)
Transfers	(51)	51	-
Property, plant and equipment sales	206	1	207
Impact of hyperinflation (Note 15)	(24)	-	(24)
Foreign currency translation adjustment	956	40	996
As at December 31, 2022	(12,770)	(1,075)	(13,845)
Net book value			
As at December 31, 2021	-	603	603
As at December 31, 2022	1,214	725	1,939

The Zharkamys contract expired on January 18, 2022 (Note 6) and an impairment expense of \$0.2 million was recognized as of December 31, 2021.

In 2021, based on a review of gas production results at Poyraz Ridge and Destan and the Company's updated development plans, indicators of impairment were identified as at June 30, 2021 and the recoverable amount of the Poyraz Ridge and Destan CGU was deemed to be negligible and an impairment of \$2.2 million was recorded in the three months ended June 30, 2021. Thereafter, movements in the related decommissioning obligations resulting from updated cost estimates, changes to estimated lives of operations, revisions to discount rates and revisions to inflation rates are recognized as depletion and depreciation expense and amounted to \$0.2 million in 2022 (2021: \$0.6 million) resulting in total depletion and depreciation expense of \$0.9 million in 2022 (2021: \$0.9 million).

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There were no indicators of impairment or impairment reversal as at December 31, 2022 and 2021.

Other equipment includes field equipment and capital inventory of \$0.5 million (2021: \$0.5 million) which are not subject to depletion.

8. Other long term assets:

Other long term assets are comprised of non-current bank deposits of \$0.4 million as of December 31, 2022 (December 31, 2021: \$0.7 million) and are substantially all denominated in USD and invested in special interest bearing accounts comprised of \$0.2 million (2021: \$0.5 million) for decommissioning obligations in Kazakhstan, Turkiye, and Canada and \$0.2 million (2021: \$0.2 million) related to the Poyraz Ridge pipeline surface access expropriation in Turkiye.

9. Provisions:

As at December 31 (000's)	2022	2021
Beginning non-current portion	1,568	2,421
Increase in liabilities	80	69
Reclassified to current portion	-	(110)
Change in estimates	255	47
Accretion expense	182	172
Foreign currency translation adjustment	(433)	(1,031)
Ending non-current portion	1,652	1,568
Beginning current portion	409	306
Settlements	(116)	-
Change in estimates	6	-
Reclassified from non-current portion	-	110
Foreign currency translation adjustment	(4)	(7)
Ending current portion	295	409

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 December 31, 2022, the estimated total uninflated and undiscounted cash flows required to settle the current and non-current liabilities are \$2.0 million (December 31, 2021: \$2.0 million), which are expected to be incurred between 2023 and 2026.

The net present value of the decommissioning obligations is calculated with an inflation rate of 2.6% (December 31, 2021: 12.5%) and risk-free discount rate of 3.6% (December 31, 2021: 12.5%).

During the year ended December 31, 2022, the Company recorded finance income of \$0.1 million related to a grant from the Government of Canada to fund site restoration activities in Canada.

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10. 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 December 31, 2022 the number of common shares issued is 56,164,453 (December 31, 2021: 45,198,434).

On December 14, 2022 the Company completed a private placement ("Private Placement") and issued 10,966,019 common shares at a price of \$0.34 per share for gross proceeds of \$3.73 million and incurred \$0.38 million in share issue costs comprising broker fees, advisory fees, legal costs, listing fees and Broker Warrant costs resulting in net proceeds of \$3.35 million. The common shares issued under the Private Placement have a hold period of four months and one day expiring on April 15, 2023.

In conjunction with the Private Placement, the Company issued 325,980 broker warrants ("Broker Warrants") exercisable into 325,980 common shares of Condor at \$0.38 per share on or before December 14, 2024. Any common shares issued from the exercise of the Broker Warrants issued prior to April 15, 2023 have a hold period expiring on April 15, 2023. The fair value of the Broker Warrants of \$0.06 million is included in share issue costs and contributed surplus and is estimated using the Black-Scholes option pricing model assuming: a 2.0 year expected life; a 3.39% risk free interest rate; a 87.8% expected volatility, which has been based on historical share price volatility of the Company; and an issue date share price of \$0.36 per share.

During 2021, 33,334 stock options were exercised and 33,334 common shares were issued at \$0.22 per share.

In conjunction with a credit facility which was repaid and cancelled in the first quarter of 2020, the lender held one million warrants exercisable into one million common shares at \$0.35 per share on or before December 31, 2021 ("Loan Warrants"). On December 17, 2021 the lender exercised the Loan Warrants and 1,000,000 common shares were issued.

11. Net loss per share:

Per share amounts are calculated using a weighted average number of common shares of 45,739,224 for the year ended December 31, 2022 (2021: 44,231,402 shares). For periods with a net loss, outstanding stock options (Note 12), Broker Warrants and Loan Warrants have been excluded from the respective calculations of diluted weighted average common shares as to include them would be anti-dilutive.

12. 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.

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The number and weighted average exercise prices of share options are as follows:

	Number of options	Weighted average exercise price
Outstanding as at December 31, 2020	3,984,334	0.69
Granted	775,000	0.48
Exercised	(33,334)	0.22
Forfeited	(535,000)	(0.78)
Expired	(455,000)	(1.33)
Outstanding as at December 31, 2021	3,736,000	0.53
Granted	1,270,000	0.39
Exercised	-	-
Forfeited	(382,000)	(0.54)
Expired	(120,000)	(1.50)
Outstanding as at December 31, 2022	4,504,000	0.47

Details of the stock options outstanding as at December 31, 2022 are as follows:

Exercise price	Options outstanding		Options vested	
	Number	Average remaining life in years	Number	Average remaining life in years
\$0.22	387,000	1.3	387,000	1.3
\$0.33	100,000	1.8	100,000	1.8
\$0.39	1,150,000	4.9	383,336	4.9
\$0.42	120,000	4.3	40,000	4.3
\$0.48	700,000	3.9	466,672	3.9
\$0.51	225,000	2.9	150,001	2.9
\$0.53	705,000	2.6	705,000	2.6
\$0.59	1,117,000	0.3	1,117,000	0.3
	4,504,000	2.8	3,349,009	2.1

As of December 31, 2022, there are 4,504,000 stock options outstanding with a weighted average exercise price of \$0.47 (December 31, 2021: \$0.53). The 3,349,009 options exercisable at December 31, 2022 had a \$0.48 weighted average exercise price (December 31, 2021: \$0.54).

In April 2022, 120,000 stock options were granted and the fair value of \$0.27 per option was estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 2.48% risk free interest rate; a 85.1% expected volatility, which is based on historical share price volatility of the Company; a grant date share price of \$0.45; and an exercise price of \$0.42.

In December 2022, 1,150,000 stock options were granted and the fair value of \$0.24 per option was estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 3.42% risk free interest rate; a 87.9% expected volatility, which is based on historical share price volatility of the Company; a grant date share price of \$0.385; and an exercise price of \$0.39.

13. Compensation expenses:

The aggregate payroll expense was \$2.2 million of salary and benefits (2021: \$2.9 million) and \$0.3 million of stock based compensation expense (2021: \$0.2 million). Key management comprises the executive officers and directors of the Company. Key management's compensation was comprised of \$0.8 million of

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salary and benefits (2021: \$0.8 million) and stock based compensation expense of \$0.2 million (2021: \$0.1 million). In the event of termination or change of control, members of key management (excluding directors) are each entitled to two years' annual compensation.

14. Finance income and expense:

For the year ended December 31 (000's)	2022	2021
Finance income:		
Grant funding (Note 9)	110	-
Interest income on bank deposits	32	37
Accretion of long term VAT receivables	-	66
Other	-	7
	142	110
Finance expenses:		
Accretion of provisions	(182)	(172)
Other	(4)	(6)
	(186)	(178)

15. Net monetary gain

The value of the Turkish CPI at December 31, 2022 was 1,128 and the movement in the Turkish CPI for the year ended December 31, 2022 was 442, an increase of approximately 64%. As a result, the Company recognized a net monetary gain of \$0.6 million for the year ended December 31, 2022 to restate transactions into a measuring unit current as of December 31, 2022.

16. Income taxes:

Deferred tax assets are reviewed at each reporting date and are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. The provision for income taxes differs from the amount computed by applying the statutory rates to earnings before taxes. The difference results from the following items:

For the year ended December 31 (000's)	2022	2021
Net loss	(3,064)	(11,327)
Statutory rate	23.0%	23.0%
Tax recovery at statutory rate	(705)	(2,605)
Effect on taxes of:		
Change in unrecognized deferred tax assets	1,038	1,534
Change in tax rate	-	402
Non-deductible expenses / non-taxable income	(937)	(563)
Stock based compensation expense	65	45
Foreign tax rate differentials	479	730
Other	60	457
Income tax expense	-	-

No deferred tax assets were recognized on the statement of financial position for the following deductible temporary differences:

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As at December 31 (000's)	2022	2021
Property and equipment	3,615	5,397
Income tax losses	51,278	61,859
Other	1,954	1,457
Total deductible temporary differences	56,847	68,713

For income tax purposes, the Company has losses carried forward as at December 31, 2022 which may be used to reduce future years' taxable income. In Canada, the Company has \$43.1 million of losses carried forward which expire between 2027 and 2042; in the Netherlands, \$6.6 million which expire between 2023 and 2027; in Turkey, \$1.0 million which expire between 2024 and 2026; and in Kazakhstan, \$0.5 million which expire in 2032.

At December 31, 2022, there is approximately \$102.5 million of undistributed retained earnings in foreign subsidiaries (2021: \$93.4 million). Due to applicable foreign tax legislation only portion of such undistributed retained earnings in foreign subsidiaries may be subject to dividend withholding taxes in the country of origin upon repatriation. No provision has been made for withholding and other taxes that would become payable on the distribution of these earnings because the Company controls the relevant entities and has no committed plans to remit the earnings in the foreseeable future.

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") amounting to 11.0 million Euros (equivalent to \$16.0 million using December 31, 2022 exchange rate) related to taxation years 2013-2017, including accrued interest. The assessments seek to disallow interest expense deductions related to inter-company loans New Horizon received from Condor and the majority of which were onward loaned to Falcon on a back-to-back basis to fund activities in Kazakhstan. New Horizon has filed respective objections for all disputed years. Subsequent to period end, the DTA has advised that the Company's tax position for all disputed years will be accepted, and the matter will be resolved with no taxes and no interest charged or payable.

17. 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.

There is material uncertainty about the Company's ability to continue as a going concern (Note 1).

18. 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 fulfil their obligations. The maximum exposure to credit risk at year end is as follows:

Carrying amounts as at December 31 (000's)	2022	2021
Cash and cash equivalents	3,751	4,623
Trade and other receivables	353	119
Other long term assets	417	712
	4,521	5,454

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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 related mainly to 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. During the years ended December 31, 2022 and 2021, sales of natural gas and related receivables were sold to one single customer and therefore is subject to concentration risk. As at December 31, 2022, the single gas marketer represented 85% of outstanding trade receivables (December 31, 2021: 98%).

Credit risk is mitigated by management's policies and practices. For gas sales, 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 as at December 31, 2022 and concluded that the amount is valid and collectible.

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 Turkiye. 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.

At December 31, 2022, the Company had accumulated losses of \$208.0 million since inception (December 31, 2021: \$204.9 million). For the year ended December 31, 2022, the Company reported net loss of \$3.1 million (2021: \$11.3 million) and cash used in operating activities of \$3.2 million (2021: \$6.1 million). The Company's working capital balance has decreased from \$3.0 million as at December 31, 2021 to \$2.4 million as at December 31, 2022. These conditions indicate a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern (Note 1).

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.

The cash flows presented in the tables below are the contractual undiscounted cash flows and accordingly certain amounts differ from the amounts included in the statement of financial position. The Company's undiscounted contractual obligations are as follows:

(000's)	Less than 1 year	Greater than 1 year	Total
<u>As at December 31, 2022</u>			
Accounts payable and accrued liabilities	1,626	-	1,626
Lease liabilities	93	99	192
<u>As at December 31, 2021</u>			
Accounts payable and accrued liabilities	1,701	-	1,701

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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 the Company's natural gas sales and a substantial portion of foreign 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 year ended December 31, 2022 and 2021.

During the year ended December 31, 2022, the CAD depreciated from 1.27 per 1.00 USD to 1.35, the KZT depreciated from 431.7 per 1.00 USD to 462.7, and TRL depreciated from 13.0 per 1.00 USD to 18.7, which led to a foreign exchange gain of \$0.2 million (2021: gain of \$0.1 million) related mainly to USD denominated cash and cash equivalents held by the Company.

During the year ended December 31, 2022, the KZT depreciated from 337 per 1.00 CAD to 342, and the TRL depreciated from 10.1 per 1.00 CAD to 13.7, resulting in a \$0.4 million translation loss adjustment through equity (2021: loss of \$1.3 million).

A \$0.01 change in the Canadian dollar to U.S. dollar exchange rate at December 31, 2022 would have changed profit or loss by \$0.05 million (2020: \$0.3 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any debt as at December 31, 2022 and therefore has no current exposure to changes in interest rates, except for interest rates on cash and cash equivalents.

Commodity price risk

The Company is exposed to changes in commodity prices inherent in the oil and natural gas industry. Commodity prices for oil 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 year ended December 31, 2022 or 2021.

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

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Fair Value of Financial Assets and Liabilities

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods outlined below. The Company's fair value measurements are classified as one of the following levels of the fair value hierarchy. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability:

Level 1 – Inputs represent unadjusted quoted prices in active markets for identical assets and liabilities as of the reporting date. An active market is characterized by a high volume of transactions that provides pricing information on an ongoing basis.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forward prices for commodities.

Level 3 – Inputs for the asset or liability are not based on observable market data.

The fair value of the Company's cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities balances approximate their carrying value at December 31, 2022 and December 31, 2021, due to their short term to maturity.

19. Supplementary cash flow information:

The Company received interest income of \$0.03 million for the year ended December 31, 2022 (2021: \$0.04 million) and did not pay any income tax in 2022 or 2021.

20. 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	Turkiye	Total
<u>As at December 31, 2022</u>				
Exploration and evaluation assets	-	-	3,302	3,302
Property, plant and equipment	218	500	1,221	1,939
Total assets	3,946	646	5,470	10,062
Total liabilities	839	1,269	1,657	3,765
<u>As at December 31, 2021</u>				
Exploration and evaluation assets	-	-	2,238	2,238
Property, plant and equipment	61	528	14	603
Total assets	4,561	1,042	3,098	8,701
Total liabilities	605	1,557	1,516	3,678

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Segmented information (000's)	Corporate	Kazakhstan	Turkiye	Total
<u>For the year ended December 31, 2022</u>				
Property, plant and equipment expenditures	207	-	1,785	1,992
Revenue				
Natural gas sales			3,559	3,559
Condensate sales	-	-	48	48
Royalties	-	-	(488)	(488)
Total revenue	-	-	3,119	3,119
Expenses				
Production costs	-	-	750	750
Transportation and selling	-	-	62	62
General and administrative	3,864	706	672	5,242
Depletion and depreciation	48	17	837	902
Stock based compensation	281	-	-	281
Finance income	(142)	-	-	(142)
Finance expense	186	-	-	186
Foreign exchange gain	(240)	-	-	(240)
Other income	-	(52)	-	(52)
Gain on property, plant and equipment sales	-	(219)	-	(219)
Net monetary gain	-	-	(587)	(587)
Net income (loss)	(3,997)	(452)	1,385	(3,064)
<u>For the year ended December 31, 2021</u>				
Exploration and evaluation expenditures	-	1,074	3,134	4,208
Property, plant and equipment expenditures	-	82	7	89
Revenue				
Natural gas sales	-	-	860	860
Condensate sales	-	-	23	23
Royalties	-	-	(115)	(115)
Total revenue	-	-	768	768
Expenses				
Production costs	-	-	729	729
Transportation and selling	-	-	281	281
General and administrative	3,294	929	770	4,993
Depletion and depreciation	41	42	821	904
Impairment expense	-	240	2,221	2,461
Exploration and evaluation	-	2,612	-	2,612
Stock based compensation	194	-	-	194
Finance income	(110)	-	-	(110)
Finance expense	178	-	-	178
Foreign exchange gain	(147)	-	-	(147)
Net loss	(3,450)	(3,823)	(4,054)	(11,327)