CONDOR ENERGIES INC

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel 403-691-8000
Fax 403-691-8008
www.kpmg.ca

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, 2023 and December 31, 2022
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity (deficiency) 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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.

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, 2023. 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.

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 in Türkiye

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, 2023, the Entity determined that indicators of impairment existed on its exploration and evaluation assets in Türkiye and recorded an exploration and evaluation impairment of $3.3 million.

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 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 evaluating the status of the extension request of the Entity's operating license
- comparing the 2023 actual exploration and evaluation expenditures to the budgeted 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 and future development plan
- 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 internal technical reports, press releases and certain minutes of the meetings of the Board of Directors to assess if the Entity has decided to continue or discontinue exploration for and evaluation of mineral resources in the specific area.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 auditor's 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 auditor's 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 25, 2024

Condor Energies Inc.

Consolidated Statements of Financial Position
Stated in thousands of Canadian dollars

As at	Note	December 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	4	5,043	3,751
Trade and other receivables		21	353
Other current assets	5	515	300
Total current assets		5,579	4,404
Exploration and evaluation assets	6	283	3,302
Property, plant and equipment	7	638	1,939
Other long-term assets	8	269	417
Total assets		6,769	10,062
Liabilities			
Accounts payable and accrued liabilities		680	1,626
Current portion of loan facility	9	607	-
Current portion of provisions	10	635	295
Current portion of lease liabilities	11	42	93
Total current liabilities		1,964	2,014
Loan facility	9	5,416	-
Lease liabilities	11	88	99
Provisions	10	1,834	1,652
Total liabilities		9,302	3,765
Shareholders' Equity (Deficiency)			
Share capital	12	276,722	276,543
Contributed surplus		24,553	21,686
Accumulated other comprehensive loss		(84,414)	(83,930)
Deficit		(219,394)	(208,002)
Total shareholders' equity (deficiency)		(2,533)	6,297
Total liabilities and shareholders' equity (deficiency)		6,769	10,062

Commitments and contingent liabilities (Note 19); Subsequent events (Note 23)

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

Approved on behalf of the Board of Directors:

(signed)
Dennis Balderston, Chairman

(signed)
Andrew Judson, Lead Director

Condor Energies Inc.
Consolidated Statements of Comprehensive Loss
Stated in thousands of Canadian dollars
(except for per share amounts)

For the years ended December 31	**Note**	**2023**	**2022**
Revenue			
Natural gas and condensate sales	22	643	3,607
Royalties		(91)	(488)
Total revenue		552	3,119
Expenses			
Production costs		821	750
Transportation and selling		19	62
General and administrative		5,031	5,242
Exploration and evaluation impairment	6	3,298	-
Depletion and depreciation	7	1,569	902
Oil and gas property impairment	7	1,206	-
Stock based compensation	14	732	281
Total expenses		(12,676)	(7,237)
Finance income	16	193	142
Finance expense	16	(762)	(186)
Foreign exchange gain	20	151	240
Other income (expense)		(51)	52
Gain on property, plant and equipment sales	7	199	219
Net monetary gain	17	1,002	587
Net loss		(11,392)	(3,064)
Items that may be reclassified to profit or loss:			
Foreign currency translation adjustment		(484)	(350)
Comprehensive loss		(11,876)	(3,414)
Net loss per share			
Basic and diluted net loss per share	13	(0.20)	(0.07)

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 years ended December 31	Note	2023	2022
Operating activities:			
Net loss		(11,392)	(3,064)
Items not affecting cash:			
Exploration and evaluation impairment	6	3,298	-
Depletion and depreciation	7	1,569	902
Oil and gas property impairment	7	1,206	-
Stock based compensation	14	732	281
Finance income		(4)	(110)
Finance expenses		425	182
Unrealized foreign exchange loss		24	3
Gain on property, plant and equipment sales	7	(199)	(219)
Net monetary gain	17	(998)	(555)
Cash used in operating activities before the following items		(5,339)	(2,580)
Other long-term assets	8	148	-
Decommissioning obligations settled	10	(25)	-
Changes in non-cash working capital		(137)	(591)
Cash flows used in operating activities		(5,353)	(3,171)
Investing activities:			
Exploration and evaluation expenditures	6	(284)	-
Property, plant and equipment expenditures	7	(215)	(1,713)
Proceeds from property, plant and equipment sales		231	222
Changes in non-cash working capital		(812)	285
Cash flows used in investing activities		(1,080)	(1,206)
Financing activities:			
Proceeds from Loan Facility	9	7,779	-
Loan Facility issue costs	9	(82)	-
Issue of common shares	12	124	3,728
Share issue costs	12	-	(321)
Lease payments	11	(105)	-
Cash flows from financing activities		7,716	3,407
Net change in cash		1,283	(970)
Effect of foreign exchange on cash		9	98
Cash and cash equivalents, beginning	4	3,751	4,623
Cash and cash equivalents, ending	4	5,043	3,751

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

Condor Energies Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
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, 2021	45,198,434	273,191	21,350	(84,580)	(204,938)	5,023
Issue of common shares (Note 12)	10,966,019	3,728	-	-	-	3,728
Share issue costs (Note 12)	-	(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
Issue of common shares (Note 12)	325,980	179	(55)	-	-	124
Issue of warrants (Note 12)	-	-	2,190	-	-	2,190
Stock based compensation expense	-	-	732	-	-	732
Foreign currency translation adjustment	-	-	-	(484)	-	(484)
Net loss	-	-	-	-	(11,392)	(11,392)
As at December 31, 2023	56,490,433	276,722	24,553	(84,414)	(219,394)	(2,533)

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

1. Corporate information:

Reporting entity:

Condor Energies Inc. (“Condor” or the "Company") is a publicly traded company listed on the Toronto Stock Exchange (“TSX”) under the symbol “CDR” with activities in the Republic of Uzbekistan (“Uzbekistan”), the Republic of Turkiye (“Turkiye”) and the Republic of Kazakhstan (“Kazakhstan”). The Company’s registered office is 1810, 500 – 4th Avenue SW, Calgary, Alberta, Canada, T2P 2V6.

The consolidated financial statements of the Company as at and for the years ended December 31, 2023 and 2022 comprise the Company and its subsidiaries. The consolidated financial statements were approved and authorized for issue on March 25, 2024 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 licenses had an expiry date of June 8, 2023 and, provided that the Company has performed its obligations under the respective work programs and future production is expected, each license may be extended until 2035 upon approval of the competent authority in Turkiye. The Company has performed its obligations under the work programs and applied for an extension to each license in December 2022. Despite a mandated sixty-day response period by the competent authority, the approvals remain outstanding due to industry and government related delays not specifically related to the Company. During the interim period between the expiry date of the licenses and the extension approvals being granted, the licenses are deemed to be under review and Turkish law provides and requires that production, sales and operations continue on the properties and royalties be accrued and paid until the extensions are approved or the licenses are terminated.

The Company has 100% interest in and operates an exploration license in Kazakhstan for mining solid minerals, including lithium (the “Lithium Mining License”). The license was granted for a term of six years and is valid until July 20, 2029.

Subsequent to December 31, 2023, Condor entered into a production enhancement contract with the Government of Uzbekistan and started conducting production enhancement services with the national company JSC Uzbekneftegaz (Note 23(a)). Produced natural gas is sold to the authorized state entity responsible for the purchase and sale of natural gas for use in the domestic market. Condor is responsible for all costs of the PEC Project, and in exchange for performing its services, the Company receives a percentage of net revenues realized from the PEC Project

The Company’s future financial results and longer-term success are dependent upon its existing working capital, its ability to secure additional capital from debt or equity financings or completing other arrangements to fund the Company’s exploration and development activities while the Company attempts to generate positive cash flows from operations. The Company was successful in raising debt financing on March 22, 2024 of $6.3 million (Note 23(b)) after deducting estimated debt issue costs of $0.2 million, which alleviated conditions or events that may cast significant doubt as to the Company’s ability to continue as a going concern as at December 31, 2023. For future periods, there is no assurance the Company will be able to generate positive cash flow from operations or to secure funding from additional debt or equity financings, dispose of assets or complete other arrangements on favorable terms, or at all, which may require the utilization of all remaining working capital and financial resources. The occurrence and timing of these events is uncertain, and the Company will continue monitoring its liquidity and the going concern assessment in future periods.

2. Basis of presentation:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. The consolidated 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.

These consolidated financial statements have been prepared on the historical cost basis.

Significant accounting estimates and judgments

The timely preparation of consolidated 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 consolidated 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 consolidated financial statements include:

i. Reserve estimates

The estimates of reserves, including future production, sales prices, exchange rates, operating, royalty, and capital costs, discount rates and the related future cash flows, are subject to measurement uncertainty. Changes in expected future cash flows from reported reserves can affect the impairment of assets, the decommissioning liability, the economic feasibility of E&E assets, the amounts reported for depletion and depreciation of property, plant and equipment and the recognition of deferred tax assets. 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. As at December 31, 2023, the Company had no reserves and an independent qualified reserves evaluator was not retained to evaluate the Company's reserves data. As at December 31, 2022, the Company's oil and gas reserves were evaluated by an independent qualified reserves evaluator.

ii. Determination of Cash Generating Units ("CGUs")

The allocation of assets into CGUs 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 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 future oil and natural gas commodity prices, expected production volumes, future operating costs, anticipated recoverable quantities of proved and probable oil and gas reserves and rates used to discount the related future cash flow estimates. 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. Judgement 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.

iv. *Functional currency*

The functional currency of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The designation of a subsidiary's functional currency is a management judgment based on the currency of the primary economic environment in which the subsidiary operates.

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. These 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 and warrants are subject to the estimation of fair value using the Black-Scholes option pricing model, which is based on significant assumptions such as share price volatility, risk free rates, forfeiture rates, dividend yields and the expected life of granted stock options and warrants. The use of an alternate pricing model could produce different results.

x. *Income taxes*

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. 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. Material accounting policy information:

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

Basis of consolidation

i. *Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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, 2023 the Company has the following significant and wholly-owned subsidiaries:

- Marsa Turkey B.V. (Netherlands and Turkiye)
- Qazaq Mineral Resources LLP (Kazakhstan)

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

The functional currency of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The designation of a subsidiary's functional currency is a management judgment based on the currency of the primary economic environment in which the subsidiary operates.

For the Company's foreign operations, assets and liabilities are translated to Canadian dollars from their functional currency using period end exchange rates, and 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).

If the Company or any of its entities disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in 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. Revenue and expenses are translated into the functional currency using the average exchange rate for the period.

Cash and cash equivalents

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

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 the estimate of the costs of dismantling and removing an asset and restoring the site on which it was located. 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.

Exploration and evaluation assets are not depleted.

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 and processing facilities, infrastructure completion, asset retirement costs and transfers of exploration and evaluation assets.

Oil and gas properties are measured at cost less accumulated depletion, depreciation and impairment. 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.

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 only when they increase the future economic benefits expected from the specific asset to which they relate. All other expenditures are recognized in income (loss) as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal to the net carrying value of the underlying asset and are recognized in income (loss).

Oil and gas properties are depleted on a unit-of-production basis over the proved plus probable reserves, before royalties, and total project capital expenditures including future development costs.

Other equipment

Other equipment includes office equipment, which is depreciated over 3-6 years. Useful lives and residual values are reviewed annually and adjusted if appropriate.

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.

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 and warrants 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 and warrants 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 or warrants 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 or warrants. Forfeitures of stock options are estimated on the grant date and are adjusted to reflect the actual number of options that vest.

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 location specified in the sales contract, 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 and title passes to the customer. 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 received.

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.

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 future expenditures based upon a risk-free discount rate. Decommissioning obligations are 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. Decommissioning costs capitalized to oil and gas properties are included in the calculation of depletion and depreciation and depleted over the same period as the underlying asset.

Changes in the estimated obligations resulting from revisions to the estimated timing, cost, or changes in the discount rate are recognized prospectively as a change in the decommissioning obligations and the related capitalized asset retirement cost. Actual expenditures incurred are charged against the decommissioning liability.

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 per share amounts reflect the potential dilution that would occur if dilutive instruments were exercised and common shares issued. 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. The Company's financial assets included in the amortized cost category are comprised of cash and cash equivalents, trade and other receivables and bank deposits. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies financial assets if and when its business model for managing those assets changes.

The Company's financial liabilities included in the amortized cost category are comprised of accounts payable and accrued liabilities and the loan facility.

These financial assets and financial liabilities are initially measured at fair value and subsequent revaluations are recorded at amortized cost using the effective interest method.

Financial instruments - Impairment

The Company assesses on a forward looking basis the expected credit losses ("ECL") 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 a lifetime ECL to be recognized from initial recognition of the receivables.

Financial instruments – Transaction costs

For a financial asset or a financial liability carried at amortized cost, transaction costs directly attributable to acquiring or issuing the financial asset or liability are added to or deducted from the fair value on initial recognition and amortized through net income (loss) over the term of the financial instrument.

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.

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 Turkiye 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, Turkiye 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".

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.

Adopted accounting pronouncements

Amendments to IAS 1 - Accounting Policies: On January 1, 2023, the Company adopted the amendments introduced to IAS 1 – "Presentation of Financial Statements" to improve accounting policy disclosures. There was no material impact to Condor's consolidated financial statements.

Amendments to IAS 12 – Income Taxes: On January 1, 2023, the Company adopted the amendments to IAS 12 – "Income Taxes," which requires companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was no material impact to Condor's consolidated financial statements.

Future accounting pronouncements

In October 2022, the IASB amended IAS 1 Presentation of Financial Statements to address the classification of liabilities with covenants as current or non-current in the Statements of Financial Position. The amendment is applicable to periods beginning on or after January 1, 2024. The Company does not expect that this amendment will have a significant impact on its consolidated financial statements.

4. Cash and cash equivalents:

As at December 31 (000's)	**2023**	**2022**
Cash at bank	5,013	3,721
Short-term deposits	30	30
	5,043	3,751

Cash at bank earns interest at floating rates based on bank deposit rates. Short-term deposits are made with an original maturity of three months or less 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)	**2023**	**2022**
Prepaid expenses	387	189
Inventory	59	84
Value added tax receivables	69	27
	515	300

6. Exploration and evaluation ("E&E") assets:

As at December 31 (000's)	**2023**	**2022**
Opening balance	3,302	2,238
Capital expenditures	284	-
Change in decommissioning costs	40	21
Exploration and evaluation impairment	(3,298)	-
Impact of hyperinflation (Note 17)	543	1,590
Foreign currency translation adjustment	(588)	(547)
Closing balance	283	3,302

E&E assets consist of the Company's exploration projects, which are pending the determination of proved or probable reserves.

E&E assets as of December 31, 2022 was comprised of the Yakamoz prospect in Turkiye. As at December 31, 2023, the Company determined that indicators of impairment existed primarily due to the ongoing delay in obtaining the license extension for Poyraz Ridge (Note 1) and changes in future development plans. As such an impairment test was performed and the Company recognized an E&E impairment of $3.3 million for the full carrying amount of the Yakamoz prospect.

As at December 31, 2023, there were no impairment indicators for the Lithium Mining License in Kazakhstan, which was awarded in July 2023 and represents the Company's remaining E&E asset.

7. Property, plant and equipment:

(000's)	Oil and gas properties	Other equipment	Total
Cost			
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 17)	142	-	142
Foreign currency translation adjustment	(1,076)	(21)	(1,097)
As at December 31, 2022	13,984	1,800	15,784
Capital expenditures	166	174	340
Change in decommissioning costs	40	-	40
Property, plant and equipment sales	-	(202)	(202)
Reduction of lease term (Note 11)	-	(95)	(95)
Impact of hyperinflation (Note 17)	569	-	569
Foreign currency translation adjustment	(1,633)	(25)	(1,658)
As at December 31, 2023	13,126	1,652	14,778
Accumulated depletion, depreciation and impairment			
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 17)	(24)	-	(24)
Foreign currency translation adjustment	956	40	996
As at December 31, 2022	(12,770)	(1,075)	(13,845)
Depletion and depreciation	(253)	(130)	(383)
Impairment	(1,206)	-	(1,206)
Property, plant and equipment sales	-	171	171
Impact of hyperinflation (Note 17)	(132)	-	(132)
Foreign currency translation adjustment	1,235	20	1,255
As at December 31, 2023	(13,126)	(1,014)	(14,140)
Net book value			
As at December 31, 2022	1,214	725	1,939
As at December 31, 2023	-	638	638

As at December 31, 2022, the net book value of oil and gas properties was comprised primarily of the P-7 well costs in Turkiye, and all other costs related to Turkiye and Kazakhstan had a net book value of $Nil. Changes in decommissioning costs resulting from updated cost estimates, changes to estimated lives of operations and revisions to discount rates and inflation rates, other than those related to the P-7 well, are recognized immediately as depletion and depreciation expense and for the year ended December 31, 2023 amounted to $0.8 million in Turkiye (2022 – $0.2 million) and $0.4 million in Kazakhstan (2022 – $Nil). Total depletion and depreciation expense for the year ended December 31, 2023 is $1.6 million (2022 - $0.9 million).

As at December 31, 2023, based on a review of declining gas production and negative operating results at Poyraz Ridge and changes in the Company's future development plans, indicators of impairment were identified and the recoverable amount of the Poyraz Ridge CGU was deemed to be $Nil and an impairment of $1.2 million was recorded for the year ended December 31, 2023 (2022 - $Nil).

As at December 31, 2023, other equipment includes field equipment and capital inventory of $0.5 million (2022 – $0.5 million) which are not subject to depletion, and a right-of-use asset related to Canadian office space with a cost of $0.1 million (2022 - $0.2 million), accumulated depreciation of $0.01 million (2022 - $0.01 million) and a carrying amount of $0.1 million (2022 - $0.2 million).

8. Other long term assets:

Other long term assets are comprised of non-current bank deposits of $0.3 million as of December 31, 2023 (December 31, 2022: $0.4 million) and are substantially all denominated in USD and invested in special interest bearing accounts comprised of $0.2 million (2022: $0.2 million) for decommissioning obligations in Kazakhstan, Turkiye, and Canada and $0.1 million (2022: $0.2 million) related to the Poyraz Ridge pipeline surface access expropriation in Turkiye.

9. Loan facility:

On June 30, 2023, the Company established a USD denominated term loan facility (“Loan Facility”) with a group of third-party lenders made pursuant to credit agreements (“Credit Agreements”) between Condor and each lender having an aggregate principal amount of USD $5.9 million (CAD $7.8 million). The Credit Agreements have substantially the same terms and conditions, other than the timing of principal repayments and the effective date of completion. The Loan Facility is unsecured, non-revolving, has a three-year term, bears interest at 9.0% per annum to be paid quarterly in arrears and is available for general corporate purposes.

The Loan Facility was completed in two tranches comprising USD $0.5 million (CAD $0.7 million) with an effective date of June 30, 2023 and principal is due at maturity on June 30, 2026 and USD $5.4 million (CAD $7.1 million) with an effective date of July 14, 2023 of which USD$ 2.6 million (CAD $3.4 million) of principal is due at maturity on July 14, 2026 and USD $2.8 million (CAD $3.7 million) of principal is due in eight equal quarterly payments commencing on October 14, 2024 and the final payment due on July 14, 2026.

Financing costs for the Loan Facility of $2.3 million were recorded as a reduction against the liability and include the cost of 2,600,002 common share purchase warrants with a fair value of $2.2 million (Note 12). Financing costs are amortized over the respective terms of the loans using the effective interest method. The effective interest expense on the Loan Facility for the year ended December 31, 2023 was $0.7 million and the balance of unamortized financing costs as at December 31, 2023 was $1.9 million.

As of December 31, 2023, the current portion of the Loan Facility of $0.6 million is comprised of $0.1 million of accrued interest payable and $0.5 million of principal and the non-current portion of $5.4 million is comprised of $7.3 million of principal less $1.9 million of unamortized financing costs. As of December 31, 2023, the Company is in compliance with all non-financial covenants and the Loan Facility has no associated financial covenants.

10. Provisions:

As at December 31 (000's)	**2023**	**2022**
Beginning non-current portion	1,652	1,568
Increase in liabilities	-	80
Changes in estimates	900	255
Accretion expense	54	182
Foreign currency translation adjustment	(772)	(433)
Ending non-current portion	1,834	1,652
Beginning current portion	295	409
Settlements	(25)	(116)
Changes in estimates	366	6
Foreign currency translation adjustment	(1)	(4)
Ending current portion	635	295

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. As at December 31, 2023, the estimated total uninflated and undiscounted cash flows required to settle the current and non-current liabilities are $2.6 million (December 31, 2022: $2.0 million), which are expected to be incurred between 2024 and 2026.

The net present value of the decommissioning obligations is calculated with an inflation rate of 2.7% (December 31, 2022: 2.6%) and risk-free discount rate of 4.3% (December 31, 2022: 3.6%).

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.

11. Lease liabilities:

Lease liabilities include minimum payments due under current office leases of $0.04 million due in less than one year and $0.09 million due in more than one year. In addition to the base rent, the Company is required to pay monthly operating costs on the office space which are estimated by the landlord on an annual basis.

12. 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 value. As of December 31, 2023 the number of common shares issued is 56,490,433 (December 31, 2022: 56,164,453). The common shares do not have a par value and all issued shares are fully paid.

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 $3.7 million and incurred $0.4 million in share issue costs comprising broker fees, advisory fees, legal costs, listing fees and Broker Warrant costs resulting in net proceeds of $3.3 million.

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. The issue date fair value of the Broker Warrants of $0.1 million was included in share issue costs and contributed surplus and was estimated using the Black-Scholes option pricing model assuming: a 2.0 year expected life; a 3.4% risk free interest rate; a 88% expected volatility based on historical share price volatility of the Company; no expected dividends and an issue date share price of $0.36 per share. During the year ended December 31, 2023, these 325,980 Broker Warrants were exercised for total proceeds of $0.1 million.

Warrants

In connection with the Loan Facility (Note 9), the Company issued a total of 2,600,002 common share purchase warrants ("Loan Warrants") in two tranches, each at an exercise price of $0.48 per share and exercisable into one common share of Condor for a three-year term from the respective effective date. Each Lender received 1/3 of a Loan Warrant for each dollar contributed to the Loan Facility and an intermediary received 1/6 of a Loan Warrant for each dollar of the Loan Facility loaned by a Lender introduced by the intermediary to the Company.

On June 30, 2023, the Company issued 255,000 Loan Warrants with an issue date fair value of $0.2 million estimated using the Black-Scholes option pricing model assuming: 3.0 year expected life; 4.2% risk free interest rate; 101% expected volatility based on actual Company historical share price volatility; no expected dividends and an issue date share price of $0.91 per share. On July 14, 2023, the Company issued 2,345,002 Loan Warrants with an issue date fair value of $2.0 million estimated using the Black-Scholes option pricing model assuming: 3.0 year expected life; 4.3% risk free interest rate; 102% expected volatility based on actual Company historical share price volatility; no expected dividends and an issue date share price of $1.10 per share.

13. Net loss per share:

Per share amounts are calculated using a weighted average number of common shares of 56,293,059 for the year ended December 31, 2023 (2022 – 45,739,224 shares). For periods with a net loss, outstanding stock options (Note 14) and Loan Warrants (Note 12) have been excluded from the respective calculations of diluted weighted average common shares as their inclusion would have an antidilutive effect.

14. 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.

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, 2021	3,736,000	0.53
Granted	1,270,000	0.39
Forfeited	(382,000)	(0.54)
Expired	(120,000)	(1.50)
Outstanding as at December 31, 2022	4,504,000	0.47
Granted	2,125,000	0.76
Forfeited	(140,000)	(0.53)
Expired	(1,042,000)	(0.59)
Outstanding as at December 31, 2023	5,447,000	0.56

Details of the stock options outstanding as at December 31, 2023 are as follows:

	Options outstanding		Options vested	
Exercise price	Number	Average remaining life in years	Number	Average remaining life in years
$0.22	372,000	0.3	372,000	0.3
$0.31	1,000,000	4.2	333,334	4.2
$0.33	100,000	0.8	100,000	0.8
$0.39	1,150,000	3.9	766,667	3.9
$0.42	120,000	3.3	80,000	3.3
$0.48	800,000	3.1	733,336	3.1
$0.51	225,000	1.9	225,000	1.9
$0.53	655,000	1.6	655,000	1.6
$1.23	1,025,000	4.8	341,670	4.8
	5,447,000	3.3	3,607,007	2.8

As of December 31, 2023, there are 5,447,000 stock options outstanding (2022 – 4,504,000) with a weighted average exercise price of $0.56 (2022 - $0.47), of which 3,607,007 stock options are exercisable (2022 – 3,349,009) with a weighted average exercise price of $0.49 (2022 – $0.48).

In March 2023, 1,000,000 stock options were granted and the fair value of $0.20 per option was estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 3.2% risk free interest rate; an 88% expected volatility, which is based on historical share price volatility of the Company; no expected dividends; a grant date share price of $0.32; and an exercise price of $0.31.

In May 2023, 100,000 stock options were granted and the fair value of $0.33 per option was estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 3.8% risk free interest rate; an 89% expected volatility, which is based on historical share price volatility of the Company; no expected dividends; a grant date share price of $0.52; and an exercise price of $0.48.

In October 2023, 1,025,000 stock options were granted and the fair value of $0.87 per option was estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 4.6% risk free interest rate; an 110% expected volatility, which is based on historical share price volatility of the Company; no expected dividends; a grant date share price of $1.21; and an exercise price of $1.23.

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; an 85% expected volatility, which is based on historical share price volatility of the Company; no expected dividends; 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; an 88% expected volatility, which is based on historical share price volatility of the Company; no expected dividends; a grant date share price of $0.385; and an exercise price of $0.39.

15. Compensation expenses:

For the year ended December 31, 2023, the aggregate payroll expense was $2.3 million of salary and benefits (2022: $2.2 million) and $0.7 million of stock-based compensation expense (2022: $0.3 million). Key management comprises the executive officers and directors of the Company. Key management's compensation was comprised of $0.8 million of salary and benefits (2022: $0.8 million) and stock-based compensation expense of $0.5 million (2022: $0.2 million). In the event of termination or change of control, members of key management (excluding directors) are each entitled to two years' annual compensation.

16. Finance income and expense:

For the year ended December 31 (000's)	**2023**	**2022**
Finance income:		
Grant funding (Note 10)	-	110
Interest income on bank deposits	188	32
Other	5	-
	193	142
Finance expenses:		
Accretion of provisions	(54)	(182)
Interest on Loan Facility (Note 9)	(691)	-
Interest on lease liabilities (Note 11)	(17)	(4)
	(762)	(186)

17. Net monetary gain:

To measure the impact of inflation in Turkiye on its consolidated financial position and operating results, the Company has elected to use the Turkish consumer price index ("Turkish CPI") as published by the Turkish Statistical Institute "TURKSTAT". The value of the Turkish CPI at December 31, 2023 was 1,859 (2022 – 1,128) and the movement in the Turkish CPI for the year ended December 31, 2023 was 731 (2022 – 442), an increase of approximately 65% (2022 – 64%). For the year ended December 31, 2023, the Company recognized a net monetary gain of $1.0 million to restate transactions into a measuring unit current as of December 31, 2023 (2022 - $0.6 million).

18. 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 income tax rates for Canada to the Company's loss before taxes. The difference results from the following items:

For the year ended December 31 (000's)	2023	2022
Loss before income taxes	(11,392)	(3,064)
Statutory income tax rate	23.0%	23.0%
Computed income tax recovery	(2,620)	(705)
Effect on taxes of:		
Change in unrecognized deferred tax assets	1,891	1,038
Non-deductible expenses / non-taxable income	352	(937)
Non-deductible share-based compensation	168	65
Foreign tax rate differentials	259	479
Other	(50)	60
Income tax expense	-	-

The Company assessed the probability that future taxable profit will be available against which the Company can utilize the benefits of certain tax pools and no deferred tax assets were recognized on the consolidated statement of financial position for the following deductible temporary differences:

As at December 31 (000's)	2023	2022
Property and equipment	1,317	3,615
Income tax losses	63,233	51,278
Other	3,143	1,954
Total deductible temporary differences	67,693	56,847

For income tax purposes, the Company has losses carried forward as at December 31, 2023 which may be used to reduce future years' taxable income. In Canada, the Company has $50.1 million of losses carried forward which expire between 2027 and 2043; in the United States, $4.4 million which expire between 2028 and 2042; in the Netherlands, $6.5 million which can be carried forward indefinitely; in Turkey, $0.9 million which expire between 2024 and 2028; and in Kazakhstan, $1.2 million which expire in 2032 and 2033.

19. 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.

In July 2023, the Company was awarded an exploration license for lithium mining by the Government of Kazakhstan and became responsible for contractual work commitments of $0.2 million per annum during the first three years and $0.3 million per annum during the final three years of the six-year 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.

20. 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 contractual obligations. The maximum exposure to credit risk at year end is as follows:

Carrying amounts as at December 31 (000's)	**2023**	**2023**
Cash and cash equivalents	5,043	3,751
Trade and other receivables	21	353
Other long term assets	269	417
	5,333	4,521

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, 2023 and 2022, sales of natural gas and related receivables were sold to one single customer and therefore is subject to concentration risk. As at December 31, 2023, the single gas marketer represented 79% of outstanding trade receivables (December 31, 2022: 85%).

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, 2023 and concluded that no allowance for expected credit losses is required as all amounts have either been collected to date or have been assessed by management as fully collectable.

Liquidity risk and capital management

Liquidity risk is the risk the Company will encounter difficulty in meeting financial obligations and commitments and repaying liabilities as they fall due. The Company's objective is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due. The Company requires liquidity mainly to satisfy financial obligations and operating requirements related to activities in Kazakhstan, Turkiye and Uzbekistan (Note 23(a)). The Company looks to manage liquidity by adjusting 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. Managing the Company's obligations will require using a combination of cash on hand, funds from operating activities, securing funding from debt or equity financing, disposing of assets or making other arrangements. While the Company believes it has sufficient resources to manage these obligations for the next year, there is no assurance over the longer term that the Company will be successful with these initiatives and the outcome of these matters is uncertain.

At December 31, 2023, the Company had accumulated losses of $219.4 million since inception (December 31, 2022 – $208.0 million). For the year ended December 31, 2023, the Company reported a net loss of $11.4 million (2021: $3.1 million) and cash used in operating activities of $5.4 million (2022 – $3.2 million). The Company's working capital balance has increased from $2.4 million as at December 31, 2022 to $3.6 million as at December 31, 2023, primarily as a result of completing the Loan Facility discussed in Note 9. The Company raised additional debt financing on March 22, 2024 of $6.3 million (Note 23(b)) after deducting estimated debt issue costs of $0.2 million.

To manage capital expenditures and operating cashflows, annual 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**
As at December 31, 2023			
Accounts payable and accrued liabilities	680	-	680
Loan facility	607	7,333	7,940
Lease liabilities	42	88	130
As at December 31, 2022			
Accounts payable and accrued liabilities	1,626	-	1,626
Lease liabilities	93	99	192

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 and their impact on the future performance of the business. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices. Derivative instruments may be used to reduce exposure to these risks.

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, a significant portion of the Company's cash and cash equivalents are held in USD and the Company's Loan Facility is denominated in USD. In general, an increase in the value of the Canadian dollar as compared to the TRL will reduce the prices received by the Company for its natural gas sales. The Company had no forward exchange rate contracts in place as at or during the years ended December 31, 2023 and 2022.

During the year ended December 31, 2023, the CAD appreciated from $1.35 per $1.00 USD to $1.32 per $1.00 USD, the KZT appreciated from 462.65 per 1.00 USD to 454.56 per $1.00 USD, and the TRL depreciated from 18.70 per $1.00 USD to 29.40 per $1.00 USD, which led to a foreign exchange gain of $0.2 million (2022 – $0.2 million) related mainly to USD denominated cash and cash equivalents held by the Company.

During the year ended December 31, 2023, the KZT depreciated from 341.51 per $1.00 CAD to 343.09, and the TRL depreciated from 13.73 per $1.00 CAD to 22.23 per $1.00 CAD, resulting in a $0.5 million foreign currency translation loss adjustment through equity (2022 – $0.4 million).

A $0.01 change in the Canadian dollar to U.S. dollar exchange rate at December 31, 2023 would have changed profit or loss by $0.08 million (2022: $0.05 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Interest rate risk is the risk that the value of the financial instrument or future cash flows associated with the financial instrument will fluctuate as a result of changes in market interest rates. The Company's Loan Facility bears fixed-rate interest at 9.0% per annum to be paid quarterly in arrears and its value is exposed to interest rate risk from changes in market interest rates. The Company had no risk management contracts that would be affected by interest rates in place as at December 31, 2023 and 2022.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. 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 may also affect the value of the oil and gas properties, the level of spending for exploration and development and the Company's ability to raise capital. Most 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 as at or during the year ended December 31, 2023 or 2022.

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.

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, 2023 and 2022, due to their short term to maturity. The Loan Facility is classified as Level 2 within the fair value hierarchy, and the fair value of the non-current principal amount of $7.3 million as at December 31, 2023 is estimated as $7.2 million (2022 – $Nil).

21. Supplementary cash flow information:

For the year ended December 31, 2023, the Company received interest income of $0.2 million (2022 – $0.03 million), paid interest expense of $0.2 million (2022 – $Nil) on the Loan Facility (Note 9) and did not pay any income tax in 2023 or 2022.

22. 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
As at December 31, 2023				
Exploration and evaluation assets	-	283	-	283
Property, plant and equipment	166	464	8	638
Total assets	4,842	1,528	399	6,769
Total liabilities	6,779	743	1,780	9,302
As at December 31, 2022				
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

Segmented information (000's)	Corporate	Kazakhstan	Turkiye	Total
For the year ended December 31, 2023				
Exploration and evaluation expenditures	-	284	-	284
Property, plant and equipment expenditures	36	4	175	215
Revenue				
Natural gas and condensate sales	-	-	643	643
Royalties	-	-	(91)	(91)
Total revenue	-	-	552	552
Expenses				
Production costs	-	-	821	821
Transportation and selling	-	-	19	19
General and administrative	3,963	747	321	5,031
Exploration and evaluation	-	-	3,298	3,298
Depletion and depreciation	118	373	1,078	1,569
Oil and gas property impairment	-	-	1,206	1,206
Stock based compensation	732	-	-	732
Finance income	(168)	(13)	(12)	(193)
Finance expense	708	-	54	762
Foreign exchange gain	(79)	(3)	(69)	(151)
Other (income) expense	-	48	3	51
Gain on property, plant and equipment sales	-	(199)	-	(199)
Net monetary gain	-	-	(1,002)	(1,002)
Net loss	(5,274)	(953)	(5,165)	(11,392)
For the year ended December 31, 2022				
Property, plant and equipment expenditures	207	-	1,785	1,992
Revenue				
Natural gas and condensate sales			3,607	3,607
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	(129)	-	(13)	(142)
Finance expense	4	-	182	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)	(3,828)	(452)	1,216	(3,064)

23. Subsequent events:

a) On January 30, 2024, the Company entered into a production enhancement contract (the "PEC Project") with the Government of Uzbekistan to increase the production and overall recovery rates from an integrated cluster of eight conventional natural gas-condensate fields in the Country and commenced operations on March 1, 2024.

b) On March 22, 2024, the Company issued convertible debentures (the "Debentures") convertible into 2,950,336 common shares for gross proceeds of USD $4.8 million (CAD $6.5 million). Debt issue costs are estimated at CAD $0.2 million. The Debentures are unsecured, bear interest at 9.0% payable in cash semi-annually in arrears, mature in three years, and the principal amount is convertible at any time on or before the maturity date at a conversion price of USD $1.61676 per common share. The Debentures, and any shares issued upon conversion, cannot be sold or transferred without an exemption from applicable securities laws for four months and a day after March 22, 2024. After the initial four month and a day hold period, the Company can force conversion of the Debentures if the 20-day volume weighted average trading price of the Company's shares on the TSX exceeds CAD $3.00. The proceeds are available for general corporate purposes. The Debentures have no associated financial covenants.

c) Subsequent to December 31, 2023, 40,000 stock options were exercised for proceeds of $0.01 million and 66,668 Loan Warrants were exercised for proceeds of $0.03 million.