Condor Energies Inc

# Interim Condensed Consolidated Financial Statements

## For the three months ended March 31, 2024 and 2023

## (Unaudited)

## Condor Energies Inc.

Consolidated Statements of Financial Position (Unaudited)
Stated in thousands of Canadian dollars

| As at | Note | March 31, 2024 | December 31, 2023 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 8,796 | 5,043 |
| Trade and other receivables | 16 | 8,147 | 21 |
| Other current assets | 2 | 555 | 515 |
| Total current assets | | 17,498 | 5,579 |
| Exploration and evaluation assets | 3 | 315 | 283 |
| Property, plant and equipment | 4 | 11,885 | 638 |
| Other long-term assets | 5 | 271 | 269 |
| Total assets | | 29,969 | 6,769 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | | 4,745 | 680 |
| Current income taxes payable | | 479 | - |
| Current portion of lease liabilities | | 52 | 42 |
| Current portion of loan facility | 6 | 1,101 | 607 |
| Convertible debentures | 7 | 6,312 | - |
| Current portion of provisions | 8 | 660 | 635 |
| Total current liabilities | | 13,349 | 1,964 |
| Lease liabilities | | 75 | 88 |
| Loan facility | 6 | 5,303 | 5,416 |
| Provisions | 8 | 13,118 | 1,834 |
| Other long-term liabilities | 9 | 275 | - |
| Total liabilities | | 32,120 | 9,302 |
| **Shareholders' Equity (Deficiency)** | | | |
| Share capital | 10 | 276,825 | 276,722 |
| Contributed surplus | | 24,616 | 24,553 |
| Accumulated other comprehensive loss | | (84,285) | (84,414) |
| Deficit | | (220,634) | (219,394) |
| Deficiency attributable to Common shareholders | | (3,478) | (2,533) |
| Non-controlling interest | 11 | 1,327 | - |
| Total shareholders' deficiency | | (2,151) | (2,533) |
| Total liabilities and shareholders' deficiency | | 29,969 | 6,769 |

Commitments and contingent liabilities (Note 15)

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

## Condor Energies Inc.

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
Stated in thousands of Canadian dollars
(except for per share amounts)

| For the three months ended March 31 | Note | 2024 | 2023 |
|---|---|---|---|
| **Revenue** | | | |
| Natural gas and condensate sales | 18 | 7,373 | 411 |
| Royalties | | (1,352) | (59) |
| Total revenue | | 6,021 | 352 |
| **Expenses** | | | |
| Production costs | | 2,496 | 238 |
| Transportation and selling | | 293 | 10 |
| General and administrative | | 2,100 | 1,144 |
| Depletion and depreciation | 4 | 245 | 225 |
| Stock based compensation | 13 | 125 | 111 |
| Total expenses | | (5,259) | (1,728) |
| Finance income | 9 | 376 | 28 |
| Finance expense | | (443) | (20) |
| Foreign exchange gain (loss) | 16 | (118) | 4 |
| Net monetary gain (loss) | 14 | (7) | 526 |
| Income (loss) before income taxes | | 570 | (838) |
| Current income tax expense | | (479) | - |
| Net income (loss) | | 91 | (838) |
| *Items that may be reclassified to profit or loss:* | | | |
| Foreign currency translation adjustment | | 125 | (74) |
| Comprehensive income (loss) | | 216 | (912) |
| **Net income (loss) attributable to:** | | | |
| Common shareholders | | (1,397) | (838) |
| Non-controlling interest | 11 | 1,488 | - |
| | | 91 | (838) |
| **Comprehensive income (loss) attributable to:** | | | |
| Common shareholders | | (1,271) | (912) |
| Non-controlling interest | 11 | 1,487 | - |
| | | 216 | (912) |
| **Net loss per share attributable to common shareholders:** | | | |
| Basic and diluted net loss per share | 12 | (0.02) | (0.01) |

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

## Condor Energies Inc.
Consolidated Statements of Cash Flows (Unaudited)
Stated in thousands of Canadian dollars

| For the three months ended March 31 | Note | 2024 | 2023 |
|---|---|---|---|
| **Operating activities:** | | | |
| Net income (loss) | | 91 | (838) |
| Items not affecting cash: | | | |
| Depletion and depreciation | 4 | 245 | 225 |
| Stock based compensation | 13 | 125 | 111 |
| Finance expenses | | 250 | 13 |
| Unrealized foreign exchange loss (gain) | | 204 | (8) |
| Finance income | 9 | (334) | - |
| Net monetary loss (gain) | 14 | 8 | (523) |
| Cash flows from (used in) operating activities before the following items | | 589 | (1,020) |
| Other long-term assets | 5 | (2) | - |
| Decommissioning obligations settled | 8 | (29) | - |
| Other long-term liabilities | 9 | 609 | - |
| Changes in non-cash working capital | | (3,608) | (527) |
| Cash flows used in operating activities | | (2,441) | (1,547) |
| **Investing activities:** | | | |
| Exploration and evaluation expenditures | 3 | (20) | - |
| Property, plant and equipment expenditures | 4 | (109) | (9) |
| Changes in non-cash working capital | | (21) | - |
| Cash flows used in investing activities | | (150) | (9) |
| **Financing activities:** | | | |
| Proceeds from convertible debentures | 7 | 6,463 | - |
| Convertible debenture issue costs | 7 | (151) | - |
| Issue of common shares | 10 | 41 | - |
| Lease payments | | (6) | (22) |
| Cash flows from (used in) financing activities | | 6,347 | (22) |
| Net change in cash | | 3,756 | (1,578) |
| Effect of foreign exchange on cash | | (3) | (8) |
| Cash and cash equivalents, beginning | | 5,043 | 3,751 |
| Cash and cash equivalents, ending | | 8,796 | 2,165 |

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

## Condor Energies Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited)
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 | Equity (Deficiency) Attributable to Common Shareholders | Non-Controlling Interest | Total Equity (Deficiency) |
|---|---|---|---|---|---|---|---|---|
| As at December 31, 2022 | 56,164,453 | 276,543 | 21,686 | (83,930) | (208,002) | 6,297 | - | 6297 |
| Stock based compensation expense | - | - | 111 | - | - | 111 | - | 111 |
| Foreign currency translation adjustment | - | - | - | (74) | - | (74) | - | (74) |
| Net loss | - | - | - | - | (838) | (838) | - | (838) |
| As at March 31, 2023 | 56,164,453 | 276,543 | 21,797 | (84,004) | (208,840) | 5,496 | - | 5,496 |
| As at December 31, 2023 | 56,490,433 | 276,722 | 24,553 | (84,414) | (219,394) | (2,533) | - | (2,533) |
| Exercise of stock options and warrants | 106,668 | 103 | (62) | - | - | 41 | - | 41 |
| Stock based compensation expense | - | - | 125 | - | - | 125 | - | 125 |
| Foreign currency translation adjustment | - | - | - | 126 | - | 126 | (1) | 125 |
| Partial disposition of subsidiary (Note 11) | - | - | - | 3 | 157 | 160 | (160) | - |
| Net income (loss) | - | - | - | - | (1,397) | (1,397) | 1,488 | 91 |
| As at March 31, 2024 | 56,597,101 | 276,825 | 24,616 | (84,285) | (220,634) | (3,478) | 1,327 | (2,151) |

The accompanying notes are an integral part of these interim condensed 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 Kazakhstan ("Kazakhstan") and the Republic of Turkiye ("Turkiye"). The Company's registered office is 1810, 500 – 4 Avenue S.W., Calgary, Alberta, Canada, T2P 2V6.

The interim condensed consolidated financial statements (the "financial statements") of the Company as at March 31, 2024 and for the three months ended March 31, 2024 and 2023 comprise the Company and its subsidiaries. These financial statements were approved and authorized for issue on May 15, 2024 by the Board of Directors.

*Nature of operations:*

On January 30, 2024, Condor entered into a production enhancement services contract with a national holding company of Uzbekistan to increase the production and overall recovery rates from an integrated cluster of eight conventional natural gas-condensate fields in Uzbekistan (the "PEC Project"). The Company, through its local subsidiary, commenced operations of the PEC Project on March 1, 2024. Natural gas and condensate produced in Uzbekistan is supplied to the domestic market through sales agreements with national companies of Uzbekistan. Condor is responsible for all costs of the PEC Project, and in exchange for performing its services, the Company receives a percentage of revenues less prescribed royalties realized from the PEC Project. The term of the PEC Project is twenty years.

The Company has a 100% interest in and operates an exploration license in Kazakhstan for mining solid minerals, including lithium (the "Lithium Mining License"). The license is valid for six years from July 2023 to July 2029.

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'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 convertible debt financing on March 22, 2024 of $6.3 million after deducting debt issue costs of $0.2 million (Note 7). 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.

*Basis of presentation*

These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’, as issued by the International Accounting Standards Board. These financial statements do not include all of the information required in annual financial statements prepared in accordance with IFRS Accounting Standards and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023.

These financial statements are reported in Canadian dollars (“CAD”) which is the functional currency of the Company. The Company’s has a subsidiary in Uzbekistan with a USD functional currency, a subsidiary in Kazakhstan with a Kazakhstan Tenge (“KZT”) functional currency and a subsidiary in the Netherlands which has a branch in Turkey (“Turkey Branch”) with a Turkish Lira (“TRY”) functional currency.

The accounting policies used to prepare these financial statements are consistent with the material accounting policies for the year ended December 31, 2023, except for the following changes in material accounting policies:

*Non-controlling interests (“NCI”)*: Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The Company recognizes directly in equity any difference between the fair value of the consideration received or paid, and the proportionate share of the subsidiary’s assets, liabilities and other comprehensive income attributed to NCI at the date of the transaction.

*Financial instruments*: The Company accounts for its physical delivery sales contracts as executory contracts. These contracts are entered into and held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements. As such, these contracts are not considered to be derivative financial instruments and are not recorded at fair value on the consolidated statements of financial position. Settlements on these physical delivery sales contracts are recognized in revenue in the period the product is delivered to the sales point.

*Amendments to IAS 1 "Presentation of Financial Statements"*: On January 1, 2024, the Company adopted the amendments introduced to IAS 1 in relation to the classification of liabilities with covenants as current or non-current in the Statements of Financial Position, which had no impact on the Company’s financial statements.

*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 year in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying material accounting policies that have the most significant effect on the amounts recognized in the financial statements are outlined in Note 2 of Condor’s audited consolidated financial statements as at and for the year ended December 31, 2023, except for the following:

The conversion feature associated with the US dollar denominated convertible debentures (Note 7) has been identified as a derivative financial liability. Derivative financial liabilities are recorded upon recognition and subsequently at each period-end date at fair value, with changes in fair value being recognized in earnings. The fair value estimate involves assumptions regarding the probability a forced conversion will occur, the expected life of the Debentures, dividend yields, risk-free interest rates, and volatility of the Company's common shares. The fair value is measured using the Black-Scholes option pricing model, and using an alternate pricing model could produce different results.

## 2. Other current assets:

| As at (000's) | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Prepaid expenses | 325 | 387 |
| Inventory | 101 | 59 |
| Value added tax receivables | 129 | 69 |
| | 555 | 515 |

## 3. Exploration and evaluation assets:

| As at (000's) | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Opening balance | 283 | 3,302 |
| Capital expenditures | 20 | 284 |
| Change in decommissioning costs | - | 40 |
| Exploration and evaluation impairment | - | (3,298) |
| Impact of hyperinflation (Note 14) | - | 543 |
| Foreign currency translation adjustment | 12 | (588) |
| Closing balance | 315 | 283 |

E&E assets consist of the Company's exploration projects, which are pending the determination of proved or probable reserves. As at March 31, 2024, there were no impairment indicators for the Lithium Mining License in Kazakhstan, which represents the Company's remaining E&E asset.

## 4. Property, plant and equipment:

| (000's) | **Oil and gas properties** | **Other equipment** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| 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 in capital lease term | - | (95) | (95) |
| Impact of hyperinflation (Note 14) | 569 | - | 569 |
| Foreign currency translation adjustment | (1,633) | (25) | (1,658) |
| As at December 31, 2023 | 13,126 | 1,652 | 14,778 |
| | | | |
| Capital expenditures | - | 129 | 129 |
| Change in decommissioning costs | 11,198 | - | 11,198 |
| Foreign currency translation adjustment | (203) | 40 | (163) |
| As at March 31, 2024 | 24,121 | 1,821 | 25,942 |

| (000's) | Oil and gas properties | Other equipment | Total |
|---|---|---|---|
| **Accumulated depletion, depreciation and impairment** | | | |
| 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 14) | (132) | - | (132) |
| Foreign currency translation adjustment | 1,235 | 20 | 1,255 |
| As at December 31, 2023 | (13,126) | (1,014) | (14,140) |
| Depletion and depreciation | (68) | (19) | (87) |
| Foreign currency translation adjustment | 191 | (21) | 170 |
| As at March 31, 2024 | (13,003) | (1,054) | (14,057) |
| **Net book value** | | | |
| As at December 31, 2023 | - | 638 | 638 |
| As at March 31, 2024 | 11,118 | 767 | 11,885 |

Changes in decommissioning costs in Turkiye and Kazakhstan resulting from updated cost estimates, changes to estimated lives of operations and revisions to discount rates and inflation rates related to oil and gas properties are recognized immediately as depletion and depreciation expense as the related oil and gas properties have a net book value of $Nil. For the three months ended March 31, 2024 this amounted to $0.1 million in Turkiye (2023 – $0.02 million) and $0.03 million in Kazakhstan (2023 – $Nil). Total depletion and depreciation expense for the three months ended March 31, 2024 is $0.2 million (2023 - $0.2 million).

As at March 31, 2024, other equipment includes field equipment and capital inventory of $0.5 million (December 31, 2023 – $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 (December 31, 2023 - $0.1 million), accumulated depreciation of $0.02 million (December 31, 2023 - $0.01 million) and a carrying amount of $0.1 million (December 31, 2023 - $0.1 million).

There were no indicators of impairment for property, plant and equipment as at March 31, 2024.

## 5. Other long-term assets:

Other long term-assets are comprised of non-current bank deposits of $0.3 million as of March 31, 2024 (December 31, 2023: $0.3 million) and are substantially all denominated in USD and invested in special interest bearing accounts comprised of $0.2 million (December 31, 2023: $0.2 million) for decommissioning obligations in Kazakhstan, Turkiye, and Canada and $0.1 million (December 31, 2023: $0.1 million) related to the Poyraz Ridge pipeline surface access expropriation in Turkiye.

## 6. 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 are amortized over the respective terms of the loans using the effective interest method. The effective interest expense on the Loan Facility for the three months ended March 31, 2024 was $0.4 million (2023 – $Nil) and the balance of unamortized financing costs as at March 31, 2024 was $1.7 million (December 31, 2023 – $1.9 million).

As of March 31, 2024, the current portion of the Loan Facility of $1.1 million (December 31, 2023 – $0.6 million) is comprised of $0.1 million (December 31, 2023 – $0.1 million) of accrued interest payable and $1.0 million (December 31, 2023 – $0.5 million) of principal, and the non-current portion of $5.3 million (December 31, 2023 –$5.4 million) is comprised of $7.0 million (December 31, 2023 – $7.3 million) of principal less $1.7 million (December 31, 2023 –$1.9 million) of unamortized financing costs. As of March 31, 2024, the Company is in compliance with all non-financial covenants and the Loan Facility has no associated financial covenants.

## 7. Convertible debentures:

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) less debt issue costs of CAD $0.2 million for net proceeds of CAD $6.3 million. The Debentures are unsecured, bear interest at 9.0% per annum payable in cash semi-annually in arrears, mature on March 21, 2027, and the principal amount is convertible at any time at the option of the holder 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 hold period of four months and a day, the Company can force conversion of all the Debentures if the 20-day volume weighted average trading price of the Company’s common shares on the TSX exceeds CAD $3.00. The proceeds are available for general corporate purposes. As of March 31, 2024, the Company is in compliance with all non-financial covenants and the Debentures have no associated financial covenants.

The fair value of the liability component of the Debentures of USD $4.1 million (CAD $5.5 million) was determined by discounting the expected future cash flows of the interest and principal amounts using an interest rate of 16%. Financing costs allocated to the liability component of $0.15 million were recorded as a reduction against the liability. The liability component is accreted over the three-year term to the principal amount on the maturity date with a corresponding non-cash accretion charge recognized in earnings.

As the Debentures are denominated in a currency other than the Company's functional currency, the conversion feature is accounted for as an embedded derivative liability. The estimated fair value of the embedded derivative liability is USD $0.7 million (CAD $1.0 million) and its fair value will be estimated at each reporting period date with changes in fair value recognized in earnings. Financing costs allocated to the embedded derivative liability of $0.03 million were charged to earnings.

## 8. Provisions:

| As at (000's) | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Beginning non-current portion | 1,834 | 1,652 |
| Increase in liabilities | 11,198 | - |
| Change in estimates | 148 | 900 |
| Accretion expense | 58 | 54 |
| Foreign currency translation adjustment | (120) | (772) |
| Ending non-current portion | 13,118 | 1,834 |
| | | |
| Beginning current portion | 635 | 295 |
| Settlements | (29) | (25) |
| Change in estimates | 29 | 366 |
| Foreign currency translation adjustment | 25 | (1) |
| Ending current portion | 660 | 635 |

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 March 31, 2024, the estimated total uninflated and undiscounted cash flows required to settle the current and non-current liabilities are $17.4 million (December 31, 2023: $2.6 million), which are expected to be incurred between 2024 and 2043.

The net present value of the non-current decommissioning obligations is calculated with an inflation rate of 2.7% (December 31, 2023: 2.7%) and risk-free discount rate of 4.3% (December 31, 2022: 4.3%).

## 9. Other long-term liabilities:

In accordance with the terms of the PEC Project and associated agreements, the payment of certain royalties on natural gas and condensate production, which are calculated monthly, is deferred for a five-year period. These liabilities are recognized at fair value by discounting the expected future payments at the Company's estimated incremental borrowing rate of 16%. The liability is accreted over the five-year period to the principal amount on the due date with a corresponding non-cash accretion charge recognized in earnings The difference between fair value and the undiscounted payment is recorded as non-cash finance income. At March 31, 2024, the total undiscounted cash flows required to settle the liabilities are $0.6 million, which are expected to be incurred starting in March 2029.

## 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 value. As of March 31, 2024 the number of common shares issued is 56,597,101 (December 31, 2023 – 56,490,433). The common shares do not have a par value and all issued shares are fully paid.

During the three months ended March 31, 2024, 40,000 stock options were exercised for proceeds of $0.01 million and 66,668 common share purchase warrants were exercised for proceeds of $0.03 million.

As of March 31, 2024, there are 2,533,334 common share purchase warrants, each at an exercise price of $0.48 per share and exercisable into one common share of Condor, of which 255,000 expire on June 30, 2026 and 2,278,334 expire on July 14, 2026.

## 11. Non-controlling interest:

On January 9, 2024, the Company entered into a share purchase agreement ("SPA") with a third party to sell 49% of the shares of Condor Natural Gas B.V. ("CNG") for 49 Euros. CNG is the sole shareholder of the Uzbekistan subsidiary which is conducting the production enhancement services under the PEC Project. On March 1, 2024, the SPA was completed and the consideration received, and the assets, liabilities and accumulated other comprehensive income ("AOCI") transferred to the NCI is outlined in the table below:

| (000's) | |
|---|---|
| Consideration received | - |
| Carrying amount of net assets and AOCI transferred to NCI | (160) |
| Increase in equity attributable to Common shareholders | 160 |

The increase in equity attributable to owners of the Company is comprised of a decrease in deficit of $0.2 million and a decrease in AOCI of less than $0.01 million.

The following table summarizes the financial information relating to CNG and its wholly-owned Uzbekistan subsidiary, before any intra-group eliminations. The NCI is allocated 49% of the comprehensive income of CNG commencing March 1, 2024.

| **As at (000's)** | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Current assets | 8,624 | - |
| Non-current assets | 11,234 | - |
| Current liabilities | (5,037) | - |
| Non-current liabilities | (12,112) | - |
| Net assets | 2,709 | - |
| Net assets attributable to NCI | 1,327 | - |

| **Three months ended (000's)** | **March 31, 2024** | March 31, 2023 |
|---|---|---|
| Revenue | 7,212 | - |
| Expenses | (4,844) | - |
| Finance income (Note 9) | 334 | - |
| Net income | 2,702 | - |
| Other comprehensive loss | (4) | - |
| Total comprehensive income | 2,698 | - |
| Net income allocated to NCI | 1,488 | - |
| Other comprehensive loss allocated to NCI | (1) | - |
| | | |
| Cash flows used in operating activities | (569) | - |
| Cash flows used in investing activities | (116) | - |
| Cash flows from financing activities | 982 | - |
| Effect of foreign exchange on cash | (1) | |
| Increase in cash | 296 | - |

## 12. Net loss per share:

Per share amounts are calculated using a weighted average number of common shares of 56,572,192 for the three months ended March 31, 2024 (2023: 56,164,453 shares). For periods with a net loss, outstanding stock options, common share purchase warrants and convertible debentures have been excluded from the respective calculations of diluted weighted average common shares as to include would have an antidilutive effect.

## 13. 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, 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 |
| Exercised | (40,000) | (0.22) |
| Outstanding as at March 31, 2024 | 5,407,000 | 0.56 |

Details of the stock options outstanding as at March 31, 2024 are as follows:

| | Options outstanding | | Options vested | |
|---|---:|---:|---:|---:|
| Exercise price | Number | Average remaining life in years | Number | Average remaining life in years |
| $0.22 | 332,000 | 0.2 | 332,000 | 0.2 |
| $0.31 | 1,000,000 | 4.0 | 666,668 | 4.0 |
| $0.33 | 100,000 | 0.5 | 100,000 | 0.5 |
| $0.39 | 1,150,000 | 3.7 | 766,667 | 3.7 |
| $0.42 | 120,000 | 3.0 | 80,000 | 3.0 |
| $0.48 | 800,000 | 2.9 | 733,336 | 2.7 |
| $0.51 | 225,000 | 1.6 | 225,000 | 1.6 |
| $0.53 | 655,000 | 1.4 | 655,000 | 1.4 |
| $1.23 | 1,025,000 | 4.5 | 341,670 | 4.5 |
| | 5,407,000 | 3.1 | 3,900,341 | 2.7 |

As of March 31, 2024, there are 5,407,000 stock options outstanding (December 31, 2023 – 5,447,000) with a weighted average exercise price of $0.56 (December 31, 2023 - $0.56), of which 3,900,341 stock options are exercisable (December 31, 2023 – 3,607,007) with a weighted average exercise price of $0.48 (December 31, 2023 – $0.49).

## 14. Net monetary gain (loss):

To measure the impact of inflation 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 March 31, 2024 was 2,139 (March 31, 2023 – 1,270) and the movement in the Turkish CPI for the three months ended March 31, 2024 was 280 (2023 – 141), an increase of approximately 15% (2023 – 13%). For the three months ended March 31, 2024, the Company recognized a net monetary loss of less than $0.01 million to restate transactions into a measuring unit current as of March 31, 2024 (2023 – gain of $0.5 million).

## 15. 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.

## 16. 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 period end is as follows:

| Carrying amounts as at (000's) | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Cash and cash equivalents | 8,796 | 5,043 |
| Trade and other receivables | 8,147 | 21 |
| Other long-term assets | 271 | 269 |
| | 17,214 | 5,333 |

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 three months ended March 31, 2024, sales of natural gas were sold to one customer in each of Uzbekistan and Turkiye (2023 – one customer in Turkiye), and sales of condensate were sold to one customer in Uzbekistan and therefore all are subject to concentration risk. As at March 31, 2024, these three customers represented 99% of outstanding trade receivables (December 31, 2022: one customer – 79%).

Credit risk is mitigated by management’s policies and practices. Natural gas and condensate produced in Uzbekistan is supplied to the domestic market through sales agreements with national companies of Uzbekistan. For natural gas sales in Turkiye, 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 March 31, 2024 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 Uzbekistan, Kazakhstan and Turkiye. 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 March 31, 2024, the Company had accumulated losses of $220.6 million since inception (December 31, 2023 – $219.4 million). For the three months ended March 31, 2024, the Company reported a net income of $0.1 million (2023: net loss of $0.8 million) and cash used in operating activities of $2.4 million (2023 – $1.5 million). The Company’s working capital balance has increased from $3.6 million as at December 31, 2023 to $4.1 million as at March 31, 2024, primarily as a result of commencing production enhancement operations under the PEC Project in Uzbekistan.

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 consolidated statements 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 March 31, 2024 | | | |
| Accounts payable and accrued liabilities | 4,745 | - | 4,745 |
| Lease liabilities | 52 | 75 | 127 |
| Loan facility | 1,101 | 7,032 | 8,133 |
| Convertible debentures | 14 | 6,463 | 6,477 |
| Other long-term liabilities | - | 609 | 609 |
| | | | |
| As at December 31, 2023 | | | |
| Accounts payable and accrued liabilities | 680 | - | 680 |
| Loan facility | 607 | 7,333 | 7,940 |
| Lease liabilities | 42 | 88 | 130 |

*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 and condensate sales and a substantial portion of foreign activities are transacted in or referenced to foreign currencies, a significant portion of the Company's cash and cash equivalents are held in USD and the Company's Loan Facility and convertible debentures are denominated in USD. Natural gas and condensate sales in Uzbekistan are domestic sales at local market prices and natural gas sales in Turkiye are denominated in TRL. In general, an increase in the value of the Canadian dollar as compared to the USD or the TRL will reduce the prices received by the Company for its natural gas and condensate sales. The Company had no forward exchange rate contracts in place during the three months ended March 31, 2024 or the year ended December 31, 2023.

During the three months ended March 31, 2024, the CAD depreciated from 1.32 per 1.00 USD to 1.35, the KZT appreciated from 454.6 per 1.00 USD to 446.8, and TRL depreciated from 29.4 per 1.00 USD to 32.3, which led to a foreign exchange loss of $0.1 million (2023: gain of less than $0.01 million) related mainly to the USD denominated cash and cash equivalents and Loan Facility held by the Company.

During the three months ended March 31, 2024, the KZT appreciated from 343.1 per 1.00 CAD to 329.7, and the TRL depreciated from 22.2 per 1.00 CAD to 23.7, resulting in a $0.1 million translation gain adjustment through equity (2023: loss of $0.1 million).

*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 and convertible debentures both bear fixed-rate interest at 9.0% per annum to be paid quarterly in arrears and their 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 during the three months ended March 31, 2024 or the year ended December 31, 2023.

*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. The Company had no derivative commodity price contracts in place during the three months ended March 31, 2024 or the year ended December 31, 2023.

Natural gas sales in Uzbekistan are domestic sales at local market prices. Condensate sales prices in Uzbekistan are based on Brent less a discount for processing, transportation and marketing.

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 March 31, 2024 and December 31, 2023, 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 $7.0 million as at March 31, 2024 is estimated as $6.4 million (December 31, 2023 – $7.2 million). The liability component and embedded derivative liability of the convertible debentures are classified as Level 2 within the fair value hierarchy, and their fair value was determined as at March 31, 2024.

## 17. Supplementary cash flow information:

For the three months ended March 31, 2024, the Company received interest income of $0.04 million (2023 – $0.03 million), paid interest expense of $0.2 million (2023 – $Nil) on the Loan Facility and recorded estimated current income taxes of $0.5 million (2023 – $Nil).

## 18. Segmented information:

The Company has the following operating and reporting segments related to foreign subsidiaries, and presents the following segmented information:

| (000's) | Corporate | Uzbekistan | Kazakhstan | Turkiye | Total |
|---|---|---|---|---|---|
| **As at March 31, 2024** | | | | | |
| Exploration and evaluation assets | - | - | 315 | - | 315 |
| Property, plant and equipment | 156 | 11,234 | 488 | 7 | 11,885 |
| Total assets | 8,006 | 19,858 | 1,672 | 433 | 29,969 |
| Total liabilities | 13,414 | 16,067 | 829 | 1,810 | 32,120 |
| **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 |

| (000's) | Corporate | Uzbekistan | Kazakhstan | Turkiye | Total |
|---|---|---|---|---|---|
| **For the three months ended March 31, 2024** | | | | | |
| **Revenue** | | | | | |
| Natural gas sales | - | 6,566 | - | 161 | 6,727 |
| Condensate sales | - | 646 | - | - | 646 |
| Royalties | - | (1,331) | - | (21) | (1,352) |
| Total revenue | - | 5,881 | - | 140 | 6,021 |
| **Expenses** | | | | | |
| Production costs | - | 2,325 | - | 171 | 2,496 |
| Transportation and selling | - | 231 | - | 62 | 293 |
| General and administrative | 1,366 | 351 | 306 | 77 | 2,100 |
| Depletion and depreciation | 17 | 69 | 31 | 128 | 245 |
| Stock based compensation | 125 | - | - | - | 125 |
| Finance income | (39) | (334) | (1) | (2) | (376) |
| Finance expense | 385 | 40 | - | 18 | 443 |
| Finance exchange gain (loss) | 113 | 4 | 12 | (11) | 118 |
| Net monetary loss | - | - | - | 7 | 7 |
| Income (loss) before taxes | (1,967) | 3,195 | (348) | (310) | 570 |
| Current income tax expense | - | (479) | - | - | (479) |
| Net income (loss) | (1,967) | 2,716 | (348) | (310) | 91 |
| **For the three months ended March 31, 2023** | | | | | |
| **Revenue** | | | | | |
| Natural gas sales | - | - | - | 396 | 396 |
| Condensate sales | - | - | - | 15 | 15 |
| Royalties | - | - | - | (59) | (59) |
| Total revenue | - | - | - | 352 | 352 |
| **Expenses** | | | | | |
| Production costs | - | - | - | 238 | 238 |
| Transportation and selling | - | - | - | 10 | 10 |
| General and administrative | 803 | - | 188 | 153 | 1,144 |
| Depletion and depreciation | 34 | - | 2 | 189 | 225 |
| Stock based compensation | 111 | - | - | - | 111 |
| Finance income | (28) | - | - | - | (28) |
| Finance expense | 20 | - | - | - | 20 |
| Finance exchange gain | (4) | - | - | - | (4) |
| Net monetary gain | - | - | - | (526) | (526) |
| Net income (loss) | (936) | - | (190) | 288 | (838) |