



**Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017**

BUSINESS DESCRIPTION AND READER GUIDANCE

Condor Petroleum Inc. ("Condor" or the "Company") is an international oil and gas company incorporated on October 20, 2006 with activities in the Republic of Kazakhstan ("Kazakhstan") and the Republic of Turkey ("Turkey"). Additional information relating to the Company, including the Annual Information Form, is available on SEDAR at www.sedar.com.

The following Management's Discussion and Analysis ("MD&A") of Condor should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015 prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "financial statements"). This MD&A is dated March 22, 2017, the date the Condor Board of Directors approved the financial statements.

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

OVERALL PERFORMANCE

Highlights

- Production contracts for the Shoba and Taskuduk oil fields in Kazakhstan were signed in the third quarter of 2016 and commercial oil production at both fields has commenced. The combined production from these 100% owned oilfields has averaged 522 barrels per day in the three months ended December 31, 2016. Production has averaged 580 barrels per day for the past thirty days.
- Construction and procurement activities continue on the 15 MMscf/day gas processing facility for the Poyraz Ridge field. The project remains on track for gas sales to commence in mid-2017, providing access to cash flow from a region with strong domestic gas demand and pricing.
- Four Poyraz Ridge appraisal/development wells were drilled with each well encountering multiple stacked-pay intervals. Completion and testing activities are ongoing.
- Proved reserves in Turkey increased 21% to 2,089 Mboe as of December 31, 2016 from 1,720 Mboe as of December 31, 2015 and Proved plus Probable reserves in Turkey increased 4% to 3,863 Mboe as of December 31, 2016 compared to 3,703 Mboe as of December 31, 2015. Well testing results were not available prior to December 31, 2016, and accordingly have not been included in the 2016 year- end reserves. These well test results will be incorporated in future reserve determinations.
- The Company has executed a seller nominated depletion gas sales agreement for Poyraz Ridge.
- Capital expenditures for the year ended December 31, 2016 amounted to \$16.7 million (2015: \$12.1 million) and relate mainly to Poyraz Ridge field development in Turkey.

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

- Working capital (defined as current assets minus current liabilities) was \$19.4 million and the Company had no debt as of December 31, 2016.
- On January 10, 2017 the Company established a USD 10.0 million secured non-revolving credit facility (the "Credit Facility") and on February 1, 2017 received the loan proceeds (the "Loan Proceeds") from the arm's length lender. The Credit Facility bears interest at 14% and matures three years from the date the Loan Proceeds are received. The Company also issued to the lender a warrant certificate exercisable into one million common shares of Condor at \$2.35 per share on or before January 31, 2020.
- The Company recorded a net loss of \$11.9 million for the year ended December 31, 2016 (2015: \$3.3 million).

Operations

Production in Kazakhstan resumed at the Shoba oilfield in September, 2016 and at the Taskuduk oilfield in October 2016 after the respective production contracts were signed with the Government of Kazakhstan in the third quarter of 2016. For the three months ended December 31, 2016 the Company produced 48,051 barrels of oil or an average of 522 bopd and 53,954 barrels since production resumed in September 2016 (three months ended December 31, 2015: nil; year ended December 31, 2015: 28,620 barrels of oil). Performance of the two Shoba horizontal wells is exceeding expectations due to the low associated gas and water production volumes. Capital permitting, additional Shoba horizontal wells may be drilled with the intent of growing production to over 1,000 bopd.

For the year ended December 31, 2016, the net loss increased to \$11.9 million from \$3.3 million in 2015 due mainly to the foreign exchange loss of \$1.8 million in 2016 compared to \$9.9 million foreign exchange gain in 2015 stemming in each year primarily from currency fluctuations related to USD denominated cash and cash equivalents, and partially offset by deferred tax recovery of \$1.8 million in 2016 (2015: deferred tax expense of \$1.8 million). Cash used in operations amounted to \$9.2 million for year ended December 31, 2016 compared to \$9.0 million in 2015.

Capital expenditures for the year ended December 31, 2016 amounted to \$16.7 million (2015: \$12.1 million) and relates mainly to Poyraz Ridge field development in Turkey. Construction of the 15 MMscf/day Poyraz Ridge gas processing facility continues with all major gas processing equipment installed. The remaining components are expected to be delivered by April 2017, thereby reducing cost and schedule uncertainty. The inter-field gas gathering lines are currently being installed. Regulatory approvals have been received for the gas sales pipeline routing and tie-in entry point, with pipeline construction scheduled to commence in April 2017. The Company has executed a seller nominated depletion gas sales agreement for Poyraz Ridge. The project continues to target first gas by mid-2017, providing access to cash flow from a region with strong domestic gas demand and pricing.

A four well Poyraz Ridge appraisal and development drilling program was completed in January 2017 with each well encountering multiple stacked-pay intervals. Integration of the well results and the 3-D seismic has allowed the mapping of six key reservoirs that contain nine gas pools and completion and testing operations commenced in late December 2016.

Initial completions have been run on the Poyraz 3 and Poyraz 5 wells with various intervals perforated in the Gazhanedere and Sogucak formations. During the clean-up flow period of the Poyraz 3 well, gas flow was restricted by paraffin (wax) build-up, limiting the well's ability to provide stabilized measurements. The paraffin was observed in the tubing string and in surface test equipment. Similar paraffin deposits were realized during

**Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017**

initial testing of the Poyraz 5 well.

Treating paraffin by injecting chemicals downhole is a common practice. Although diesel fuel dissolves the paraffin, a chemical inhibitor has been identified that prevents the paraffin from plugging the tubing string and surface facilities. Equipment has been purchased to enable continuous downhole chemical treatment and is expected to be installed in the second quarter of 2017. Testing will resume after the chemical treatment equipment has been installed.

Poyraz West 2 is a step-out appraisal well that penetrated the southwest extension of the field. A twelve meter interval in the newly discovered upper Pre-Sogucak clastic reservoir was tested and flowed gas at a restricted rate of up to 1.8 MMscf/day. The flow rate was curtailed due to pressure rating limitations of the surface equipment. Well test data for this interval indicate variable reservoir parameters and additional flow data will be obtained before drilling additional wells into this zone. A lower Pre-Sogucak clastic reservoir was also tested and yielded formation water. A seven meter interval in the upper Gazhanedere sandstone flowed at stable rates of 300 Mscf/day. Other prospective Gazhanedere sandstone intervals have yet to be perforated.

Testing is also underway on Poyraz West 5, a well that penetrated the down-thrown fault block or "footwall" of the Poyraz Ridge field. One of the upper Gazhanedere sandstone intervals was perforated and flowed gas with no appreciable paraffin production, confirming hydrocarbon saturation in the footwall. Additional intervals are expected to be perforated to enhance flowrates from this zone. A lower Sogucak carbonate interval was also perforated that did not flow any fluids despite having mud gas shows while drilling and wireline log indicated porosity and hydrocarbons. Alternate drilling and completion techniques are being investigated for this interval.

The initial completion intervals tested on Poyraz West 2 and Poyraz West 5 have purposely been minimized to avoid potential paraffin production at this time. Once the chemical inhibitor equipment is installed and production history is obtained, additional intervals will be perforated to maintain / increase flowrates. Completion and testing activities are expected to continue into the second quarter of 2017.

Prior to first gas, well workovers are also planned on up to three previously drilled Poyraz Ridge wells (Poyraz West 1, Poyraz 2 and Poyraz 1 S/T). Poyraz West 1 was drilled in 2014 and tested the Sogucak limestone at a stabilized rate of 1.5 MMscf/day, with small associated amounts of condensate. A shallower Gazhanedere sandstone flowed at a final rate of 500 Mscf/day. Poyraz 2 and Poyraz 1 S/T were both drilled in 2013. Two Gazhanedere sandstone intervals flowed at final rates of 1.2 MMscf/day and 300 Mscf/day. Poyraz 1 S/T tested two Kirazli sandstone intervals which flowed at final rates of 1.2 MMscf/day and 375 Mscf/day. None of the three previously drilled wells produced appreciable amounts of paraffin. The planned workovers will allow the producing intervals to be comingled.

As per the development plan, an additional development well is planned to be drilled in the second quarter of 2017. Rig contracting activities are underway. Results of this well and of the ongoing tests on the Poyraz 3, Poyraz 5, Poyraz West 2 and Poyraz West 5 will help to determine if additions to the development plan are required.

The Zharkamys exploration contract ("Contract") with the Ministry of Energy of the Government of Kazakhstan ("Ministry") was due to expire on December 14, 2016. Prior to this date, the Kazakhstan Chamber of International Commerce and subsequently the Kazakhstan Civil Court ("Court") confirmed that a force majeure event had occurred under the Kazakhstan law "On Subsurface and Subsurface Use" and that the

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

Contract validity period is to be extended for a period of 630 days. On December 22, 2016, the Ministry filed an appeal to the Court's decision. On February 7, 2017, the Kazakhstan Court of Appeal ("Court of Appeal") declined to consider the Ministry's submission due to its formal non-compliance with Court of Appeal's regulations. To date, the Ministry has not approved the Contract extension and further appeals are possible. Although there is uncertainty regarding the timing of and ability to obtain the required approval from the Ministry, the Company considers that based on the Court ruling on the force majeure extension, the Company retains legal rights to explore Zharkamys until September 5, 2018. As a result, no de-recognition of the respective exploration and evaluation assets in the amount of \$57.4 million is required as of December 31, 2016.

Credit Facility

On January 10, 2017 the Company established a USD 10.0 million secured non-revolving credit facility (the "Credit Facility") and on February 1, 2017 (the "Receiving Date") received the loan proceeds from the arm's length lender. The Credit Facility bears interest at 14%, matures three years from the Receiving Date, and provides for a one year repayment holiday whereby interest for the first year is due on the first anniversary of the Receiving Date followed by eight payments of USD 1.25 million of principal plus interest due quarterly in arrears. Condor also issued to the lender a warrant certificate exercisable into one million common shares of Condor at \$2.35 per share on or before January 31, 2020. The Loan Proceeds are available to fund capital expenditures related to drilling, infrastructure and workovers at Poyraz Ridge and for general corporate purposes.

Reserves

The Company's 2016 year-end reserves were performed by the independent reserve auditors McDaniel & Associates Consultants Ltd. Gross Company reserves as of December 31, 2016 include the drilling results from the four Poyraz Ridge wells drilled during 2016. Well testing results were not available prior to December 31, 2016, and accordingly have not been included in the 2016 year- end reserves. These well test results will be incorporated in future reserve determinations. Proved reserves increased 8% to 3,658 Mboe as of December 31, 2016 from 3,377 Mboe as of December 31, 2015 and Proved plus Probable reserves increased slightly to 6,865 Mboe as of December 31, 2016 compared to 6,808 Mboe as of December 31, 2015.

Gross Company reserves as of December 31, 2016:

(Mboe)	Kazakhstan	Turkey		Total
	Oil Mbbl	Gas MMscf	Gas Mboe	Oil & Gas Mboe
Proved	1,569	12,534	2,089	3,658
Probable	1,433	10,646	1,774	3,207
Proved plus Probable	3,003	23,180	3,863	6,866
Possible	1,380	12,256	2,042	3,422
Proved plus Probable plus Possible	4,383	35,436	5,905	10,288

As per the independent evaluations of the crude oil, condensate and gas reserves of the Kazakhstan and Turkish properties as at December 31, 2016, the corresponding reserve values (NPV10 after tax) for Proved reserves is USD 27.7 million (2015: 44.1 million), for Proved plus Probable reserves is USD 63.0 million (2015: 95.2 million) and for Proved plus Probable plus Possible reserves is USD 103.8 million (2015: 163.3 million).

**Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017**

The NPV decrease is due primarily to the lower forecasted Turkish gas price (denominated in Turkish Lira), which ranges from USD 5.09/Mscf to 6.46/Mscf as of December 31, 2016 versus USD 9.00/Mscf as of December 31, 2015, which is largely impacted by the depreciation of Turkish Lira in the year ended December 31, 2016.

2017 Exploration Program

The Yakamoz 1 prospect, located 2 km north of the Poyraz Ridge field, is scheduled to be drilled in mid-2017 and represents a new sub-thrust prospect and play trend that is parallel to Poyraz Ridge. Yakamoz 1 contains all the salient petroleum system elements (multiple stacked reservoirs and intra-formational seals; source rocks and large structurally-defined trap closure) key to the generation, migration and accumulation of significant quantities of gas. The prospect is a 4-way dip closed sub-thrust fold structure and is on-trend with several other thrust-fold and sub-thrust leads in the area.

Recent drilling in the Poyraz Ridge field has proven new reservoir zones beneath the Eocene carbonates. Integration of this new well data with existing geophysical data suggests the Yakamoz prospect is positioned closer to the hydrocarbon kitchen area and along the primary migration pathway of gas and condensate charge. Reservoir characterization of the Poyraz Ridge field data also suggests the reservoirs at Yakamoz 1 are more likely to be heavily fractured as it is closer to the main deformation front.

SELECTED FINANCIAL INFORMATION

For the year ended December 31 (\$000's)	2016	2015	2014
Crude oil sales	1,532	147	2,542
Net loss from continuing operations	(11,892)	(3,318)	(10,840)
Net loss from continuing operations per share ⁽¹⁾	(0.29)	(0.10)	(0.31)
Net income from discontinued operations	-	-	34,356
Net income (loss)	(11,892)	(3,318)	23,516
Net income (loss) per share ⁽¹⁾	(0.29)	(0.10)	0.68
Capital expenditures	16,682	12,120	19,611

(1) Basic and diluted

As at December 31 (000's)			
Total assets	137,957	141,803	202,742
Total long term financial liabilities	2,980	3,105	4,184

RESULTS OF OPERATIONS

Production

Production in Kazakhstan resumed at the Shoba oilfield in September and at the Taskuduk oilfield in October after the respective production contracts were signed with the Government of Kazakhstan in the third quarter of 2016. Since production resumed in September, 2016, the Company produced 53,954 barrels of oil; 48,051 barrels or an average of 522 bopd in the three months ended December 31, 2016 (three months ended December 31, 2015: nil; year ended December 31, 2015: 28,620 barrels of oil).

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

Sales and marketing

Revenue from crude oil sales in Kazakhstan for the year ended December 31, 2016 amounted to \$1.53 million from 58,048 barrels sold at an average wellhead price of \$26.47 per barrel as compared to revenue of \$0.15 million from 17,282 barrels sold at an average price of \$8.51 per barrel in 2015.

Production costs

The Company recognized production costs of \$0.5 million for the year ended December 31, 2016 (2015: \$0.6 million). Production costs decreased to \$8.65 per barrel in 2016 from \$20.76 per barrel in 2015 due to the steady production in the fourth quarter of 2016 from the Shoba horizontal wells and production at Taskuduk following the signing of the respective production contracts and production resumption. Production costs for 2015 include \$0.3 million related to the write-down of the production cost element of crude oil inventory as part of the inventory adjustment from cost to net realizable value in the first quarter of 2015.

General and administrative expenses

General and administrative expenses increased to \$9.1 million in 2016 compared to \$8.3 million for the year ended December 31, 2015 primarily due to the Company's March 2016 acquisition of the Ortakoy Properties in Turkey and resulting increased development activities. The Company continues to focus on cost optimization and achieving synergies from leveraging existing staff.

Depletion and depreciation

For the year ended December 31, 2016, depletion and depreciation decreased to \$1.0 million from \$1.5 million for the year ended December 31, 2015 due mainly to the write-down of the depletion cost element of crude oil inventory as part of the inventory adjustment from cost to net realizable value in the first quarter of 2015.

Stock based compensation

Stock based compensation expense decreased to \$0.8 million in 2016 from \$1.0 million in the comparative year. The expense is recognized on a graded basis and fluctuates based on the timing of the grants and vesting periods.

Finance income, expense and accretion expense

For the year ended December 31, 2016, finance income, which includes interest on bank deposits and accretion of Kazakhstan value added tax receivables ("VAT"), decreased to \$0.4 million compared to \$0.7 million in 2015.

Finance expense remained at \$0.8 million for the year ended December 31, 2016 (2015: \$0.8 million). The expense includes the impact of discounting VAT receivables and accretion expense on historical cost obligations and decommissioning provisions.

Foreign exchange loss amounted to \$1.8 million in 2016 compared to the gain of \$9.9 million for the year ended December 31, 2015 due to the foreign exchange loss on USD denominated current assets, mainly cash and cash equivalents, as CAD strengthened against USD in the current year.

Deferred tax expense

Deferred tax recovery amounted to \$1.8 million for year ended December 31, 2016 compared to an expense of \$1.8 million in 2015. Movements in deferred tax liabilities and related expense or recovery arise mainly due

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

to the foreign currency translation adjustments on Condor's USD denominated intercompany loans to foreign subsidiaries and foreign exchange differences on USD cash held.

QUARTERLY INFORMATION

The following table sets forth selected financial information of the Company for the eight most recently completed quarters:

For the quarter ended (000's except per share amounts)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Crude oil sales ⁽¹⁾	1,203	72	257	-	-	44	-	103
Net income (loss) ⁽²⁾	(3,183)	(1,650)	(2,994)	(4,065)	585	(1,382)	(2,481)	(40)
Net income (loss) per share ⁽³⁾	(0.07)	(0.04)	(0.06)	(0.12)	0.02	(0.04)	(0.07)	-

(1) Prior to Q4 2016, production and sale volumes were partially constrained and inconsistent due to certain trial production and exploration period limitations, gas flaring restrictions and permitting, low prices for Kazakhstan domestic crude oil and refined crude oil products and delays experienced in executing respective production contracts for Shoba and Taskuduk.

(2) Net income (loss) in all periods has been impacted by, among other things, production and sales issues discussed in (1) above, general and administrative costs and foreign exchange gains and losses in the respective periods.

(3) Basic and diluted.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, cash and cash equivalents were \$21.5 million, and working capital was \$19.4 million. Subsequent to year end, the Company established and received the proceeds from a USD 10.0 million three-year term credit facility which provides for a one year interest and principal repayment holiday.

The Company has various work commitments related to the respective Zharkamys, Shoba and Taskuduk contracts in Kazakhstan as set forth in the "Commitments and Contingent Liabilities" section below.

The Company has sufficient capital to fund the planned exploration and operating activities for at least the next twelve months.

RELATED PARTY TRANSACTIONS

General and administration costs for the year ended December 31, 2016 include \$0.3 million (2015: \$0.2 million) of personnel services provided by affiliates of EurAsia Resource Value SE, a shareholder of the Company. The amount outstanding at December 31, 2016 was \$0.3 million (2015: \$0.1 million) and is included in accounts payable and accrued liabilities.

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

COMMITMENTS AND CONTINGENT LIABILITIES

The Company has various work commitments related to the respective Zharkamys, Shoba and Taskuduk contracts in Kazakhstan. There are no work commitments related to the Poyraz Ridge or Destan operating licenses in Turkey.

(millions)	< 1 year	1-3 years	Total
Zharkamys	-	-	-
Shoba	14.6	3.7	18.3
Taskuduk	0.7	0.4	1.1

Zharkamys work program

The Company has contractual work commitments pursuant to the Zharkamys exploration contract in Kazakhstan. These work commitments may be amended from time to time in accordance with planned exploration and development activities proposed by the Company and approved by the Government of Kazakhstan and additional amounts could be significant. In addition, any exploration period extensions or subsequent development periods may carry additional work commitments, which could be significant. Non-fulfilment of work commitments for Zharkamys could result in punitive actions including the suspension or revocation of the contract and financial work commitment shortfalls may be subject to penalties of 30% of the shortfall. No additional work commitments are expected related to the contract extension from December 14, 2016 until September 5, 2018.

Shoba and Taskuduk work programs

The Company has contractual work commitments pursuant to the Shoba and Taskuduk production contracts in Kazakhstan. These work commitments may be amended from time to time in accordance with planned development activities proposed by the Company and approved by the Government of Kazakhstan and additional amounts could be significant. Non-fulfilment of work commitments for Shoba or Taskuduk could result in punitive actions including the suspension or revocation of the respective contract in case financial work commitment fulfilment is less than thirty percent for two subsequent years. Financial work commitment shortfalls for development activities at Shoba and Taskuduk are not subject to penalties while shortfalls on the training, social development and scientific research components may be subject to penalties of 1% of the shortfall.

Other operating licenses in Turkey

As at December 31, 2016, the Company owned the rights to the H17 a2-1 and H17 b1-1 operating licenses in Turkey and each license carried a commitment to drill an exploration well. The commitment wells were not drilled and each license expired on February 19, 2017. Neither license had any associated reserves, carrying value in the financial statements or has any future commitments or obligations.

**Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017**

Other contractual obligations

The Company's other contractual obligations as at December 31, 2016 are as follows:

(000's)	< 1 year	1-3 years	4-5 years	> 5 years	Total
Accounts payable and accrued liabilities	4,526	-	-	-	4,526
Non-cancellable operating leases	245	298	305	127	975
Other long term liabilities (undiscounted)	504	1,007	1,007	2,517	5,035

OUTSTANDING SHARE DATA

Common shares

As at December 31, 2016 and the date of this MD&A there were 43,265,100 common shares of the Company issued and outstanding.

Warrants

As at December 31, 2016 there were no warrants convertible into common shares of the Company issued or outstanding. Subsequent to year end, the Company issued a warrant certificate exercisable into one million common shares of Condor at \$2.35 per share on or before January 31, 2020 and these warrants remain issued and outstanding as of the date of this MD&A.

Stock options

As at December 31, 2016, the Company had 3,394,000 stock options outstanding with a weighted average exercise price of \$2.73 per share. The Company awarded 1,025,000 stock options on May 25, 2016 that have an exercise price of \$1.33 per share which are subject to shareholder approval. The previous shareholder approval of the stock option plan expired on May 23, 2016 and the renewal of the stock option plan was approved by the shareholders during the annual general meeting of shareholders on June 23, 2016. Given the fact that options were awarded between the expiration and renewal dates of the shareholder approvals, the Company will need to obtain shareholder approval ratifying the grant at next year's shareholders' meeting in the second quarter of 2017. As employee services have commenced, the Company has recognized \$0.6 million in stock based compensation expense in the year ended December 31, 2016. Stock options subject to approval are revalued each period end and had a fair value of \$1.2 million as of December 31, 2016. The fair value of each option awarded is estimated using the Black-Scholes option pricing model assuming: a 3.5 year expected life; a 1.0% risk free interest rate; a 76% expected volatility, which has been based on historical share price volatility of the Company; 17% expected forfeiture rate; and share price of \$1.85.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements as at December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

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. Actual results could differ from those estimates as

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

future confirming events occur. Significant assumptions and estimates about the future and other sources of estimation uncertainty that management has made at the financial position reporting date that could result in a material adjustment to the carrying amount of assets and liabilities, in the event that actual results differ from assumptions made, are outlined below.

- Business combinations: the Company uses the acquisition method to account for business combinations. Assets acquired and liabilities assumed in a business combination are recorded at fair value at the time of acquisition. The determination of fair value requires the Company to make estimates, assumptions and judgments that are subject to measurement uncertainty. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities, including the fair value of property and equipment, other long-term assets and provisions. Consequently, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings, due to the impact on future depreciation and depletion expense as well as impairment tests;
- Impairment testing: estimates include volumes of recoverable reserves and resources, future commodity prices, future operating and capital costs, production profiles, discount rates, and consequently fair values of properties. A downward revision in the reserve or resource estimates or future forecast prices 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;
- Other long term assets and liabilities: estimates include the timing and amounts of future receipts and payments, discount rates and related cash flows. A change in the timing of cash flows or discount rates may impact earnings as a result of changes in finance income and expense;
- Depletion: estimates include the amount of reserve volumes and future development capital. A downward revision in the reserve or resource estimates or an upward revision to future capital may result in increased depletion and a reduction in net book value of assets if such a revision results in an accounting impairment. Depletion is charged on a unit-of-production basis over the Proved and Probable reserves for each cash generating unit and a revision in the productive capacity of the assets may result in increased depletion and a reduced net book value of assets;
- Decommissioning provisions: estimates include the amount and expected timing of asset retirements, discount and inflation rates and future cash flows. 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;
- Stock based compensation: estimates include determining appropriate share price volatility, expected lives, forfeiture rates and risk free rates;
- Deferred income tax: determining likelihood of income tax assets being realized requires estimates of future taxable income. 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 charged; and
- The Zharkamys exploration contract ("Contract") with the Ministry of Energy of the Government of Kazakhstan ("Ministry") was due to expire on December 14, 2016. Prior to this date, the Kazakhstan Chamber of International Commerce and subsequently the Kazakhstan Civil Court ("Court")

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

confirmed that a force majeure event had occurred under the Kazakhstan law "On Subsurface and Subsurface Use" and that the Contract validity period is to be extended for a period of 630 days. On December 22, 2016, the Ministry filed an appeal to the Court's decision. On February 7, 2017, the Kazakhstan Court of Appeal ("Court of Appeal") declined to consider the Ministry's submission due to its formal non-compliance with Court of Appeal's regulations. To date, the Ministry has not approved the Contract extension and further appeals are possible. Although there is uncertainty regarding the timing of and ability to obtain the required approval from the Ministry, the Company considers that based on the Court ruling on the force majeure extension, the Company retains legal rights to explore Zharkamys until September 5, 2018. As a result, no de-recognition of the respective exploration and evaluation assets in the amount of \$57.4 million is required as of December 31, 2016.

NEW ACCOUNTING PRONOUNCEMENTS

A number of new accounting standards, amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 1, 2017 and have not been applied in preparing the financial statements as of and for the year ended December 31, 2016:

"Disclosure Initiative (Amendments to IAS 7)" is mandatory effective from January 1, 2017. It includes additional disclosures for changes in liabilities arising from financing activities.

On January 13, 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "Revenue From Contracts With Customers" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach.

On July 24, 2014, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9") to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 is effective for years beginning on or after January 1, 2018.

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

On May 28, 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018. The standard may be applied retrospectively or using a modified retrospective approach.

Early adoption of these standards is permitted and the Company is currently evaluating the impact of these new standards on the financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The DC&P have been designed to provide reasonable assurance that material information relating to Condor is made known to the CEO and CFO by others and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by Condor under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and CFO are required to cause the Company to disclose any change in the Company's ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's ICFR. No changes in ICFR were identified during such period that have materially affected or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's DC&P and ICFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system will be met and it should not be expected that DC&P and ICFR will prevent all errors or fraud.

The CEO and CFO have evaluated the Company's DC&P and ICFR as at December 31, 2016 based on the framework in "Internal Control Over Financial Reporting – Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, the CEO and CFO concluded, that the Company's design and operation of DC&P and ICFR were effective as of December 31, 2016.

During the year ended December 31, 2016, there were no changes to the Company's ICFR that materially affected, or are reasonably likely to materially affect the Company's ICFR. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

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

Carrying amounts as at December 31(000's)	2016	2015
Cash and cash equivalents	21,531	50,282
Trade and other receivables	1,061	688
Other current financial assets	1,559	590
Other long term assets	9,637	8,295
	33,788	59,855

The Company limits its exposure to credit risk on cash and cash equivalents by depositing and investing in banks with investment grade credit ratings. As at December 31, 2016 the majority of cash and cash equivalents are invested with Canadian chartered banks (\$21.1 million) while \$0.2 million is held in the Netherlands, \$0.1 million is held in Kazakhstan and \$0.1 million in Turkey. The Company expects the counterparties to meet their obligations.

Trade and other receivables as at December 31, 2016 include \$0.3 million of crude oil sales receivables (December 31, 2015: \$0.6 million), which are significantly past due and relate to sales from November 2014 to January 2015. Due to disruptions in the local oil refining market during 2015 and 2016, the refinery which accepted delivery of the Company's crude oil has had cash flow interruptions and has been unable to settle their trade payables on a timely basis. Although past due, no provision for bad debts has been recorded and the Company considers the receivables fully collectible.

Other long term assets include Kazakhstan VAT receivable which may be offset against VAT collected on future domestic sales or refunded on future export sales and Turkey VAT receivable which may be offset against VAT collected on future gas sales. The Company has not made any provision and considers the amounts to be fully recoverable.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations and commitments and repaying liabilities as they fall due. The Company requires liquidity mainly to satisfy financial obligations and capital and operating requirements related to exploration activities in Kazakhstan.

In Kazakhstan, the Company has certain contractual work commitments related to exploration activities as set forth in the "Commitments and Contingent Liabilities" section above. As at December 31, 2016, the Company has sufficient capital to fund the planned exploration and operating activities for the next twelve months.

To manage capital spending, capital budgets are prepared, monitored regularly and updated as required. The Company also utilizes authorizations for expenditures to manage capital spending.

As at December 31, 2016, all current liabilities are contractually due within the next twelve months. With \$0.5 million reclassified to current liabilities, the undiscounted other long-term liabilities are expected to become due \$1.0 million in the years 2018-2019, \$1.0 in the years 2020-2021, and \$2.5 million thereafter (as at December 31, 2015: \$1.1 million for the years 2017-2018, \$1.1 million for 2019-2020, and \$2.8 million thereafter respectively).

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

Foreign currency exchange risk

The Company is exposed to significant foreign currency risk as a substantial portion of the Company's foreign activities are transacted in or referenced to foreign currencies including USD, KZT and TRY, and a significant portion of the Company's cash and cash equivalents are held in USD. The Company had no forward exchange rate contracts in place at or during the years ended December 31, 2016 and 2015.

During the year ended December 31, 2016, the CAD appreciated from 1.38 per 1.00 USD to 1.34, which led to a foreign exchange loss of (\$1.8) million (2015: gain of \$9.9 million) related to USD denominated cash and cash equivalents held by the Company.

During the year ended December 31, 2016, the KZT depreciated from 245 per 1.00 CAD to 247 and TRY depreciated from 2.18 per 1.00 CAD as of the date of Marsa acquisition to 2.62 resulting in a (\$2.4) million translation loss adjustment through equity (2015: loss of \$55.7 million).

A \$0.01 change in the Canadian dollar to U.S. dollar exchange rate at December 31, 2016 would have changed profit or loss by \$0.2 million (2015: \$0.5 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any debt as at December 31, 2016 and therefore has no current exposure to changes in interest rates, except for interest rates on cash and cash equivalents.

Commodity price risk

The Company is exposed to changes in commodity prices inherent in the oil and natural gas industry. Commodity prices for petroleum and natural gas are impacted by economic events and factors which are beyond the Company's control. Fluctuations in petroleum and natural gas prices may have a significant effect on the Company's results of operations and cash flows from operating activities and, subsequently, may also affect the value of the oil and gas properties and the level of spending for exploration and development. The majority of the Company's production is sold under short-term contracts, which exposes the Company to the risk of price movements. The Company had no forward price contracts or derivatives in place at or during the years ended December 31, 2016 or 2015.

Fair value of financial instruments

Loans and receivables include cash and cash equivalents, trade and other receivables, other current assets and other long term assets. Other financial liabilities include accounts payable and accrued liabilities, current and long term borrowings, and other long term liabilities. The fair value of cash and cash equivalents, accounts receivable, other current assets and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. The carrying value of other long term assets and other long term liabilities approximate their fair value as they are either discounted at, or carry interest incurred at certain market rates.

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

OTHER BUSINESS RISKS

In the normal course of business, the Company is exposed to a variety of risks and uncertainties. In addition to the risks associated with liquidity and capital resources, critical accounting estimates, financial instruments, credit risk and market risk described in this MD&A, the Company is exposed to various operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect future results. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, the ability to attract and retain employees and contractors on a cost-effective basis, commodity and marketing risk and seasonality. The Company is exposed to considerable risks and uncertainties including, but not limited to:

- finding oil and natural gas reserves on an economical basis;
- uncertainties related to estimating the Company's reserves;
- financial risks including access to debt or equity markets which the Company is likely dependent upon in order to fully develop the current properties;
- technical problems which could lead to unsuccessful wells, well blowouts and environmental damage;
- obtaining timely regulatory approvals;
- third party related operational risks including the ability to obtain access to wells, access to third party gathering and processing facilities, access to pipeline, railway and other transportation infrastructure;
- fluctuations in commodity prices, interest rates and foreign currency exchange rates;
- adverse factors including climate, geographical and weather conditions and labour disputes;
- timing of future debt and other obligations;
- relinquishment of land territory during and upon the completion of the exploration period;
- regulatory legislation and policies, including the fulfillment of contractual minimum work programs, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties, production restrictions, suspensions or revocations of contracts;
- changes to taxation policies, laws and interpretations thereof;
- political risks inherent with international activities and doing business in foreign jurisdictions;
- obtaining comprehensive and appropriate insurance coverage at reasonable rates; and
- obtaining approval for extensions to exploration periods, and, upon commercial discovery, negotiating and signing development contracts.

Please see the Company's Annual Information Form, filed on SEDAR (www.sedar.com) for further discussion on these risks.

RESERVES ADVISORY

This MD&A includes information pertaining to the Evaluation of Crude Oil and Natural Gas Reserves Kazakhstan and Turkey as of December 31, 2016 and the Evaluation of Crude Oil Reserves Shoba and Taskuduk West Fields, Kazakhstan as of December 31, 2015 prepared by independent reserves evaluators McDaniel & Associates Consultants Ltd. ("McDaniel") and the Reserves and Revenue Attributable to the Poyraz Ridge Field in the Thrace Basin, Turkey as of December 31, 2015 prepared by DeGolyer and MacNaughton ("D&M"). Each report was prepared by qualified reserves evaluators in accordance with definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and is based on respective McDaniel pricing effective December 31, 2016 and McDaniel and D&M pricing effective December 31, 2015. Additional reserve information as required under NI 51-101 is included in the Company's Annual Information Form filed on SEDAR.

Statements relating to reserves are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities

**Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017**

predicted or estimated. The reserve estimates described herein are estimates only. The actual reserves may be greater or less than those calculated. Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and analogy to similar types of reserves, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be material, in the estimated reserves.

References herein to barrels of oil equivalent ("boe") are derived by converting gas to oil in the ratio of six thousand cubic feet ("Mscf") of gas to one barrel of oil based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mscf to 1 barrel, utilizing a conversion ratio at 6 Mscf to 1 barrel may be misleading as an indication of value, particularly if used in isolation.

"Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved reserves.

"Probable" reserves are those additional reserves that are less certain to be recovered than Proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable reserves.

"Possible" reserves are those additional reserves that are less certain to be recovered than Probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of Proved plus Probable plus Possible reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated Proved plus Probable plus Possible reserves.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements under applicable securities legislation. Such statements are generally identifiable by the terminology used, such as "anticipate", "appear", "believe", "intend", "expect", "plan", "estimate", "budget", "outlook", "scheduled", "may", "will", "should", "could", "would" or other similar wording. Forward-looking information in this MD&A includes, but is not limited to, information concerning: the timing and ability to mature drill-ready targets; the timing and ability to obtain various approvals for the Company's exploration and development activities; the expectations, timing and costs of exploration, appraisal and development activities including the cost of drilling future wells; historical oil and gas prices may not be indicative of future oil and gas prices; the timing and ability to develop the gas reserves, construct the required infrastructure and deliver first gas; wireline log interpretations; the ability to confirm hydrocarbon saturation in the footwall; the timing and ability to apply wax production treatment measures; the timing and ability to perforate additional intervals; the timing and ability to comingle intervals; the ability to integrate the drilling results and seismic interpretation to allow mapping of key reservoirs and characterize exploration prospects; the timing and ability to conduct completion and testing operations; the ability of the drilled wells to become future gas producing wells; the timing and ability to obtain future funding on favourable terms; the timing and ability to access oil and gas pipelines and oil and gas domestic and export sales markets; the timing and ability to obtain exploration and production contract extensions; the

Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017

timing and ability to obtain the Zharkamys exploration contract extension; the potential for additional contractual work commitments; the Company's ability to meet and fund its contractual work commitments; the satisfaction of the work commitments; the results of non-fulfillment of work commitments; the expected costs and the flexibility of capital spending plans; the expectations related to future general and administrative and other expenses; projections relating to the adequacy of the Company's provision for taxes; projections and timing with respect to crude oil and gas production; production and testing results provided may not be indicative of future production rates, capabilities or ultimate recovery; the timing and ability to collect overdue accounts receivables; the timing and ability to collect VAT; and treatment under governmental regulatory regimes and tax laws.

By its very nature, such forward-looking information requires Condor to make assumptions that may not materialize or that may not be accurate. Forward-looking information is subject to known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such information. Such factors and assumptions include, but are not limited to: regulatory changes; the timing of regulatory approvals; risk that the actual minimum work program will exceed the initially estimated amount; the results of exploration and development drilling and related activities; imprecision of reserves and resources estimates, ultimate recovery of reserves, prices of oil and natural gas; the historical composition and quality of oil and gas may not be indicative of future composition and quality; general economic, market and business conditions; industry capacity; uncertainty related to production, marketing and transportation; competitive action by other companies; fluctuations in oil and natural gas prices; the ability to produce and transport crude oil and natural gas to markets; the effects of weather and climate conditions; fluctuation in interest rates and foreign currency exchange rates; the ability of suppliers to meet commitments; actions by governmental authorities, including increases in taxes; decisions or approvals of administrative tribunals and the possibility that government policies or laws may change or government approvals may be delayed or withheld; changes in environmental and other regulations; risks associated with oil and gas operations, both domestic and international; international political events; expected rates of return; and other factors, many of which are beyond the control of Condor. Capital expenditures may be affected by cost pressures associated with new capital projects, including labour and material supply, project management, drilling rig rates and availability, and seismic costs.

These factors are discussed in greater detail in filings made by Condor with Canadian securities regulatory authorities including the Company's Annual Information Form, which may be accessed through the SEDAR website (www.sedar.com).

Readers are cautioned that the foregoing list of important factors affecting forward-looking information is not exhaustive. The forward-looking information contained in this MD&A are made as of the date of this MD&A and, except as required by applicable law, Condor does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

**Condor Petroleum Inc.
Management's Discussion and Analysis
For the year ended December 31, 2016
Dated March 22, 2017**

ABBREVIATIONS

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

Mbbl	Thousands of barrels of oil
Mboe	Thousands of barrels of oil equivalent
NPV	Net present value
M	Thousand
MM	Million
scf	Standard cubic feet
bopd	Barrels of oil per day
CAD	Canadian dollars
USD	United States dollars
%	Percent