



**Management's Discussion and Analysis  
For the three and six months ended June 30, 2019  
Dated August 13, 2019**

**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 its Annual Information Form for the year ended December 31, 2018, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The following Management's Discussion and Analysis ("MD&A") of Condor should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019 and 2018, and the audited consolidated financial statements for the years ended December 31, 2018 and 2017 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board. This MD&A is dated August 13, 2019, the date the Condor Board of Directors approved the Financial Statements.

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

**NON-GAAP FINANCIAL MEASURES**

The Company refers to "operating netback" in this MD&A, a term with no standardized meaning as prescribed by GAAP and which may not be comparable with similar measures presented by other issuers. This additional information should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP. Operating netback is calculated as sales less royalties, production costs and transportation and selling on a dollar basis and divided by the sales volume for the period on a per barrel of oil equivalent basis. The reconciliation of this non-GAAP measure is presented in the "Sales and operating netback" section of this MD&A. This non-GAAP measure is commonly used in the oil and gas industry to assist in measuring operating performance against prior periods on a comparable basis and has been presented in order to provide an additional measure to analyze the Company's sales on a per barrel of oil equivalent basis and ability to generate funds.

**OVERALL PERFORMANCE**

**Highlights**

- Oil production in Kazakhstan increased 54% to an average of 596 bopd for the three months ended June 30, 2019 compared to 388 bopd for the second quarter of 2018 due to a three well Shoba infill drilling program and an ongoing workover program. Total production decreased 24% to an average of 889 boepd for the three months ended June 30, 2019 compared to 1,173 boepd for the second quarter of 2018 due mainly to gas production declines in Turkey.
- Realized crude oil and natural gas sales of \$3.4 million for the three months ended June 30, 2019 which represents a decrease of 30% versus the second quarter of 2018.

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- Realized an operating netback<sup>1</sup> of \$2.3 million or \$28.45 per boe for the second quarter of 2019 which represents a 26% decrease from \$3.2 million and a 1% decrease from \$28.81 per boe, respectively, for the second quarter of 2018.
- Generated cash from operating activities of \$1.1 million or \$0.03 per basic share for the three months ended June 30, 2019 versus cash from operating activities of \$1.7 million or \$0.04 per basic share for the same period in 2018.
- The Sh-14 horizontal development well has been drilled in Kazakhstan and is currently being tied-in to begin producing in August 2019. A five well workover program is also underway.
- The reference natural gas sales prices in Turkey set by BOTAŞ, the state owned pipeline transportation company, were increased in both July and August of 2019 resulting in an overall increase of 6% in Canadian Dollar terms to \$10.52 per Mscf as of August 1, 2019 from \$9.91 per Mscf as of December 31, 2018.
- A non-binding letter of intent and term sheet has been executed with a farm-in partner to drill the Yakamoz 1 side-track well in Turkey during 2019.
- The Company has submitted an extension application to the Ministry of Energy of the Government of Kazakhstan ("Ministry") and expects the exploration period to the Zharkamys Contract will be extended by 630 days commencing in 2019.

## **Operations**

The Company produces crude oil in Kazakhstan and natural gas and associated condensate in Turkey. Overall production for the three months ended June 30, 2019 decreased 24% to 80,920 boe or an average of 889 boepd from 106,758 boe or an average of 1,173 boepd for the same period in 2018. The production decreases in 2019 are a result of gas production declines in Turkey due to greater variability in reservoir quality and continuity. The 2019 workover and infill drilling programs are expected to increase the overall production rate.

Oil production in Kazakhstan increased 54% to 54,223 barrels or an average of 596 bopd with an operating netback<sup>1</sup> of \$27.94 per barrel in Kazakhstan for the second quarter of 2019 as compared to the second quarter of 2018 in which the Company produced 35,268 barrels or an average of 388 bopd with an operating netback<sup>1</sup> of \$23.72 per barrel.

Since July 1, 2019, Kazakhstan production has averaged 612 bopd. An additional Shoba development well was successfully drilled and has a 439 meter horizontal section. The well is being tied-in and expected to begin production in August 2019 to further grow oil production and cash flows. A five well workover program is also underway. The Company expects to exceed 800 bopd once the workover program is complete.

The Company produced 26,331 boe in Turkey or an average of 289 boepd and received an operating netback<sup>1</sup> of \$29.62 per boe for the three months ended June 30, 2019 (three months ended June 30, 2018: produced 70,092 boe or an average of 770 boepd and an operating netback<sup>1</sup> of \$30.52 per boe). A stimulation workover program is being developed that is intended to realize commercial gas flow rates for the lower permeability reservoirs.

Contract preparations are on-going with a farm-in partner to drill the Yakamoz 1 side-track well and a subsequent appraisal well. A non-binding letter of intent and term sheet has been signed by both parties. The Company previously drilled Yakamoz 1 and encountered numerous gas shows while drilling. A revised

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geological model has been created by integrating the Yakamoz 1 well data with recently reprocessed seismic data and has identified up-dip targets for the side-track. These side-track locations target both the proven Miocene and Upper Eocene reservoirs, in addition to the deeper Middle to lower Eocene reservoirs, which have not yet been tested. A successful Yakamoz 1 side-track well would be tied 2km into the existing Poyraz Ridge gas plant for processing and onward sales.

Cash from operating activities decreased to \$1.1 million for the three months ended June 30, 2019 versus \$1.7 million for the same period in 2018 and cash from operating activities before changes in non-cash working capital decreased to \$0.6 million for the three months ended June 30, 2019 from \$1.6 million for the same period in 2018.

**Zharkamys Contract**

The Company's Zharkamys Contract was due to expire on December 14, 2016. Prior to this date, the Kazakhstan Chamber of International Commerce and subsequently the Kazakhstan Civil Court ("Civil Court") confirmed that a force majeure event had occurred which, under Kazakhstan subsurface use law, can be the basis for the Zharkamys Contract validity period to be extended for a period of 630 days. In May 2017, the Kazakhstan Court of Appeal ("Court of Appeal"), pursuant to an appeal filed by the Ministry, ruled that the force majeure event was not recognized and reversed the decision of the Civil Court. The Company referred the case to the Kazakhstan Supreme Court ("Supreme Court") and in November 2017 the Supreme Court ruling overturned both the Civil Court and the Court of Appeal rulings and referred the case back to the Civil Court for further review by a new panel of judges. In March 2018 the Civil Court ruling confirmed that the force majeure event had occurred. In April 2018 the Ministry appealed the Civil Court ruling and in May 2018 the Court of Appeal upheld the Civil Court ruling that the force majeure event had occurred. The Ministry did not appeal to the Supreme Court within the six months permitted by Kazakhstan law. The Company has submitted an application to the Ministry for the 630 day extension and expects the exploration period to the Zharkamys Contract to be extended during 2019.

**SELECTED FINANCIAL INFORMATION**

**For the three months ended June 30**

(\$000's except per share amounts)	<b>2019</b>	<b>2018</b>
Sales	3,372	4,803
Cash from operating activities	1,127	1,726
Cash from operating activities per share (basic and diluted)	0.03	0.04
Net loss	(1,371)	(5,214)
Net loss per share (basic and diluted)	(0.03)	(0.12)
Capital expenditures	140	1,507

**For the six months ended June 30**

(\$000's except per share amounts)	<b>2019</b>	<b>2018</b>
Sales	7,064	9,755
Cash from operating activities	2,640	3,781
Cash from operating activities per share (basic and diluted)	0.06	0.09
Net loss	(2,602)	(6,017)
Net loss per share (basic and diluted)	(0.06)	(0.14)
Capital expenditures	174	1,757

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**RESULTS OF OPERATIONS**

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

**For the three months ended June 30**

(\$000's)	2019				2018			
	Oil	Gas	Condensate	Total	Oil	Gas	Condensate	Total
Sales	2,076	1,296	-	3,372	1,596	2,942	265	4,803
Royalties	(30)	(161)	-	(191)	(29)	(354)	(32)	(415)
Production costs	(465)	(260)	-	(725)	(407)	(408)	(12)	(827)
Transportation and selling	-	(131)	-	(131)	(233)	(106)	(62)	(401)
Operating netback <sup>1</sup>	1,581	744	-	2,325	927	2,074	159	3,160
<b>(\$/boe)</b>								
Sales	36.68	51.59	-	41.26	40.83	43.28	102.61	43.80
Royalties	(0.53)	(6.41)	-	(2.34)	(0.74)	(5.21)	(12.31)	(3.79)
Production costs	(8.21)	(10.35)	-	(8.87)	(10.42)	(5.99)	(4.80)	(7.54)
Transportation and selling	-	(5.21)	-	(1.60)	(5.95)	(1.56)	(24.10)	(3.66)
Operating netback <sup>1</sup>	27.94	29.62	-	28.45	23.72	30.52	61.40	28.81
Sales volume (boe)	56,604	25,123	-	81,727	39,090	67,999	2,581	109,670

**For the six months ended June 30**

(\$000's)	2019				2018			
	Oil	Gas	Condensate	Total	Oil	Gas	Condensate	Total
Sales	3,887	3,078	99	7,064	2,940	6,550	265	9,755
Royalties	(56)	(378)	(13)	(447)	(54)	(787)	(32)	(873)
Production costs	(885)	(537)	(7)	(1,429)	(764)	(815)	(12)	(1,591)
Transportation and selling	-	(252)	(20)	(272)	(400)	(249)	(62)	(711)
Operating netback <sup>1</sup>	2,946	1,911	59	4,916	1,722	4,699	159	6,580
<b>(\$/boe)</b>								
Sales	37.44	54.27	98.90	43.73	39.96	43.33	102.61	42.92
Royalties	(0.54)	(6.66)	(12.99)	(2.77)	(0.73)	(5.21)	(12.31)	(3.84)
Production costs	(8.52)	(9.47)	(6.99)	(8.85)	(10.39)	(5.39)	(4.80)	(7.00)
Transportation and selling	-	(4.44)	(19.98)	(1.68)	(5.43)	(1.65)	(24.10)	(3.13)
Operating netback <sup>1</sup>	28.38	33.70	58.94	30.43	23.41	31.08	61.40	28.95
Sales volume (boe)	103,816	56,719	1,001	161,536	73,573	151,162	2,581	227,316

<sup>1</sup> Operating netback is a non-GAAP measure and is a term with no standardized meaning as prescribed by GAAP and may not be comparable with similar measures presented by other issuers. See "Non-GAAP Financial Measures" in this MD&A. The calculation of operating netback is aligned with the definition found in the Canadian Oil and Gas Evaluation Handbook.

Total sales decreased to \$3.4 million on 81,727 boe or \$41.26 per boe for the three months ended June 30, 2019 (2018: \$4.8 million on 109,670 boe or \$43.80 per boe) and decreased to \$7.1 million on 161,536 boe or \$43.73 per boe for the six months ended June 30, 2019 (2018: \$9.8 million on 227,316 boe or \$42.92 per boe). Overall sales have decreased for 2019 to date versus the same respective periods in 2018 due mainly

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to the decrease in natural gas production and sales in Turkey but partially offset by stronger realized gas prices in Turkey and higher crude oil production and sales volumes in Kazakhstan.

Operating netbacks<sup>1</sup> increased on crude oil sales in Kazakhstan to \$1.6 million or \$27.94 per barrel for the three months ended June 30, 2019 from \$0.9 million or \$23.72 per barrel in 2018 and increased to \$2.9 million or \$28.38 per barrel for the six months ended June 30, 2019 from \$1.7 million or \$23.41 per barrel in 2018 due mainly to higher crude oil production and sales volumes and lower transportation costs.

In Turkey, operating netbacks on gas sales decreased to \$0.7 million or \$29.62 per boe in the three months ended June 30, 2019 from \$2.1 million or \$30.52 per boe in 2018 and decreased to \$1.9 million or \$33.70 per boe for the six months ended June 30, 2019 from \$4.7 million or \$31.08 per boe in 2018 due mainly to decreased gas production and sales as well as an increase in production costs and transportation costs per boe although realized gas prices increased to \$51.59 per boe for the three months ended June 30, 2019 from \$43.28 in 2018 and increased to \$54.27 per boe for the six months ended June 30, 2019 from \$43.33 in 2018.

Overall operating netbacks decreased to \$4.9 million for the six months ended June 30, 2019 from \$6.6 million in 2018 due mainly to lower gas sales volumes in Turkey while netbacks per boe increased to \$30.43 in 2019 from \$28.95 in 2018 due mainly to lower transportation costs in Kazakhstan and higher realized gas prices in Turkey as discussed above.

### **Marketing**

Crude oil sales in Kazakhstan to date have been in the domestic market at prevailing local prices. The crude oil is either sold at the wellhead or trucked to near-by refineries. The Government of Kazakhstan does not set a domestic price for crude oil and there is no industry accepted reference price. The domestic price is influenced by market factors and industry conditions and while it usually trends similar to world oil prices (e.g. Brent or Urals Med), there is no set differential.

Natural gas sales in Turkey 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 Turkey is BOTAS Level 2 wholesale tariffs less a marketing differential.

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

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

### **Royalties**

Royalties decreased to \$0.4 million for the six months ended June 30, 2019 from \$0.9 million for the same period in 2018 due mainly to the decrease in gas sales in Turkey. The Company is subject to progressive royalty rates in Kazakhstan which amounted to 1.4% of sales in 2019 (2018: 1.8%) and a flat royalty rate in Turkey of 12.5% of sales.

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**Production**

<b>For the three months ended Jun 30</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>Change %</b>
Crude oil (bbl)	54,223	35,268	18,955	54%
Natural gas (Mcf)	157,987	420,551	(262,564)	(62%)
Natural gas (boe)	26,331	70,092	(43,761)	(62%)
Condensate (bbl)	366	1,398	(1,032)	(74%)
Total production volume (boe)	80,920	106,758	(25,838)	(24%)

Crude oil (bopd)	596	388	208	54%
Natural gas (Mcfpd)	1,736	4,621	(2,885)	(62%)
Natural gas (boepd)	289	770	(481)	(62%)
Condensate (bopd)	4	15	(11)	(73%)
Average daily production (boepd)	889	1,173	(284)	(24%)

<b>For the six months ended Jun 30</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>Change %</b>
Crude oil (bbl)	105,575	73,178	32,397	44%
Natural gas (Mcf)	355,741	934,998	(579,257)	(62%)
Natural gas (boe)	59,290	155,833	(96,543)	(62%)
Condensate (bbl)	828	3,314	(2,486)	(75%)
Total production volume (boe)	165,693	232,325	(66,632)	(29%)

Crude oil (bopd)	583	404	179	44%
Natural gas (Mcfpd)	1,965	5,166	(3,201)	(62%)
Natural gas (boepd)	328	861	(533)	(62%)
Condensate (bopd)	5	18	(13)	(72%)
Average daily production (boepd)	915	1,283	(368)	(29%)

The Company produces crude oil in Kazakhstan and natural gas and associated condensate in Turkey. Overall production for the three months ended June 30, 2019 decreased 24% to 80,920 boe or an average of 889 boepd from 106,758 boe or an average of 1,173 boepd in 2018. Although oil production in Kazakhstan increased 44% for the six months ended June 30, 2019 compared to the same period in 2018, overall production decreased 29% mainly due to the 62% decrease in natural gas production in Turkey.

**Production costs**

Overall production costs increased to \$8.87 per boe for the three months and to \$8.85 per boe for the six months ended June 30, 2019 from \$7.54 per boe for the three months and \$7.00 per boe for the six months ended June 30, 2018. Costs increased per boe due mainly to the decrease in natural gas production and sales volume in Turkey for which production costs are mainly fixed costs and amounted to \$9.47 per boe for the six months ended June 30, 2019 versus \$5.39 per boe in 2018 while production costs in Kazakhstan decreased to \$8.52 per boe for the six months ended June 30, 2019 from \$10.39 per boe in 2018.

In line with decreased gas sales volumes, overall production costs decreased to \$1.4 million for the six months ended June 30, 2019 from \$1.6 million in 2018. Production costs are comprised mainly of fuel, heavy equipment, personnel, chemicals, water disposal, safety and maintenance costs.

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**Transportation and selling expense**

Transportation and selling expense decreased to \$0.3 million for the six months ended June 30, 2019 from \$0.7 million in 2018 due mainly to the change in the delivery point for crude oil sales in Kazakhstan and to lower gas sales volumes. During the first half of 2018, crude oil in Kazakhstan was delivered by truck to nearby refineries whereas in the first half of 2019 the Company made wellhead sales at the Company's facilities in the Shoba and Taskuduk oilfields. Although wellhead sales provide lower realized sales prices, there are no associated transportation and selling expenses and result in higher operating netbacks per barrel.

In Turkey, transportation costs on gas sales are comprised of pipeline transmission fees and compressed natural gas trucking costs on Destan sales and on condensate sales are comprised of trucking, blending, storage and loading costs.

**General and administrative expense**

General and administrative expenses are comprised mainly of personnel, professional services, office, and travel costs and decreased to \$1.6 million for the three months ended June 30, 2019 from \$1.8 million for the same period in 2018 and decreased to \$3.0 million for the six months ended June 30, 2019 from \$3.3 million for the same period in 2018 due to cost cutting measures.

**Depletion and depreciation expense**

Depletion and depreciation expense decreased to \$1.3 million for the three months ended June 30, 2019 from \$1.6 million for the same period in 2018 and decreased to \$2.5 million for the six months ended June 30, 2019 from \$3.4 million for the same period in 2018 due mainly to the decreased gas production and sales volume and increased slightly to \$15.58 per boe for the six months ended June 30, 2019 from \$14.90 per boe in 2018.

**Stock based compensation expense**

Stock based compensation expense decreased to \$0.1 million for the six months ended June 30, 2019 from \$0.2 million for the same period in 2018. The expense is recognized on a graded basis and fluctuates based on the timing of the grants and vesting periods.

**Finance income and expense**

For the six months ended June 30, 2019, finance income, which includes interest income and accretion of Kazakhstan value added tax ("VAT") receivables, amounted to \$0.2 million compared to \$0.3 million in 2018.

Finance expense remained about the same for the six months ended June 30 at \$1.3 million in 2019 compared to \$1.4 million in 2018. Finance expense includes interest on long term borrowings, amortization of loan issuance costs, amortization of warrants, interest expense related to lease liabilities, the impact of VAT receivables discounting, accretion expense on historical cost obligations and accretion cost on decommissioning provisions.

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**Foreign currency exchange gains and losses**

The foreign exchange loss for the six months ended June 30 amounted to \$0.8 million in 2019 compared to \$1.1 million in 2018 due mainly to the foreign exchange movements of a portion of USD denominated inter-company loans that are no longer considered part of the net investment in the foreign operations. The Company is exposed to significant foreign currency risk as the Company's crude oil and natural gas sales and a substantial portion of foreign activities are transacted in or referenced to foreign currencies including USD, KZT and TRL, and the Company's borrowings are denominated in USD. The Company had no forward exchange rate contracts in place at or during the six months ended June 30, 2019 and 2018.

**LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN**

There are no work commitments related to the Poyraz Ridge or Destan operating licenses in Turkey. Depending on the timing and availability of capital including funds from operating activities, the Company may conduct additional workovers at Poyraz Ridge in the next twelve months. There are no significant capital expenditures planned at Destan.

In Kazakhstan, the Company has contractual work commitments of \$3.0 million for the next twelve months and depending on the timing and amount of available capital including funds from operating activities, the Company may drill a well at Shoba and conduct additional workovers at Shoba and Taskuduk. Any capital commitment shortfalls in Kazakhstan are not subject to penalties while punitive actions including the suspension or revocation of the respective contract only apply in the event that work commitment fulfillment is less than thirty percent for two consecutive years.

At June 30, 2019 the Company had accumulated losses of \$184.1 million since inception (December 31, 2018: \$181.5 million), a working capital deficiency of \$6.9 million (December 31, 2018: deficiency of \$4.6 million) and reported a net loss for the six months ended June 30, 2019 of \$2.6 million (2018: \$6.0 million). Working capital as at June 30, 2019 includes \$2.0 million of accounts payable and accrued liabilities related to capital expenditures in Kazakhstan which have payment terms of approximately \$0.5 million per quarter and the Company expects to meet these liabilities and the working capital deficiency with cash generated from operating activities.

The Company's ability to generate and access sufficient capital will impact the ability to complete the current development plan to increase production and cash from operating activities which consists of drilling one development well and performing several workovers in Kazakhstan and performing several workovers in Turkey. There is no assurance that the Company will be able to generate or access the necessary capital to fund its current development plan or that the development plan will be successful.

As at June 30, 2019 the Company has USD 6.3 million outstanding on its secured non-revolving credit facility (the "Facility"). The Facility bears interest at 14% and principal plus accrued interest payments are due each quarter in arrears. The remaining principal payments consist of two payments of USD 0.9 million followed by three payments of USD 1.5 million with the final payment due September 30, 2020.

To date, the Company has made all scheduled repayments. The Credit Facility contains no financial covenants and the Company is in compliance with all non-financial covenants. The Credit Facility is secured by customary security including a general security agreement over all present and future assets of Condor and a movable assets pledge agreement establishing a first-ranking pledge over the commercial enterprise, any or all assets and any gas sales receivables of the Turkey Branch. If the Company is unable to make any

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scheduled repayment, after a short notice and cure period, the lender would be entitled to enforce the Credit Facility security.

The Company's ability to continue as a going concern is dependent upon the ability to fund operations and repay existing borrowings by generating positive cash flows from operations, renegotiating the terms of the current borrowings, securing funding from additional debt or equity financing, disposing of assets or making other arrangements. There is no assurance that sufficient debt refinancing of existing borrowings, new financings, equity offerings, asset disposals or other arrangements can be completed on favourable terms, or at all. These conditions indicate a material uncertainty which lends significant doubt about the Company's ability to continue as a going concern.

### **COMMITMENTS AND CONTINGENT LIABILITIES**

The Company's contractual work commitments for the next 12 months pursuant to the Shoba and Taskuduk production contracts in Kazakhstan equals \$3.0 million. 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 the event that financial work commitment fulfilment is less than thirty percent for two consecutive 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 one percent of the shortfall.

If the Zharkamys exploration contract is reinstated, the exploration period extension would carry additional work commitments, which could be significant. To fund the additional Zharkamys work commitments, the Company would require additional funding by generating positive cash flows from operations, renegotiating the terms of the current borrowings, securing funding from additional debt or equity financing, disposing of assets or making other arrangements.

There are no work commitments related to the Poyraz Ridge or Destan operating licenses in Turkey.

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

### **OUTSTANDING SHARE DATA**

#### **Common shares**

As at June 30, 2019 and the date of this MD&A there were 44,165,100 common shares outstanding.

#### **Convertible securities**

As at June 30, 2019 and the date of this MD&A, outstanding convertible securities are comprised of 4,206,500 stock options with a weighted average exercise price of \$0.96 and one million warrants exercisable into one million common shares of Condor at \$0.35 per share on or before December 31, 2021.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not have any off-balance sheet arrangements as at June 30, 2019.

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**QUARTERLY INFORMATION**

The following table sets forth selected financial information of the Company for the eight most recently completed quarters to June 30, 2019:

<b>For the quarter ended</b>	<b>Q2 2019</b>	<b>Q1 2019</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>	<b>Q1 2018</b>	<b>Q4<sup>(1)</sup> 2017</b>	<b>Q3 2017</b>
Sales (000's)	3,372	3,692	4,291	3,449	4,803	4,952	1,599	1,701
Net loss (000's) <sup>(2)</sup>	(1,371)	(1,231)	(3,536)	(4,517)	(5,214)	(803)	(125)	(2,531)
Net loss per share (basic and diluted)	(0.03)	(0.03)	(0.08)	(0.10)	(0.12)	(0.02)	(0.003)	(0.06)

- 1 Natural gas production and sales in Turkey commenced in mid-December 2017.
- 2 The net loss in all periods has been impacted by, among other things, production and sales volumes, commodity prices, operating costs and operating netbacks, foreign exchange gains and losses and deferred income tax expense/recovery in the respective periods. The net loss amount includes specific significant period items of: \$3.4 million deferred income tax recovery in Q4 2017; \$3.5 million deferred income tax expense in Q2 2018; \$3.2 million foreign exchange loss in Q3 2018; and \$3.8 million impairment expense in Q4 2018.

**CRITICAL ACCOUNTING ESTIMATES**

The timely preparation of the interim consolidated financial statements in accordance with IFRS requires that management uses judgment and make estimates and assumptions regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the interim consolidated financial statements. The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Further information on the Company's critical accounting estimates can be found in the notes to the annual consolidated financial statements and annual MD&A for the year ended December 31, 2018. There have been no significant changes to the Company's critical accounting estimates as of June 30, 2019.

**CHANGES IN ACCOUNTING POLICIES**

The Company adopted IFRS 16 Leases effective January 1, 2019. The adoption of IFRS 16 did not have a material impact on the Financial Statements. Further information about changes to the Company's accounting policies resulting from the adoption of IFRS 16 can be found in the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019 and 2018.

**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

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reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

During the six months ended June 30, 2019, there have been no changes to the Company's ICFR that have materially, or are reasonably likely to materially affect the ICFR. Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

**FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A constitute forward-looking statements under applicable securities legislation. Such statements are generally identifiable by the terminology used, such as "anticipate", "appear", "believe", "intend", "expect", "plan", "estimate", "budget", "outlook", "scheduled", "may", "will", "should", "could", "would", "in the process of" or other similar wording. Forward-looking information in this MD&A includes, but is not limited to, information concerning: the ability to continue as a going concern; the timing and ability to drill new wells and the ability of the drilled wells to become producing wells; projections and timing with respect to crude oil, natural gas and condensate production; expected markets, prices costs and operating netbacks for future oil, gas and condensate sales; the timing and ability to increase production and cash flow by executing the planned drilling and workover programs; the timing and ability to obtain various approvals and conduct the Company's planned exploration and development activities; the timing and ability to access oil and gas pipelines; the timing and ability to access domestic and export sales markets; anticipated capital expenditures; forecasted capital and operating budgets and cash flows; anticipated working capital; sources and availability of financing for potential budgeting shortfalls; the timing and ability to obtain future funding on favorable terms, if at all; general business strategies and objectives; possible outcomes regarding the Zharkamys Contract including the possibility that the term may be extended or, conversely, that it may revert back to the Ministry; the timing and ability to obtain exploration contract, production contract and operating license extensions; the timing and ability to obtain a farm-in partner for Yakamoz; the timing and ability to tie the Yakamoz field into the Company's existing gas plant; the potential for additional contractual work commitments; the ability to meet and fund the contractual work commitments; the satisfaction of the work commitments; the results of non-fulfillment of work commitments; projections relating to the adequacy of the Company's provision for taxes; 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 risks and uncertainties include, but are not limited to: regulatory changes; the timing of regulatory approvals; the risk that actual minimum work programs will exceed the initially estimated amounts; the results of exploration and development drilling and related activities; imprecision of reserves estimates and ultimate recovery of reserves; historical production and testing rates may not be indicative of future production rates, capabilities or ultimate recovery; the historical composition and quality of oil and gas may not be indicative of future composition and quality; general economic, market and business conditions; industry capacity; uncertainty related to marketing and transportation; competitive action by other companies; fluctuations in oil and natural gas prices; the effects of weather and climate conditions; fluctuation in interest rates and foreign currency exchange rates; the ability of

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suppliers to meet commitments; actions by governmental authorities, including increases in taxes; decisions or approvals of administrative tribunals and the possibility that government policies or laws may change or government approvals may be delayed or withheld; changes in environmental and other regulations; risks associated with oil and gas operations, both domestic and international; international political events; and other factors, many of which are beyond the control of Condor. Capital expenditures may be affected by cost pressures associated with new capital projects, including labor and material supply, project management, drilling rig rates and availability, and seismic costs.

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

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

#### **ABBREVIATIONS**

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

bbl	Barrels of oil
bopd	Barrels of oil per day
boe	Barrels of oil equivalent *
boepd	Barrels of oil equivalent per day
scf	Standard cubic feet
scfpd	Standard cubic feet per day
M	Thousand
MM	Million
CAD	Canadian dollars
KZT	Kazakhstan tenge
TRL	Turkish lira
USD	United States dollars
/	Per

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