**Management's Discussion and Analysis**
**For the year ended December 31, 2013**
**Dated March 26, 2014**

## 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"). 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, 2013 and 2012 (the "financial statements"). This MD&A is dated March 26, 2014, the date the Condor Board of Directors approved the financial statements. All financial amounts are in Canadian dollars, unless otherwise stated.

## OVERALL PERFORMANCE

### Highlights

- The Company sold its 66% participating interest in, and certain indebtedness of, the Marsel property for US$88.0 million. The sale was completed January 28, 2014.
- An oil discovery was made at the Kiyaktysai North East field, which is the first salt encapsulated structure drilled at Zharkamys. Both the discovery and appraisal wells encountered 40 degree API gravity oil.
- The Company successfully extended the Zharkamys exploration period for an additional two year term until August 27, 2015.
- The Zharkamys territory was expanded by 45% or 1,167 $km^2$ to 3,777 $km^2$ providing for two additional exploration areas to the east and to the south of the previous territory boundaries.
- Production increased to an average of 291 bopd in 2013 compared to 166 bopd in 2012, due mainly to Shoba trial production during the year which lead to a 90% increase in revenues to $4.0 million in 2013 from $2.1 million in 2012.
- Condor raised $15.0 million by issuing a senior unsecured note which allowed the Company to continue exploration and development activities at Zharkamys during the period until the Marsel Sale was completed. The Note was due and repaid upon completion of the Marsel Sale in February 2014.

### Operations

For the year ended December 31, 2013 as compared to the year ended December 31, 2012, production increased 75% to an average of 291 bopd from 166 bopd, due mainly to Shoba trial production commencing in September 2012. Revenues from crude oil sales in Kazakhstan increased to $4.0 million in 2013 from $2.1 million in 2012 as a result of the increased production volumes.

Net loss attributable to Condor increased to $15.3 million in 2013, from $13.3 million in 2012, as a result of higher depletion expense associated with greater production in Kazakhstan in 2013 and finance expenses on current year borrowings. Higher depletion and finance expenses were partially offset by reductions in general and administrative expenses. The 2012 loss was also lower due to realizing a gain on the sale of Canadian oil and gas properties.

Capital expenditures were $15.3 million in 2013 compared to $26.5 million in 2012 as the Company decreased its 2013 exploration and development activities due to cash constraints; cash used in continuing operating activities increased to $11.3 million in 2013 from $10.4 million in 2012, due to current year interest paid and decommissioning costs.

In February, 2014, the Government of Kazakhstan decided not to maintain the KZT to US $ exchange rate, which had been fixed in prior periods. As a result the exchange rate increased to approximately 185 KZT per US $1 or 165 KZT per $1 CAD. This change will impact the foreign currency translation adjustment in future periods, and it is uncertain the extent to which CAD equivalent price decreases will be taken advantage of before local prices escalate. The Company is currently monitoring the situation and the impact on operations.

**Kazakhstan – Zharkamys**

The Company owns a 100% interest in the Zharkamys West 1 contract area ("Zharkamys"), which is located in the eastern portion of the Pre-Caspian Basin in Kazakhstan. In 2013, the Company expanded the Zharkamys territory by 45% or 1,167 $km^2$ to a total area of 3,777 $km^2$.

During 2010 and 2011 the Company acquired 2,532 $km^2$ of high fold, high resolution 3D seismic, covering 87% of the pre-expansion Zharkamys territory. Pre-stack time migration and pre-stack depth migration processing has been completed on the entire dataset, providing excellent subsurface imaging of the Zharkamys territory.

The initial 3D seismic interpretation has led to a three phase exploration strategy:

*Phase 1*

Phase 1 drilling focuses on shallow post-salt prospects (up to 2,000 meters) and is intended to calibrate the seismic responses while also providing early production and cash flow. Since acquiring the 3D seismic, two commercial oil discoveries have been made at the Company's Shoba and Taskuduk West fields. Up to six Phase 1 wells could be drilled in 2014, targeting 43 mmbbls of unrisked mean prospective resources.[1]

*Phase 2*

Phase 2 focuses on deeper, higher impact Primary Basin prospects from 2,000 to 5,000 meters that are intended to generate significant reserve additions. Kiyaktysai North East 201 ("KN-E") was the first totally salt encapsulated Primary Basin well drilled at Zharkamys and it resulted in a light oil discovery. Production testing commenced in September 2013 and the well averaged 57 bopd on a 4 millimetre choke during the ninety day test with rates as high as 130 bopd. Flow rates fluctuated and were hampered by salt plugs forming in the tubing string. The salt plugs dissolve when exposed to fresh water and steps are being taken to mitigate this issue. The oil gravity is 40 degree API and water cuts averaged 37%. The water cuts are believed to relate to the returns of the injected fresh water and a deeper water zone that has not been totally isolated to date.

1 See reserve and resource advisory

The first Phase 2 appraisal well, KN-E-202, was drilled in the second quarter of 2013. Based on wireline logs, two pay zones of 23 meters and 57 meters were penetrated below the salt across a 130 meter gross interval. In addition, 93 meters of net residual hydrocarbon pay over a 626 meter gross interval have been interpreted from wireline log analysis. Production testing commenced in November 2013 and the well averaged 40 barrels of oil per day on a 2 millimeter choke during the ninety day test with rates as high as 70 bopd. The oil gravity is 40 degree API and no water was produced. Preliminary data indicates that flow rates are being impeded by formation damage that occurred during drilling and completion operations.

The initial production rates are impacted in part due to the complex geological configuration of the KN-E oil reservoirs. Image log analysis indicates that the wells penetrated a combination of overturned, vertical and upright (but steeply dipping) reservoirs with gas, oil and water contacts occurring within the vertical and overturned sections. For comparison, most oil fields contain horizontally oriented reservoirs. The KN-E geologic configuration complicates the permeability and productivity of the oil zones because the orientation of the preferred permeability is vertical along the folded strata, allowing influxes of water and gas into the perforated oil zones and thereby impeding oil production rates. The Company, while investigating longer term solutions, is addressing this through small choke sizes to limit reservoir drawdown and periodic freshwater flushing.

Analysis indicates that the two KN-E wells, which drilled parallel to geologic bedding and were located only 490 meters apart, have penetrated only a small number of the potential reservoir sands present at the KN-E structure. Potential additional oil-bearing reservoirs are possible down dip and along strike of the structure where less deformed reservoir configurations may be encountered. These areas will be evaluated with the planned appraisal program in 2014.

The main pre-drill risks for the KN-E structure were reservoir presence and hydrocarbon migration. Having successfully discovered oil and gas bearing sandstone reservoirs for the first time in this basin, these risk elements are mitigated for the remaining Primary Basin inventory which share similar geologic histories. The risk of encountering the steeply dipping reservoir configuration like the KN-E discovery is being mitigated for future exploration targets by prioritizing prospects containing formations with more conventional 4-way structural closures that are horizontally oriented. The Company's high resolution 3D seismic is an effective tool for this analysis.

The Company's current Primary Basin portfolio includes 6 matured prospects that have an internal estimate of 304 MMboe of unrisked mean prospective resources[1], which doesn't include any resource potential from the recently expanded territory. There are 23 additional Primary Basin leads identified from the 3D seismic. The next planned Primary Basin exploration well, KN-501, will test a 4-way closure within the Kiyaktysai North salt dome. The Kiyaktysai North structure is located 8 km from, and under the same salt dome as, the KN-E discovery, but does not contain steeply dipping reservoirs, as in the KN-E structure. In this area there are numerous shallow wells with oil shows indicating active source rocks, the presence of reservoir rock, and hydrocarbon migration. The KN-501 prospect contains 50 MMboe unrisked mean prospective resources[1] and is expected to spud in 2014.

*Phase 3*

Phase 3 structures target pre-salt Permian and Devonian formations and range from 5,000 to 7,500 meters.

1 See reserve and resource advisory

Based on a detailed review on analogue fields within the Pre-Caspian basin, the Company believes the Phase 3 targets represent a significant potential resource with volumes that justify the depth and geologic risk. The Phase 3 drilling program is targeted to begin in 2015, and will apply the Phase 1 and 2 learning's and results.

The Company's three phased exploration portfolio of 1,515 MMboe unrisked mean prospective resources[1] is comprised of 66 prospects, ranging from shallow Cretaceous to deep Devonian targets. Sproule International has performed a resource audit on the Phase 1 prospects, a portion of the Phase 2 prospects, and those Phase 3 prospects mapped from the 2010 3D seismic area. The internal Company resource potential volumes are aligned with Sproule's audit[1].

*Zharkamys expansion*

During the year, Zharkamys was expanded by 1,167 $km^2$ to a total area of 3,777 $km^2$ and the Company has agreed to increase the minimum work program by US $2.9 million. The Company is also required to reimburse the Government of Kazakhstan for historical geological and exploration expenditures incurred in the expansion territory. The additional undiscounted US $3.9 million historical cost liability is deferred during the exploration period and is to be repaid during the development period with repayment terms to be determined. This expansion could substantially augment the Company's existing 1,515 MMboe of unrisked mean prospective resources[1].

*Zharkamys discoveries*

Total production from Zharkamys for the year ended December 31, 2013 averaged 291 bopd (2012 – 166 bopd).

Shoba trial production commenced in September 2012. Only 3 wells were producing under trial production in 2013 due to permitting and gas flaring restrictions. Shoba production is expected to increase as treatment facilities are optimized and development wells are drilled. The Shoba development plan includes the drilling of 6 horizontal wells, with forecasted peak production of 1,200 bopd[1].

Currently, Shoba wells are produced to individual well site facilities. Oil is sold at each well site facility and trucked by the buyer to a nearby terminal for treatment and delivery to a local refinery. During the Shoba trial production period, the Company is required to sell all production domestically to refineries within Kazakhstan. Construction of the Shoba gauging station is on-going, and once completed, the Shoba wells will flow directly to this facility which will have additional oil treatment and storage capacity, along with water injection and gas utilization capabilities.

Negotiations with the Ministry of Oil and Gas are underway to obtain a commercial production license for the Taskuduk development. Taskuduk is expected to produce up to 200 bopd[1]. This same process will be performed for Shoba in 2014, once approval is obtained for the Shoba Technical Scheme of Development.

**Kazakhstan – Marsel**

As at December 31, 2013, the Company owned a 66% participation interest located in the Marsel territory in the Chu-Sarysu basin in southeast Kazakhstan ("Marsel"). On April 22, 2013, Condor's wholly owned subsidiary, Condor Netherlands Petroleum B.V., entered into a binding sale and purchase agreement (the "Agreement" or the "Marsel Sale") to sell its 66% participating interest in and certain indebtedness of Marsel for gross

1 See reserve and resource advisory

proceeds of US$88.0 million. The required Marsel Sale consents and waivers from the Government of Kazakhstan were received and the Marsel Sale was completed on January 28, 2014. US $83.0 million was received in February, 2014, and US $5.0 million is due from the buyer on July 27, 2014.

## SELECTED ANNUAL INFORMATION

| For the year ended December 31 | 2013 | 2012 | 2011 |
|---|---|---|---|
| (000's) | | | |
| Crude oil sales | 3,987 | 2,102 | 537 |
| Net loss from continuing operations | (14,652) | (13,757) | (10,763) |
| Net loss attributable to Condor | (15,267) | (13,329) | (12,439) |
| Net loss per share from continuing operations[(1)] | (0.04) | (0.04) | (0.03) |
| Net loss per share[(1)] | (0.05) | (0.04) | (0.04) |
| Capital expenditures | 15,272 | 26,508 | 39,412 |

(1) Basic and diluted

| As at December 31 | | | |
|---|---|---|---|
| (000's) | | | |
| Total assets | 208,226 | 188,042 | 206,170 |
| Total long-term financial liabilities | 6,611 | 3,241 | 3,109 |

The above information is presented in Canadian dollars and has been accounted for in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB"). The Company's accounting policies can be found in the Company's financial statements. Further details, analysis and discussion regarding the Company's performance, current period results and comparisons to the prior period are presented in subsequent sections of this MD&A.

## RESULTS OF OPERATIONS

### Production

Production increased 75% to 106,156 barrels or 291 bopd for the year ended December 31, 2013 from 60,501 barrels or 166 bopd for the year ended December 31, 2012.

Production has been inconsistent due primarily to local regulations which limit early stage production from exploration to ninety day test periods. The Company commenced the ninety day test of the KN-E-201 well late in the third quarter and the ninety day test of the KN-E-202 well in November 2013. Production since the second quarter of 2013 was lower than the first quarter of 2013 due to the conclusion in March of the ninety day test period of the Taskuduk West 4 well, and local regulations on gas flaring limiting the Shoba trial production volumes.

The Shoba trial production period, which allows sustained production from up to five Shoba wells for two years, commenced in September 2012. Only 3 wells were producing under trial production in 2013 due to: only certain wells being included in trial production, and permitting and gas flaring restrictions. Negotiations with the Ministry of Oil and Gas are underway to obtain a commercial production license for the Taskuduk development. This same process will be performed for Shoba in 2014, once approval is obtained for the Shoba Technical Scheme of Development.

| For the year ended | 2013 | 2012 | Change | Change % |
|---|---|---|---|---|
| Barrels | 106,156 | 60,501 | 45,655 | 75% |
| Bopd | 291 | 166 | 125 | 75% |

**Sales and marketing**

Crude oil sales revenue for the year ended December 31, 2013 amounted to $4.0 million from 111,311 barrels sold at the wellhead at an average price of $35.82 per barrel. For the year ended December 31, 2012, 61,042 barrels were sold at an average price of $34.43 for sales revenues of $2.1 million. Crude oil inventory amounted to 1,513 barrels at December 31, 2013 (2012 – 6,794 barrels).

During the Shoba trial production period, the Company is required to sell all production domestically to refineries within Kazakhstan. The Company will be able to export crude oil once a commercial production license is in place.

| For the year ended | 2013 | 2012 | Change | Change % |
|---|---|---|---|---|
| Crude oil sales revenue ($000's) | 3,987 | 2,102 | 1,885 | 90% |
| Crude oil sales volume (barrels) | 111,311 | 61,046 | 50,265 | 82% |
| Crude oil sales price ($/barrel) | 35.82 | 34.43 | 1.39 | 4% |

**Other income**

The Company entered into a technical services agreement with an arms-length third party commencing in November, 2013 and operating until March 31, 2014 to provide technical and management services and recognized other income of $0.5 million in 2013.

**Production costs**

For the year ended December 31, 2013 production costs increased to $33.85 per barrel in 2013 from $30.95 barrel in 2012. Production costs have increased on a per barrel basis as field infrastructure costs are largely fixed, such as labor, field camp, and equipment rentals, and have been put in place for the trial production period which commenced in September 2012.

**Royalty expense**

Royalty expense was $0.2 million for the year ended December 31, 2013 (2012 - $0.1 million). Royalties are calculated with reference to local market prices and at rates based on annual production volumes. The increased expense for 2013 as compared to 2012 reflects the increased volume of oil produced and sold during the year.

**General and administrative expenses**

The Company's general and administrative expenses decreased to $8.1 million for the year ended December 31, 2013 from $9.0 million for the same period in 2012, due mainly to a reduction in employee annual incentive awards and travel costs.

**Depletion and depreciation**

Depletion and depreciation costs increased to $3.3 million for the year ended December 31, 2013 compared to $1.9 million for the year ended December 31, 2012 due mainly to depletion associated with the higher volume of crude oil sales and the depreciation related to other equipment additions during 2012.

### Stock based compensation

Stock based compensation was $2.7 and $3.3 million for the years ended December 31, 2013 and 2012, respectively. 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 year ended December 31, 2013, finance income decreased to $0.7 million from $0.9 million in the same period in 2012. The decrease is a result of higher interest income in 2012 received on higher average cash balances. Finance income also includes the accretion of Kazakhstan value added tax ("VAT") receivables.

Finance and accretion expense was $2.0 million for the year ended December 31, 2013 and $0.5 million for the year ended December 31, 2012. Current period finance expense has increased versus the prior period due to interest expense incurred on the Company's current year borrowings, and the amortization of the associated deferred borrowing costs. Finance expense also includes the impact of discounting VAT receivables, which decreased from 2012 as a result of lower capital spending, and accretion expense on historical cost obligations and decommissioning provisions.

### Discontinued operations

*Marsel*

For the year ended December 31, 2013, Marsel incurred $1.4 million of expenses which have been included in discontinued operations on the statement of comprehensive income (2012: $2.2 million). The decrease from prior year loss is primarily the result of a $0.5 million charge in 2012 for site reclamation work required on inherited wells drilled by past operators, previously abandoned, which were re-evaluated. Marsel does not have producing assets and as such the impact on income of the continuing operations reclassification is limited primarily to reductions in general and administrative, other expenses, and finance expense. The buyer provided Marsel a US$ 5.0 million loan which was used to undertake a 2D seismic program and for general corporate purposes. Following the completion of the Marsel Sale, the Company has no further obligation related to the loan.

*Canadian oil and gas properties*

The Company disposed of its remaining Canadian producing oil and gas properties during the year for net proceeds of $2.0 million. During the year ended December 31, 2012, the Company disposed of non-core properties in Canada, for proceeds of $3.6 million. During the year ended December 31, 2013, the properties produced an average of 67 boepd prior to the disposal (2012 – 67 boepd).

The results of the Canadian operations have been presented as discontinued operations and comprise the following:

| For the year ended | 2013[1] | 2012 |
|---|---|---|
| Oil production (barrels) | 6,777 | 18,854 |
| Oil production (bopd) | 50 | 52 |
| Oil sales price ($/barrel) | 85.47 | 81.58 |

| For the year ended | 2013[(1)] | 2012 |
|---|---|---|
| Gas production (mcf) | 2,320 | 45,534 |
| Gas production (mcfpd) | 102 | 125 |
| Gas sales price ($/mcf) | 2.72 | 3.62 |
| Oil and natural gas sales ($000's) | 660 | 1,708 |
| Expenses ($000's) | (586) | (2,453) |
| Gain on disposals ($000's) | 249 | 2,658 |
| Income from Canadian discontinued operations ($000's) | 323 | 1,913 |

(1) Comprises the 135 day period prior to sale closing on May 16, 2013

Excluding gains on disposals of these properties, the impact on continuing operations is minimal as these properties were non-core in the Company's portfolio.

## QUARTERLY INFORMATION

The following table sets forth selected unaudited financial information of the Company for the eight most recently completed quarters to December 31, 2013:

| **For the quarter ended** (000's except per share amounts) | **Q4 2013** | **Q3 2013** | **Q2 2013** | **Q1 2013** | **Q4 2012** | **Q3 2012** | **Q2 2012** | **Q1 2012** |
|---|---|---|---|---|---|---|---|---|
| Crude oil sales [(1)] | 696 | 696 | 706 | 1,889 | 1,106 | 381 | 491 | 122 |
| Net loss from continuing operations[(2)] | (3,503) | (3,369) | (4,611) | (3,169) | (3,784) | (3,229) | (2,734) | (4,004) |
| Net loss attributable to Condor | (3,792) | (3,523) | (4,586) | (3,366) | (4,855) | (3,542) | (879)[(3)] | (4,054) |
| Net loss per share from continuing operations[(4)] | (0.01) | (0.01) | (0.01) | (0.01) | (0.02) | (0.01) | (0.00) | (0.01) |
| Net loss per share[(4)] | (0.02) | (0.01) | (0.01) | (0.01) | (0.02) | (0.01) | (0.00) | (0.01) |

*(1) Production in Kazakhstan has been inconsistent as Kazakhstan regulations limit early stage production from exploration to ninety day test periods. Shoba trial production commenced in September 2012 which allows for up to five wells to be produced continuously at the Shoba oil field subject to gas flaring restrictions.*

*(2) The net loss for all quarters presented reflects the fact that only a small amount of production has been recognized to date during test production at Zharkamys and the various expenses including general and administrative costs, stock based compensation expense and finance and accretion expense incurred to manage the Company's exploration properties.*

*(3) In the second quarter of 2012, Condor disposed of certain non-core properties and recognized a $2.4 million gain on disposition.*

*(4) Basic and diluted.*

For the three months ended December 31, 2013:

- Production decreased to an average of 210 bopd from 364 bopd and revenues from crude oil sales decreased to $0.7 million from $1.1 million. Production and sales declined from 2012 as a result of the conclusion of the Taskuduk 4 well's ninety day test in the first quarter of 2013, and local regulations limiting gas flaring on Shoba trial production volumes;

- Capital expenditures decreased to $4.2 million from $6.0 million due to less exploration activities in 2013 as compared to 2012;
- Net loss from continuing operations was $3.5 million compared to $3.8 million in 2012, due to $0.5 million of other income in 2013; lower general and administrative expenses and depletion and depreciation expense in 2013, offset by additional finance expense in 2013 incurred on borrowings;
- Net loss attributable to Condor decreased to $3.8 million from $4.9 million in 2012 due to the above noted reasons, as well as a $0.5 million charge in the fourth quarter of 2012 related to additional abandonment provisions being charged in Marsel; and
- Cash used in operating activities decreased to $1.5 million from $7.0 million due primarily to changes in non-cash working capital.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's wholly owned subsidiary, Condor Netherlands Petroleum B.V., entered into a binding sale and purchase agreement on April 22, 2013, to sell its 66% participating interest in and certain indebtedness of Marsel for US $88.0 million (the "Marsel Sale"). The required Marsel Sale consents and waivers from the Government of Kazakhstan were received and on January 28, 2014 the Marsel Sale was completed. US $83.0 million was received in February, 2014, and US $5.0 million is due from the buyer on July 27, 2014.

On September 16, 2013, the Company issued a senior unsecured note with a principal amount of $15.0 million (the "Note") and bearing interest at 16% per annum with 1% paid upon closing and the remaining 15% accruing daily and payable quarterly in arrears. The Note is carried net of $0.6 million in deferred financing costs, which includes the 1% interest paid upon closing, agent fees and other direct transaction costs. The Note was due on the earlier of September 15, 2014 and the receipt of the proceeds from the Marsel Sale. In February, 2014, upon receipt of the Marsel Sale proceeds the full amount of principal and the equivalent of nine months interest, less interest paid to date, was due and paid to the Note holder.

As at December 31, 2013, cash and cash equivalents were $12.0 million, net working capital, including assets and liabilities held for sale, was $52.8 million, and there was $5.0 million available on the Company's credit facility (see Related Party Balances and Transactions). Working capital includes the senior unsecured note, described previously, which was due and repaid upon receipt of proceeds from the Marsel Sale. The Company has future contractual work commitments related to Zharkamys of US $18.8 million in 2014 and 2015. As a result of the receiving the Marsel Sale proceeds, the Company has sufficient capital to fund its exploration and operating activities for at least the next twelve months.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements as at December 31, 2013.

## RELATED PARTY BALANCES AND TRANSACTIONS

### Credit facility

The Company had a credit facility provided by EurAsia Resource Holdings AG ("EurAsia"), the Company's largest shareholder, carrying interest at 5.0% with principal and interest due January 1, 2015. During 2013, the credit facility was decreased to $7.5 million from $20.0 million. On June 13, 2013, $2.5 million was drawn on the facility and related interest expense of $0.07 million has been recognized in the year ended December 31, 2013 (December 31, 2012 – nil). Amounts drawn on the facility are convertible at the request of EurAsia into a variable number of common shares using the twenty day Toronto Stock Exchange volume weighted average trading price preceding the conversion. As at December 31, 2013, EurAsia and its parent company, EurAsia Resource Value SE, held 49.9% of the outstanding common shares of Condor. In March, 2014, the Company repaid the outstanding principal and accrued interest amounts and the facility was cancelled.

**Personnel services received**

General and administration costs for the year ended December 31, 2013 include personnel services provided by affiliates of EurAsia. The expense for the year ended December 31, 2013 was $0.6 million (2012 – $0.3 million) and the amount outstanding at December 31, 2013 was $0.3 million (2011 - $0.2 million) and is recorded as accounts payable and accrued liabilities.

**Management services provided**

During the year, the Company charged affiliates of EurAsia for management services related to their respective oil and natural gas operations. The amount charged for the year ended December 31, 2013 was $0.1 million (2012 – $0.1 million) and was treated as a reduction of general and administration costs. This amount had been received at December 31, 2013 (2012 - $0.07 million accounts receivable).

## 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 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.

- Impairment testing: estimates include reserves and resources, future commodity prices, future costs, production profiles, discount rates, and fair values of properties. A downward revision in the reserve or resource estimates or an upward revision to future capital could result in an accounting 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 and resource 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 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 volatilities, expected lives and forfeiture 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.

## RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7) as well as amendments related to investments in associates and joint ventures (IAS 28). The adoption of these amendments and standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods. An amendment to the presentation of financial statements standard (IAS 1) requires the Company to group items within other comprehensive income ("OCI") that will or will not be subsequently reclassified to profit and loss. The Company's amounts recorded in OCI will eventually be reclassified to profit or loss on eventual disposal or sale of the Company's subsidiaries.

### Future accounting pronouncements

New and revised accounting pronouncements that have been issued but are not yet effective and may have an impact on the Company include the following:

- In January 2013, the IASB issued amendments to IAS 36, *Impairment of Assets,* which removed fair value guidance from the standard to ensure consistency with the enhanced fair value measurement and disclosure requirements provided under IFRS 13, *Fair Value Measurements*. The amendments to IAS 36 are effective for years beginning on or after January 1, 2014 with earlier application permitted. The Company does not anticipate that these amendments will result in any accounting or disclosure changes.
- In May 2013, the IASB issued IFRIC Interpretation 21, *Levies*, which provides guidance on when to recognize a liability for levies imposed by governments. The interpretation is effective for years beginning on or after January 1, 2014 with earlier application permitted. The Company does not anticipate that this standard will result in significant accounting or disclosure changes.
- The IASB intends to replace International Accounting Standard 39, "*Financial Instruments: Recognition and Measurement*" ("IAS 39") with IFRS 9, "*Financial Instruments*" ("IFRS 9"). IFRS 9 will be published in three phases, of which two phases have been published. Phases one and two address accounting for financial assets and financial liabilities, and hedge accounting, respectively. The third phase will address impairment of financial instruments. For financial assets, IFRS 9 uses 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 in IFRS 9 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. IFRS 9 introduces a simplified hedge accounting model, aligning hedge accounting more closely with risk management. In addition, improvements have been made to hedge accounting and risk management disclosure requirements. Condor does not currently apply hedge accounting. A mandatory effective date for IFRS 9 in its entirety will be announced when the project is closer to completion. Early adoption of the two completed phases is permitted only if adopted in their entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the Consolidated Financial Statements.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

The Company's President and Chief Executive Officer (CEO) and Vice President and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in NI 52-109.

Disclosure controls and procedures have been designed to ensure that information to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's CEO and CFO have evaluated the effectiveness of the disclosure controls and procedures as at December 31, 2013 and have concluded that they are effective.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and compliance with generally accepted accounting principles. The CEO and CFO have evaluated the Company's internal controls over financial reporting as at December 31, 2013 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, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2013.

During 2013, there have been no changes to the Company's internal controls over financial reporting that have materially, or are reasonably likely to materially affect the internal controls over financial reporting. Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting 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.

## COMMITMENTS AND CONTINGENT LIABILITIES

### Work commitments

The Company has contractual work commitments pursuant to the Zharkamys territory in Kazakhstan. During 2013, the Zharkamys exploration period was extended for an additional two years until August 27, 2015 and the Zharkamys territory was also expanded by 1,167 $km^2$ to a total area of 3,777 $km^2$. The associated increases to the contractual work commitments have been included in the table below.

Contractual work commitments are 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 the amounts could be significant. In addition, any exploration period extensions or subsequent development periods would likely carry additional contractual work commitments, which could be significant.

Non-fulfilment of contractual work commitments in Kazakhstan could result in punitive actions by the Government of Kazakhstan including suspending or revoking the contract. Financial contractual work commitment shortfalls may be subject to penalties of 30% of the shortfall.

The remaining work commitments, as at December 31, 2013 are as follows:

| | **2014** | **2015** | **Total** |
|---|---|---|---|
| Zharkamys work commitments (in millions of US$) | 9.1 | 9.7 | **18.8** |

The contractual work commitments related to the Marsel territory are no longer the responsibility of the Company following the completion of the Marsel Sale on January 28, 2014. At December 31, 2013, Marsel had US $14.2 million of work commitments in 2014 and US $14.7 million in 2015.

**Sagiz oil terminal**

The Company signed a letter of intent in 2012 to purchase a 90% interest in the Sagiz oil storage terminal, located 12 kilometers northwest of Zharkamys. The purchase is subject to the terminal being refurbished, operational and licensed for use at an estimated cost of $2.5 million.

**Excess profit tax**

Condor is subject to excess profit tax in Kazakhstan at rates ranging from zero to sixty percent which are calculated based on the ratio of net income to deductions in excess of 1.25. The Company has not been subject to excess profit tax to date and accordingly has not accrued any related costs but may be subject to excess profit tax in future periods.

**Carried working interest**

Prior to the completion of the Marsel Sale, Condor owned a 66% interest in the Marsel territory in Kazakhstan and funded 100% of the Marsel capital program and exploration commitments.

**Commercial discovery bonus**

The Company shall be subject to a commercial discovery bonus of 0.1% of the value of the estimated volume of recoverable reserves as approved by the Government of Kazakhstan, on the signing of a development contract.

**Kazakhstan local content requirements**

Kazakhstan subsoil users are required to give preference to local companies and domestic products when procuring goods, works and services. Local content deficiencies may be subject to penalties of 30% of the shortfall. Subsoil users are also required to follow prescribed procurement procedures including certain tendering rules and regulations.

### Contractual obligations

The Company's contractual obligations are as follows:

| | **Payment due by Period** | | | | |
|---|---|---|---|---|---|
| ($000) | < 1 year | 1 – 3 years | 4 – 5 years | > 5 years | Total |
| Accounts payable and accrued liabilities | 3,528 | - | - | - | 3,528 |
| Minimum repayment of current borrowings | 16,126 | - | - | - | 16,126 |
| Long term borrowings | - | 2,569 | - | - | 2,569 |
| Other long term liabilities (undiscounted) | - | 1,045 | 1,194 | 3,733 | 5,972 |
| Non-cancellable operating leases | 401 | 575 | 571 | 142 | 1,689 |
| *Classified as held for sale* | | | | | |
| Accounts payable and accrued liabilities | 377 | - | - | - | 377 |
| Current borrowings[1] | 5,455 | - | - | - | 5,455 |
| Other long term liabilities (undiscounted) | - | 623 | 623 | 2,313 | 3,559 |
| Total contractual obligations | 25,887 | 4,812 | 2,388 | 6,188 | 39,275 |

(1) During the second quarter of 2013, Marsel's buyer provided a US$ 5.0 million loan to fund Marsel's on-going exploration activities. Following the completion of the Marsel Sale on January 28, 2014, the Company has no further obligation related to the loan.

## FINANCIAL INSTRUMENTS

The following table presents the Company's contractual undiscounted financial instruments:

| **As at December 31** (000's) | **2013** | **2012** |
|---|---|---|
| Cash and cash equivalents | 11,950 | 19,820 |
| Restricted cash | - | 1,836 |
| Trade and other receivables | 414 | 1,431 |
| Financial assets classified as held for sale | 732 | - |
| Total financial assets | 13,096 | 23,087 |
| | | |
| Accounts payable and accrued liabilities | 3,528 | 6,498 |
| Current borrowings (gross of deferred financing costs) | 15,579 | - |
| Financial liabilities classified as held for sale (undiscounted) | 9,465 | - |
| Long term borrowings | 2,569 | - |
| Other long term liabilities (undiscounted) | 5,972 | 5,665 |
| Total financial liabilities | 37,113 | 12,163 |

All current liabilities fall due within the next twelve months. The other long term liabilities represent amounts the Company is obligated to reimburse to the Government of Kazakhstan for historical geological and exploration expenditures incurred in its contracted territories.

## RISKS AND UNCERTAINTIES

### Credit risk

The Company limits its exposure to credit risk on cash and cash equivalents by investing the majority of its cash with Canadian chartered banks that have good credit ratings. Cash, including cash included in other long term assets, is held in reputable local Kazakhstan banks. Management does not expect the counterparties to fail to meet their obligations.

Credit risk on trade receivables is mainly related to crude oil marketers and the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from crude oil sales in Kazakhstan are from one customer, and are therefore subject to concentration risk. This risk is mitigated by management's policies and practices related to credit risk. The Company historically has not experienced any collection issues with its crude oil marketer and has examined its accounts receivable and concluded that an allowance for doubtful accounts is not necessary and that the amount shown as accounts receivable is valid and collectible.

VAT receivable included in other long term assets is collectable from the Government of Kazakhstan will be either offset against future VAT collected on future domestic sales or refunded on future export sales. Although the VAT recovery process in Kazakhstan is arduous, the Company has not made any provision as views the amounts to be 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 and properties in Kazakhstan.

In Kazakhstan, the Company has certain contractual work commitments related to exploration activities. Due to the long cycle-time of the Zharkamys property and the early stage of the exploration program, the Company relies mainly on the ability to raise debt and equity financing to meet these obligations as they fall due. Subsequent to year-end the Company received US $83.0 million from the Marsel Sale and therefore has sufficient capital to fund its 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.

### 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

Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. Although the Company's current crude oil sales are derived from the Zharkamys property in Kazakhstan, and are denominated in the Kazakhstan Tenge, the underlying benchmark prices may be impacted by changes in the exchange rate between the Tenge and United States dollar. The Company had no forward exchange rate contracts in place at or during the years ended December 31, 2013 and 2012.

In February, 2014, the Government of Kazakhstan decided not to maintain the KZT to US $ exchange rate, which had been fixed in prior periods. As a result the exchange rate increased to approximately 185 KZT per US $1 or 165 KZT per $1 CAD. This change will impact the foreign currency translation adjustment in future periods, and it is uncertain the extent to which CAD equivalent price decreases will be taken advantage of before local prices escalate. The Company is currently monitoring the situation and the impact on operations.

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 and, in particular, United States dollars and Kazakhstan Tenge.

**Interest rate risk**

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not currently exposed to this risk as the interest rate on its borrowings are fixed.

**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 petroleum and natural gas 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, 2013 or 2012.

**Fair value of financial instruments**

Loans and receivables include cash and cash equivalents, accounts receivable, 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 a market rate.

**Political, regulatory, and economic conditions in Kazakhstan**

The economy in the Republic of Kazakhstan continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the use of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Additionally, the oil and gas sector is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Company's control.

The financial condition and future operations of the Company may be adversely affected by continued economic difficulties that are characteristic of an emerging market. Management is unable to predict the extent and duration of the economic difficulties, or quantify the impact, if any, on these consolidated financial statements.

Certain activities in oil and gas industry can give rise to environmental issues. Environmental regulations are currently in a state of transition in the Republic of Kazakhstan and the Company continually assesses its obligations thereon. As obligations are determined, they will be provided for over the estimated remaining lives of oil and gas properties or recognised immediately, depending on their nature.

The outcome of environmental liabilities under current or any future environmental legislation cannot reasonably be estimated at present, and could be material. However, Management believes that under existing environmental legislation there are no significant liabilities beyond those amounts, which have already been accrued in these financial statements that will have a materially adverse effect on the operating results or financial position of the Company.

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application, interpretations and enforcement, and in particular, existing subsurface use contracts are under close scrutiny by the tax and other authorities. This could result in unfavourable changes to the Company's tax positions. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the tax authorities for five years. Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained.

## 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 and resources;
- 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 in Kazakhstan during and upon the completion of the exploration period;
- regulatory legislation and policies, including the fulfilment 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 Kazakhstan 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.

## OUTSTANDING SHARE DATA

### Common shares

There were 346,120,871 common shares outstanding as at the date of this MD&A, and December 31, 2013 and 2012.

### Stock options

The Company has a stock option plan under which the board of directors may grant options for the purchase of common shares to directors, officers, consultants and employees for up to 10% of the outstanding common shares. The board establishes the exercise price of options at the date of grant, provided that such price shall not be less than the volume weighted average trading price of the shares on the TSX for the five trading days immediately preceding the date of grant. The options are granted for a term of five years and fully vest after either two or three years from the date of grant. Each outstanding option is exercisable to acquire one common share of the Company.

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance at December 31, 2011 | 21,334,714 | 1.25 |
| Granted | 6,000,000 | 0.50 |
| Forfeited | (443,530) | 1.06 |
| Balance at December 31, 2012 | 26,891,184 | 1.09 |
| Granted | 7,720,000 | 0.55 |
| Forfeited | (2,263,331) | 0.98 |
| Expired | (2,641,184) | 1.44 |
| Balance at December 31, 2013 | 29,706,669 | 0.92 |

## RESERVE AND RESOURCE ADVISORY

This MD&A includes information pertaining to internal Condor generated estimates of Company resources effective February 8, 2013, which were prepared by a qualified reserves evaluator in accordance with National Instrument 51-101, and the Evaluation of the P&NG Reserves of the Company as of December 31, 2013 by Sproule International Limited in their report dated March 10, 2014.

Statements relating to reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future. The estimates included in this presentation include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of resources, timing and amount of capital expenditures, marketability of production, future prices of crude oil and natural gas, operating costs, abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the resources. The reserve assumptions were based on prices in use at the date the Sproule Reserve Report was prepared, and many of these assumptions are subject to change and are beyond the Company's control.

The reserve and resource estimates of Condor's properties described herein are estimates only. The actual reserves and resources may be greater or less than those calculated. Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and analogy to similar types of resources, 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 resources based upon production history will result in variations, which may be material, in the estimated resources.

Prospective Resources disclosed herein are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery (geological chance of success) and a chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. These estimates have not been risked for either chance of discovery or chance of development. There is no certainty that any portion of the Prospective Resources will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources. Unless otherwise stated, any reference to Prospective Resources refers to Gross, Mean Recoverable, Prospective Resources (Unrisked).

## 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", "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 obtain various regulatory approvals; the results, timing and completion of the Company's discovery wells; the timing of planned well testing and drilling operations; results provided are not necessarily indicative of long term performance or ultimate recovery; the impact of salt plugs on current and future production; the expected source of water cuts to date and the future outlook; the potential for other Primary Basin targets to contain reservoir quality rock; the ability to identify salt encapsulated reservoirs using seismic; the potential for the expanded acreage; the expected increase to the minimum work program and related financial and work obligations thereon; the expectations, timing and ability of the Company to mature and drill future targets and prospects; the timing and ability of the Company related to the proposed use of seismic data; the timing and ability of the Company to obtain various approvals including production and development contracts; the status of the Sagiz Oil Terminal refurbishment; the anticipated closing of the purchase of the Sagiz Oil Terminal; the anticipated oil transportation cost savings and the potential expansion of oil marketing options; the execution of drilling contracts; excess profit taxes; the potential for additional contractual work commitments; expected costs and the flexibility of capital spending plans and the source of funding therefore; the effect of the Company's risk management program; the Company's ability to meet and fund its contractual work commitments; the effect of the Company's risk mitigation policies, systems, processes and insurance program; projections relating to the adequacy of the Company's provision for taxes; projections with respect to natural oil and gas production; the commencement of drilling operations; the target interval and timing thereof; the estimates of resources and future resources relating at Zharkamys in respect of Phase 1, Phase 2 and Phase 3 strategies; the peak production from the Shoba and Taskuduk oil field development and timing of obtaining production contracts; and the satisfaction of the work commitments at Zharkamys.

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; 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 for the year ended December 31, 2013.

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:

| | |
|---|---|
| API | American Petroleum Institute |
| bopd | barrels of oil per day |
| boe | barrels of oil equivalent[1] |
| boepd | barrels of oil equivalent per day[1] |
| mcf | thousand cubic feet |
| mcfpd | thousand cubic feet per day |
| mmboe | million barrels of oil equivalent[1] |

*[1] Boe and boepd are measures used in this MD&A which may be misleading, particularly if used in isolation. Boe and boepd amounts have been calculated using an energy equivalency conversion ratio of six thousand mcf of natural gas to one barrel of oil. This conversion method is primarily applicable at the burner tip and does not represent value equivalency at the wellhead.*