

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 unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2014, and the audited consolidated financial statements for the years ended December 31, 2013 and 2012 (the "financial statements"). This MD&A is dated August 13, 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

- During 2014 the Company completed the sale of its 66% participating interest in the Marsel property for US \$88.0 million.
- Net income for the 6 months ended June 30, 2014 was \$24.2 million (\$0.07 per share) as a result of the \$34.5 million gain recognized on the completion of the Marsel Sale.
- June 30, 2014 working capital was \$74.9 million, a portion of which the Company will use to fund its 2014 exploration and development program.
- The 2014 drilling program commenced in August and includes: three exploration wells, targeting 66 mmboe of unrisked prospective resources; two horizontal development wells at Shoba; and one appraisal well of the Kiyaktysai North East discovery.
- The Shoba gauging station facility has been commissioned, providing additional oil treatment and storage capacity. The Shoba field is currently producing 250 bopd under trial production.
- Production decreased to an average of 164 bopd in the first six months of 2014 compared to 374 bopd in 2013, due to Kazakhstan regulations limiting production during the exploration period. Production is expected to increase in the second half of 2014 when the Taskuduk West field is brought into commercial production and the two horizontal development wells at Shoba are brought into trial production.

Operations

For the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, production decreased 56% to an average of 164 bopd from 374 bopd. The decrease in production is due mainly to the

conclusion of the Taskuduk West ninety-day test period in the first quarter of 2013, and local regulations constraining current Shoba production on account of permitting and limits on gas flaring during trial production. These declines are expected to be temporary as: the Company expects to commence commercial production at the Taskuduk West field in the third quarter of 2014 upon final execution of a production contract with the Government of Kazakhstan; the previously shut-in Shoba-8 well has been approved for inclusion in trial production in August 2014; two Shoba horizontal development wells are planned to be drilled in the second half of 2014; and, Shoba production is expected to increase further in 2015 as treatment facilities are optimized, gas utilization capabilities are put in place and additional development wells are drilled. Revenues from crude oil sales decreased to \$0.9 million in the first six months of 2014 from \$2.6 million for the same period in 2013 as a result of the previously mentioned production decreases.

The 2014 drilling program commenced in August with the drilling of a post-salt exploration well, KNC-3, targeting 11 mmbbls of unrisked prospective resources. The zone of interest is expected to be penetrated in August 2014. The rig will then drill two Shoba horizontal development wells. A second rig is being tendered to drill the Kiyaktysai North East 205 ("KN-E-205") appraisal well, which is a follow up to the KN-E light oil discovery made in 2013. Drilling of KN-E-205 is planned to begin in September 2014. Another post-salt exploration well is planned to be drilled by the second rig after KN-E-205. A third rig is being tendered to drill the Kiyaktysai North 501 ("KN-501") exploration well which is planned to spud in the fourth quarter of 2014 and is targeting 50 mmboe of unrisked prospective resources.

On January 28, 2014, Condor's wholly owned subsidiary, Condor Netherlands Petroleum B.V., completed the sale of its 66% participating interest in the Marsel territory located in the Chu-Sarysu basin in southeast Kazakhstan ("Marsel") including certain indebtedness of Marsel for gross proceeds of US \$88.0 million (the "Marsel Sale"). US \$83.0 million was received in February 2014, and US \$5.0 million was received in July 2014.

For the six months ended June 30, 2014, net income increased to \$24.2 million from a \$8.2 million net loss in the same period in 2013, due primarily to the \$34.5 million gain recognized on the completion of the Marsel Sale. Cash used in continuing operating activities increased to \$7.0 million in the six months ended June 30, 2014 from \$6.4 million in the same period in 2013 due primarily to higher financing costs in 2014 on borrowings, which were repaid during the quarter, and lower operating results in 2014. Capital expenditures were \$3.7 million in the first six months of 2014 compared to \$10.0 million in the first six months of 2013.

In February 2014, the Government of Kazakhstan lowered the Kazakhstan Tenge ("KZT") to US dollar (US \$) exchange rate, which had been fixed in prior periods. As a consequence of this, the KZT to Canadian dollar ("CAD") exchange rate increased from 143 KZT per CAD at December 31, 2013 to 165 KZT per CAD at March 31, 2014. During the three months ended June 30, 2014, the KZT increased further to 172 KZT per CAD at June 30, 2014 as a result of the appreciation of CAD against the US \$. These increases resulted in significant decreases to KZT denominated assets and liabilities and the Company recorded a \$4.3 and \$19.6 million foreign currency translation adjustment for respective three and six month periods ended June 30, 2014.

Kazakhstan - Zharkamys

The Company owns a 100% interest in the 3,777 km² Zharkamys West 1 territory ("Zharkamys"), which is located in the eastern portion of the Pre-Caspian Basin in Kazakhstan. The Company has acquired 2,532 km² of high fold, high resolution 3D seismic over Zharkamys, and completed pre-stack time migration and pre-stack depth migration processing on the entire dataset, providing excellent subsurface imaging of the Zharkamys territory which 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. Two Phase 1 exploration wells are planned to be drilled in 2014, targeting 16 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. The Company's current Primary Basin portfolio includes eight matured prospects that have an internal estimate of 316 MMboe of unrisked mean prospective resources¹, which does not include any resource potential from the recently expanded territory. There are 23 additional Primary Basin leads identified from the 3D seismic. The Company is currently planning to drill two Phase 2 wells in 2014, KN-E 205 appraisal well and KN 501 exploration well.

KN-E 205 will evaluate the KN-E light oil discovery made in 2013, appraising potential additional oil-bearing reservoirs that are stratigraphically deeper within the structure in addition to being less deformed than the reservoirs encountered in KN-E 201 and 202. The main pre-drill risks for the KN-E structure were reservoir presence and hydrocarbon migration. Having successfully discovered, for the first time in the PreCaspian Basin, oil and gas bearing sandstone reservoirs within a Primary Basin, these risk elements have now been mitigated. The Primary Basin prospects proposed for the next phase of exploration drilling will target structural geometries that are more conventional, with thick salt top-seals and 4-way trap closures, avoiding the steep dips and structural complexities within the KN-E structure.

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 and hydrocarbon migration. The KN-501 prospect contains 50 MMboe unrisked mean prospective resources¹ and is planned to spud in the fourth quarter of 2014.

Phase 3

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

The Company's three phased exploration portfolio of 1,514 MMboe unrisked mean prospective resources¹ is comprised of 67 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 audit¹. The Company has not completed its evaluation of the resources attributable to the 1,167 km² expansion area added to the Zharkamys territory in 2013. The expansion area could substantially augment

¹ See reserve and resource advisory

the Company's existing resources¹.

Zharkamys discoveries

Total production from Zharkamys for the six month period ended June 30, 2014 averaged 164 bopd (2013 – 374 bopd). Shoba trial production commenced in September 2012 and only three wells have been producing under trial production in 2014 due to permitting and gas flaring restrictions; the previously shut-in Shoba-8 well has been approved for inclusion in trial production in August 2014. Shoba production is expected to increase as treatment facilities are optimized and development wells are drilled. The Shoba development plan includes the drilling of six 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 and commissioning of the Shoba gauging station has been completed and the facility is operational, providing additional oil treatment and storage capacity. During 2014 the Shoba wells will be tied directly to the gauging station, eliminating the need for in-field oil hauling. Water injection and gas utilization capabilities are planned to be added in 2015.

Negotiations are underway with the Kazakhstan Government to obtain a commercial production contract for the Taskuduk development. Taskuduk is forecasted to produce up to 200 bopd¹. This same process will be performed for Shoba in 2015, once approval is obtained for the Shoba Technical Scheme of Development.

SELECTED FINANCIAL INFORMATION

For the three months ended June 30 (\$000's)	2014	2013
Crude oil sales	510	706
Net loss from continuing operations	(6,174)	(4,611)
Net loss attributable to Condor	(6,174)	(4,586)
Net loss per share from continuing operations ⁽²⁾	(0.02)	(0.01)
Net loss per share ⁽²⁾	(0.02)	(0.01)
Capital expenditures – continuing operations	1,444	6,205
For the six months ended June 30 (\$000's)	2014	2013
Crude oil sales	968	2,595
Net loss from continuing operations	(10,141)	(7,780)
Net income (loss) attributable to Condor	24,215	(7,952)
Net loss per share from continuing operations ⁽¹⁾	(0.03)	(0.02)
Net income (loss) per share ⁽¹⁾	0.07	(0.02)
Capital expenditures – continuing operations	3,717	10,054

⁽²⁾ Basic and diluted

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¹ See reserve and resource advisory

RESULTS OF OPERATIONS

Production

Production decreased 56% to 29,713 barrels or 164 bopd for the six months ended June 30, 2014 from 67,611 barrels or 374 bopd for the six months ended June 30, 2013. For the three month period ended June 30, 2014, production decreased by 14% to 164 bopd from 190 bopd for the same period in 2013. Production has been inconsistent due primarily to local regulations which limit early stage production from exploration to ninety day test periods. The Shoba trial production period, which allows sustained production from up to five Shoba wells for two years, commenced in September 2012. Production in 2014 is lower than the first six months of 2013 due to the conclusion in March 2013 of the ninety day test period of the Taskuduk West 4 well, and local regulations on permitting and gas flaring limiting the Shoba trial production volumes. Subsequent to quarter-end, Shoba production was shut-in on July 1, 2014 while permits were obtained to increase permissible gas flaring volumes. During the shut-in period, reservoir pressure data was collected that will further calibrate the Shoba reservoir model and enhance waterflood design. The required permits were received and production recommenced on August 5, 2014.

For the three months ended June 30	2014	2013	Change	Change %
Barrels	14,941	17,334	(2,393)	(14%)
Bopd	164	190	(26)	(14%)
For the six months ended June 30				
Barrels	29,713	67,611	(37,898)	(56%)

Sales and marketing

For the six month period ended June 30, 2014, sales revenue was \$1.0 million from 28,949 barrels sold at the well site facilities at an average price of \$33.43 per barrel. During the same period in 2013, 72,243 barrels were sold at an average price of \$35.93 per barrel at the well site facilities for \$2.6 million of crude oil sales revenues. For the three month period ended June 30, 2014, sales revenue was \$0.5 million from 15,909 barrels sold at an average price of \$32.07. During the same period in 2013, 20,415 barrels were sold for \$0.7 million at an average price of \$34.59 per barrel. The decrease in the sales price of crude oil is a result of the impact of the devaluation of the KZT on domestic sales, and also due to a lower contracted sales prices as a result of lower sales volumes. The sales price is expected to increase as production volumes increase, and once a production contract is in place and the Company can sell to export markets. Crude oil inventory amounted to 2,276 barrels at June 30, 2014.

For the three months ended June 30	2014	2013	Change	Change %
Crude oil sales revenue (\$000's)	510	706	(196)	(28%)
Crude oil sales volumes (bbls)	15,909	20,415	(4,506)	(22%)
Crude oil sales price (\$/bbl)	32.07	34.59	(2.52)	(7%)
For the six months ended June 30				
Crude oil sales revenue (\$000's)	968	2,595	(1,627)	(63%)
Crude oil sales volumes (bbls)	28,949	72,243	(43,294)	(60%)
Crude oil sales price (\$/bbl)	33.43	35.93	(2.49)	(7%)

Other income

The Company recognized other income of \$1.0 million in 2014 as a result of providing technical and management services. The Company had entered into a technical services agreement with an arms-length third party commencing in November, 2013 and operating until March 31, 2014.

Royalty expense

Royalty expense was \$0.04 million for the six months and \$0.02 million for the three months ended June 30, 2014 (2013 - \$0.10 million and \$0.03 million respectively). Kazakhstan royalties are calculated with reference to local market prices and at rates based on annual production volumes.

Production costs

For the six months ended June 30, 2014 production costs increased to \$48.64 from \$27.35 per barrel during the same period in 2013. For the three months ended June 30, 2014, production costs increased to \$46.70 per barrel from \$41.44 per barrel in 2013. Production costs have increased on a per barrel basis as field infrastructure costs such as labor, field camp, and equipment rentals, put in place for the trial production period, are largely fixed, and therefore result in higher per barrel costs with lower production volumes, as previously discussed. Management expects production costs per barrel to decrease from the year to date amounts given that production is expected to increase in the second half of 2014.

General and administrative expenses

The Company's general and administrative expenses increased to \$5.2 million for the six months ended June 30, 2014 from \$4.3 million for the same period in 2013, due primarily to annual employee incentive awards being granted in the current period following the completion of the Marsel Sale. Awards were not granted in 2013. For the three month period ended June 30, 2014, general and administrative expenses were \$2.1 million, consistent with \$2.3 million for the same period in 2013.

Depletion and depreciation

For the six months ended June 30, 2014, depletion and depreciation decreased to \$1.1 million from \$2.0 million for the same period in 2013. For the three months ended June 30, 2014, depletion and depreciation decreased to \$0.5 million from \$0.7 million for the same period in 2013. The decrease is due primarily to the decreased oil sales in Kazakhstan which resulted in decreased depletion.

Stock based compensation

Stock based compensation expense decreased to \$1.1 million for the six month period ended June 30, 2014 from \$2.1 million for the same period in 2013. For the three month period ended June 30, 2014, stock based compensation was \$0.6 million, a decrease from \$1.6 million in the same period in 2013. The expense is recognized on a graded basis and fluctuates based on the timing of the grants and vesting periods.

Finance income, expense and accretion expense

For the six months ended June 30, 2014, finance income was \$0.3 million (2013: \$0.3 million). For the three months ended June 30, 2013, finance income decreased to \$0.1 million from \$0.2 million in the same period in 2013. Finance income includes interest income on cash balances and the accretion of Kazakhstan value added tax receivables ("VAT").

Finance and accretion expense increased to \$1.0 million for the six months ended June 30, 2014 from \$0.2 million for the same period in 2013. The increase is due mainly to interest expense incurred on borrowings, and the amortization of deferred borrowing costs thereon. The charge also includes the impact of discounting VAT receivables and accretion expense on historical cost obligations and decommissioning provisions. For the three month period ended June 30, 2014 and 2013 the expense was \$0.1 million.

Foreign exchange loss

During the quarter ended June 30, 2014, the Company recognized a \$2.7 million foreign exchange loss. The Company holds a significant portion of its cash and cash equivalents in US dollars to fund its future investments, and during the quarter the CAD appreciated against the US \$.

Discontinued operations

Marsel

For the six month period ended June 30, 2014, Marsel incurred \$0.2 million of expenses which have been included in discontinued operations on the statement of comprehensive income (2013: \$0.8 million). No expenses were incurred subsequent to the disposal of Marsel in the three month period ended June 30, 2014 (2013: \$0.4 million). Marsel does not have producing assets and as such the impact on continuing operations of the reclassification is limited to a reduction in general and administrative expenses. During the first quarter of 2014, the Company recognized a \$34.5 million gain on the disposal of Marsel.

Canadian oil and gas properties

On May 16, 2013, the Company disposed of its remaining Canadian producing oil and gas properties for net proceeds of \$2.1 million (the "Canadian disposal") and recognized a \$0.2 million gain on the disposal. During the six month period ended June 30, 2013, and prior to the closing of the Canadian disposal, the Canadian properties provided \$0.6 million of revenue and \$0.4 million of expenses on production of 6,777 barrels of oil (50 bopd) sold at an average price of \$85.47 per barrel, and production of 2,320 mcf of gas (102 mcfpd) sold at an average price of \$2.72 per mcf. During the three month period ended June 30, 2013, and prior to the closing of the Canadian disposal, the Canadian properties provided \$0.2 million of revenue and \$0.2 million of expenses from production of 1,941 barrels of oil (43 bopd) sold at an average price of \$89.44 per bbl and production of 805 mcf of gas (108 mcfpd) sold at an average price of \$2.86 per mcf. Excluding gains on disposals of these properties, the impact on continuing operations is minimal as these properties were noncore 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 June 30, 2014:

For the quarter ended (000's except per share amounts)	Q2 2014	Q1 2014 ⁽³⁾	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Crude oil sales (1)	510	458	696	696	706	1,889	1,106	381
Net loss from continuing operations ⁽²⁾	(6,174)	(3,967)	(3,503)	(3,369)	(4,611)	(3,169)	(3,784)	(3,229)
Net income (loss) attributable to Condor	(6,174)	30,389	(3,792)	(3,523)	(4,586)	(3,365)	(4,855)	(3,542)
Net loss per share from continuing operations ⁽⁴⁾	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
Net income (loss) per share ⁽⁴⁾	(0.02)	0.09	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(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) The Company's wholly owned subsidiary completed the disposal of its 66% participating interest and certain indebtedness in the Marsel territory for US \$88.0 million in Q1 2014, which resulted in a \$34.5 million gain.
- (4) Basic and diluted

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2014, cash and cash equivalents were \$68.9 million, and working capital was \$74.9 million. The Company has future contractual work commitments related to Zharkamys of US \$9.7 million in 2014 and 2015. The Company has sufficient capital to fund its exploration and operating activities for at least the next twelve months.

COMMITMENTS AND CONTINGENT LIABILITIES

Work commitments

The Company has contractual work commitments pursuant to the Zharkamys territory in Kazakhstan. 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.

As at June 30, 2014, the remaining work program commitments through August 27, 2015 were US \$9.7 million.

Sagiz oil terminal

The Company signed a letter of intent in 2012 to purchase a 90% interest in the Sagiz oil terminal, located 12 kilometers northwest of Zharkamys. The purchase is subject to the terminal being refurbished, operational and licensed for use and the estimated cost is US \$2.5 million. The sellers are targeting commissioning of the terminal to coincide with the startup of commercial production on the Shoba field.

The sellers have completed construction of a high voltage power line onto the property, as well as a natural gas pipeline to the terminal with enough capacity to allow for the utilization of gas line heaters for the treatment of non-spec crude oil, as required. The sellers have largely completed the construction of a laboratory facility at the terminal. The seller is also working to obtain emissions permitting from the Government of Kazakhstan to be able to operate the facility. Once the emission permit is in place, the rail loading facility will be upgraded to the current safety standards.

Contractual obligations

The Company's contractual obligations are as follows:

	Payment due by Period				
(000's)	< 1 year	1 – 3	4 – 5	> 5 years	Total
		years	years		
Accounts payable and accrued liabilities	1,931	-	-	-	1,931
Other long term liabilities (undiscounted)	-	1,344	1,194	3,434	5,972

OUTSTANDING SHARE DATA

Common shares

As at June 30, 2014 and the date of this MD&A there were 346,120,871 common shares outstanding.

Stock options

During the six months ended June 30, 2014, the Company granted 3,170,000 stock options with a weighted average exercise price of \$0.33. The stock options vest a third annually with the first tranche vesting immediately upon grant, and expire five years from the grant date. 738,331 stock options with a weighted average exercise price of \$0.95 were forfeited during the same period. As at June 30, 2014, 32,138,335 stock options with a weighted average exercise price of \$0.87 were outstanding.

RELATED PARTY BALANCES AND TRANSACTIONS

Credit facility

EurAsia Resource Holdings AG ("EurAsia") provided a credit facility to the Company carrying interest at 5% and with interest and principal due January 1, 2015. EurAsia and its parent company, EurAsia Resource Value SE, held 49.9% of the outstanding common shares of Condor at June 30, 2014. On June 13, 2013, \$2.5 million was drawn on the facility. In March, 2014, the Company repaid the \$2.5 million principal and \$0.1 million accrued interest thereon, and the facility was cancelled.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements as at June 30, 2014.

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; and
- 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

On January 1, 2014, the Company adopted new accounting standards with respect to impairment of assets (IAS 36), and recognition of liabilities for levies imposed by governments (IFRIC 21). The adoption of these

amendments and standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2014 or on the comparative periods.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

On July 24, 2014, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9") to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." IFRS 9 is effective for years beginning on or after January 1, 2018.

In May 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2017. The standard may be applied retrospectively or using a modified retrospective approach.

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

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 MD&A 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 commencement and timing of planned drilling operations; the timing and ability to execute contracts with drilling equipment suppliers and providers; the timing and ability to obtain various approvals and permits, including production contracts; 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 status of the refurbishment, the expected cost, and the anticipated completion of the Sagiz oil terminal acquisition; the potential for additional contractual work commitments; the Company's ability to meet and fund its contractual work commitments; the satisfaction of the work commitments; the expected costs and the flexibility of capital spending plans and the source of funding therefore; projections relating to the adequacy of the Company's provision for taxes; projections with respect to crude oil production; and the estimates of resources and future resources.

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

bbl barrel of oil

bopd barrels of oil per day mcf thousand cubic feet

mcfpd thousand cubic feet per day

mmbbl million barrels of oil

mmboe million barrels of oil equivalent¹

¹ Boe is a measure used in this MD&A which may be misleading, particularly if used in isolation. Boe 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.