

Condor Energies Inc. (TSX:CDR)

September 02, 2024

Current price: C\$1.81

Target: C\$5.80

Initiating Coverage: Condor Energies Inc

Condor Energies is a ~US\$75 mm market cap TSX-listed company focused on low carbon and energy transition opportunities in Central Asia. Condor was transformed in 2024 by the acquisition of >10 mboe/d production of natural gas in Uzbekistan. The key value driver for the shares is the imminent sanction of Condor's 1st liquefaction plant in Kazakhstan to convert low-cost natural gas into high value LNG to displace expensive diesel for rail and mining haul truck transportation. This is a scalable and high margin business and Kazakhstan is following China's ongoing program to rapidly "gasify" long distance transportation. Vehicle LNG consumption in China represents ~50% of total LNG consumption. LNG offers important efficiency, range, transit time and cost benefits and 30% lower GHG emissions. Condor also holds a large Lithium licence in Kazakhstan. Our **C\$5.80/sh target price reflects our ReNAV and implies ~3.2x the current share price.**

First mover in Uzbekistan upstream gas...

In 1Q24, after 4 years of negotiations, Condor took over >65 mmcf/d of production from 8 gas condensate fields previously operated by the national company. While Uzbekistan is a gas exporter, limited western technology has been deployed and natural gas production is now declining at ~5-10%/y. The geology is very similar to Western Canada and, in just 3 months, Condor has arrested its fields' decline. The plan is to deploy proven technologies widely used in Canada to increase production by ~50% over the coming 3-4 years. We estimate that the program will recover 40-50 mmboe. There are additional low hanging fruit at deeper undrilled horizons and untapped prospects. Condor is the only independent western E&P in Uzbekistan and it could be awarded other large fields.

... and in Kazakhstan LNG for the transportation sector

Natural gas in Kazakhstan is sold at <US\$1.5/mcf. The current diesel price implies an LNG price (assuming energy equivalence) of ~US\$10-12/mcf. Even factoring in (1) a discount to be competitive against diesel and (2) the cost to convert gas to LNG, the potential margins are >US\$6-7/mcf. Condor has already signed a contract to buy enough feed gas to produce up to 340 t/d of LNG. Another agreement for a further 400 t/d is expected to be signed in 2H24. The phased construction of the 1st LNG plant is expected to start in 4Q24. Phase 1 (~170t/d of LNG) has an estimated capex of US\$41 mm and generates US\$25 mm/y of free cash flow (FCF) one year later. This funds Phase 2 (~170 t/d) in 2027 plus a new plant (400 t/d) in 2028. Both plants could generate total FCF of US\$110 mm/y (=135% of the current market cap).

Value build-up

Our NPV15 for the company based on Uzbekistan production (base case) alone is ~C\$1.20/sh. Sanctioning Phase 1 of the 1st LNG plant adds ~C\$2.20/sh. Phase 2 adds C\$2.00/sh and the 2nd plant ~C\$4.10/sh. Our ReNAV is >C\$5.80/sh with an unrisks NAV of C\$9.70/sh.

Rating & target	Old	New	
Target	n.a.	C\$5.70	
Yield		0%	
Implied total return		215%	
Share data	2023	2024e	2025e
Shares dil., mm	62	63	63
Mkt cap, US\$mm	\$6	\$85	\$91
EV, US\$mm	\$7	\$71	\$77
Financial data	2023	2024e	2025e
Gas, mmcf/d	0.1	53.4	84.0
Liquids, bbl/d	0	207	336
Total boe/d (6:1)	18	9,106	14,336
CFO, US\$mm	(\$3)	\$15	\$28
Net capex, US\$mm	\$0	\$9	\$29
Net debt, US\$mm	\$1	(\$6)	(\$6)
CFPS dil., US\$/shr	(\$0.05)	\$0.26	\$0.48
EPS dil., US\$/shr	(\$0.19)	\$0.10	\$0.06
Valuation	2023	2024e	2025e
Share price, C\$/shr	\$0.13	\$1.81	\$1.81
EV/DACF	-2.4x	4.3x	2.7x
EV per boe/d	\$387,009	\$7,828	\$5,382
Net asset value			
CNAV, C\$/shr			\$1.20
RENAV, C\$/shr			\$5.87
Unrisks NAV, C\$/shr			\$9.66
P/CNAV			1.5x
P/RENAV			0.3x
P/Unrisks NAV			0.2x

All figures in US\$ unless otherwise noted

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Contact details

Analyst:

Stephane Foucaud

sfa@auctusadvisors.co.uk

+44 7854 891249

Corporate Broking:

Rupert Holdsworth Hunt

rh@auctusadvisors.co.uk

+44 7803 752399

Corporate Finance:

Jonathan Wright

jww@auctusadvisors.co.uk

+44 7711 627449

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Figure 1. Financial & operating information

Condor Energies Inc (CDR)

Financial & Operating Information		2023	2024e	2025e	2026e	2027e	2028e
Commodity Prices							
Brent	US\$/bbl	\$82.71	\$85.52	\$74.97	\$70.00	\$70.00	\$70.00
USD/CAD	US\$/C\$	0.745	0.750	0.800	0.800	0.800	0.800
Production							
Oil and Liquids	bbl/d	0	207	336	370	380	346
Natural Gas	mmcf/d	0	53	84	93	95	86
Total (6 mcf = 1 boe)	boe/d	18	9,106	14,336	15,787	16,213	14,749
% Oil and Liquids	%	0%	2%	2%	2%	2%	2%
Netbacks							
Realized Price	US\$/boe	\$75.40	\$16.30	\$16.26	\$16.16	\$16.16	\$16.16
Royalties	US\$/boe	\$10.67	\$2.03	\$1.48	\$1.47	\$1.47	\$1.47
Production Costs	US\$/boe	\$98.50	\$7.47	\$7.59	\$7.56	\$7.56	\$7.56
Operating Netback	US\$/boe	(\$33.77)	\$6.80	\$7.19	\$7.13	\$7.13	\$7.13
Taxes	US\$/boe	\$0.00	\$0.54	\$0.10	\$0.19	\$0.39	\$0.77
Cash Flow Netback	US\$/boe	(\$527.91)	\$4.73	\$5.46	\$5.21	\$4.53	\$2.99
Government Take	%	0%	3%	1%	1%	2%	5%
Financials							
Cash Flow (CFO)	US\$mm	(\$3)	\$15	\$28	\$29	\$27	\$16
CFPS - diluted	US\$/shr	(\$0.05)	\$0.26	\$0.48	\$0.50	\$0.47	\$0.28
EBITDAX	US\$mm	(\$8)	\$17	\$33	\$37	\$38	\$34
E&D Capex	US\$mm	\$0	\$9	\$29	\$29	\$22	\$6
A&D Capex, Net	US\$mm	(\$0)	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$9	\$29	\$29	\$22	\$6
Total Net Capex/CFO	x	0.0x	0.6x	1.0x	1.0x	0.8x	0.4x
Leverage							
Net Debt	US\$mm	\$1	(\$6)	(\$6)	(\$6)	(\$11)	(\$20)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	\$0	n.a.	n.a.	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	56	57	57	57	57	57
Fully Diluted Shares o/s @ YE	mm	62	63	63	63	60	60
Market Capitalization	US\$mm	\$5	\$78	\$83	\$83	\$83	\$83
Market Capitalization (FD)	US\$mm	\$6	\$85	\$91	\$91	\$86	\$86
Enterprise Value	US\$mm	\$7	\$71	\$77	\$77	\$72	\$62
Dividends & Sustainability							
Dividends	US\$mm	0	0	0	0	0	0
Dividends	C\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow	US\$mm	(\$3)	\$6	(\$1)	\$1	\$4	\$10
Cash Use/CFO	%	-4%	60%	104%	98%	83%	40%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	n.a.	52760%	57%	10%	8%	-9%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	57504%	58%	19%	47%	66%
CFPS Growth (Y/Y) - dil.	%	n.a.	-555%	81%	6%	-9%	-40%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	-605%	82%	15%	31%	9%
Net Asset Value							
CNAV (Atax) - diluted	C\$/shr	\$1.195					
RENAV (Atax) - diluted	C\$/shr	\$5.872					
Unrisked NAV (Atax) - diluted	C\$/shr	\$9.663					
P/CNAV	x	1.5x					
P/RENAV	x	0.3x					
P/Unrisked NAV	x	0.2x					
Valuation		2023	2024e	2025e	2026e	2027e	2028e
Share Price, YE/Current	C\$/shr	\$0.13	\$1.81	\$1.81	\$1.81	\$1.81	\$1.81
P/CF	x	-1.8x	5.2x	3.0x	2.9x	3.1x	5.1x
EV/DACF	x	-2.4x	4.3x	2.7x	2.5x	2.7x	3.9x
Target EV/DACF	x	-78.4x	17.5x	10.3x	9.7x	10.1x	16.9x
EV per boe/d	US\$/boe/d	\$387,009	\$7,828	\$5,382	\$4,847	\$4,446	\$4,229

a) EBITDAX = Pre-Int. & Pre-Tax Cash Flow; b) DDA = Debt-and-Dividend-Adjusted

c) CNAV incl. 2P reserves, RENAV incl. 2P reserves + Risked LT inventory upside, ENAV incl. 2P reserves + Unrisked LT inventory upside

Source: Auctus advisors, Company Disclosures

**Futures strip as of 2-Sep-24

Equity story and value build-up

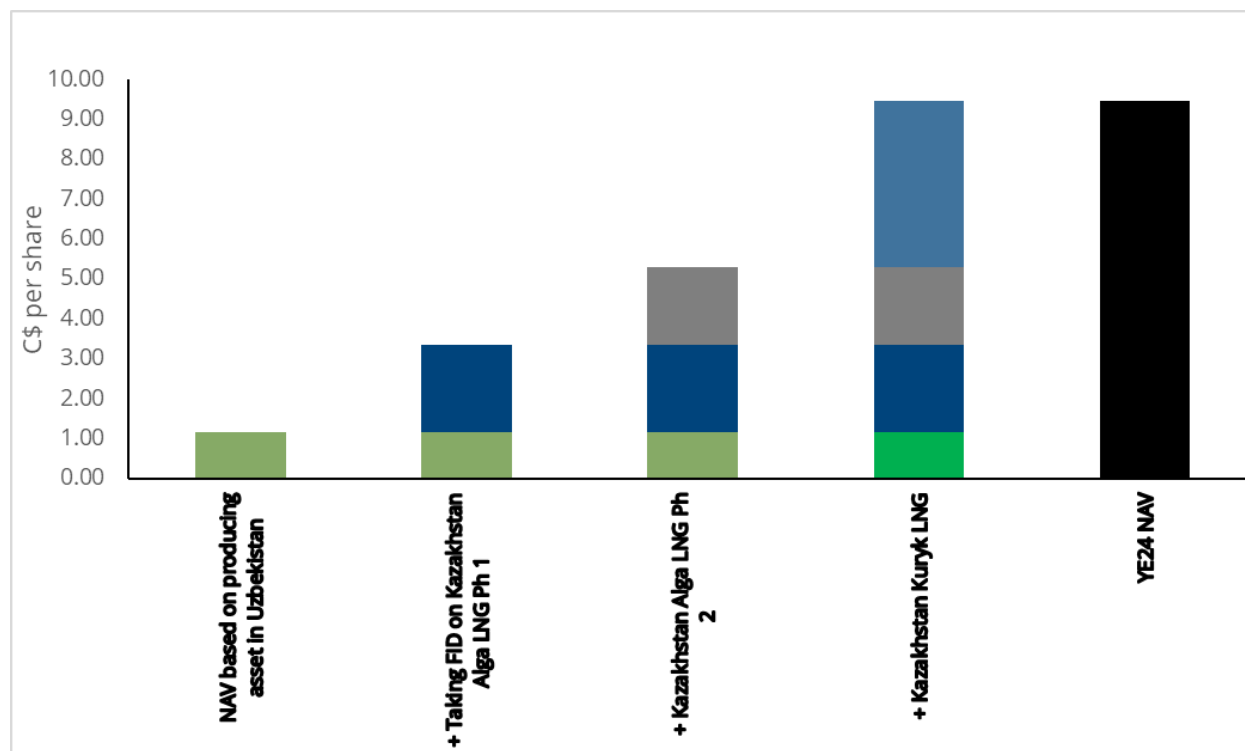
The near-term Condor story is about (1) cashflow production build-up in Uzbekistan with upside from reserves increases and acquiring additional producing gas fields and (2) developing a high margin LNG business in Kazakhstan. We value the company assuming only the base case for a fully funded development programme in Uzbekistan at ~C\$1.20 per share.

Sanctioning the phased development of the first liquefaction plant at Alga has a total un-risked value of ~C\$4.20 per share. Even assuming higher funding costs (resulting in a 40% dilution of the value of the plant) would lead to an overall value for Condor including the first LNG plant of ~C\$4.60 per share. Taking FID in 2025 for the second liquefaction plant at Kuryk adds a further C\$4.10 per share.

Once Phase 1 of the LNG at Alga is on stream, Condor generates US\$25 mm free cash flow per year from this initiative. Phase 2 development capital is largely funded from Phase 1 cash flow. Phase 2 starts in 2027. With both phases operational, Condor generates ~US\$50 mm per year free cash flow. Once Kuryk is online (2028) this increases to >US\$110 mm per year.

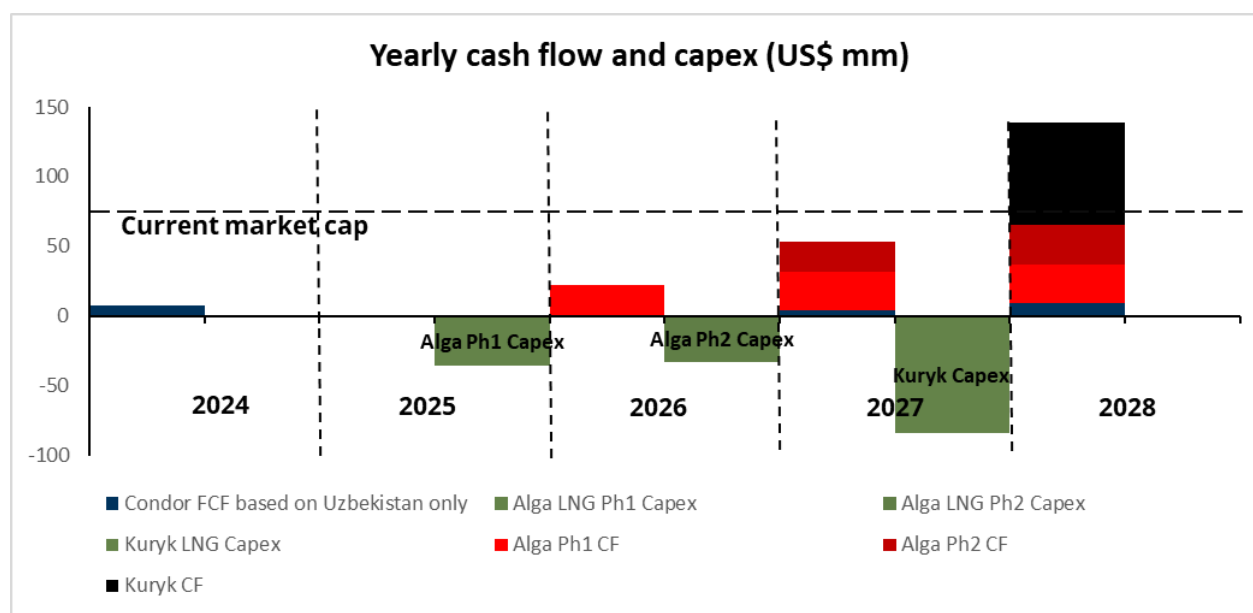
The equity story of Condor is somewhat insulated from movements in oil prices.

Figure 2: Value build-up



Source: Auctus

Figure 3: Cash flow and capex



Source: Auctus

Trailblazer in Central Asia

Kazakhstan roots

Condor listed on the Toronto Stock Exchange in 2011 as a Kazakhstan focused E&P. Eurasia Resource Value S.E. ("ERV"), Condor's main shareholder, has been operating in Kazakhstan since 1994. Norman Storm, the CEO of ERV and MD of Condor Kazakhstan, has spent almost 30 years in Kazakhstan and Central Asia and his business activities in the region include manufacturing, international transportation and oil field services, as well as oil and gas.

At the time of the IPO, the company held two key assets: (1) a large exploration and appraisal gas asset in the south of the country and (2) an oil exploration asset in the west of the country. While the result of the exploration drilling at the oil asset was disappointing, the gas asset was sold in 2013 for US\$88 mm, a price that was well above expectations at the time. This illustrated the company's capability to execute highly value accretive transactions in the country. West Zharkamys, the oil asset, was sold in 2019 for C\$33 mm.

In 2016, Condor acquired Marsa Energy with small gas producing assets in Turkey.

New opportunities. Smart deal

In 2019, with surging global demand for critical minerals and the increasing importance of natural gas for the region, Condor recognized the winds of changes in Central Asia and particularly in Uzbekistan. Islam Karimov, who had ruled the country since 1989, died in 2016. Shavkat Mirziyoyev, who succeeded Karimov as President, has implemented a range of liberal reforms in Uzbekistan's political and economic system by attracting foreign investment and improving relations with neighbouring Central Asian countries. Uzbekistan joined the WTO in 2018.

In the context of these changes, Condor saw an opportunity to enter the upstream gas industry. Uzbekistan is the 10th largest gas producer in the world and has historically been a natural gas exporter. The industry is dominated by Uzbekneftegaz, the national company, with Lukoil, Gazprom and CNPC being the other main participants. However, with maturing fields being operated with technology and practices dating from the Cold War, and no new sizable recent discoveries, production has declined. Media reports suggested an overall decline in production of 5-10% per year from 2020 to 2024. With 85% of Uzbekistan's electricity being generated from gas, and a rapidly expanding domestic economy and growing population, the decline is particularly problematic and material to the economy. Natural gas exports to China collapsed and, in 2022, Uzbekistan started importing natural gas from Russia and Turkmenistan.

In late 2019, Condor signed a Heads of Agreement with the Uzbek government to negotiate a service agreement to take over five producing gas fields to boost production. The terms envisaged that Condor would be remunerated through a percentage of total production. With the geology in Uzbekistan being similar to Western Canada, the idea was to apply common Canadian practices and technology to boost field performance. With COVID-19 paralyzing activities for almost two years, the final contract was only signed in 1Q24 and included eight fields rather than five. Overnight, Condor became the operator of an asset with 65 mmcf/d production.

Rising tide of gasification of transportation. Taking advantage of price arbitrage in Kazakhstan

LNG has been identified as critical for reducing emissions in the mobility sector for rail, marine and heavy trucks (long distance). LNG has +20% more energy output than diesel (by weight) and improves transport efficiency with less frequent re-fuelling requirements and faster freight delivery times. Operating ranges are also increased, transit times reduced, and fuel and maintenance costs are lowered. LNG also materially reduces greenhouse gas emissions.

Europe and particularly China are ahead of the game when it comes to the adoption of LNG as long-range transport fuel. China started a five-year plan in 2021 regarding LNG in vehicles. Despite the current high cost of natural gas, the conversion to LNG is happening rapidly. Rapid construction of refuelling stations, LNG terminals and LNG storage facilities has led to there being already over 600,000 buses/trucks on the road and 3,000 LNG filling stations in China. Heavy trucks fuelled by LNG in China reached 152,000 units in 2023, representing a 307% increase year-on-year and the growth of sales of trucks is accelerating again in 2024.

The difficult transit through Russia given the conflict with Ukraine and the resulting sanctions, has made the shorter China to Europe freight route through Kazakhstan (TransCaspian International Transport Route – TITR) an increasingly important corridor. In this context, Kazakhstan is expanding its rail network and constructing a new dry port at the Kazakhstan – China border. Kazakhstan is also increasing the container-handling capacities at various Caspian Sea ports. Kazakhstan Temir Zholy (KTZ), the national railway operator of Kazakhstan, has signed an agreement with Westinghouse Air Brake Technologies Corp (Wabtec), a ~US\$30 bn market cap company listed on the NYSE with a locomotive manufacturing division and existing facilities in Kazakhstan, to retrofit the Kazakh mainline locomotive fleet.

Condor's LNG projects are an integral part of these plans to revolutionize rail transport in Kazakhstan. Condor has recently become a party in the formal agreement between Wabtec and KTZ. Condor has signed a gas feed contract sufficient to generate 340 t/d of LNG production. This represents the LNG needed for ~125 rail locomotives or 180 large mine haul trucks. Given the very low cost of natural gas in Kazakhstan, the margins could

be >US\$6-7/mcf, even after assuming a discount will need to be applied to incentivize diesel displacement.

Lithium

In 2023 Condor was awarded a six-year lithium brine licence in Kazakhstan. The brine is mineral rich with lithium, cesium, manganese, rubidium and strontium having been identified. Condor is looking to extend its land position in the area. While lithium prices are currently low, this could change. Neighbouring Uzbekistan has a significant automotive assembly sector (including a large General Motors plant) and is focused on developing domestic EV manufacturing.

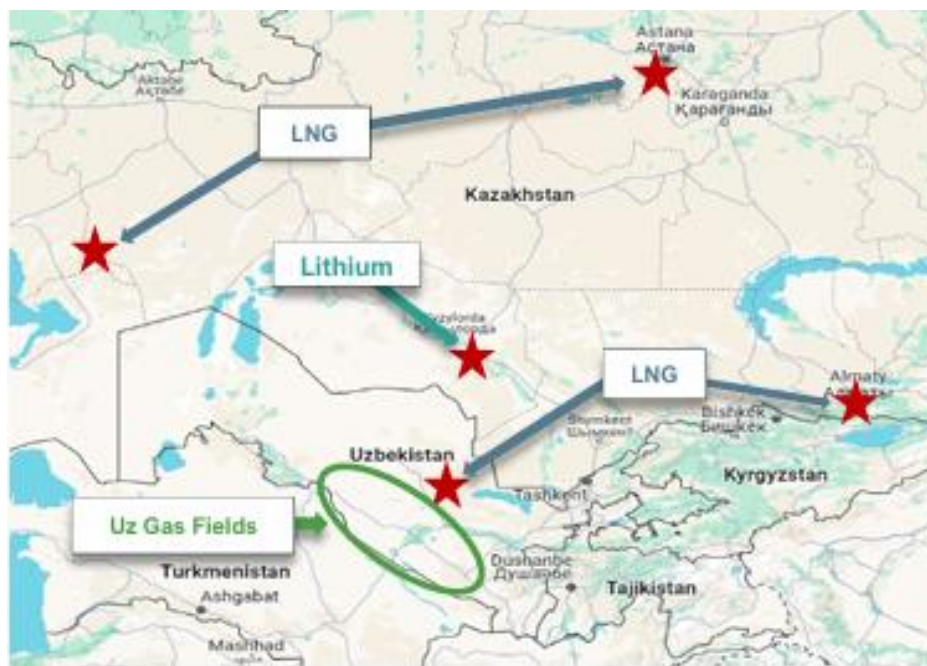
Condor's LNG strategy is well aligned with oil and gas super-major companies that take advantage of industry expertise to capitalize on the critical mineral markets through critical mineral brine extraction from deep underground reservoirs. With multiple super-majors operating in the region (Chevron, ExxonMobil, Total, ENI) Condor's first-mover strategy of securing lithium brine blocks positions the Company well to attract participation or acquisition of its project by the super-majors.

Current assets

Condor Energies currently holds interests in three businesses:

- A 20-year production enhancement contract covering 8 producing gas condensate fields with ~120 wells in the south of Uzbekistan with ~11.2 mboe/d gross production. Condor is responsible for all capital expenditures (estimated at up to US\$120 mm) and operating costs and receives a percentage of revenues less prescribed royalties in exchange for performing the production enhancement services. In 1Q24, the contract generated net income of ~US\$1/mcf. Condor holds 51% of the company holding the Production Enhancement Contract.
- An LNG liquefaction business in Kazakhstan where Condor has already secured a 20-year gas feed contract sufficient to support the first phase of an initial LNG plant. Condor has already secured 12 hectares of land where the plant will be constructed and limited further permitting is required before the start of construction. The first phase will consist of providing LNG to converted locomotives. The business is scalable and the second phase of the project is likely to be dedicated to mining trucks. The next step is for Condor to secure an offtake contract for the LNG. This is expected to be negotiated in 4Q24 and the first LNG plant could be sanctioned by YE24 for first production in 2026.
- 100% interest in a licence in Kazakhstan that provides the subsurface exploration rights for solid minerals for a six-year term.

Figure 4. Condor Energies' assets



Source: Company

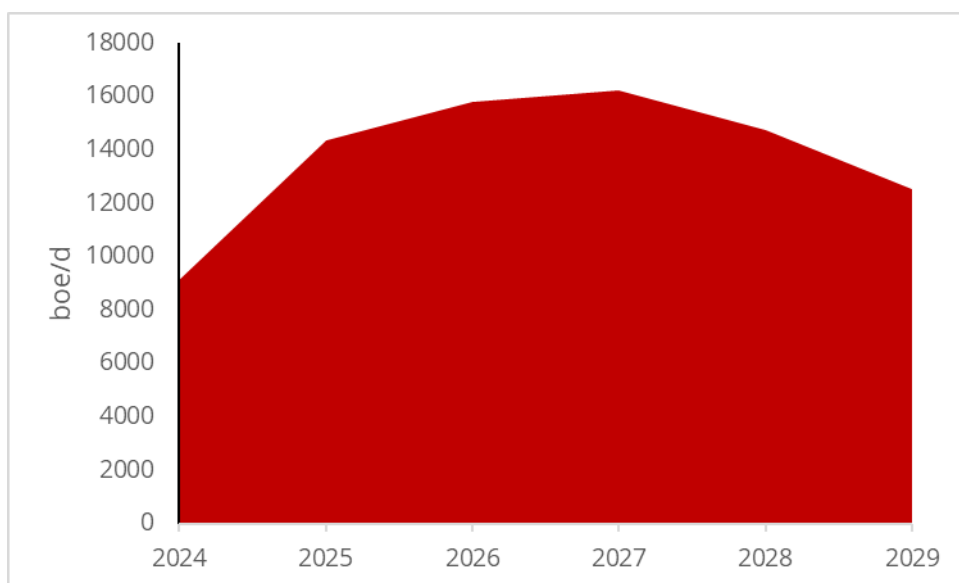
Figure 5. Condor's Licenses Overview

Country	WI	Expiry Date	Commitments	WI Area Acres	WI 1P mmbbl	WI 2P mmbbl*	WI Contingent Resources mmboe	WI Prospective Resources mmboe
Uzbekistan	51%	2044	Estimated ~US\$120 mm development capex over five years	35,190	n.a.	24	n.a.	n.a.
Kazakhstan	100%	2029		37,300	n.a.	24	n.a.	n.a.
Total					n.a.	24	n.a.	n.a.

* Auctus estimates

Source: Company, Auctus

Figure 6. Gross production growth in Uzbekistan (Condor holds 51% WI)



Source: Auctus

>10 mboe/d production in Uzbekistan

First western independent E&P in Uzbekistan

In Uzbekistan, Condor owns 51% of a company holding a Production Enhancement Contract (PEC) covering an integrated cluster of 8 mature gas condensate fields located in the Bukhara–Kiva region (south/centre of the country), one of the main hydrocarbon provinces of Uzbekistan. The fields are surrounded by giant fields. Uzbekistan produced ~4.6 bcf/d of gas in 2023 but Condor will be the first western strategic operating partner of Uzbekneftgaz (the national company).

In March, gross production was 11,167 boe/d, comprising 65.4 mmcf/d of natural gas and 264 bbl/d of condensate. Although restricted in April and May for 18 days due to downstream infrastructure maintenance, 2Q24 gross production was 10,052 boe/d. The fields consist of stacked carbonate and clastic reservoirs which are geologically similar to those in the Western Canadian Sedimentary Basin. The PEC license area is 69,000 acres and includes 77 wells currently producing and 39 wells shut-in or suspended that have the potential for recompletion and reactivation.

Growing production by ~50%

Condor is responsible for funding all costs. The natural gas is sold domestically at a fixed price of ~US\$2.8/mcf (net of VAT). Netting off tax (corporate tax is 15%) and costs results in Condor receiving ~US\$1/mcf of after-tax net cash flow. The gross capital programme for 2025-2028 was initially estimated at US\$120 mm to increase production to over 16 mboe/d (+~50%) in 2027. This will be financed from cashflow. However, since taking control of operations Condor believes that this can be achieved with only ~US\$80-90 mm gross capex given the very low hanging fruit available.

Condor intends to apply straightforward techniques and technologies that have been widely used in Canada. Condor has already identified multiple low-cost opportunities. Initially, these include installing artificial lift, reactivating shut-in wells and reducing back pressure through water separation. A work-over rig has already been mobilized to the field. With over 100 wells in the eight fields Condor is operating, the Company has a large inventory of both producing and shut-in wells available for evaluation, recompletion and optimization opportunities. The first work-over has already boosted the production of the well by more than 100%. Thereafter, Condor will focus on drilling new wells. A horizontal well was drilled in Uzbekistan for the first time in 2024.

- There has been no downhole pressure measurement (pressure has historically only be taken from surface as a proxy for downhole pressure). The high water cut at many wells increases the weight of the column and reduces the well head pressure. By using surfactant in gas wells transforming water into foam, the column becomes lighter, which increases surface pressure and facilitates

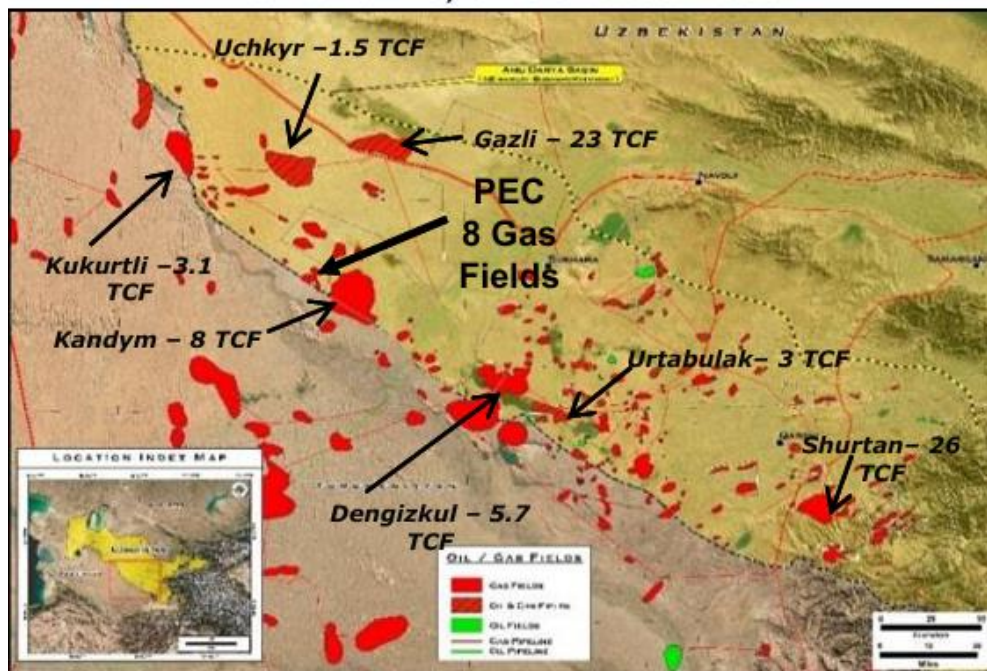
the removal of water. With higher well head pressure, the wells will also have higher flow rates.

- Condor also plans to use “plunger lifts” to remove wellbore water allowing higher gas flow rates and increased well uptime. The first of these has been installed and increased production on that well by more than 100%. Additional plunger lift installations are ongoing.

Figure 7. Condor’s assets in Uzbekistan



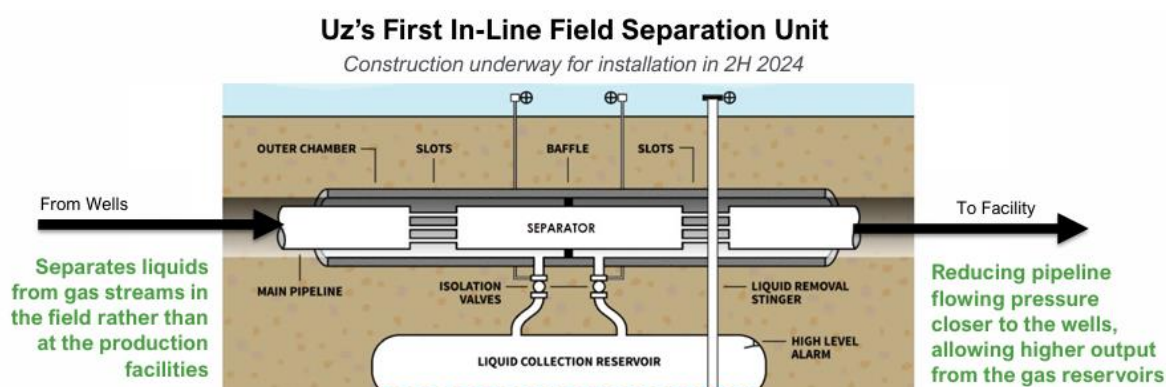
Prolific Fairway of Giant Gas Fields



Source: Company

- With better understanding of individual zone contributions to production, Condor plans to isolate and shutoff water producing zones. Recompleting existing wells in zones producing only gas would also reduce the water mix and the weight of the column. This should also result in increased gas production.
- Currently, water is only separated at the central processing facilities. This means that water is often transported long distances from the wells to the central processing facilities. Separating the water closer to the wells will reduce the amount of water transported in the pipelines and reduce friction and pressure losses in the pipeline. As a result, the backpressure on the wellheads will be reduced allowing the wells to produce more gas. Condor will construct the first in-line field separation unit in Uzbekistan in 2H24.

Figure 8. In-Line Separation Unit



Source: Company

- In 2Q25 Condor plans to drill a multilateral well with four horizontal legs. Such a well is expected to deliver an IP rate of >10 mmcf/d, which could have an important impact on the field's overall production. This multilateral well is expected to cost US\$4.75 mm. This compares with US\$2.8 mm for a simple vertical well. Drilling will be accomplished through the use of Canadian tools and techniques and focused on conventional reservoirs, negating the need for costly frac spreads and proppants.

Condor has not disclosed any reserves yet. Achieving ~16 mboe/d followed by a decline of 15-20% per year thereafter suggests recoverable resources of ~45-50 mmboe. However, we understand that a 5% porosity cut-off is typically used in Uzbekistan to estimate reserves. In Canada, the common practice is to use a 3% cut-off. Using 3% rather than 5% could have an important positive impact on reserves and resources estimates.

Exploration upside

Condor has begun reprocessing the existing 3D seismic on the licence. This could reveal further structures around the existing fields. The current focus of development at the

existing fields is the shallow carbonates (2,200-2,400 m depth) but Condor believes there is also exploration potential at deeper horizons in the Clastic formations and the fractured basement.

Other considerations

There are other important considerations about the business environment.

- Condor sells its gas under a long-term dedicated (take-or-pay) contract with the national gas marketing company, with payments pegged to US\$. The US\$ can be repatriated from Uzbekistan without restrictions.
- We understand that there are no restrictions on the importation of oil and gas equipment and that the company has found this very straightforward to do so far.

High margin modular LNG in Kazakhstan

LNG for the mobility sector in Central Asia

Liquefied Natural Gas (LNG) is a well-known way to transport natural gas by liquifying and storing it at the very low temperature of -162 deg. C. The energy density (in mass) of LNG is very high with the amount of energy contained in LNG being 20% higher than the energy contained in diesel. The energy contained in a litre of LNG is also high, it represents ~60% of the energy contained in a litre of diesel. The higher energy density (by mass) with volumes of a similar order of magnitude improves efficiency with less frequent re-fuelling requirements and faster freight delivery times. The GHG emissions are also 30% lower with LNG than with diesel with 95% lower particulate emissions and 100% lower sulphur emissions.

Figure 9. Energy Density - Diesel vs. LNG

	LNG	Diesel
Density (kg/m3)	442	832
Energy Density (KWhr/kg)	13.11	11.86
Energy Density (KWhr/m3)	5,795	9,868
Energy density (KWhr/l)	5.79	9.87

** Energy is Low Heating Value (LVH)*

Source: Company and Auctus

Compared to Compressed Natural Gas (CNG), LNG has multiple advantages. Its energy density is 2.4 times higher, enabling LNG to be used in energy intensive applications such as heavy truck, train and marine. CNG does not have enough energy density to be effectively used in these applications. In addition, LNG is non-explosive, non-corrosive and non-toxic, which makes it safe to use. It quickly evaporates and disperses if released. It is also easily transportable by trucks or rail at near atmospheric pressure.

LNG is already used for long distance trucking in Europe. However, while it has been identified as a key component for decarbonization, its wider use has so far been constrained by infrastructure (e.g., refilling stations) and disparate regulations across European countries. In contrast, in China the adoption has been very fast. The large size of the country and its political homogeneity have been key drivers for the rapid adoption. Kazakhstan shares these features. The geography of the country with flat steppes and limited natural barriers reduces the cost of the required infrastructure. The low cost of natural gas in Kazakhstan is another key advantage versus China.

The conflict between Ukraine and Russia and the subsequent sanctions have increased the importance of Kazakhstan as a strategic trading corridor between China and the EU. The Trans-Caspian International Transportation Route (TITR) from China to Europe (the "middle route") is ~5-10 days shorter than the Russian alternative (the "northern route"). Expanding this route is a strategic objective of the government of Kazakhstan, and critical

to trade between Europe and Asia. The TITR has become even more important for global trade as a result of the increased conflict in the Middle East which negatively impacts the “southern route” that goes through the Red Sea. LNG will be used as a domestically produced low-carbon substitute for diesel fuel to address the increased usage of rail locomotives and transport trucks between China and the Caspian Sea and the marine vessels used to cross the Caspian Sea.

Figure 10. Transit route from China to Europe

*Trans-Caspian International Transportation Route (“TITR” in red)
from China to Europe meaningfully reduces transport time*



Source: Company

Rail and mining trucks

Condor will initially focus on three applications that require a minimum of infrastructure: rail locomotives, mining haul trucks and marine vessels.

Locomotives

According to Société Générale, with around 21,000 km of track, the Kazakh railway network is one of the world's biggest networks and a backbone infrastructure for the socio-economic development of the country. Railways are responsible for delivering 68% of all cargo and passenger traffic to over 57% of the country. This is an important sector of the Kazakh economy that will benefit from very material near term growth.

Kazakhstan Temir Zholy National Company (KTZ), the national railway operator of Kazakhstan, already manages 1,700 locomotives and intends to purchase 559 additional locomotives by 2029. KTZ has an ongoing initiative to retrofit its mainline locomotive fleet and incorporate LNG into newbuild locomotives. An LNG framework agreement has been signed with Wabtec (a Fortune 500 company with a US\$30 bn market cap resulting from the merger of Westinghouse Air Brake, MotricePower Industries and GE Transportation) and Condor Energies so that Condor's LNG production volumes coincide with the delivery of LNG-powered rail locomotives (new and converted) by Wabtec. Wabtec has existing locomotive production facilities in Kazakhstan.

In addition to the LNG plant, the required additional infrastructure initially consists of only two refilling and storage stations, one at the border with China, the other one near Aktobe in Western Kazakhstan. Aktobe is near Alga (~50 km) where Condor's first LNG plant will be built. Aktobe is an oil and gas hub and is near Kandyagash, which is one of KTZ's main rail hubs. Transporting LNG across the country with trucks or train can be done at relatively low cost.

Figure 11. Railway network in Kazakhstan



Mining haul trucks

Mining haul trucks require a lot of power and consume 3x the amount of diesel compared to similar sized trucks. Diesel often represents a very important proportion of overall mining costs. Reducing the cost of fuel in a mining operation has a material impact on the bottom line. The haul trucks operating in Kazakhstan's major mines would consume an average of 4,200 litres per day (1.85 t/day) of LNG (per truck), assuming conversion of the diesel haul trucks to allow them to operate as LNG dual-fuel units.

Mining is an important sector in Kazakhstan as it is the world's leading uranium producer and the third largest chrome producer. It is a large zinc producer with 13% of the world's zinc reserves. Other important minerals include manganese, iron ore, copper, lead, gold, coal, bauxite, phosphate, titanium, and tungsten.

Using LNG to displace diesel consumption for mining operations is not new. Caterpillar has more than 10 mm hours on its Cat mining haul truck fleets operating around the world.

Implementation of LNG for the mining industry is expected to require more refuelling infrastructure versus railroads but this remains very manageable as refilling stations can be setup in hubs near important mining centres, and LNG can be moved around the country by rail and truck in 40 ft LNG ISO-containers.

Kazakhstan has also existing CNG refilling stations that could be upgraded to handle LNG.

Marine vessels:

The Kazakhstan government's ongoing development plan to increase container traffic via the TITR corridor will necessitate the movement of increased volumes of ISO containers across the Caspian by the country's national marine operator, Kazmortransflot (KMTF). These plans include augmenting the current ship fleet to handle larger volumes of ISO containers.

At the same time, the International Marine Organization (IMO) has issued new regulations under its IMO 2023 guidelines, as part of its Greenhouse Gas Strategy. The goal of this strategy is to reduce carbon emissions from international shipping by 40% by 2030, and a full 70% by 2050, compared with 2008 emission levels.

Given the Kazakhstan Government's ratification of the PCC Agreement in 2015, as well as the United Nation "2060 Carbon Neutrality" accord, there is now added pressure on the part of the Kazakhstan Government to reduce GHG emissions, and this is also true in the case of KMTF and its marine fleet.

The KMTF marine fleet is an important component in Condor's sales strategy for its second LNG facility which will be built 2 km from the Kuryk Port, which will be one of the main container-handling hubs on the Caspian Sea.

The economics of LNG

Natural gas costs only US\$1.35-1.40/mcf in Kazakhstan. This implies ~US\$0.048-0.050/m³ of natural gas or US\$0.066/kg. Assuming 10% of feed gas is used or lost during the liquefaction process leads to LNG costs of US\$0.073/kg of LNG. Even assuming additional costs representing 200% of that amount would lead to a total cost of US\$0.22/kg for LNG. Adjusting for LNG density leads to a total LNG cost of US\$0.10/l.

The energy (LHV) density per m³ of LNG is 60% that of diesel. This means that, everything else being equal, a litre of LNG should cost 60% of the cost of a litre of diesel. The current price of a litre of diesel in Kazakhstan is ~US\$0.60, which would imply an LNG price of US\$0.36/l. Even assuming a 30% price discount to displace diesel would lead to a large margin of US\$0.16/l of LNG. This implies a margin of >US\$6/mcf.

Figure 12. Economics of LNG

	US\$/mcf	US\$/kg	US\$/l
Feed gas cost	1.40	0.07	
Process feed back cost	0.14	0.01	
Processing/marketing/Transport	3.08	0.15	
Cost of LNG		0.22	0.10
Diesel Price		0.72	0.60
Equivalent LNG price		0.81	0.36
Discounted LNG price		0.57	0.25
Equivalent price of feed gas			
LNG Margin		0.35	0.16
Margin on feed gas	6.71	0.32	

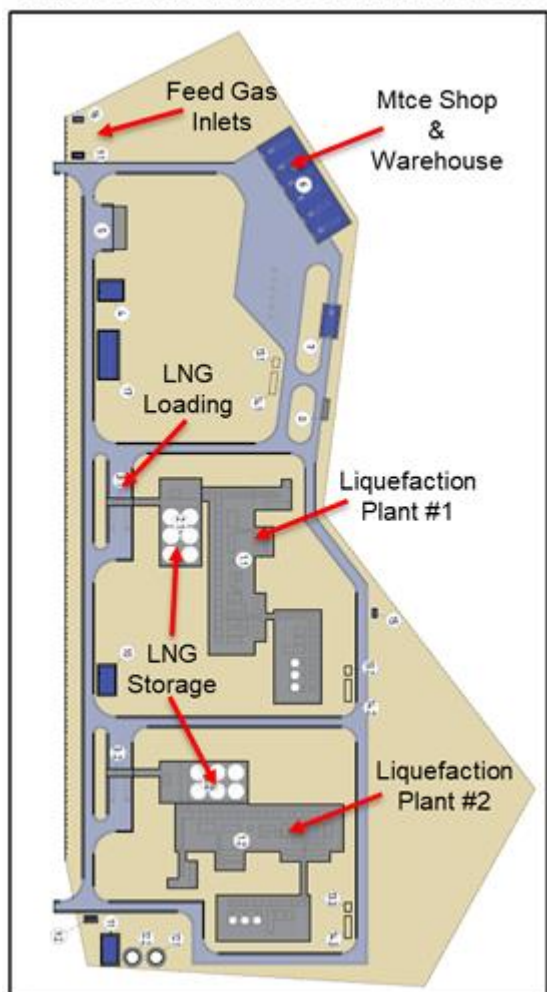
Source: Company

Project status and next steps

Condor has opted for a modular and scalable development strategy for the LNG business. The company has already secured a 20-year feed gas contract with the Kazakhstan State company responsible for natural gas sales and distribution that is sufficient to produce up to 770,000 l/d of LNG (340 t/d). This is sufficient LNG supply for ~125 rail locomotives or 180 large mine haul trucks. We estimate that this equates to ~ 9 mmcf/d of feed gas. This is very important, as having access to low-cost gas is critical for the economics of the project.

Figure 13. Alga LNG plant set-up

2 mLNG Plants Planned For The First Site



Source: Company

Condor plans to build its first plant at Alga, near Aktobe (see above). The plant will be located 2.5 km away from the natural gas pipeline it would tap into. Condor has already secured the required 12 hectares of land and has procured a dedicated power allocation at an agreed price. Given that most of the facility is built on skids outside of Kazakhstan, the requirement for additional permits is manageable.

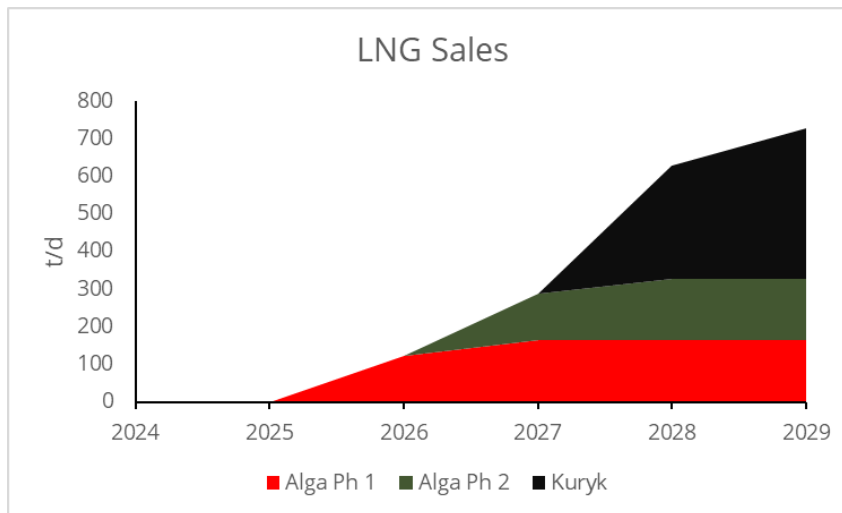
The first phase of the Alga plant is for up to 170 t/d of LNG (we assume ~165 t/d). It will be dedicated to locomotives. The second phase for a similar amount of production could target mining haul trucks. FEED has already been completed. The first plant is expected to cost ~US\$71 mm, including US\$41 mm for Phase 1 and US\$30 mm for Phase 2.

The key missing piece of the puzzle is the LNG offtake agreement for Phase 1 which is being finalized. This would allow the company to secure debt for the capex of the project (~2/3rd of the project). The company is also in discussions to farm out a stake in the project in return for a development carry. FID is expected in 4Q24 with first sales in 2026.

Construction of the plant is expected to take 12-16 months. We anticipate that Phase 2 will start one year later.

Condor is negotiating a second gas allocation contract to produce up to 400 t/d of LNG. This new gas allocation is expected to be awarded imminently. This would allow Condor to build a second plant at Kuryk, located near the Caspian Sea.

Figure 14. LNG sales build-up



Source: Auctus

Option on lithium price recovery

In July 2023, Condor was awarded its first 6-year lithium licence. The obligations are very limited (US\$0.1 mm per year). The licence is located in a heavily faulted area in a geothermally active region. This has allowed the migration of mineralized brines into the reservoirs. There are existing wells on the acreage where historical wireline and log data suggest a 670 m column of mineral rich brine reservoirs with lithium, cesium, manganese, rubidium and strontium. The lithium concentration was estimated at 67 mg/l from the Lower Carboniferous. The deeper Devonian that was penetrated but not tested could hold higher concentration of lithium.

Condor plans to drill two new appraisal wells (US\$3 mm each) to (1) verify deliverability rates, (2) confirm the lateral extension and concentrations of lithium in the tested Lower Carboniferous and untested deeper Devonian intervals for further potential resources. A reserves and resources report would then be prepared.

Condor is also in the process of applying for a new lithium licence in the area where two wells have encountered higher lithium concentrations of up to 130 mg/l with ~1,000 m of tested and untested brine sands.

Lithium in brine can be very valuable. Arverne Group, which is developing geothermal and lithium in France, has a market cap of EUR220 mm. Vulcan Energy, which has lithium/geothermal licences in Germany, has a market cap of ~A\$810 mm.

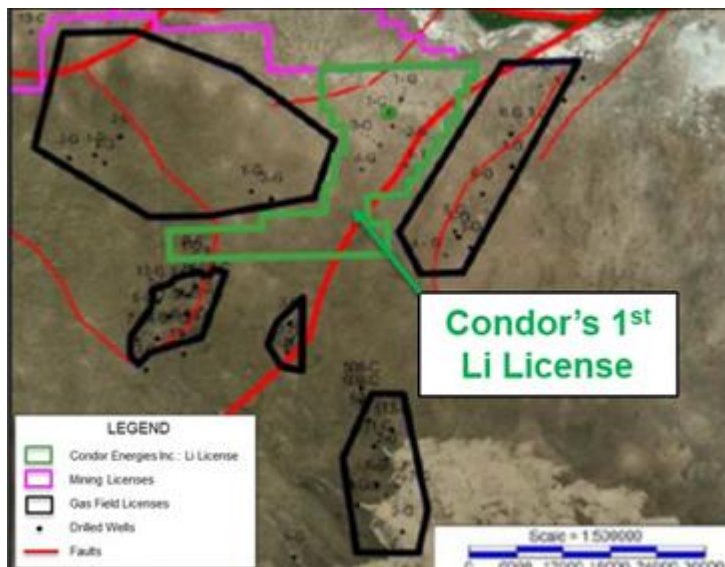
Given its strategic access to Asian and European lithium markets, Kazakhstan is ideally suited to the rapid deployment of emerging Direct Lithium Extraction (DLE) technologies to generate lithium for EV batteries and other electricity storage applications.

Since Condor's lithium License is not associated with legacy oil wells nor any reported presence of hydrogen sulphide, a less complex and less capital intensive modular DLE technology is envisioned for the separation of lithium from the brine when compared with lithium extraction projects targeting oilfield brines, such as are being advanced in Canada.

By applying proven DLE production technologies, Condor expects to have a much smaller environmental footprint than existing lithium production operations which use open-pit mining or brine evaporation ponds; and the process will not be dependent upon consumption of fresh water or toxic leaching chemicals as is the case in current lithium extraction processes

While developing the licence will require a recovery in lithium price (currently as low as US\$11,000/t), the development of the asset could be commercial at lithium price of US\$20-22,000/t. In 2022, prices for lithium averaged US\$37,000/t.

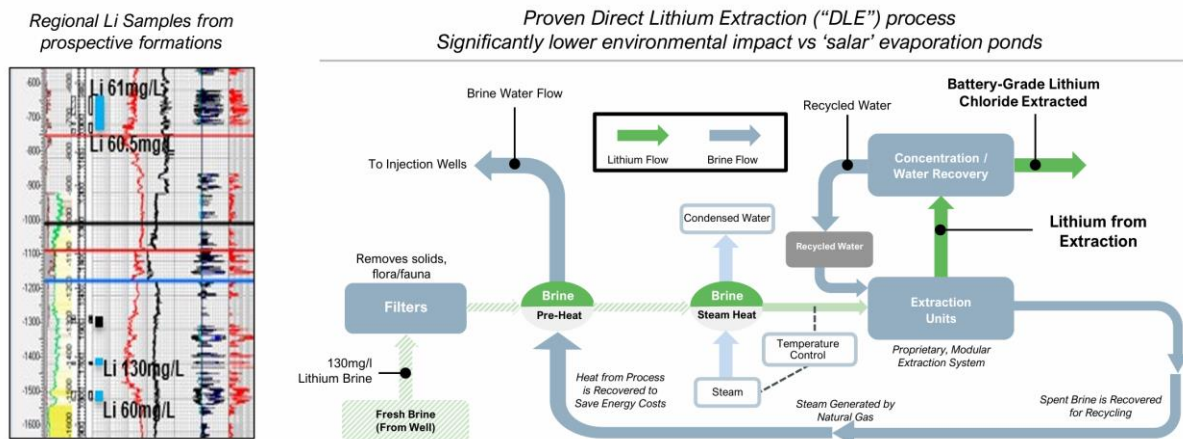
Figure 15. Lithium licence



Source: Company

An initial development could include 16 development wells plus 8 water injection wells to produce 20 t/d of lithium.

Figure 16. Development schematic



Source: Company

Valuation and financials

Financials

Condor held C\$9.6 mm in cash at the end of June 2024. Cash plus current receivables minus current payables were ~C\$16 mm. Condor has a US\$5.9 mm loan facility with a 9% per annum coupon and a maturity date of July 2026. The company also carries US\$4.8 mm convertible debentures with a 9% interest per annum that matures in March 2027. The conversion price is US\$1.62 per share.

The exact terms of the PEC in Uzbekistan have not been disclosed but gas realizations are around US\$2.5/mcf with total production costs of ~US\$1.1/mcf plus transportation and selling costs of ~US\$0.1/mcf. Overall net income per mcf in Uzbekistan was around ~US\$1/mcf 1Q24. We have kept that figure as a proxy for our cashflow forecast in Uzbekistan.

We have assumed that the operating cashflow in Uzbekistan will remain in the Uzbek subsidiary as it will initially fund the development capex. However, under the planned capex programme, we estimate aggregate gross free cash of US\$100 mm by YE29. Condor would receive 51% of the distributed free cash flow from Uzbekistan with the 49% partner receiving the balance, after repayment of all capital investments made by Condor.

The existing cash in the business funds corporate overheads and Kazakhstan. Our forecast does not include LNG in Kazakhstan until FID. Phase 1 of the Alga plant is expected to cost ~US\$41 mm. Phase 1 pays back in 18 months and generates ~US\$25 mm free cash flow each year thereafter assuming the current diesel price of ~US\$0.60/l (and LNG sold at a 20% discount to this price) and domestic natural gas price (US\$1.4/mcf). Two thirds of the capex can be funded by debt and Condor is looking to farm-out a share of the project to fund the residual equity component.

With two thirds of each project funded by debt, the equity requirement to fund each project capex is US\$10-12 mm. The free cash during the first year of production of Phase 1 is well above the capex equity requirement of Phase 2. Equally Alga Phase 1 and Phase 2 can fund the development of Kuryk (assuming US\$112 mm total capex and US\$35 mm equity contribution for the larger Kuryk plant).

Once Kuryk is online (2028), free cash flow from the LNG business increases to >US\$110 mm per year.

Valuation

Our Core NAV of C\$1.20 per share for the company includes:

- our estimate of the company's YE24 net cash minus a perpetuity for the G&A discounted at 15%.

- a NPV15% (after tax) of the company's production in Uzbekistan based on the expected development programme.

Our ReNAV of ~C\$5.80 per share includes our Core NAV plus the risked value of the LNG business in Kazakhstan. We have only attributed 60% of the NPV15% of Phase 1 and Phase 2 of Alga to Condor until FID is taken and further details on funding are made available. We have only attributed 30% of the NPV15% of Kuryk until that plant is sanctioned.

We have not attributed any value to potential Uzbekistan field expansion, the Kazakh lithium license nor the Turkey gas license.

Our unrisked NAV is ~C\$9.70 per share.

Figure 17. NAV Table

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	C\$/Share (Risked)	C\$/Share (Unrisked)	% Total
Net Cash/Debt YE24 (treating convertible as equity)			6	6	0.133	0.133	2%
G&A			-23	-23	-0.495	-0.495	-8%
Options exercise			1	1	0.023	0.023	0%
Uzbekistan production (base case)	24.0	100%	72	72	1.535	1.535	26%
Total Core NAV			56	56	1.195	1.195	20%
Kazakhstan LNG Alga Phase 1 (~170 t/d)		60%	105	105	2.235	2.235	38%
Kazakhstan LNG Alga Phase 2 (~170 t/d)		60%	94	57	1.207	2.011	21%
Kazakhstan Kuryk LNG (~400 t/d)		30%	193	58	1.234	4.115	21%
Kazakhstan Lithium			0	0	0.000	0.000	0%
Total Risked upside			393	220	4.676	8.361	80%
Total			449	276	5.872	9.663	100%
Unrisked NAV					9.66		
P/Core NAV				146%			
P/NAV				30%			
P/Unrisked NAV				18%			

Source: Auctus Advisors, Company Reports

Other assumptions

- Corporate income tax in Uzbekistan is 15% of profit.
- There is a 10-year corporate income tax holiday for the LNG project in Kazakhstan.
- Pre-existing environmental liabilities in Uzbekistan remains with the Uzbekistan national company (UNG); but the cost of abandonment of the equipment is the responsibility of the Corporation. This back-end funding is part of the deal terms in exchange for no upfront funding. A detailed 3rd party

baseline environmental study has been done and approved by UNG so that Condor does not have exposure to legacy pollution.

Risk analysis

We have identified the following key areas of risk:

1. Geological risks. We view the geological risks at the Uzbek gas fields as low. This reflects the fact that the fields are in production and there is low hanging fruit to increase production. This asset underpins an important portion of our valuation.
2. Commercial risks. This is the key area of risks in our view. Signing an LNG offtake agreement in Kazakhstan will go a long way to addressing these risks. Residual risks include (1) an increase in domestic natural gas prices in Kazakhstan and (2) a drop of diesel prices in Kazakhstan. A material increase in natural gas prices or a drop in diesel prices would have a negative impact on the LNG business' margin. However, the expected margins are so material that even an increase of 50% in domestic gas prices and a drop of 30% of diesel price would still leave healthy margins.
3. Funding risks. This is another important risk associated with the LNG business. Securing an offtake contract for the LNG would make the project bankable. This is expected to take place in 4Q24.
4. Counterparty risks. The counterparties in Kazakhstan and Uzbekistan are State-owned entities. In Uzbekistan, there is a clause that protects Condor against movement of the local currency versus US\$. US\$ can be repatriated.
5. Execution risks. There could be delays and cost overruns in Uzbekistan and Kazakhstan. However, the margins in Kazakhstan are very high and the returns will not be materially impacted by cost increases. In Uzbekistan, the individual cost of activities is limited, and the work programme can be adjusted according to cost. In addition, we forecast positive free cash flow every year, which leaves room to cover potential cost increases. For the LNG projects, cost overrun exposure is mitigated by the highest cost – most complicated equipment – being manufactured in fabrication facilities in North America. In-country costs will be primarily civil works (land preparation, utility connections, etc.).

Appendix 1: LNG as an alternative fuel for the mobility sector

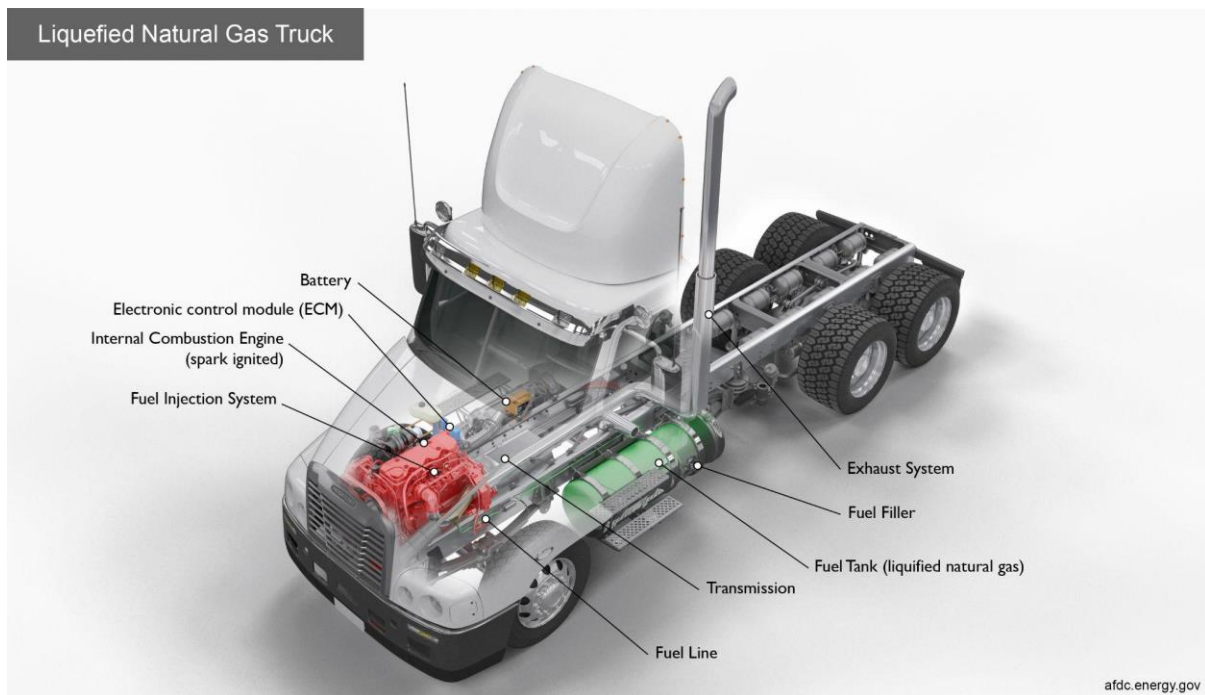
LNG is commonly used for generating electricity or for cooking gas but given attractive economics and lower GHG emissions, it is now increasingly used as a fuel source for modern engines in the heavy motor vehicle industry, mainly in marine, trucks and trains. The market penetration of LNG in the mobility sector has been significant in Europe and particularly in China.

Why is LNG appealing in the mobility sector?

Natural gas burns significantly cleaner than diesel, producing lower emissions of sulphur, nitrogen and carbon dioxide into the atmosphere. It can lead to up to 30% lower greenhouse-gas emissions and a significant reduction in other pollutants compared to diesel with 95% lower particulate emissions and 100% lower sulphur emissions. In many countries, diesel is sold at <US\$1.0-1.8 per litre. Correcting for energy density, this would lead to an equivalent price for LNG of >US\$0.60-1.08 for LNG, LNG prices of US\$10/mcf would only imply ~US\$0.50 per litre (including ~20% marketing fee), which is well below diesel.

Increasing the market penetration of LNG in the mobility sector will require continued investment in infrastructure. Engines and trucks also have to be modified to handle and contain LNG. Adding LNG to refueling stations is another important constraint. For the heavy motor vehicle industry, the investment is not so important given that existing vehicles can be converted. Major firms such as UPS, FedEx, Ryder Systems, and Dillon Transport have begun purchasing a growing share of natural gas trucks as they renew their fleets, including LNG long-haul tractor-trailers. As of 2024, there are approximately 23 million natural gas vehicles worldwide.

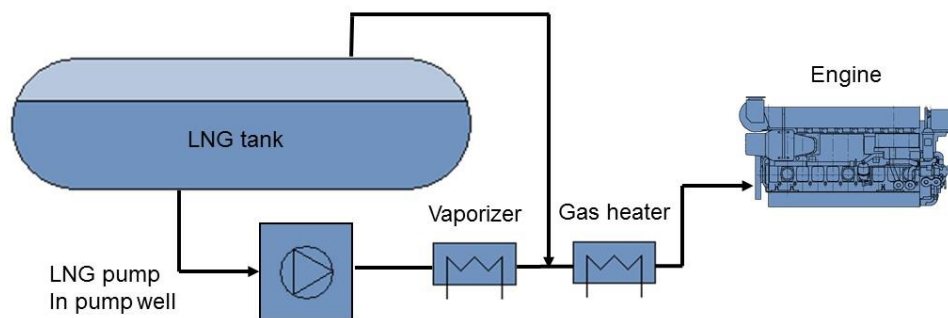
Figure 18. Liquefied natural gas truck



Source: afdc energy

Figure 19. LNG fuel system

LNG fuel system with pump



Source: Marine Service Noord

Progress

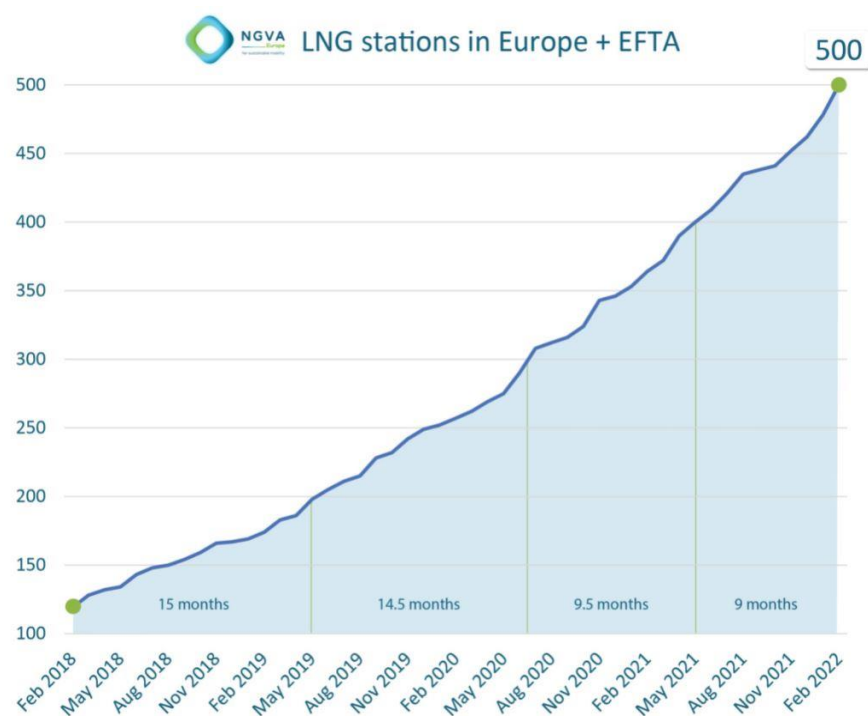
In the United States, natural gas powers more than 175,000 vehicles. As of 2016, the United States had a fleet of 160,000 natural gas vehicles, including 3,176 LNG vehicles. LNG is typically used in heavy-duty vehicles, particularly Class 7 and 8 trucks, due to its higher energy density compared to CNG, which allows for longer travel distances. In Florida, the East Coast Railway has fully converted its fleet of 25 locomotives to LNG.

In Canada, 24 GE ES44AC locomotives operate on LNG.

Germany has shown remarkable growth, increasing its LNG stations by 140% in just one year, from 45 stations in February 2021 to 108 in 2022. The European countries with the highest number of LNG stations for trucks are Italy with 112 stations, Germany with 108 stations, Spain with 79 stations and France with 60 stations.

In China, there are over 600,000 buses/trucks on the road and 3,000 LNG filling stations. Heavy-duty trucks in China reached 152,000 units in 2023, representing a 307% increase year-on-year.

Figure 20. LNG stations in Europe



Source: NGVA

LNG-fueled engines are being developed for oil drilling, mining, locomotive, and marine applications. It's estimated that as much as 40 million tonnes per annum of LNG could be required to meet the global needs of high-horsepower engines by 2025 to 2030.

Leading industrial players

Wabtec and MAN Energy Solutions produce dual-fuel engines capable of running on fuel oil and LNG. These engines are used in LNG carriers and feature Exhaust Gas Recirculation (EGR) for emission reduction.

Rolls-Royce supplies mtu 16V 4000 M55RN gas engines which are used in LNG-hybrid powered tugboats.

Cummins produces gas engines for Foton Auman LNG trucks in China. GE Transportation develops LNG technology based on a mix of 80% LNG and 20% diesel using existing GEVO engines and offers NextFuel natural gas retrofit kits for existing Evolution Series locomotives EMD (Electro-Motive Diesel).

Figure 21. Rolls-Royce engines picked for world's first LNG-hybrid tug



Source: Rolls-Royce

China and LNG

The market penetration of LNG for the mobility sector is particularly advanced in China. The vehicle LNG consumption in 2024 took up ~50% of domestic total LNG consumption. China started a five-year plan in 2021 regarding LNG in vehicles according to OilChem. China aims to expand its LNG infrastructure, including the construction of new LNG terminals, storage facilities, and refueling stations. This will improve the availability and

accessibility of LNG for transportation purposes. The government has set specific targets to increase the number of LNG-powered vehicles on the road. This includes incentivizing the adoption of LNG trucks, buses, and ships, particularly in high-emission sectors like heavy-duty transportation and marine transport. There are subsidies, tax breaks, and preferential financing, to encourage the adoption of LNG vehicles and infrastructure development. The government is promoting public-private partnerships to attract investment, share risks, and leverage expertise from private companies in the development of LNG infrastructure and the adoption of LNG vehicles.

Figure 22. Cost of truck using LNG vs diesel in China

Type of Fuels	2023		2024	
	LNG	Gasoil	LNG	Gasoil
Average Price (Yuan/t)	4,862	7,726	4,379	7,477
Consumption per 100 Kilometers (kg)	35	30	35	30
Cost per 100 Kilometers (Yuan)	170.17	231.78	153.265	224.31

Source: OilChem

China's strategy focuses on reducing greenhouse gas emissions and air pollutants from the transportation sector. LNG is seen as a transitional fuel that can help bridge the gap between traditional fossil fuels and cleaner alternatives like electricity and hydrogen.

The government is promoting domestic LNG production to reduce reliance on imports and enhance energy security. This includes developing shale gas resources and increasing the use of natural gas in the energy mix.

The government is investing in research and development to improve LNG engine efficiency, reduce costs, and enhance the overall performance of LNG-powered vehicles.

Figure 23. Sales of LNG-fuelled Heavy-Duty Trucks in China



Source: Bloomberg

Appendix 2: Senior Management & Board of Directors

Dennis Balderston: Director and Chairman

Mr. Balderston is a Chartered Accountant and independent businessman with over 38 years of public accounting experience specializing in public and private energy sector companies. Mr. Balderston was a partner with Ernst & Young LLP from 1990 to 2005. Since 2005, Mr. Balderston has been a director of a number of public companies.

Don Streu: President and CEO, Director

Don has a diverse professional background with extensive experience in drilling, asset management, strategic and tactical business planning, and production operations. Prior to joining Condor, Mr. Streu spent over 22 years with Chevron working in various onshore and offshore assignments in Canada, the United States, Angola, Indonesia, and Nigeria with increasing responsibility and complexity. Mr. Streu served as the Drilling Coordinator and subsequently as Asset Manager at Kuito, Angola's first deep-water development which progressed from discovery to first oil in only 30 months, Business Planning Manager in Indonesia responsible for developing strategic and tactical plans for an operation producing 350,000 bbl/d and as Asset Manager in Nigeria accountable for managing a project producing 250,000 bbl/d. Mr. Streu has a BSc in Mining engineering from the University of Alberta with post graduate studies in Petroleum Engineering.

Andrew Judson: Lead Director

Mr. Judson has more than 25 years of energy capital markets experience, with much of it focused on international oil and gas production companies. Mr. Judson was a Director and Senior Advisor with Daytona Power Corp., a private company focused on developing renewable power infrastructure in the United States. Previously, Mr. Judson was Managing Director of Camcor Partners Inc. (an energy focused private equity firm), Managing Director of Institutional Sales at FirstEnergy Capital Inc., and Managing Director of Institutional Sales at Tristone Capital Inc. Mr. Judson is currently Chairman of Crown LNG and a Senior Advisor to Fort Capital, Vice Chairman of The Fraser Institute and Vice Chairman of Winsport.

Werner Zoellner: Director

Dr. Zoellner has spent more than 15 years in the private equity domain, during which time he held positions as an Investment Principal and Partner with Wellington Finanz GmbH, an Investment Partner with the Landes-Bank of the State of Baden-Württemberg and a Partner with Patrimonium Advisors in Switzerland. Dr. Zoellner serves and has served on the boards of directors of several companies in Germany, Switzerland and the United States. Previously, Dr. Zoellner spent 10 years in senior management positions with various technology companies, including 3M ESPE.

Sandy Quilty: Vice-President and CFO

Mr. Quilty has over 25 years' experience in the international oil and natural gas industry working for exploration and production companies and service enterprises in Kazakhstan, Russia, China and Canada, including seven years resident in Kazakhstan.

Previously, Sandy was Vice-President of Finance at Arawak Energy Corporation, CFO at Altius Energy Corporation and Finance and Accounting Manager at Fracmaster/BJ Services. Sandy is a Chartered Professional Accountant, articulated at PriceWaterhouse in Calgary and holds a BMgt from the University of Lethbridge.

Norman Storm: Kazakhstan Managing Director

Mr. Storm has conducted business in Kazakhstan for 30 years and during this period has been involved in a wide array of business activities, including: oil and gas exploration and production, mining, oil field services, domestic and international transportation services, and manufacturing. Norman is the Managing Director of Eurasia Resource Value SE, a European-based private investment fund that is the founder of Condor Energies, as well as Osisko Mining, the developer of Canadian Malartic, Canada's largest gold mine, near Val d'Or in Quebec. Norman also co-founded Kazakhstan's first international transport company that was the founding member of KAZATO, the IRU's (Switzerland) customs bonding agency for road transportation in Kazakhstan. The company served many of the region's major resource projects including: Kumtor Gold, Petro-Kazakhstan, Tengizchevroil, Kashagan, and Shell Temir.

Jon Erickson: Sr. VP Operations

Mr. Erickson has over 35 years' experience with international E&P companies including Oxy, Texaco, Chevron, Tullow Oil and Burren Energy. He has been involved in onshore and offshore asset management operations in the Middle East, Russia, Kazakhstan, Turkmenistan, Africa, and South America. He has provided effective leadership in the technical execution of projects, in particular reducing costs and implementing new technologies to enhance operational, environmental and safety results. He was instrumental in the development and expansion of assets internationally through drilling optimization and streamlining of production lifting and facilities. Mr. Erickson has managed LNG projects in several countries including Mozambique, Chad, and Gabon, for gas to power and for diesel displacement. Mr. Erickson has held past positions of Chief Operations Officer, General Manager – Operations and Drilling Manager in various oil and gas ventures. Mr. Erickson holds a degree in Petroleum Engineering as well as an MBA from Eli Broad Business school.

John Baillie: Sr. VP Asset Development

Mr. Baillie has over 40 years of experience in the international upstream energy industry, 25 years in various Chevron companies in North America and Africa, and as an Executive with Sinopec-Addax Petroleum in Switzerland. He has extensive experience leading teams on major energy operations and developments in Angola, Congo, Gabon, Cameron, Nigeria and the UK North Sea. His background includes leading integration projects from major acquisitions in West Africa and the North Sea.

Trent Mercier: VP and General Counsel, Uzbek Managing Director

Mr. Mercier specializes in international resource project transactions and public-private investment law, and has advised operating companies, supply companies, financial institutions and governments on resource projects in over 25 countries. He was a partner

and global co-chair of the oilfield services group of Norton Rose Fulbright (a leading global law firm) and most recently a partner at Stikeman Elliott (the leading M&A and energy law firm in Canada). Mr. Mercier is the co-author of world-leading forms of investment agreements for investor-state oil and gas projects and lead author of the Canadian master agreement for procurement of oilfield goods and services. Mr. Mercier is also a published author and a former instructor at the University of Calgary on International Petroleum Transactions. Supplementing his extensive legal expertise, Mr. Mercier has an education in geology and worked for Alberta's energy regulator.

Appendix 3: Capital structure and main shareholders

Figure 24. Main shareholders

Shareholders	%	Position (000)
Eurasia Resources	23.5%	16,592
Norman Storm	2.4%	1,334
Andrew Judson	2.0%	1,149
Donald Streu	1.2%	677
Sandy Quilty	0.3%	161

Source: FactSet

There are ~57 mm shares in issue and 2.5 mm options (with an average exercise price of C\$0.48 per share). The company also carries US\$4.8 mm convertible debentures with a 9% interest per annum that matures in March 2027. The conversion price is US\$1.62 per share.

Eurasia, the main shareholder, holds 23.5% of the issued share capital. The Managing Director of Eurasia is Norman Storm, Condor's MD for Kazakhstan, who owns an additional 2.4% interest. The CEO of Condor, its CFO and its lead director holds a further 3.5% of the company in aggregate.

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The research analyst who prepared this research report was Stephane Foucaud, a partner of Auctus.

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