

2 March 2020

### Metals & Mining

52-WEEK HIGH	28.30p
52-WEEK LOW	16.88p
PRICE	23.00p
MARKET CAP MLN	22.00
NET CASH (MLN)	£3.60

### Share Price



### Major Shareholders

Jim Mellon:	15.6%
Nicaragua Milling Company:	10.4%
Ross Beaty:	6.9%
Mark Child:	4.4%
Oracle Investments:	4.3%
Shares in issue	94,663,522
Avg Three-month trading volume	100,030
Primary Index	AIM
Next Key Announcement	Award of additional environmental permits

### Company Information

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**Website:** [www.condorgold.com](http://www.condorgold.com)

### Analyst Details

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## Condor Gold PLC - Permitted Gold Mine with Near-term Production Potential

Condor Gold PLC (LON:CNR) is an AIM and TSX-listed exploration and development company focused on the 100%-owned La India Gold Project, located in Nicaragua.

Condor controls around 98% of the La India Mining District, around 588 km<sup>2</sup>, which is an impressively large footprint in an under-explored gold district.

In order to advance La India, Condor has adopted a dual strategy to generate shareholder value by advancing the La India project into production alongside continuing exploration, with the target of defining 5mln ounces (moz) of gold (Au).

The project currently has an NI 43-101 compliant mineral resource estimate of 2.33 moz of gold at a grade of 3.9 g/t Au, which includes a reserve estimate of 675,000 oz of gold at a grade of 3.0 g/t Au. There are many known veins within the region that have only been initially tested or in some cases not tested at all, which could add to both the reserve and resource base with additional exploration.

Condor is permitted to construct, develop and operate a 2,800 tonnes per day (tpd) processing plant with the capacity to produce a 100,000 oz gold per annum at an all-in sustaining cost (AISC) of US\$690 per ounce. Condor has completed several economic studies that focus on the core area of the project. These studies demonstrate robust economics, with internal rates of return above 30%, even at a low-gold price of US\$1,250/oz.

Condor is currently assessing a number of options for near-term production and cash flow generation at La India. These options could include: a staged development of the mine, starting with a low-capital expenditure mine development initially; or a potential toll treatment agreement with one of the nearby mills.

The next major milestones for the company will be the award of the additional environmental permits for the extraction of ore from the America and Mestiza open pits.

Despite the significant scale, exploration potential and the advanced development stage of the La India Gold Project, Condor appears to be significantly undervalued compared to its peer group on both an enterprise value (EV)/reserve basis and EV/resource basis.

Condor trades on an EV/reserve multiple of £27.3 per ounce (oz) of gold (Au), compared to the average for its London listed gold peer group of £291.2/oz Au and an EV/resource multiple of £7.9/oz Au, compared to the peer group average of £69.9/oz Au. Applying the peer group multiples, the company would have an EV of between £162.2mln and £196.6mln, or on a per-share basis £1.70 to £2.10 per share.

**Mark Child - chairman & chief executive officer**

Child has 20 years' experience of equity capital markets. He is an executive director of Regent Pacific Group, and has board level experience of AIM-listed and private companies.

**Jim Mellon - non-executive director**

Mellon is a globally renowned fund manager. He is currently chairman of Manx Financial Group, Regent Pacific Group and Emerging Metals Limited.

**Kate Harcourt - non-executive director**

Harcourt has twenty-five years' experience of the environmental and social aspects of mining. She has been nominated by the IFC to the board following their acquisition of an 8.5% shareholding in the company.

Condor's share price appears to have been held back by investors' concerns regarding potential opposition to the mine from the local community. The concerns are linked to a resettlement proposal three years ago. The mine has subsequently been re-designed to avoid any resettlement and the community overwhelmingly voted for a new mine at a public hearing.

During our [recent site visit \(view the video here\)](#), we engaged with the local artisanal miners and watched the interactions between the miners and Condor's technical and social staff, the relationship appeared cordial, and we saw no signs of local opposition. During the site visit, we were also able to observe the considerable resources the company has employed to engage with both the local community and local artisanal miners within the area.

**La India Gold Project**

The La India Gold Project is made up of 12 mineral concessions that cover an area of 588 km<sup>2</sup> in the La India Mining District (Figure 1), located within the Leon Region of Nicaragua.

Condor has established its control over 98% of the India Mining District through a series of acquisitions, concession swaps and direct awards from the Government, since first establishing its presence in the area in 2006.

La India was not a greenfield discovery for Condor. Between 1938 and 1956 around 576,000 ounces (oz) of gold (Au) at a grade of 13.4 grams per tonne (g/t) were extracted from underground mines operated by Norland.

Noranda concentrated its mining activities on two veins:

- The La India Vein — mined over a 1,200-metre strike length to a depth of 200 m below surface;
- The America-Constancia Vein — mined over a 2,200-metre strike length to a depth of 250 metres below the surface

The mines closed in 1956, following water ingress, resulting in higher pumping costs and higher operating costs associated with mining deeper. As a result, the La India Vein and America-Constancia Vein were not mined out.

Extensive drilling and trenching were undertaken at the project between 1986 and 1990, through a Soviet-Nicaraguan governmental collaboration, which culminated in the production of a GKZ-compliant mineral resource estimate.

Additional drilling was undertaken by a number of Canadian exploration companies, which validated the previous work and established the presence of additional veins.

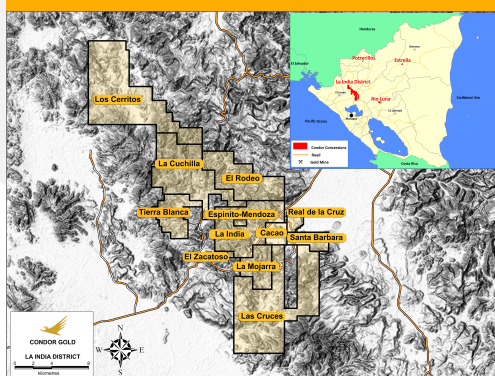
Artisanal miners have intermittently worked the accessible upper levels of the underground mines and extracted some ore from the smaller feeder pits in the area.

These miners are only able to access the near-surface portions of the vein, even when using underground mining the miners are only able to mine to the water table, which is around a depth of 20 metres at La India. All the artisanal mining is non-mechanised, so relatively small volumes of ore are being extracted.

Condor acquired its initial interest in the area in 2006 and has since expanded its concession footprint, discovered new veins, established compliant mineral resources and reserves, and advanced the project to the preliminary economic assessment and pre-feasibility study stage. Condor has completed 60,000 metres of drilling taking the total drilling to circa 78,000 metres at the project.

During our recent [site visit](#) we visited three areas where the initial mining operations are expected to be focused: the La India Vein, the America Vein and the Mestiza Vein. [A video from our site visit can be viewed here.](#)

**Figure 1 - Map of  
Condor's Concessions**



Source: Condor Gold

Resources and Reserves

**Figure 2 - The NI 43-101 Reserve**  
**Estimate for the La India Gold Project**

Category	Tonnes (Mt)	Gold Grade (g/t)	Silver grade (g/t)	Gold equivalent grade (g/t)	Contained gold (Koz)	Contained silver (Koz)	Contained gold equivalent (Koz)
Proven	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Probable	6.9	3.0	5.3	3.1	675	1,185	688
<b>Total</b>	<b>6.9</b>	<b>3.0</b>	<b>5.3</b>	<b>3.1</b>	<b>675</b>	<b>1,185</b>	<b>688</b>

Source: Open Pit Mineral Reserve Estimate for La India Project 21 December 2014 (SRK Consulting (UK) Ltd.). Gold equivalent grades calculated by MMRC using current metal prices

The La India Project has a total NI 43-101 compliant reserve estimate of 688,000 oz of gold equivalent (eq.) at a grade of 3.1 g/t Au eq. (Figure 2).

The La India Project has a total NI 43-101 compliant resource estimate of 2,354,000 oz Au eq. at a grade of 4.0 g/t Au eq. (Figure 3).

The bulk of the mineral resource estimate comes from the La India and America Veins, with the Mestiza Vein set adding some higher-grade mineralisation (Figure 4).

**Figure 3 - The NI 43-101 Resource**  
**Estimate for the La India Gold Project**

Category	Tonnes (Mt)	Gold Grade (g/t)	Silver grade (g/t)	Gold equivalent grade (g/t)	Contained gold (Koz)	Contained silver (Koz)	Contained gold equivalent (Koz)
Measured	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicated	9.9	3.6	5.9	3.7	1,140	1,880	1,161
Inferred	8.5	4.3	8.2	4.4	1,179	1,201	1,193
<b>Total</b>	<b>18.3</b>	<b>3.9</b>	<b>7.0</b>	<b>4.0</b>	<b>2,319</b>	<b>3,081</b>	<b>2,354</b>

Source: Open Pit and underground Mineral Resource Estimate for La India Project 25 January 2019 (SRK Consulting (UK) Ltd.). Gold equivalent grades calculated by MMRC using current metal prices

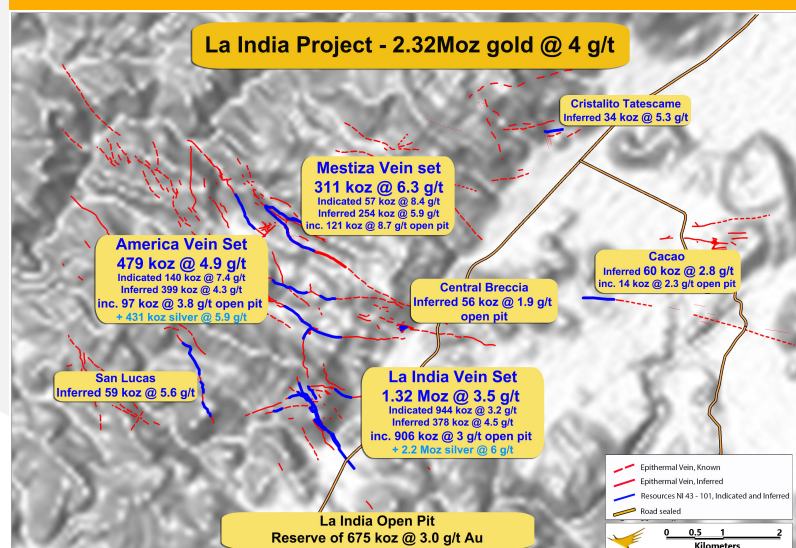
Condor estimates that with additional drilling at La India, America and Mestiza it could potentially increase the existing total mineral resource estimate by 43% to more than 3 million ounces (moz) Au.

The Cacao, San Lucas, Central Breccia and Cristalito Tastescame veins also contain small resources, but require additional drilling to fully test the potential scale of the mineralisation at each target.

In addition to these targets, there are numerous mapped veins that have not been tested (Figure 4).

Condor believes that the La India Gold District has the potential to contain more than 5 moz of gold.

**Figure 4 - Map of the Veins at La India Gold Project**



Source: Condor Gold

## Economic Studies and Mine Plans

In 2014, Condor completed a pre-feasibility study (PFS) on the potential to mine the La India Vein using open-pit methods (Figure 5).

Alongside this, the company also completed a preliminary economic assessment (PEA) to assess the potential to open-pit mine the America and Central Breccia Veins as satellite pits in addition to the open pit on the La India Vein.

Another PEA assessed the potential to mine the three open pits and make the transition to underground mining on the La India and America Veins.

This was followed by a series of updated optimisation studies, announced in 2016, which improved the economics for all three production scenarios by altering the phasing of the mining and processing operations (Figure 5).

In 2018 Condor submitted a revised mine plan as part of Environmental and Social Impact Assessment (ESIA) permit, which resulted in additional changes in the phasing of the La India Open Pit.

Two additional ESIA permit submissions were made in 2019 for open-pit mines at both America and Mestiza and this has resulted in an updated mine plan.

**Figure 5 - Economic Studies Completed at the La India Gold Project**

Study	PFS	PEA		Optimisation		
		La India, America & Central Breccia	La India, America & Central Breccia	La India	La India, America & Central Breccia	La India, America & Central Breccia
Veins to be mined	La India	La India, America & Central Breccia	La India, America & Central Breccia	La India	La India, America & Central Breccia	La India, America & Central Breccia
Operation type	OP	OP	OP & UG	OP	OP	OP & UG
Capex (US\$m)	110,000,000	127,000,000	169,000,000	110,000,000	127,000,000	169,000,000
Average annual gold production (oz)	79,000	96,800	100,000	-	-	-
LOM gold production (oz)	614,000	755,040	1,200,000	796,000	985,000	1,437,000
Life of Mine (years)	8.0	7.8	12.0	-	-	-
Post-tax NPV <sub>5</sub> (US\$m)	91.7	124.2	186.6	167.8	186.5	267.9
Post-tax IRR (%)	22.0	24.6	23.8	30.7	32.1	30.0

Source: Proactive

**PFS - NPV<sub>5</sub> US\$91.7 m & IRR 22%**

### 2014 - PFS on La India open pit

The PFS focused on an open-pit mine at the La India Vein, established a 0.8 million tonne per annum (mtpa) output with a post-tax net present value (NPV<sub>5</sub>) of US \$91.7m (with an assumed 5% discount rate) and a post-tax internal rate of return (IRR) of 22% using a gold price of US\$1,250/oz, well below the current gold price of US\$1,654/oz.

The open-pit PFS resulted in an operation producing an average of 79,000 oz of gold over an 8.7-year mine life, with peak production 83,000 oz per annum over six years. Around 614,000 oz of gold would be recovered over the life of mine.

The project is estimated to have an operating cash cost of US\$657/oz Au and an all-in sustaining cost (AISC) of US\$690/oz Au (both including silver credits). The project has an upfront capital cost of US\$110m.

**PEA - NPV<sub>5</sub> US\$124.3 m & IRR 24.6%**

### 2014 - PEA on La India, America, Central Breccia open pits

The open-pit PEA focused on open-pit operations on the La India, America and Central Breccia veins defined a 1.2 mtpa operation with a post-tax NPV<sub>5</sub> of US \$124.2m and a post-tax IRR of 24.6%, using a gold price of US\$1,250/oz.

**PEA - NPV<sub>5</sub> US\$186.6 m & IRR 23.8%**

The open-pit PEA would see the mine produce an average of 96,800 oz of gold over a 7.8-year mine life, resulting in the total recovery of 755,000 oz Au over the life of mine.

The project is estimated to have an operating cash cost of US\$648/oz Au and an all-in sustaining cost (AISC) of US\$685/oz Au (both including silver credits). The project has an upfront capital cost of US\$127mln .

**2014 - PEA on open pits and underground at La India and America**

The PEA for open-pit and underground operations at the La India and American veins defined a 1.6 mtpa operation with a post-tax NPV<sub>5</sub> of US\$186.6mln and a post-tax IRR of 23.8%, using a gold price of US\$1,250/oz.

The open-pit and underground PEA resulted in an operation producing an average of 100,000 oz of gold over an eleven-year mine life, resulting in a life of mine recovery of 1.2 moz Au.

The project is estimated to have an operating cash cost of US\$651/oz Au and an all-in sustaining cost (AISC) of US\$697/oz Au (both including silver credits). The project has an upfront capital cost of US\$169mln .

**OS - NPV<sub>5</sub> US\$167.8 m & IRR 30.7%**
**2016 - Open-pit optimisation study**

The open-pit mine optimisation study (OS) for the La India Vein established a 0.8 mtpa output capacity with a post-tax NPV<sub>5</sub> of US\$167.8mln and a post-tax IRR of 30.7% using a gold price of US\$1,250/oz.

The optimisation study on the open pit demonstrated life of mine gold production increasing to 796,000 oz.

**OS - NPV<sub>5</sub> US\$186.5 m & IRR 32.1%**
**2016 - Optimisation study on La India, America, Central Breccia open pits**

The open-pit optimisation study focused on operations on the La India, America and Central Breccia veins defined a 1.2 mtpa operation with a post-tax NPV<sub>5</sub> of US\$186.5mln and a post-tax IRR of 32.1%, using a gold price of US\$1,250/oz.

The optimisation study on the open pits demonstrated life of mine gold production increasing to 985,000 oz.

**OS - NPV<sub>5</sub> US\$267.9 m & IRR 30%**
**2016 - Optimisation study on open pits and underground at La India and America**

The optimisation study for open-pit and underground operations at the La India and American veins defined a 1.6 mtpa operation with a post-tax NPV<sub>5</sub> of US\$267.9mln and a post-tax IRR of 30%, using a gold price of US\$1,250/oz.

The optimisation study on the open pits and underground operation would result in life of mine gold production increasing to 1.4 moz.

## Environmental Permits

### 2018 permit for average life of mine production of 80,000 oz Au

#### 2018 - Environmental permit

Condor was awarded an environmental permit to construct, develop and operate a processing plant with a capacity of up to 2,800 tonnes per day and associated mine site infrastructure at the La India open pit in August 2018. This was an important de-risking milestone for the company.

As part of the ESIA application, Condor revised its mine scheduling studies, which effectively removed the last phase of the four-phase mine plan presented in the PFS.

This had several benefits, in that the company would no longer have to resettle the nearby village, reroute the nearby road or move a nearby power line.

These changes reduce the development capital of the project and also reduce the risk of potential community issues at the expense of a relatively small amount of gold ounces that would be mined late in the project's life. The project's overall economics are not expected by the company to be materially affected.

The average gold production per annum is expected to be 80,000 oz to 100,000 oz of gold over a mine life of seven to eight years.

### 2019 permit for average life of mine production 120,000 oz Au

#### 2019 - Additional environmental permit applications

The updated ESIA for an environmental permit for open pits at both the America and Mestiza veins was submitted in November 2019.

America and Mestiza are located about 3 km and 4 km, respectively, from the proposed location of the processing plant, well within trucking distance and are expected by Condor to become satellite pits to La India.

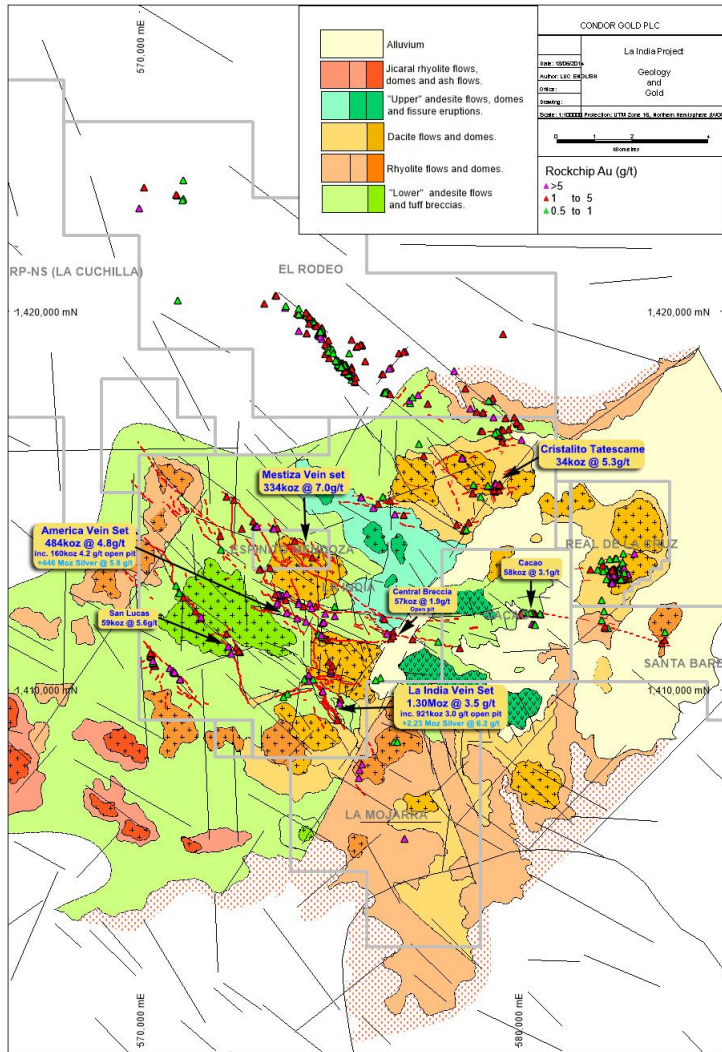
Both America and Mestiza will add additional high-grade open-pit material to the mine plan and should enhance the project's economics, increase annual production and/or increase the life of mine.

The Mestiza and America open pits contain 66 koz (thousands of ounces) of gold at a grade of 9.9 g/t in the Indicated category and 152 koz of gold at a grade of 4.6 g/t in the Inferred category.

Condor's internal studies indicate that the addition of Mestiza and America to the mine plan increases the average annual production level to 120,000 oz gold over a seven-year period.

Geology

Figure 6 - A Geological Map of the La India Gold Project



Source: Condor Gold

The host rocks at the La India Project consist of Tertiary age, Coyal Group, intermediate to felsic volcanic rocks, including basaltic andesite, andesite and dacite-rhyolite lavas, and andesitic and dacite pyroclastic deposits (Figure 6).

The gold bearing veins at La India dominantly have a north-east to south-west strike and dip towards the east. The geology and vein structure vary between the La India, America and Mestiza Veins.

At the La India Vein, the gold bearing vein is contained within a breccia and hosted in ignimbrites (Figures 7 & 8).

Overlying the ignimbrites in the footwall to the west are felsic rocks, while in the hanging wall is a band of andesites that overlie felsic rocks, both dipping towards the west.

The La India Vein hosts a total mineral resource estimate of around 1.3 moz at a grade of 3.5 g/t Au.

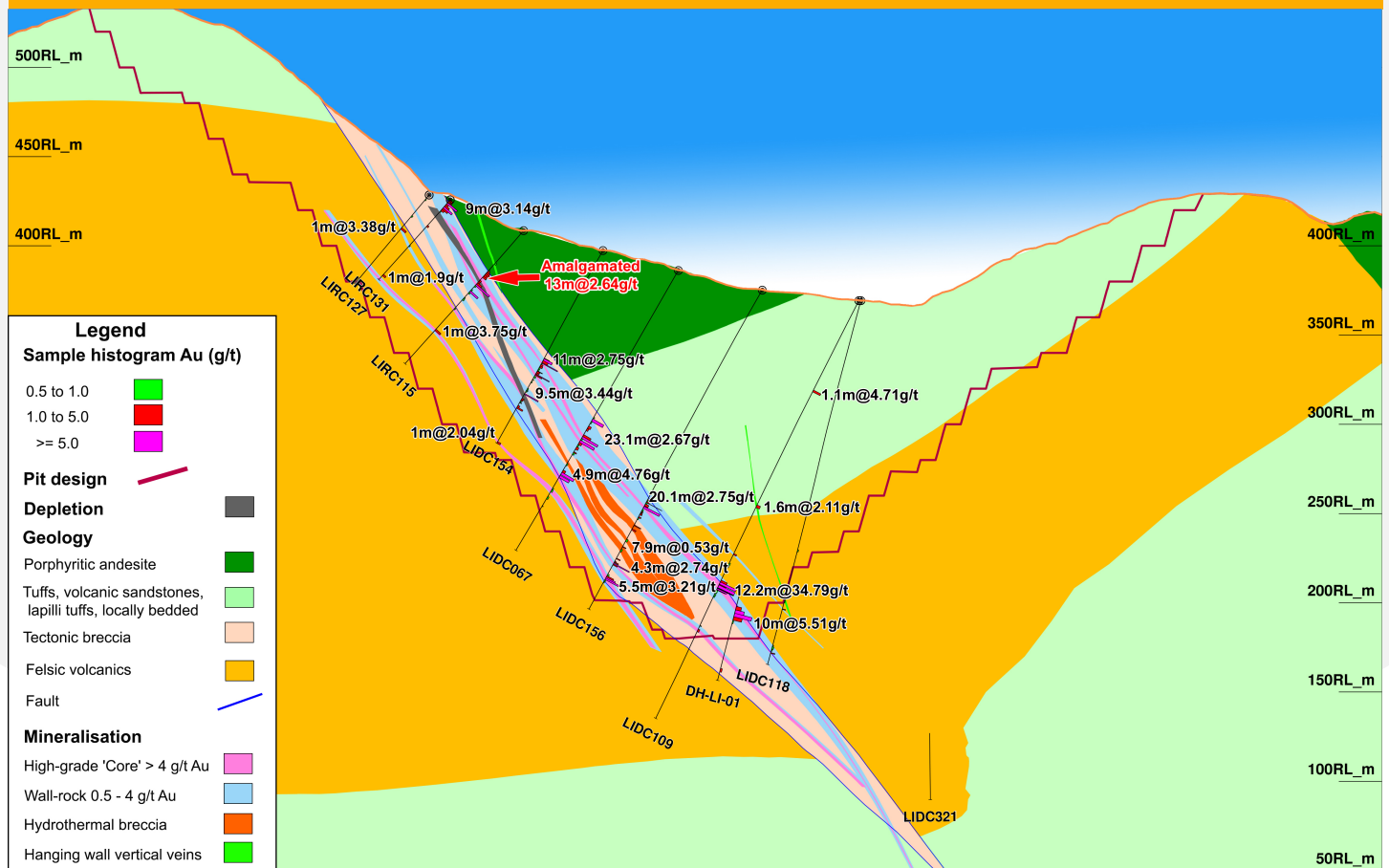
Impressive drill intercepts from La India include: 12.2 metres (m) at 34.79 g/t Au from 173.15 m (LIDC109); 6.65 m at 32.23 g/t Au from 111.25 m (LIDC121); and 26 m at a grade of 7.73 g/t Au from 25 m (LIRC105).

Figure 7 - The Geology of the La India Vein



Source: Proactive

Figure 8 - A Cross Section Through the La India Vein



	CONDOR S.A. / LA INDIA GOLD S.A. Reparto San Juan, Del Gimnasio Hercules 1c al sur, 2 c arriba, Apto. ISOLSA # 2 Leon, Nicaragua Tel: +505 2270 1930	Scale 1 : 2000	Plot Date 27-May-2019	Section window: 25 m Along 25 m Towards	La India Cross Section Section name: LI_Xsection_10800		CONDOR GOLD 7th Floor, 39 St James's Street, London SW1A 1JF Tel UK: +44 207 493 2784 Tel Nic: +505 2311 0970 www.condorgold.com
		Projection: UTM WGS84 Zone 16N					

Source: Condor Gold



In the Mestiza Vein area the geology changes with ignimbrites in both the hanging-wall and footwall (Figures 9 & 10) and there is also an absence of breccias surrounding the vein.

The gold grade improves in the Mestiza area, with 333,000 oz of gold in the total resource estimate at a high-grade of 7.5 g/t Au.

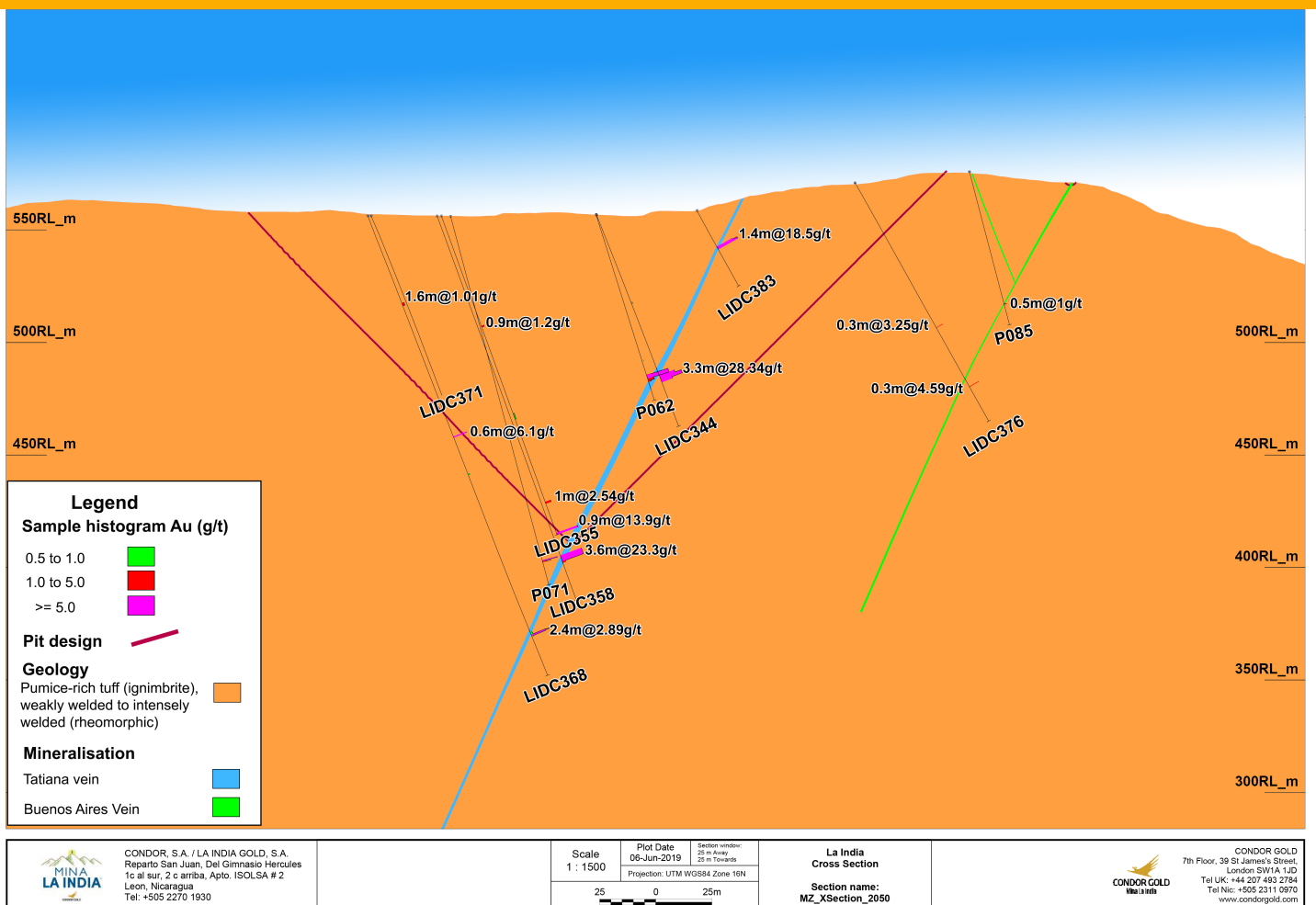
As can be seen in Figure 9, artisanal workings in the area are shallow and focused on the near-surface expression of the veins.

Figure 9 - A Local Working on the Mestiza Vein



Source: Proactive

Figure 10 - A Cross Section Through the Mestiza Vein



Source: Condor Gold

The geology of the America Vein (Figure 11 and 12) has aspects of both the La India Vein and the Mestiza Vein.

Like Mestiza, America is hosted in ignimbrites in both the hanging-wall and footwall but like La India it is surrounded by a breccia.

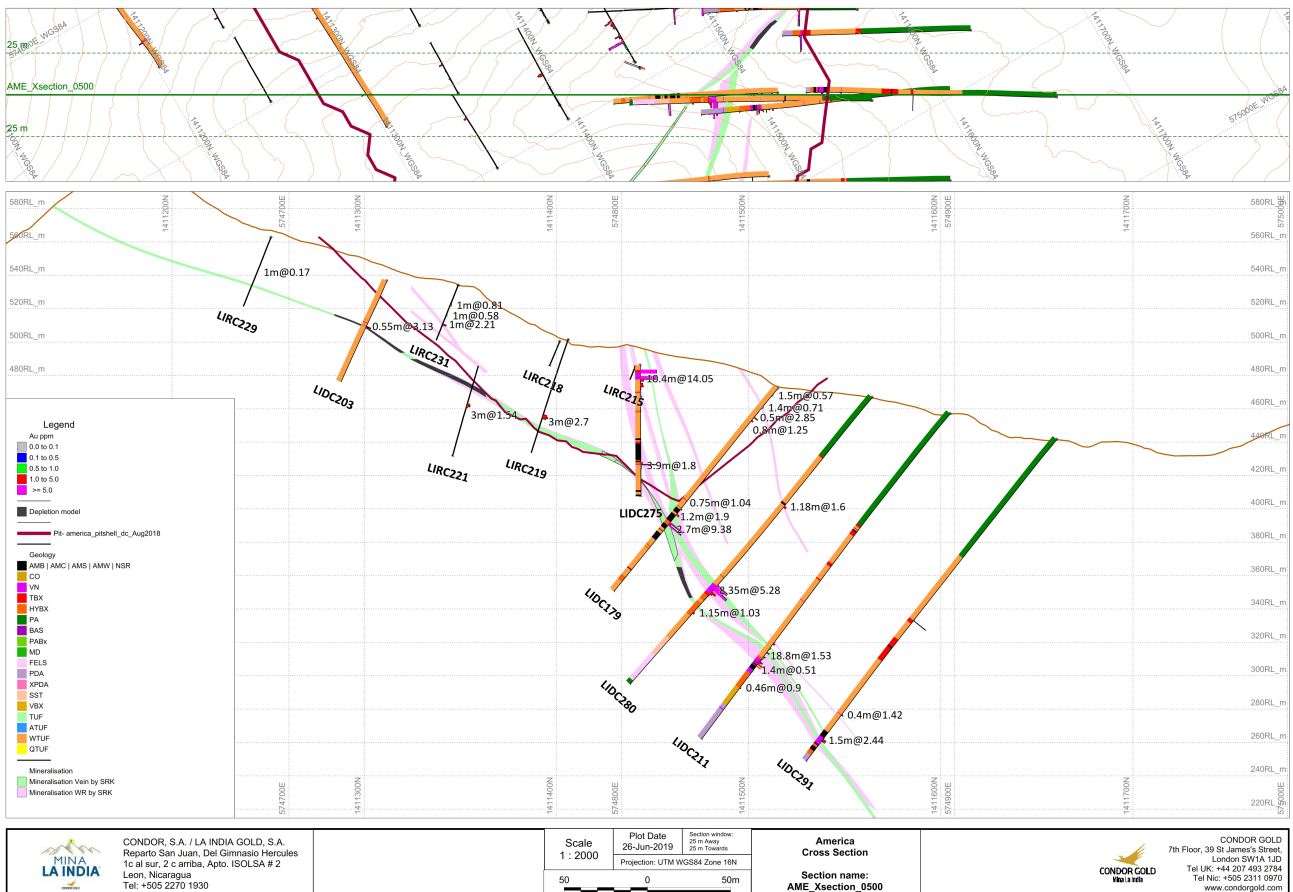
The resource estimate at American contains around 479,000 oz of gold a grade of 4.9 g/t Au.

Figure 11 - Local Working on the America Vein



Source: Proactive

Figure 12 - Cross Section Through the America Vein



Source: Condor Gold

The veins display typical low-sulphidation epithermal textures included bladed quartz pseudomorphs of calcite (Figure 13), banded quartz veins (Figure 14), brecciation and vugs.

The gold mineralisation is un-evenly distributed along the strike length of the veins with high-grade shoots separated by lower grade veins.

The high-grade shoots typically extend for 100 m to 300 m along strike and the intervening low-grade zones appear to typically extend between 50 m and 150 m along strike.

Figure 13 - Bladed Quartz Pseudomorphs



Source: Proactive

Figure 14 - Banded Quartz Veins



Source: Proactive

### Infrastructure

Power for the project is to be supplied from the Nicaraguan National Grid as a 138 kilovolt (kV) power-line is already located adjacent to the project, though Condor will need to construct a tie-in and a 138/11 kV transformer to be able to get the power to the site.

The NIC-26 highway cuts across the La India project so transport of the construction material to the site, regular supplies and labour can easily be brought in and product taken out.

Process water supply for the operations will be supplied by recycled water from the tailings dam (TSF), supplemented by mine dewatering.

### Mining operations

Open-pit mining on the La India, America, Mestiza and potentially Central Breccia open pits is expected to be by conventional drill, blast, load and haul methods.

The underground operations on La India and America Veins, and potentially Mestiza Vein, are likely to be cut and fill, as it would allow the Condor to focus on mining of high-grade material, as well as minimising dilution and maximising recovery.

### Processing flow sheet

Once extracted the ore will feed into a primary jaw crusher. The crushed rock will be conveyed to a single-stage semi-autogenous grinding (SAG) mill with cyclones (Figure 15).

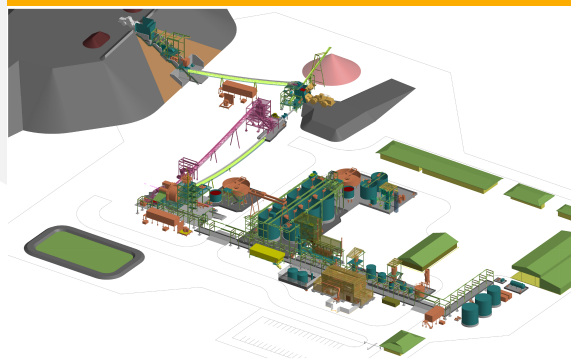
The milled product is then going to be thickened in a pre-leach thickener.

Once thickened, the material enters the hybrid carbon-in-leach (CIL) circuit, consisting of one leach tank and six adsorption tanks that will leach and then adsorb the gold from the milled ore.

An elution circuit will then recover the gold from the loaded carbon, and electrowinning and smelting processes will produce doré bar at the site.

The tailings are expected to be stored in a subaerial tailings' storage facility.

Figure 15 - Proposed Plant Layout for the La India Project



Source: Condor Gold

## Peer group comparison

Condor's London listed peer group trades on an enterprise value (EV) per attributable total reserve ounce of gold between £595.1/oz and £65.8/oz, with an average of £291.2/oz (Figure 16). Condor looks considerably undervalued compared to its peer group based on this metric, as it trades at £27.3/oz, an order of magnitude lower than its peer group. Applying the average EV per attributable reserve ounce, Condor would have an EV of £196.6mln or £2.10 per share.

**Figure 16 - Reserve Based Metrics for London Listed Gold Companies**

Company	Market Cap (£m)	Net Cash/Debt (£m)	EV (£m)	Deposit	Holding (%)	Location	Development Stage	Mine type	Reserve Estimate			Attributable gold ounces	EV/Attributable Reserve oz
									Tonnage	Grade	Gold ounces		
Serabi Gold	54.8	5.0	49.8	Sao Chico	100		Production	UG	-	-	-	-	-
				Paito	100	Brazil	Production	UG	-	-	-	-	-
				Coringa	100		PEA	UG	768,600	6.5	160,300	160,300	-
				Total	100		-	UG	768,600	6.5	160,300	160,300	310.6
Transiberian Gold	53.8	-7.4	61.2	Asacha	100	Russia	Production	UG	-	-	-	-	-
				Rodnikova	100	Russia	Resource	-	-	-	-	-	
				Total	100	Russia	-	-	-	-	-	-	-
Cora Gold	8.6	0.9	7.7	Sanankoro	95	Mali	SS	OP	-	-	-	-	-
Chaarat Gold Holdings	171.6	-60.5	232.1	Kapan	100	Armenia	Production	UG	4,070,000	2.1	274,000	274,000	-
				Tukubash	88	Kyrgyz Republic	Construction	OP	22,180,000	0.9	658,000	575,750	-
				Kyzyltash	88	Kyrgyz Republic	Resource	UG/OP	-	-	-	-	-
				Total	-	-	-	-	26,250,000	1.1	932,000	849,750	273.1
Shanta Gold	101.0	-17.6	118.7	New Luka	100	Tanzania	Production	UG/OP	1,475,920	4.2	199,438	199,438	-
				Singida	100	Tanzania	Resource	-	-	-	-	-	
				Total	100	Tanzania	-	-	1,475,920	4.2	199,438	199,438	595.1
China Non-Ferrous Gold	45.9	-264.8	310.7	Pakrut	100	Tajikistan	Production	UG	18,508,000	3.0	4,720,000	4,720,000	65.8
Scotgold Resources	33.4	-0.4	33.7	Cononish	100	Scotland	Construction	UG	555,000	11.1	198,000	198,000	170.4
Goldstone Resources	6.4	-0.5	6.8	Akrokeri-Homase	95	Ghana	Resource	OP	-	-	-	-	-
Hummingbird Resources	97.0	-36.4	133.4	Yanbilila	85	Mali	Production	OP	7,039,000	3.1	709,800	603,330	-
				Dugbe	100	Liberia	PEA	OP	-	-	-	-	
				Total	-	-	-	-	7,039,000	3.1	709,800	603,330	221.2
Caledonia Mining Corporation	139.0	5.9	133.1	Blanket	64	Zimbabwe	Production	UG	4,318,000	3.7	516,991	330,874	402.4
Ariana Resources	34.1	0.6	33.6	Red rabbit	50	Turkey	Production	OP	-	-	-	-	-
											<b>Average</b>	291.2	
Condor Gold	22.1	3.6	18.4	La India	100	Nicaragua	PFS & Permitted	OP/UG	6,900,000	3.0	675,000	675,000	27.3
											<b>Peer group based valuation (£m)</b>	196.6	

Source: Proactive

The same peer group trades on an enterprise value (EV) per attributable total resource ounce of gold between £149.1/oz and £12.0/oz, with an average of £69.9/oz (Figure 17). Condor also looks considerably undervalued compared to its peer group using this metric, as it trades at £7.9/oz, again an order of magnitude lower than its peer group. Applying the average EV per attributable resource ounce, Condor would have an EV of £162.2mln, or £1.70 per share, which is very close to the EV using the average reserve metric.

**Figure 17 - Resource Based Metrics for London Listed Gold Companies**

Company	Market Cap (£m)	Net Cash/Debt (£m)	EV (£m)	Deposit	Holding (%)	Location	Development Stage	Mine type	Tonnage	Grade	Gold ounces	Attributable gold ounces	EV/Attributable Resource oz
Serabi Gold	54.8	5.0	49.8	Sao Chico	100		Production	UG	123,000	13.8	54,000	54,000	-
				Palio	100	Brazil	Production	UG	1,501,000	9.3	448,000	448,000	-
				Coringa	100		PEA	UG	2,027,000	5.8	376,000	376,000	-
				Total	100		-	UG	3,651,000	7.5	878,000	878,000	56.7
Transiberian Gold	53.8	-7.4	61.2	Asacha	100	Russia	Production	UG	552,000	17.4	313,000	313,000	-
				Rodnikova	100	Russia	Resource	-	6,300,000	5.0	1,010,000	1,010,000	46.3
				Total	100	Russia	-	-	6,852,000	6.0	1,323,000	1,323,000	-
Cora Gold	8.6	0.9	7.7	Sanankoro	95	Mali	SS	OP	500,000	1.6	265,000	251,750	30.7
Chaarat Gold Holdings	171.6	-60.5	232.1	Kapan	100	Armenia	Production	UG	10,590,000	3.1	1,065,000	1,065,000	-
				Tulkubash	88	Kyrgyz Republic	Construction	OP	44,330,000	1.2	1,657,000	1,449,875	-
				Kyzyltash	88	Kyrgyz Republic	Resource	UG/OP	46,127,000	3.8	5,377,000	4,704,875	-
				Total	-	-	-	-	101,047,000	2.5	8,099,000	7,219,750	32.1
Shanta Gold	101.0	-17.6	118.7	New Luika	100	Tanzania	Production	UG/OP	3,203,997	3.0	313,415	313,415	-
				Singida	100	Tanzania	Resource	-	12,720,000	2.3	919,000	919,000	-
				Total	100	Tanzania	-	-	15,923,997	2.4	1,232,415	1,232,415	96.3
China Non-Ferrous Gold	45.9	-264.8	310.7	Pakrut	100	Tajikistan	Production	UG	69,780,000	2.1	4,720,000	4,720,000	65.8
Scotgold Resources	33.4	-0.4	33.7	Cononish	100	Scotland	Construction	UG	617,000	13.4	266,000	266,000	126.8
Goldstone Resources	6.4	-0.5	6.8	Akrokeri-Homase	95	Ghana	Resource	OP	10,600,000	1.8	602,000	571,900	12.0
Hummingbird Resources	97.0	-36.4	133.4	Yanfoilla	85	Mali	Production	OP	20,919,000	2.5	1,699,100	1,444,235	-
				Dugbe	100	Liberia	PEA	OP	95,001,000	1.4	4,226,000	4,226,000	-
				Total	-	-	-	-	115,920,000	1.6	5,925,100	5,670,235	23.5
Caledonia Mining Corporation	139.0	5.9	133.1	Blanket	64	Zimbabwe	Production	UG	11,148,200	4.5	1,601,500	1,024,960	129.9
Ariana Resources	34.1	0.6	33.6	Red rabbit	50	Turkey	Production	OP	8,163,195	1.7	450,217	225,109	149.1
<b>Average</b>												69.9	
Condor Gold	22.1	3.6	18.4	La India	100	Nicaragua	PFS & Permitted	OP/UG	18,300,000	3.9	2,319,000	2,319,000	7.9
<b>Peer group based valuation (£m)</b>												162.2	

Source: Proactive

Capital Structure

Figure 18 - Condor Gold's Share Register

Share holder	Number of shares	Percentage holding undiluted (%)	Percentage holding diluted (%)
Jim Mellon	14,738,147	15.6	12.5
Nicaragua Milling Company Ltd	9,842,520	10.4	8.3
Ross Beaty	6,556,903	6.9	5.5
Mark Child	4,144,167	4.4	3.5
Oracle Investments Ltd	4,077,038	4.3	3.4
Total over 3% holders	39,358,775	41.6	33.3
Total Free float	55,304,747	58.4	66.7
Total number of shares held by Directors	18,882,314	19.9	16.0
In issue	94,663,522		
Fully diluted	118,239,163		

Source: Condor Gold

Condor has 94,663,522 shares in issue, with 10,292,000 options and 13,283,641 warrants. It has a fully diluted capital structure of 118,239,163 shares (Figure 18).

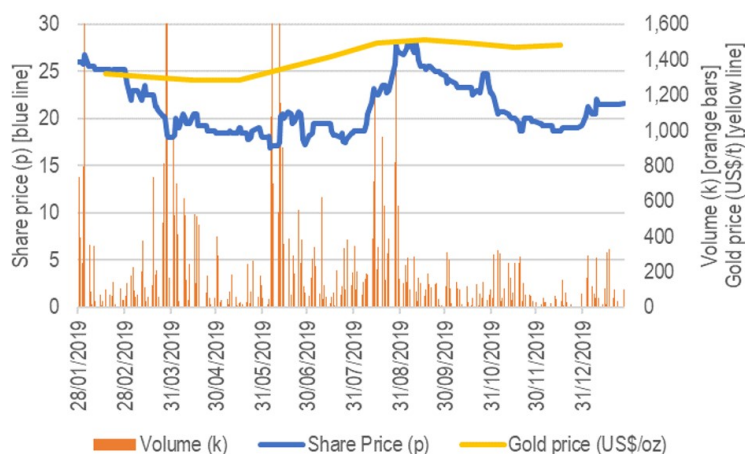
The largest shareholder is the well-known mining investor and entrepreneur, Jim Mellon, who holds 15.6%. Mellon is also a non-executive director of the company. Another well-known mining investor and entrepreneur, Ross Beaty holds a 4.9% interest in the company.

Mark Child, the chief executive officer and chairman of the company, holds a 4.4% interest. Other significant shareholders include the Nicaraguan Milling Company, with a 10.4% interest and Oracle Investments with a 4.3% interest.

The company has a free float of 58.4%.

Share price performance

Figure 19 - Gold Price and Condor Gold's Share Price and Volume Over 12 Months



Source: Yahoo Finance and Data Hub

Condor Gold's share price fell from a high of 87.5p per share in August 2016 to a low of 34.0p in July 2018 as delays to the environmental permitting process and political turmoil left investors frustrated.

Over the past twelve months Condor's share price has traded between 28.3p and 16.66p per share (Figure 19), and it seems to be highly leveraged to the gold price.

The company's share price traded downwards from 26.75p per share at the start of February, reaching a low of 16.66p in June 2019 following a 3% fall in the gold price.

The share price then began an uptrend reaching a high of 28.3p in September 2019, alongside a 17% increase in the gold price, and then entered another downtrend reaching a low of 18.75p in November 2019, following a 6% decrease in the gold price.

Since November, further positive movement in the gold price from US\$1,452/oz to US\$1,654/oz has helped to drive the share price to its current level of 22p per share.

## Nicaragua Overview

**Figure 20 - Transparency International's Corruption Map of South and Central America**



Source: <https://www.transparency.org/cpi2018>

In Nicaragua, the president is the head of state. The current president is Daniel Ortega of the ruling Sandinista National Liberation Front party; he has held the position since 2007 and was also previously president between 1985 and 1990; before this, he was the leader of Nicaragua but held a different title, Coordinator of the Junta of National Reconstruction, between 1979 and 1985. Daniel Ortega, won the most recent general election with 72.4% of the vote in 2016 and there is due to be a general election in Nicaragua in 2021.

Mining is an important part of the Nicaraguan economy accounting for 4.8% of gross domestic product (GDP) in the third quarter of 2019 (Source: <https://tradingeconomics.com/nicaragua/gdp-from-mining>). The corporate tax rate for mining companies is 30% and the royalty rate for mining is 5%. All mining-related activities in Nicaraguan are regulated by the Special Law for the Exploration and Exploitation of Mines (Law 387) and its bylaws in Decree No.119\*2001.

Prior to the enactment of Nicaragua's Law 387 in 2001, the government issued both exploration and exploitation concessions. After 2001, mineral concessions with rights for both exploration and exploitation were granted by the government. Both exploitation and mineral concessions are granted for a term of 25 years and can be renewed for an additional 25 years.

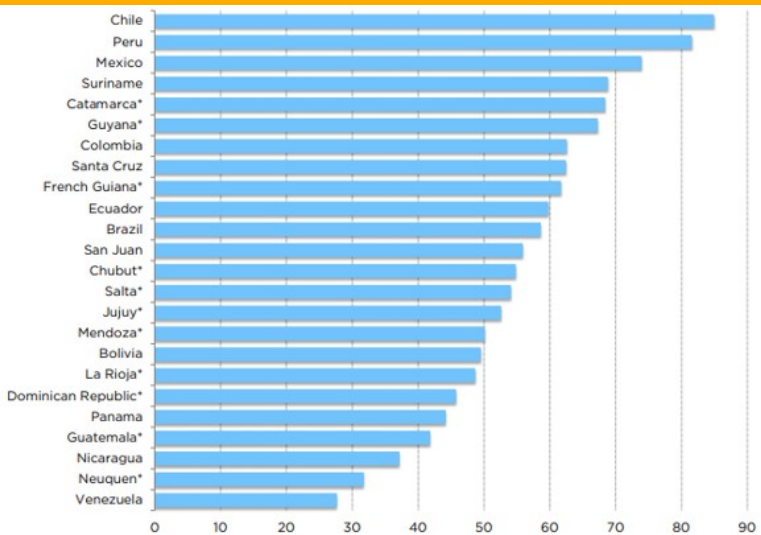
Nicaragua has a Transparency International Corruption Perception Score of 25/100 (Figure 20), making it the third worst-ranked country in South and Central America.

The Transparency International Index ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople. It uses a scale of 0 to 100, where 0 is highly corrupt and 100 is free of corruption.

More than two-thirds of countries globally score below 50/100, and the average score is 43/100. The average score for the Americas is 44/100. On a global rank, Nicaragua is 152<sup>nd</sup> out of 180 countries, demonstrating that Nicaragua is a relatively corrupted country to do business in, relative to other countries globally.



**Figure 21 - The Fraser Institute's Overall Investment Attractiveness Index Score for Latin American and Caribbean Basin Countries**



Source: <https://www.fraserinstitute.org/sites/default/files/annual-survey-of-mining-companies-2018.pdf>

This data is supported by the World Bank: Ease of Doing Business Index, which ranks Nicaragua 142nd out of 190 countries globally. Compared to other Latin American and Caribbean countries it ranks 27th out of 32.

Nicaragua also scores poorly in the Fraser Institute Annual Survey of Mining Companies, 2018, which rates 83 jurisdictions around the world based on their geological attractiveness for minerals and metals and the extent to which government policies encourage or deter exploration and investment.

On the Fraser Institute's Policy Perception Index, which assesses the relative attractiveness of a country's mining policies, Nicaragua ranks 68th out of 83 countries, above Ecuador, Bolivia, Guatemala and Venezuela.

On the Fraser Institute's Best Practices Mineral Potential Index, which ranks the jurisdictions based on which region's geology encourages exploration investment, Nicaragua ranks bottom at 83rd.

This gives Nicaragua an overall Investment Attractiveness Index rank of 81 out of 83 countries globally and 16th out of the 18 Latin American and Caribbean Basin countries included in the study (Figure 21).

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