Company number: 05587987

# CONDOR RESOURCES PLC
# Report and Accounts
# Year ended 31 December 2010

**CONDOR RESOURCES PLC**

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**FOR THE YEAR ENDED 31 DECEMBER 2010**

**CONDOR RESOURCES PLC**

**HIGHLIGHTS**
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Condor Resources ("Condor", the "Company" or the "Group"), the AIM listed Central American gold exploration company, announces its results for the year ended $31^{st}$ December 2010.

## HIGHLIGHTS

- Condor was granted five 25 year exploration and exploitation concessions by the Government of Nicaragua in the first half of 2010. This lead to the transformation of the Company.
- La India Mining District was the key target. Grant of Rodeo and Real De La Cruz increased concession area to 96 sq km.
- Grant of Cerro Quiroz concession resulted in concession swap with B2Gold for 80% of La India and Espinito San Pablo concessions in La India Mining District.
- La India and Espinito San Pablo concessions host 1,840,000 oz gold at 9.1g/t out of a total resource of 2,400,000 oz gold in La India Mining District to Russian classification, reported in 1991. The historic La India Mine produced over 575,000 oz gold at 13.2g/t prior to its closure in 1956.
- Condor has 85% of La India Mining District covering 156 sq km following the concession swap. Over 20,000 m drilled, 12,000m trenching, 3,000m tunnels in the District.
- Rio Luna Concession in Central Highlands gives Condor an advanced concession with 6,250m drilling and 7,000m trenching.
- Estrella Concession hosts an historic Mine and is actively mined by artisanal miners.
- SRK Consulting estimated a JORC Inferred Resource of 868,000 oz gold at 5.6g/t on La India Project on $4^{th}$ January 2011.

## POST PERIOD HIGHLIGHTS

- JORC Code Resource increased to 1,029,000 Million oz gold at 5.4g/t of which 290,000 at 7.6g/t is in the Indicated Category and the balance is in the Inferred Category for Condor's concessions in La India Mining District, following further historic data capture and new drill assay results.
- Macquarie Bank subscribed for £3m of new ordinary shares at 9 pence per share and became cornerstone investor.
- Initial 1,000m drilling by Condor on La India project showed encouraging results.
- SRK Consulting completed 3D model, which gives greater certainty and understanding of the resource and assists in planning a drill programme.
- Announced 20,000m drill programme on La India Project
- Estrella concession showed encouraging initial exploration results including a trench of 9.0m at 5.44g/t

**HIGHLIGHTS**
**FOR THE YEAR ENDED 31 DECEMBER 2010**

## CURRENT (INC. POST PERIOD) GLOBAL JORC INFERRED RESOURCE

The following Mineral Resource were certified JORC-Code compliant by independent geologists SRK Consulting (UK) Ltd. (La India), Geosure Exploration and Mining Solutions (Cacao, La Calera and part of Pescadito) and Ravensgate Resources (Part of Pescadito).

| | Tonnes (kt) | Gold | | Silver | | Gold Equivalent | | | JORC Category |
|---|---|---|---|---|---|---|---|---|---|
| | | Grade (g/t) | Contained (oz) | Grade (g/t) | Contained (oz) | Grade (g/t) | Contained (oz) | Attributable Contained (oz) | |
| ***Nicaragua Projects*** | | | | | | | | | |
| La India (80%) | 1,180 | 7.6 | 290,000 | - | - | 7.6 | 290,000 | 232,000 | Indicated |
| | 3,640 | 6.0 | 698,000 | - | - | 6.0 | 698,000 | 559,000 | Inferred |
| El Cacao (100%) | 1,100 | 1.2 | 41,000 | - | - | 1.2 | 41,000 | 41,000 | Inferred |
| **Total** | **5,870** | **5.4** | **1,029,000** | **-** | **-** | **5.4** | **1,029,000** | **832,000** | **Ind+Inf** |
| ***El Salvador Projects*** | | | | | | | | | |
| Pescadito (90%) | 7,100 | 1.9 | 434,000 | 96 | 22,100,000 | 3.9 | 802,000 | 722,000 | Inferred |
| La Calera (90%) | 6,000 | 1.6 | 313,000 | 1.4 | 280,000 | 1.6 | 317,000 | 286,000 | Inferred |
| ***Total*** | ***13,150*** | ***1.8*** | ***747,000*** | ***53*** | ***22,380,000*** | ***2.6*** | ***1,120,000*** | ***1,008,000*** | ***Inferred*** |
| **Grand Total** | **19,020** | **2.9** | **1,777,000** | **53** | **22,380,000** | **3.8** | **2,149,000** | **1,840,000** | **Inferred** |

*Note that tonnage is rounded to nearest 10,000t, gold grade is rounded to nearest 0.1g/t, silver and gold equivalent grade to nearest 1g/t, contained gold and gold equivalent to nearest 1,000oz and contained silver to nearest 10,000oz. Gold equivalent is calculated using silver:gold ratio of 60:1. Attributable gold is calculated as 80% interest in La India Concessions (remaining 20% owned by B2Gold Corp) and 90% interest in El Salvador licences (remaining 10% gifted to the Condor Resources El Salvador Charitable Foundation).*

**CONDOR RESOURCES PLC**

**CHAIRMAN'S STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Dear Shareholder,

I am pleased to announce Condor Resources PLC's ("Condor" or "the Company" or "the Group", www.condorresourcesplc.com) annual report for the 12 month financial year to 31st December 2010; a transformational year for the Group following the grant of a further five wholly owned, 25 year life, exploration and mining concessions in Nicaragua, directly from the Government, which permitted a concession swap with B2Gold Corp ("B2Gold": TSX-BTO). At the beginning of 2010 the Group had a JORC Inferred Resource of 41,000 oz gold in Nicaragua, shortly after the year, on 4th January 2011, Condor announced that its attributable JORC Inferred Resource had increased to 735,400 oz gold in La India Mining District. In the Republic of El Salvador ("El Salvador") Condor's JORC Resource of 747,000 oz gold and 22.38 million oz silver or 1,120,000 oz gold equivalent at 2.6g/t remained unchanged during the period due to the unofficial moratorium on all exploration and mining in El Salvador.

The transformation of Condor occurred following a concession swap with B2Gold. In May 2010 Condor was granted the 22 sq km Cerro Quiroz Concession, which is adjacent to B2Gold's 109 sq km La Libertad Concession. I knew that it would be of strategic importance for B2Gold to acquire the Cerro Quiroz Concession as in May 2010 they had officially opened a 5,200 tonne per day plant on La Libertad Concession, which can produce over 100,000 oz gold p.a. The Cerro Quiroz Concession is viewed as hosting a potential extension of the East-West orientated gold vein structure on La Libertad.

It was satisfying to initiate, negotiate, structure and execute the following transaction: Two new companies were incorporated. La India and Espinito San Pablo Concessions were transferred to La India Gold SA, which is 80% owned by Condor and 20% by B2Gold. The Cerro Quiroz Concession was transferred to Cerro Quiroz Gold SA, which is 80% owned by B2Gold and 20% by Condor. The majority shareholder of each company has to complete and incur all exploration expenditure related to the first 2,000m of drilling, there after the shareholders have to contribute exploration expenditure in accordance with their percentage shareholding or face dilution. At the time of writing Condor has completed 3,770m drilling on La India Project and has just received assay results for the final part of the first 2,000m drill commitment. I visited La India Project with B2Gold's head of exploration for Nicaragua in mid June 2011. SRK Consulting have just completed a detailed 106 page report on La India Project which details the recently update JORC Code Resource of 989,000 oz gold at 6.4g/t of which 290,000 oz gold at 7.6g/t is in the Indicated Category and the balance in the Inferred Category. B2Gold are reviewing the first 2,000m drill results and updated SRK Consulting report, together with the 3D model to evaluate whether they wish to maintain their minority percentage in La India Project. B2Gold have initiated exploration on the Cerro Quiroz Concession, but have 2 years to complete the 2,000m of drilling under the concession swap agreement.

It is worth re-iterating why Condor is focusing on La India Mining District (the "District"). Condor has worked in the District for the past 4 years following the grant of the Cacao Concession in 2007. Condor drilled 2,200m on Cacao and proved a JORC Code Inferred Resource of 41,000oz gold at 1.2g/t. Condor's senior Russian trained Nicaragua geologist has worked for Condor for 5 years and has worked in the District for 25 years. Firstly, with a Soviet sponsored drill programme in the late 1980's that proved a Soviet style resource in the District of 2,400,000 oz gold at 9.2g/t and latterly with Canadian companies who have drilled a further 5,000m in the District prior to the concession swap. Condor has built up a unique and unrivalled knowledge of the District thanks to the hard work and knowledge of 3 full time Nicaraguan geologists and Dr Luc English, Condor's Country Manager who has lived full time in Nicaragua for the past 4 years. As always, knowledge is key in interpreting geological structures.

The District hosts the historic La India Mine, which produced an estimated 575,000 oz gold at 13.2g/t prior to its closure in 1956. The Soviet sponsored drill programme was cut short with less than a third of the District explored, due to the collapse of the former Soviet Union. Prior to their departure, three Soviet geologists and Condor's senior Nicaraguan geologist signed off on a 260 page report that estimated a Soviet Style resource of 2,400,000 oz gold at 9.2g/t of which 957,000 oz gold at 9.8g/t is in the C1+C2 category and the balance in P1+P2 category. Total drilling in the District exceeds 20,000m, there are 3,000m of adit/tunnel samples, 14,000m of trenching and 9,000m of underground grade control samples. Condor completed a massive data capture exercise that has resulted in SRK Consulting estimating a JORC Code resource for La India project of 989,000 oz gold at 6.4g/t of which 290,000 oz gold at 7.6g/t is in the Indicated Category and the balance in the Inferred Category. Combine with the small resource at Cacao and Condor has 1,029,000 oz gold at 5.0g/t in the District. There is no resource credit for silver, which occurs in association with the gold in a gold to silver ratio ranging between 1 and 1.5 throughout the resource.

**CHAIRMAN'S STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2010**

The question I am most frequently asked is "what is the potential resource size for La India District?" The current resource is on 10 epithermal gold veins, which range in length at surface from 300m to 1,800m. The combined strike length of the 10 gold veins is approximately 10,500m at surface, but the resource has been calculated on a combined length of only 7,000m. A total of 18 epithermal gold veins, of which 6 veins have underground mine workings, for a combined length of 15,000m have been identified by rock chip sampling, trenching or underground mining in the La India District. Eight of the named veins have been excluded from the current resource, including 2,300m strike length of the Andrea vein on the El Rodeo Concession and 800m of the Cacao vein on the Cacao and Santa Barbara concessions that have been defined on Condor's 100% owned concessions.

SRK Consulting's most recent report names eighteen epithermal gold veins in the area. The veins strike between north-south, northwest-southeast and east-west and dip steeply in either direction. The veins occur as:

1. Steep narrow quartz and quartz-carbonate veins predominantly hosted by massive andesite such as at la India and Cacao and typically less than 3 m in width.
2. Hydrothermal breccia mineralisation occurring in both felsic and andesitic rocks and forming steeply dipping elongate structures with low grade mineralisation up to tens of metres in thickness such as the Andrea Vein on the Rodeo Concession.

There is limited variability of grade down dip over the entire length of the ore body. The smooth grade throughout the District indicates the gold grades are consistent down dip and at depth.

The current JORC Resource of circa 1,000,000 oz gold is to an average depth of 200m, while the average drill depth to date is 150m. Condor has embarked on a fully funded 20,000m drill programme with a stated aim of doubling the resource to 2,000,000 oz gold. There is the possibility of achieving this target by drilling under the high grade trenches and underground workings on the 8,000m of strike length that has been identified but not drilled. It should also be possible to extend the resource to depth by drilling to depth of up to 400m beneath the high grade ore shoots on the existing resource, which Condor can readily identify by using the 3D model produced by SRK Consulting. In June 2011, a senior structural geologist from SRK Consulting visited Condor's concessions in the District with a view to assisting Condor's geologists and SRK Consulting's resource geologist have a better understanding of the structural geology in the District. This work will be very useful in planning the drill programme and help with future resource estimates.

Macquarie Bank's decision to take a placement of £3,000,000 at 9 pence per share in April 2011, thereby becoming a cornerstone investor in Condor is a vote of confidence in Condor's concessions in La India Mining District and the Board. Both SRK Consulting's and B2Gold's most recent advice is to focus drilling on La India Group of veins. The main La India Vein has 7 levels of historic mining and hosts a current resource of 400,000 oz gold at 6.9g/t of which 37% is in the Indicated Category at 7.2g/t. Analysis, using the 3D model, shows that that La India Vein has good potential to be extended to the north and south and to depth. The California Vein, which is excluded from the current resource runs parallel and approximately 100m to the East of La India Vein. Furthermore, previous drilling and sampling of a 300m adit/tunnel that has been driven into the hill perpendicular to La India Vein has returned multiple high grade assays and suggests a series of veins parallel to the main La India Vein. Condor will relocate a drill rig to La India Group of veins in the near future. At present Condor has 2 drill rigs on La India Project and plans 4 drill rigs by October 2011.

The current strategy is to define the size of the gold system on Condor's concessions within the District. The medium term target is a resource of 2,000,000 oz gold at which time the Board will decide whether there is potential for a significantly larger resource or to focus drilling on a pre-feasibility and bankable feasibility study ("BFS"). The Board is conscious of moving prematurely to a BFS, with associated costs and management time, when there remains the chance of a substantial commercial resource. Shareholders money may be better spent increasing the resource size materially beyond the 2,000,000 oz gold target, however, a decision will have to wait until this target is achieved and the Company and its advisors have a better understanding of the potential of the project.

Elsewhere in Nicaragua, Condor's 43 sq km Rio Luna Concession shows the most promise. Condor has recently finished digitalising 6,250m of drilling and 7,000m of trenching and has asked SRK Consulting to review the data to determine whether there is sufficient  to estimate a maiden mineral resource. Condor's 18 sq km Estrella Concession on the outskirts of Nicaragua's historic 'Mining Triangle' covers the historic Estrella Mine. Condor has recently completed a small trench and channel sample programme, with highly encouraging results including a trench of 9.0m at 5.44g/t.

## CHAIRMAN'S STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2010

In my last Chairman's statement, I commented that following a meeting with the Department of Mines in San Salvador, assurances were given that the Strategic Environmental Study on the benefits of Mining to the Republic of El Salvador ("EAE") and the Mining Policy Review should be completed by the end of 2010. Unfortunately, this has not materialised. The Company provided a detailed update to the stock market on the current situation in El Salvador on 25th May 2011, to which interested shareholders and potential investors are referred. Suffice to say the exploration licences hosting the Company's 1,120,000 oz gold equivalent at 2.6g/t on two projects areas are suspended or frozen pending the outcome of the Mining Policy Review. During meetings with Government Officials in San Salvador in March 2011, verbal re-assurances where given that Condor would not lose its concessions. Condor continues to work with the Government of El Salvador to find a "win-win" situation to permit the resumption of exploration and mining in their country and has recently gifted 10% of Condor's wholly owned El Salvadoran subsidiary and US$10,000 to a UK Charitable Foundation, which has been established for the benefit of the poorest and most vulnerable people in El Salvador. We anticipate the Mining Policy Review will recommend changes to the current mining law, which in turn have to be approved by Congress.

Turning to the financial results for the year 2010, the operating loss was £502,605 (2009: £651,299, this includes the loss on sale of Grafton Resources Investments Limited shares, which raised £804,461. Additionally the Company raised £280,500 (2009: £nil) through the exercise of warrants. The Company made foreign exchange gains/(losses) of £111,096 (2009: (£102,080)). The increase/(decrease) of cash and cash equivalents was £339,438 (2009: (£691,081)). The net cash balance at 31st December 2010 was £922,275.

In summary, in 2010 Condor was granted five 25 year concessions from the Government in Nicaragua. This permitted a concession swap with B2Gold which transformed the Group and provided the Company with 85% of the La India Mining District which hosted a soviet style resource of 2,400,000 oz gold at 9.2g/t. Condor has completed a massive data capture exercise which includes data from historical mining and exploration activity. This has resulted in SRK Consulting estimating a JORC Code resource of 989,000 oz gold at 6.4g/t of which 290,000 oz gold at 7.6g/t is in the Indicated Category and the balance is the in the Inferred Category, which taken with the Company's Cacao resource of 41,000 oz provides the Company with a JORC Code resource of 1,029,000 oz gold in the District. In April 2011, Macquarie Bank invested £3m in Condor at 9 pence per share, which has provided the Company with addition funds to complete a 20,000m drill programme on its concession in La India Mining District. The medium term aim of the Company is to prove a resource of 2,000,000 oz gold in the District. It is the opinion of Condor's senior management that a 2,000,000 oz gold resource is achievable by drilling along strike and to depth on the existing resource and on other epithermal gold veins in the District.

## NICARAGUA – OPERATIONS REPORT

In 2010 Condor significantly increased its landholding in Nicaragua as a number of concessions applied for during the economic downturn of 2008-9 were granted to Condor's 100% owned Nicaraguan subsidiary Condor S.A. The Company was granted five new 25 year exploration and mining concessions. The concession area in the La India Gold Mining District increased 4 fold with the granting of the Real de la Cruz and El Rodeo concessions. The Company was granted new concession areas Rio Luna, Estrella and Cerro Quiroz, and maintained the Potrerillos Concession. In the second half of the year Condor consolidated its position in the La India mining District with the acquisition of an 80% interest in the La India and Espinito San Pablo concessions (together the La India Project) in the heart of the La India Mining District in exchange for a reduction to a minority 20% interest in the recently granted Cerro Quiroz Concession.

By the end of the year Condor had built up a highly prospective landholding in Nicaragua with interests in five project areas, including establishing a flagship project in the La India Gold Mining District with 92% attributable interest in a 164.66 square kilometre concession package covering an estimated 85% of the Mining District and including the two principal historical underground workings.

The La India Mining District produced an estimated 576,000 ounces of gold at 13.4g/t prior to its sudden closure in the 1950s. Most of the production came from the La India and America-Constancia underground mines on the 80% owned La India Concession. By year an initial Inferred Mineral Resource was completed based on a combination of the historical mine grade control data and 25 years worth of modern exploration data. Whilst the focus is on the La India District, all the other concessions in Condor's portfolio contain known gold mineralisation, including historic mining at Estrella and Potrerillos and advanced exploration prospects at Rio Luna defined by a modern exploration programme of soil, rockchip, trenching and drilling.

| Project | Concession | Ownership | Expiry Date | Area ($km^2$) |
|---|---|---|---|---|
| La India Gold District | La India & Espinito-San Pablo | 80% Owned | January 2027 | 68.50 |
| | Cacao | 100% Owned | January 2032 | 11.90 |
| | Santa Barbara | 100% Owned | April 2034 | 16.20 |
| | Real de la Cruz | 100% Owned | January 2035 | 7.66 |
| | Rodeo | 100% Owned | January 2035 | 60.40 |
| Boaco | Rio Luna | 100% Owned | June 2035 | 43.00 |
| RAAN | Estrella | 100% Owned | April 2035 | 18.00 |
| Segovia | Potrerillos | 100% Owned | December 2031 | 12.00 |
| La Libertad-Santo Domingo Gold District | Cerro Quiroz | 20% Owned | April 2035 | 22.50 |
| **TOTAL** | | | | **259.16** |

*Table of Condor's concession holdings in Nicaragua. All except Cacao, Santa Barbara and Potrerillos were acquired during 2010.*


*Location of Condor Resources concessions held in Nicaragua during 2010.*

## Post Period Development for the Group

In January 2011 Condor commenced a diamond core drilling programme on the La India District designed to increase the inferred resource. The Company is targeting a resource of over two million ounces gold on its concessions; an achievable target given that the pre-existing historical mining and exploration data produced a JORC Inferred resource of 909,000 ounces gold announced before drilling commenced on the 4th January 2011. The first rig started drilling at the end of January 2011, and a second rig started in early May 2011, with a further two rigs planned to be bought into operation by the end of October 2011. Early signs are encouraging with an upgrade in the District's resource to 1,029,000 ounces gold at 5.4g/t announced in April 2011 of which 290,000 oz gold at 7.6g/t is in the Indicated Category. The increased resource was achieved by including additional historical exploration data, assay results for eight drill holes completed by a Canadian exploration company and the first couple of drill holes from Condor's ongoing drilling programme.

Exploration activity on the other concession areas included sampling of trenches, artisanal mine workings and a historic mine stope on the Estrella Concession. The results confirmed and expanded upon the high grades and widths reported by a previous explorer over a 400m strike length.

## NICARAGUA – PROJECTS OVERVIEW

### La India Mining District

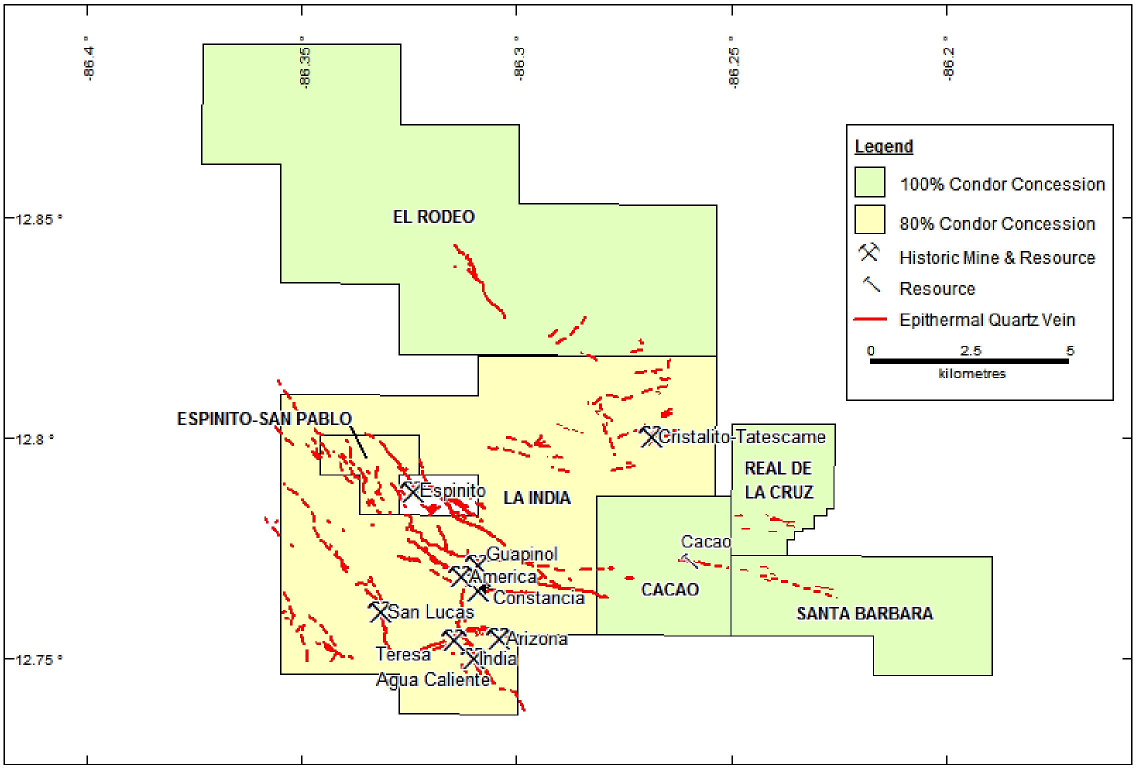
**Cacao, Santa Barbara, Real de la Cruz and El Rodeo Concessions** (Condor 100% ownership)**. La India and Espinito-San Pablo Concessions** (Condor 80% ownership)**.**

Condor focused exploration activity firmly on the La India District as an aggressive acquisition programme initiated in 2008 came to fruition with an increase in land holding from approximately 28 square kilometres on the eastern edge of the District at the beginning of the year to over 164 square kilometres, encompassing an estimated 85% of the District and including the principal historical underground developments of the La India Gold Mine by the end of the year.

In January 2010 two 25 year Exploration and Mining Concessions, the Real de la Cruz and El Rodeo concessions covering the northern part of the La India Gold Mining District were granted to Condor. This addition to the contiguous Cacao and Santa Barbara concessions in the east of the District increased Condor's 100% owned landholding in the District to approximately 96 square kilometres.

At the end of August Condor gained majority interest in a further 65 square kilometres covering the bulk of the historic mine workings through an asset swap agreement with Canadian mining company B2Gold. Under the terms of the agreement Condor obtained an 80% interest in B2Gold's La India and Espinito-San Pablo concessions which are contiguous with Condor's landholdings within the La India Gold Mining District, in exchange B2Gold obtained an 80% interest in Condor's Cerro Quiroz Concession which is located near to their La Libertad Gold Mine (see below). The original owner of each concession maintained the remaining 20% interests.

The addition of La India and Espinito-San Pablo concessions brings Condor's majority interest in the District to over 164 square kilometres. The land acquired under the concession swap is considered a breakthrough for Condor as the newly acquired concession area covers the heart of the historically mined area including the site of the old mill and the two main underground developments where mining extended up to 250m below surface. La India Underground Mine produced an estimated 1.7Mt at 13.4g/t for 576,000oz gold between 1938 and 1956. Exploration funded by a Soviet-Nicaraguan government collaboration between 1986 and 1990 defined a Soviet GKZ style C1+C2 category resource of 2.3 Mt at 9.5g/t for 709,000 oz gold and additional Soviet GKZ style P1 category resource of 4.0 Mt at 8.8g/t for 1.13M oz gold within the La India and Espinto-San Pablo Concession area. Subsequent exploration by a number of Canadian exploration and mining companies confirmed the high grades estimated by the Soviets.




*Condor's concession holding in the historic La India Mining District showing the location of the historic mines and current resource areas.*

Following the concession swap the Company focus centred on digital data capture of a vast amount of historic mining and exploration data available for the La India-ESP concessions. The data includes underground grade control sampling from a period of mining between 1938 and 1956 and exploration data collected by various companies between 1986 and the present day for a total of 99 drillholes for 13,500m, almost 700 trenches for approximately 5,400m and over 9,000 original underground mine grade control samples on nine of the veins within the La India Concession area. At year end the principal mineralised veins had been digitised with sufficient precision for independent consultants SRK Consulting (UK) Ltd to complete a JORC compliant Inferred Mineral Resource of 4.58 Mt at 5.9 g/t for 868,000 oz gold on six of the veins projected onto 2D Vertical Longitudinal Projections announced on the 4$^{th}$ January 2011. The La India Project area is considered a flagship project for the Company. During 2010 Condor transformed from a major concession holder with highly prospective but largely unproven concessions on the outskirts of the La India Gold District to the main landholder of a historic mining district with proven gold production and a significant inferred resource. The potential to considerably increase the resource was highlighted by the Soviets in 1991 with a Russian classification estimation of the potential gold content of 1.8 Million ounces at 9.1g/t gold within the La India-ESP Concession area alone. The existing resource is calculated on only 7 kilometres strike length of veining. A further 10 kilometres has already been identified exposed at surface by trench sampling and it is highly probable that more veining remains to be discovered that is not exposed at surface.

**La India Mining District - continued**

At the same time field exploration re-commenced in the second half of the year on the 100% owned El Rodeo Concession in the north of the District with a trench and pneumatic pusher-leg rockdrill sampling programme designed to test the width and grade of the surface gold mineralisation along a 2.3 kilometre strike length of the Andrea Vein, defined by a previous explorer through rock chip sampling. By year end 45m of pusher-leg rock drill sampling for 44 samples, 200m of trench sampling and 29m of artisanal mine sampling for a total of 294m and 235 samples had been completed at 44 localities, including 8 artisanal workings that were discovered during the work programme, and 12 rock chip samples had been collected and assayed. A number of enrichment zones separated by low grade stockwork zones were recognised with a standout intercept of 1.9m at 6.53g/t gold returned from a trench. The high grade intercept was unexpected as it occurred at 608m altitude. Such high grade intercepts were not expected at this altitude as the current geological model suggests that the epithermal 'boiling zone' in La India District occurs below the current 500m level and so consistent high-grade gold mineralisation is thought to be concentrated below this altitude.

Post Period Development for La India Project

Resource extension drilling targeting lateral and vertical extensions to the principal resource vein sets commenced at the end of January 2011. The drill programme was designed in conjunction with independent consultants SRK Consulting (UK) Ltd who were responsible for the JORC compliant resource estimation. The drilling strategy is to expand the resource blocks along strike where trench sampling has already demonstrated gold mineralisation at surface by drilling to intercept the mineralised structure at a nominal 60m below surface, and also to expand the resource blocks to depth by targeting mineralisation 100m below existing drilling intercepts or underground mine developments. The first rig started drilling at the end of January 2011, and a second rig started in early May, with a further two rigs planned to be bought into operation in the second half of the year. Initial drilling discovered a new high grade shoot along strike to the east of one of the principal historic underground developments on the Constancia Vein, with a best intercept of 1.4m at 17.6g/t gold from 63.9m drill depth. An infill drillhole on the unmined Tatiana Vein extended the strike length of a previously discovered high grade shoot with an intercept of 0.8m at 10.5g/t gold from 65.3m drill depth. This drill hole is located 100m along strike to the East of a drilling intercept of 5.2m at 10.4g/t gold, and 80m along strike to the West of a lower grade zone defined by a drill intercept of 1.6m at 2.96g/t gold

Following further field verification and refinement of previous explorer's trench and drill collar locations using DGPS survey technology, the digital capture of more historical underground and surface trench sampling data and the re-assay of ten drillholes in the main India Vein a SRK Consulting (UK) Ltd has completed the 3D modelling and Mineral Resource Estimation of La India Project. They certified an independent JORC Mineral Resource of 988,000 oz gold at 6.4 g/t of which 290,000 oz gold at 7.6 g/t is in the indicated category and 698,000 oz gold at 6.0 g/t is in the inferred category. When combined with 41,000 oz gold on the Cacao vein, Condor currently has defined a resource of 1,029,000 oz gold in La India Mining District.

A further 4 infill artisanal mine adits on the Andrea Vein, El Rodeo Concession were sampled post-period for 23m of channel sampling to complete the programme of surface mineralisation definition initiated in 2010. Within the 2.3km strike length exposed at surface a total of four enrichment zones are now recognised with a combined strike length of 1.3km, connected by low-grade zones. The highest grade intercepts are found at the margins of the central enrichment zone where intercepts of 1.9m at 6.53 g/t gold and 1.4m at 6.63 g/t gold were returned from trenches located 250m apart along strike. Both intercepts are supported by nearby trench or artisanal mine shaft face channel samples of over 1 g/t gold. The other enrichment zones returned best intercepts of 3.25m at 1.55 g/t gold and 1.8m at 2.08 g/t gold in the two northern zones and 3.6m at 1.92 g/t gold in the southern zone. The enrichment zones are characterised by massive quartz veins and interpreted as the surface expression of high-grade shoots or groups of shoots. The connecting low-grade zones are characterised by vuggy quartz veins, quartz breccia and quartz stockwork zones with intercepts typically assaying at less than 1 g/t gold over several metres width.

## Other Project Areas

**Rio Luna Concession** (Condor 100% ownership)

The Rio Luna Concession was granted in June 2010 over an area of 45 square kilometres in the Central Highlands of Nicaragua. Rio Luna is an advanced exploration area: previous explorers have defined over 18 kilometres of epithermal quartz veining on three parallel corridors through an extensive programme of soil, auger and rockchip and over 7,000m of trench sampling, with trench intercepts including 2.6m at 58g/t gold and 59g/t silver at the Rodeo North Prospect (TC-82), 5.9m at 7.9g/t gold and 128g/t silver (TR-00) at the Santa Rita Prospect, 9m at 15.9g/t gold and 3g/t silver at the Santa Juana Prospect (SJ-27) and 18.9m at 0.88g/t gold at the Balsamo East Prospect (TR-123 ). They completed exploratory drilling totalling 58 diamond core drillholes for 6,250m, spread between five separate prospects resulted in some encouraging intersections, including drilling intercepts of 2.7m true width at 15.8g/t gold at the Balsamo East Prospect, and 4.22m true width at 2.9g/t gold from the San Andreas Prospect.

Post Period Development for Rio Luna

Condor has completed a data compilation exercise and converted all the trench and drill data into the company's database format with a view to assessing the possibility of undertaking a maiden Mineral Resource Estimation.

**Estrella Concession** (Condor 100% ownership)

A 25 year exploration and mining concession, the Estrella Concession, was granted to Condor in April 2010. The 18 square kilometre concession is centred over the historic Estrella Gold Mine, located approximately 20 kilometres southwest of Siuna, one of the three mining towns that define Nicaragua's historic 'Mining Triangle*' in the northeast of the country.

At Estrella an east-west trending mineralised structure containing at least three parallel epithermal veins within a width of 15-20m has been defined along a 400m strike length. The historic Estrella Gold Mine exploited at least 250m of this strike length at its western end where the structure crosses a low ridge and valley and runs part way up the crest of a ridge. No mine plans or production data are available for the Estrella Mine (also referred to as the Estrella de Venus Mine in old reports); however it is believed that the mine was worked on two or three levels for a few years before being destroyed in 1935 during civil unrest. Abandoned steel mine trolleys and rail tracks in the area are testament to this period of mechanised mining. It is believed that the mine operated a 20-50 tonne per day capacity mill during production and it is likely that the mining relied on gravity dewatering and did not extend below the level of the drainage adit at river level

Artisanal and small miner activities resumed in 2010 and by the end of the year over 30 artisanal miners were actively working the western 100m of strike length near the banks of a small river that transects the mineralised structure. In this area the artisanal miners can easily work the soft weathered rock and have excavated a line of pits up to 10m deep.

The 400m strike length exploited by the Estrella Gold Mine was trench and drill tested by previous concession holder Radius Gold Incorporated of Canada between 2006 and 2008. They reported wide high-grade trench intersections of up to 15.2m at 6.73g/t gold (including 2.72m at 10.24g/t gold and 1.3m at 44.17g/t gold), and successfully intercepted the mineralised structure with diamond core drilling at 50 to 100 metres below surface on two cross-sections located approximately 120m apart beneath the Loma Estrella Ridge. The drilling intercepted up to three gold mineralised veins over a 25m width in three drillholes.

Post Period Development for Estrella

Channel sampling by Condor in March 2011of the veins exposed in the artisanal pits at the western end of the Estrella Structure returned consistently high grades with an average intersection of 11.85g/t gold and 23.1g/t silver over 1m intervals. At the western end of the known mineralisation the artisanal miners have accessed and cleaned out a 14m long stope section of the historic mine; channel sampling of one of the veins exposed in the roof of the stope returned an average intercept of 0.9m at 8.53g/t gold and 8.80g/t silver from three evenly spaced sample locations.

Trench sampling by Condor has confirmed the width and grade of mineralisation reported by the previous explorer with a best intercept of 9.0m at 5.44g/t gold and 5.87g/t silver at the foot of the ridge. In addition to confirming the intercepts reported by Radius the Condor trench programme extended the known mineralisation by 20m along strike to the west with an intercept of 3.1m at 5.19g/t gold and 8.65g/t silver.

The width, grade and consistent strike continuity of gold mineralisation along the 400m strike length defined to date suggests that the Estrella Structure is part of a much larger epithermal system. Condor Resources plans to undertake exploration aimed at discovering further mineralised structures in the vicinity of Estrella in order to define a gold footprint capable of supporting a commercial mine.

* The "Mining Triangle" of the Bonanza-Rosita-Siuna areas of northeast Nicaragua is estimated to have historical production totalling more than 5 million ounces of gold, 4 million ounces of silver, 158,000 tons of copper, and 106,000 tons of zinc.

**Potrerillos Concession** (Condor 100% ownership)

The Potrerillos Concession covers an area of 12 kilometres squared in the historic San Albino Gold Mining District in the northern highlands of Nicaragua. The concession contains a number of abandoned shafts and adits that formed part of the historic San Albino Mine. The main underground development and mill of the historic San Albino Mine are located less than 1 kilometre south of the Concession, where Canadian Explorer Golden Reign Resources where actively drilling during 2010.

The Potrerillos Concession contains a 3,500 metre strike continuation of the San Albino Mine structure. Condor has identified five prospects along this structure channel sampling of trenches and old mine adits between 2007 and 2009 which returned intersections of up to 1 metre at 29.5 g/t gold. Gold mineralisation is contained within mesothermal quartz veins, hosted by a Greenschist facies metasedimentary package, which is dominated by graphitic schist. The veins all strike parallel to the regional trend (northeast) and dip at 30° to 45° to the northwest. No exploration was completed in 2010 as company resources were concentrated on the flagship La India Project.

**Cerro Quiroz Concession** (Condor 20% ownership)

Condor was granted the Cerro Quiroz 25 year exploration and mining concession over an area of 22.5 square kilometres on the 5th April 2010. The Cerro Quiroz Concession is adjacent to La Libertad Concession and is only 15 kilometres from the recently re-opened La Libertad Gold Mine operated by Canadian mining company B2Gold. In August 2010 a binding agreement was made with B2Gold to hand 80% ownership of the Cerro Quiroz Concession to B2Gold with Condor retaining 20% interest subject to funding commitments being met, in exchange for Condor gaining an interest in B2Gold's concessions in the La India District (see above).

The Cerro Quiroz Concession covers the eastern extent of gold mineralisation discovered to date in the broadly east-west orientated La Libertad-Santo Domingo epithermal gold system. There is a long history of gold mining in the district dating back over 150 years:

1. At Santo Domingo, only 4 kilometres to the west of the Cerro Quiroz, a cooperative of small-scale miners have produced an estimated 14,000 ounces of gold since 1980.
2. The larger La Libertad Mine located 15 kilometres to the southwest of Cerro Quiroz has recorded production of 170,000 ounces of gold. Owners, TSX listed B2Gold Corporation commenced production in January 2010 at a new mill and plant which has planned production of up to 90,000 ounces of gold per annum to process over 500,000 ounces of currently defined gold reserves.

<u>Post Period Development Cerro Quiroz</u>

The process of transferring the Cerro Quiroz Concession to a newly incorporated Nicaraguan Company owned 80% by B2Gold and 20% by Condor was approved by the Minister of Energy and Mines in February 2011.

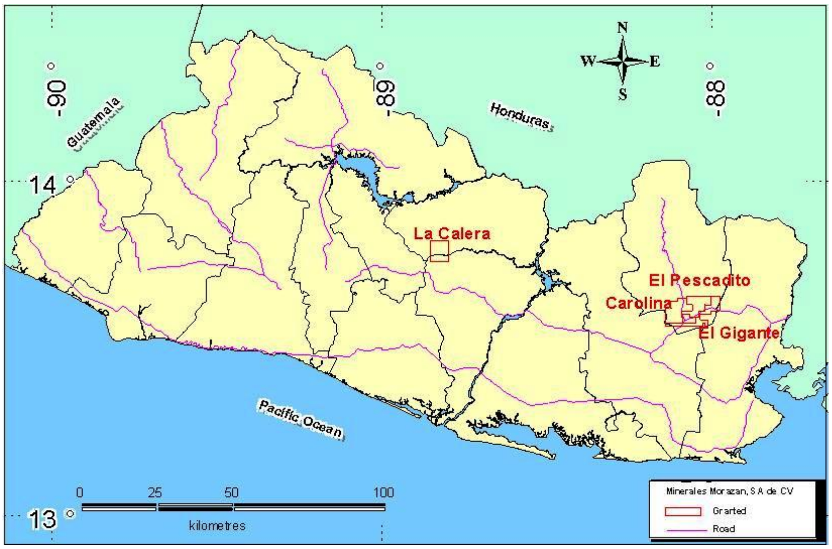
## EL SALVADOR

Condor continued to maintain an administrative presence in El Salvador in order to retain the existing licence holding in good standing and to lobby the government to support mining and represent Condor and the mining industry interests in the Government initiated Strategic Environmental Evaluation of the Metallic Mining Sector of El Salvador ("EAE"). Since late 2007 El Salvador's Ministry of Environment and Natural Resources (MARN) has not granted Environmental Permits on all metallic exploration and exploitation licences while the government reviews its policy regarding future mining operations.

Condor holds ownership of four Exploration Licences in El Salvador split between two project areas; the Pescadito Project containing the Carolina, El Pescadito and El Gigante licences, and the Calera Project containing the La Calera Licence. The licences cover a combined area of 175km².

| Project | Concession | Ownership | Status | Project Area (km2) |
|---|---|---|---|---|
| La Calera | La Calera | 100% Owned | Administrative freeze | 42.00 |
| El Pescadito | El Pescadito | 100% Owned | Administrative freeze | 50.00 |
| | Carolina | 100% Owned | Administrative freeze | 40.50 |
| | El Gigante | 100% Owned | Administrative freeze | 42.50 |
| **TOTAL** | | | | **175.00** |

Table showing Condor's current exploration licences in El Salvador. All licences are in administrative freeze whilst El Salvador's moratorium on mining and exploration remains in effect.




*Location of Condor Resources licences in El Salvador.*

During the year some progress was made towards a more balanced consideration of the role the mining industry could play in El Salvador's future. Emotive anti-mining propaganda was less evident and Government representatives opened a dialogue with representatives of the mining industry. Significantly tender to undertake Strategic Environmental Evaluation of the Metallic Mining Sector of El Salvador ("EAE") was awarded to an independent Spanish organisation the Tau Group who have engaged Condor staff as well as other exploration and mining companies in El Salvador in field visits, discussions and public workshops. The study's findings are expected to be released in 2011.

In addition, a tender for a Mining Policy Review is scheduled to be released in the near future. The purpose of the Mining Policy Review is to review the current Mining Law enacted in 1996 and amended in 2001 with a view to determining whether exploration and mining should be permitted in El Salvador and on what basis. The Ministry of the Economy (MINEC) would draft any amendments to the current Mining Law based on the EAE and Mining Policy Review, which in turn would have to be adopted by Congress and approved by the President.

Post Period Development El Salvador

Condor gifted 10% of the issued ordinary share capital of Minerales Morazan S.A. de C.V., the local subsidiary that holds all the company's exploration licences in El Salvador, into a Charitable Foundation that is incorporated in the United Kingdom and regulated by the UK Charities Commission and been established for the benefit of the people of El Salvador. The Articles of Association of the "Condor Resources El Salvador Charitable Foundation" include the key aims of:

- Conservation, protection and improvement of the physical and natural environment
- Prevention or relief of poverty for the public benefit
- Advancement of education for people under the age of 25 years old
- Sustainable development, by promoting of sustainable means of economic growth
- Relief of sickness and preservation of health
- Relief of financial hardship by making grants or providing services
- Relief of suffering among victims of natural or other kinds of disasters

The reason that Condor has set up a Charitable Foundation is to demonstrate to the Government of El Salvador that Condor takes its corporate and social responsibilities very seriously. Condor has looked at a number of ways to work with the Government of El Salvador to assist with the removal of the moratorium on all mining and exploration and develop a sustainable business model for all parties.

## Pescadito Project

**El Pescadito, Carolina and El Gigante Licences** (Condor 100% ownership)

Located in eastern El Salvador, 95 kilometres east of the capital San Salvador and 20km northeast of the town of San Miguel, the Pescadito Project comprises three contiguous concessions covering an area of 133 square kilometres: El Pescadito, Carolina and El Gigante licences. Numerous old workings and mines located within project area have been exploited intermittently since the 18th Century. Although no accurate production figures are available, it is estimated by the El Salvadorian Government that 100,000 ounces gold and 5.6 million ounces silver was extracted from El Divisidero in the early 1900's at grades of 3.8g/t gold and over 200 g/t silver. The Pescadito Project has over 10,000 metres of drilling completed to date, hosts a historic mine and is an advanced exploration project.

The Pescadito Project has a JORC Code Inferred Resource of 430,000 oz gold at 1.9g/t and 22.1 million oz silver at 96g/t. The gold equivalent resource is 802,000 oz at 3.9g/t using a silver to gold ratio of 60:1

## La Calera Project

**La Calera Licence** (Condor 100% ownership)

La Calera Concession, located 45km northeast of San Salvador, consists of a single concession covering 42 square kilometres. A total of five sub-parallel veins have been identified spread across a 500m wide corridor with over 1200m of strike length defined to date. Previous explorer Pacific Rim Gold of Canada outlined the main mineralised zone through a programme of trench sampling and drilling. Condor completed an extensive programme of trenching in 2006 and 2007 to better define the outcropping and sub-cropping vein system and in February 2008 announced an estimated JORC-Code compliant inferred resource of 6 million tonnes at 1.6 g/t gold and 1.4 g/t silver for 310,000 ounces gold and 270,000 ounces silver. The resource was calculated by independent geological consultant Geosure Exploration and Mining Solutions.

**REPORT OF THE DIRECTORS**
**FOR THE YEAR ENDED 31 DECEMBER 2010**

## DIRECTORS REPORT

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2010.

## PRINCIPAL ACTIVITY

The principal activity of the Group in the year under review was that of exploration of gold and silver concessions in El Salvador and Nicaragua. The principal activity of the Company was that of a holding company.

## REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Group's financial performance for the year was in line with directors' expectations. The group loss after taxation for the year to 31 December 2010 amounted to £1,199,352 (2009: £660,139). No dividends were paid during the year.

The Group, at the end of the financial period has interests in six concessions in the La India Mining District and a further four in four project area in Nicaragua, and four licences in two project areas in El Salvador. The Company will continue to assess each individually with the intention of focusing on core concessions with the highest probability of producing an economic resource, and principally at La India. The Company is currently investing in the La India concession whish is discussed in greater detail in the 'Operations Report and Projects Overview.' Operations in El Salvador are curtailed by the Government moratorium on all exploration and mining in that country. The El Salvador operation has been reduced to an administrative role until environmental and drill permits are awarded, this situation is described in detail in 'Principal Risks and Uncertainties' below.

## KEY PERFORMANCE INDICATORS

The key indicator of performance for the Group is its success in identifying, acquiring, developing and divesting investments in projects so as to create shareholder value.

Control of bank and cash balances is a priority for the Group and these are budgeted and monitored closely to ensure that it maintains adequate liquid resources to meet financial commitments as they arise.

At this stage in its development, quantitative key performance indicators are not an effective way to measure the Group's performance.

However, a qualitative summary of performance in the period in the Chairman's Statement and the Operations Report and Project Overview.

## DIRECTORS

The directors shown below have held office during the year:

| | |
|---|---|
| M L Child | |
| K P Eckhof | - Resigned (11/05/2011) |
| P Moussa | - Resigned (16/08/2010) |
| J Mellon | - Appointed (11/05/2011) |

## SUBSTANTIAL SHAREHOLDERS

On 19 May 2011 the Company was aware of the following interests in 3% or more of the Company's issued share capital:

| Shareholders | Number of ordinary shares | Holding % |
|---|---|---|
| Mr M Child | 68,750,000 | 12.45 |
| Oracle Management Limited | 46,222,915 | 8.28 |
| Macquarie Bank Limited | 33,333,333 | 5.97 |

## DIRECTORS INTERESTS

The directors in office during the year under review and their interests in ordinary shares and unlisted options of the company at 31 December 2010 were:

| | | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|---|
| Directors | Holding | Number of shares | Number of options | Number of shares | Number of options |
| M L Child | Direct | 48,000,000 | 10,250,000 | 11,000,000 | 10,250,000 |
| | Indirect | - | - | - | - |
| K P Eckhof | Direct | - | - | - | - |
| | Indirect | 10,160,000 | 4,750,000 | 160,000 | 4,750,000 |
| P Moussa | Direct | - | - | - | 2,000,000 |
| | Indirect | - | - | - | - |

The interests of the directors in options to subscribe for ordinary shares of the company were:

| | Exercise price (p) | Latest exercise date | As at 1 January 2010 | Granted during the year | Forfeit or lapsed in the year | As at 31 December 2010 |
|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | |
| M L Child | 15 | 30 May 2011 | 1,250,000 | - | - | 1,250,000 |
| | 1 | 23 December 2013 | 9,000,000 | - | - | 9,000,000 |
| K P Eckhof | 15 | 30 May 2011 | 1,750,000 | - | - | 1,750,000 |
| | 1 | 23 December 2013 | 3,000,000 | - | - | 3,000,000 |
| P Moussa | 1 | 23 December 2013 | 2,000,000 | - | 2,000,000 | - |

The interests of the directors in warrants to subscribe for ordinary shares of the company were:

| | Exercise price (p) | Latest exercise date | As at 1 January 2010 | Granted during the year | Lapsed in the year | As at 31 December 2010 |
|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | |
| M L Child (1) | 1 | 10 July 2011 | 13,750,000 | - | - | 13,750,000 |
| | 1.5 | 10 July 2011 | 5,000,000 | - | - | 5,000,000 |
| | 2 | 10 July 2011 | 5,000,000 | - | - | 5,000,000 |

**(1)** These warrants were acquired by M L Child for cash during fiscal 2008 and 2009.

## PRINCIPAL RISKS AND UNCERTAINTIES

In common with other companies operating in natural resources exploration, the Group's activities are speculative and involve a high degree of risk.

The Group's exploration work involves participation in geological work programmes. Interpretations of the results of these programmes are dependent on judgements and assessments that are speculative and these interpretations are applied in designing further work programmes to which the Company can commit significant resources.

Work programmes often involve drilling and other geological work that present significant engineering challenges that are subject to unexpected operational problems. Furthermore activities generally take place in remote locations that can be subject to unexpected climate events, and possible acts of terrorism, criminal threats and piracy and potential environmental risks.

The Group operates in different countries where political, economic, legal, regulatory and social uncertainties are potential risk factors. In this regard, political uncertainties in El Salvador, in particular in relation to the ongoing moratorium in processing applications for exploration and mining, have resulted in operational delays in that country.

During 2010 and in 2011 to date considerable progress was made in El Salvador:

- In March 2010 the Government of El Salvador ('GoES') placed a tender for an independent 'Strategic Environment Study on the Metallic Mining sector in El Salvador' ('EAE') to inform the Goes how to conduct mining in a safe, secure and environmental friendly manner.

- In September 2010 the Ministry of Economy ('MINEC') and the Ministry of Foreign Affairs announced that Tau Consultora Ambiental of Spain (the 'Tau Group') www.taugroup.com had been awarded the contract for SES.

- In December 2010, GoES finalised the appointment of a Supervisory Committee to assist GoES on the interpretation of the Tau Group's EAE.

- The Company has received assurances from a number of relevant Government officials that it will maintain its concession areas following the outcome of the moratorium process.

It is the Company's view that although the situation remains uncertain and it is unlikely that the necessary environmental and drilling approvals to enable re-commencement exploration programmes on key projects will be forthcoming in the near future, the indications are that the GoES will allow exploration and mining following the EAE, Mining Policy Review and amendments to the current Mining Law.  In the meantime operations in El Salvador remain on a care and maintenance basis.

## FINANCIAL RISK MANAGEMENT

The Group's operations expose it to financial risks that include credit risk, liquidity risk, and market risks. The Group does not have any debt and is not therefore required to use derivative financial instruments to manage interest rate costs nor is hedge accounting applied.

### 1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group and the Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The credit risk on trade and other receivables is limited to the Group's receivable of £93,965. The exposure of the Group and the Company to credit risk arises from default of its counterparty, with maximum exposure equal to the carrying amount of cash and cash equivalents in the Group's Statement of Financial Position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

The Group does not hold any collateral as security.

### 2. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

To ensure liquidity, the Group maintains sufficient cash and cash equivalents on demand to meet its obligations as and when they fall due. The Group actively manages its working finance to ensure that sufficient funds exist for operations and planned expansion.

### 3. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return on risk.

(i) Pricing and risks

The directors consider there to be minimal price risk to the business. The Group however does have an unlisted equity investment whose price is exposed to market factors and realisation of which is dependant on the existence of willing buyers and therefore beyond the Group's control.

(ii) Interest rate cash flow risk

The Group does not have interest bearing liabilities. Interest bearing assets are only cash balances that earn interest at a floating rate.

(iii) Foreign exchange risk

The Group principally operates in US Dollars. The directors believe that the contracts for transfers of funds to Central America are so small, that there would be no benefit gained from hedging these contracts in the market. As such currency is bought at the spot rates prevailing on the days transfers are to take place. This situation is monitored on a regular basis.

## FINANCIAL RISK MANAGEMENT – continued

### 4. Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue individually as going concerns, while maximising the return to Shareholders through the optimisation of debt and equity balances. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the Consolidated Statement of Changes in Equity.

## Corporate governance

### Corporate policies

Condor takes its health, safety, environmental and community responsibilities seriously, and has developed policies and systems to ensure that it explores in a safe, low impact and consultative manner, maximising the sustainability of its present and future operations for the benefit of all stakeholders.

### Health and safety

Condor takes the health and safety of its employees and contractors seriously, and strives to exceed statutory obligations and achieve best practice. To this end, a new safety management system has been implemented for its exploration operations.

### Environment

Condor operates in strict adherence to local and Governmental standards with regard to environmental impact on the local community. This procedure includes pre-exploration checks and post-exploration remediation programs. Currently, no unfulfilled commitments exist to remediate land upon which the Company has conducted exploration work.

### Community

Condor is committed to working consultatively and co-operatively within the communities in which it operates, which includes local subsistence farmers and pastoralists and firmly believes that future mining operations should be to the benefit of all. To this end, Condor personnel participate in cultural awareness programs and have forged close ties with landholders and maintain a constructive dialogue with the Department of Environment and local community representatives. Condor is also a sponsor of many community development and aid programs currently in place including the provision of clean water through drilling water wells, tree planting, the supply of school books and training of locals in both technical and non technical skills to assist their personal development.

### Compliance with the combined code

The directors recognise the value of the Combined Code on Corporate Governance, and whilst under AIM rules full compliance is not required, the directors believe that the company applies the recommendations insofar as is practicable and appropriate for a public company of its size.

## FINANCIAL RISK MANAGEMENT – continued

**Board of directors**

The board of directors at the year end comprised of one non-executive chairman and one non-executive director who qualifies as independent non-executive director as defined by the Combined Code. The directors are of the opinion that the recommendations of the Combined Code have been implemented to an appropriate level. The board, through the chairman and non executive directors, maintain regular contact with its advisers and public relations consultants in order to ensure that the board develops an understanding of the views of major shareholders about the company.

The board meets regularly throughout the year and met over 12 times during the year to 31 December 2010. The board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance. Day-to-day management is devolved to the country manager who is charged with consulting with the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among directors concerned where necessary and appropriate.

All necessary information is supplied to the directors on a timely basis to enable them to discharge their duties effectively, and all directors have access to independent professional advice, at the Company's expense, as and when required.

The participation of both private and institutional investors at the Annual General Meeting is welcomed by the board.

**Committees**

Each of the following committees has its own terms of reference.

**Audit committee**

The Audit Committee comprises J Mellon (non-executive director) and M L Child (non-executive chairman). The committee meets at least twice a year, in regard to the audit work required and completed.

All directors received a copy of the respective audit committee reports prior to these meetings and had an opportunity to comment. The meetings were attended by the auditors.

The chief financial officer and a representative of the external auditors are normally invited to attend meetings. Other directors or staff may be invited to attend, as considered beneficial by the committee.

The Audit Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors.

**Remuneration committee**

The Remuneration Committee plans to meet at least twice in each year. Its members are M L Child (non-executive chairman) and J Mellon (non-executive director), both of whom were in attendance at the meetings.

The Group's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the board a framework for the remuneration of the chairman, the executive directors and the senior management of the Group. The principal objective of the committee is to ensure that members of the executive management of the company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company. Non-executive fees are considered and agreed by the board as a whole.

## FINANCIAL RISK MANAGEMENT – continued

**Service Contracts**

The Company has service contracts with its non-executive directors.

The service contracts also provide that the directors and parties related to the directors are entitled to participate in the share option arrangements operated by the Company as well as consultancy payments.

Details of the contracts currently in place for directors and related parties are as follows:

| | Annual salary £'000 | Consultancy payments £'000 | Date of Contract | Unexpired term | Notice period |
|---|---|---|---|---|---|
| M L Child | 12 | 24 | 24 May 2006 | - | 6 months |
| K P Eckhof | 12 | 24 | 24 May 2006 | - | 6 months |
| J Mellon | 12 | NIL during year | 6 April 2011 | - | 6 months |

Subject to the notice requirements described above, there is no provision in the service agreements for compensation to be payable on early termination of the contract.

**Supplier payment policy**

It is the Group's policy to pay suppliers in accordance with the terms of business agreed with them. The number of days' purchases outstanding for the group as at 31 December 2010 was 30 days (2009: 30 days).

**Annual general meeting**

Your attention is drawn to the Notice of Meeting enclosed with this report convening the Annual General Meeting of the company at 9a.m. on 21 July 2011 at the offices of Speechly Bircham; 6 New Street Square, London, EC4A 3LX. The Notice of Meeting sets out and explains the special and ordinary business to be conducted at the meeting.

**Directors Insurance**

During the year the Company paid £9,453 (2009: £12,603) in respect of Directors professional indemnity insurance.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs') as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Condor Resources PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### AUDITORS

The auditors, Crowe Clark Whitehill LLP, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

**ON BEHALF OF THE BOARD:**

Mark Child

M L Child
Chairman

Date: 27 June 2011

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CONDOR RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2010**

We have audited the financial statements of Condor Resources Plc for the year ended 31 December 2010 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 25 and 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and any other surround information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – El Salvador assets**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in notes 1, 10, 11 and 12 to the financial statements concerning the uncertainty arising from the present moratorium on processing of permits for mineral exploration and extraction in El Salvador. As set out in note 1, if the necessary permit renewals are not granted this would result in impairment of the Group's intangible assets and the Company's investments in El Salvador in the future and such impairment would be material.

**Opinion on the other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Stephen Bullock** (Senior statutory auditor)
For and on behalf of **Crowe Clark Whitehill LLP** (Statutory auditor)
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Date: 27 June 2011

Note: The maintenance and integrity of the Condor Resources Plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were originally presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

| | Notes | Year Ended 31.12.10 £ | Year Ended 31.12.09 £ |
|---|---|---|---|
| Revenue | | - | - |
| Net gain arising on foreign transactions | | - | 1,061 |
| Administrative expenses | | (502,605) | (652,360) |
| Operating loss | 5 | (502,605) | (651,299) |
| Finance income | 4 | 960 | 4,132 |
| Net gain/(loss) on financial assets at fair value through profit and loss | 13 | (804,461) | 95,426 |
| Loss before income tax | | (803,501) | (551,741) |
| Income tax expense | 6 | (4,342) | (6,318) |
| **Loss for the year** | | **(1,310,448)** | **(558,059)** |
| Other comprehensive income: | | | |
| Currency translation differences | | 111,096 | (102,080) |
| **Other comprehensive (loss)/income for the year** | | **111,096** | **(102,059)** |
| **Total comprehensive loss for the year** | | **(1,199,352)** | **(660,139)** |
| **Loss attributable to:** | | | |
| Owners of the parent | | (1,310,448) | (558,059) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the parent | | (1,199,352) | (660,139) |
| **Loss per share expressed in pence per share:** | | | |
| Basic and diluted | 8 | (0.24) | (0.13) |

The notes in pages 36 to 56 form an integral part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2010

| | Notes | 31.12.10 | 31.12.09 |
|---|---|---|---|
| | | £ | £ |
| **ASSETS:** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | 39,930 | 24,800 |
| Intangible assets | 10 | 4,877,835 | 4,628,028 |
| | | 4,917,765 | 4,652,828 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 12 | 129,963 | 93,965 |
| Financial assets at fair value through profit and loss | 13 | - | 1,496,487 |
| Cash and cash equivalents | | 922,275 | 657,583 |
| | | 1,052,238 | 2,248,035 |
| **TOTAL ASSETS** | | **5,970,003** | **6,900,863** |
| **LIABILITIES:** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | - | 3,400 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 92,620 | 73,426 |
| **TOTAL LIABILITIES** | | **92,620** | **76,826** |
| **NET CURRENT ASSETS** | | 959,618 | 2,174,609 |
| **NET ASSETS** | | 5,877,383 | 6,824,037 |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 16 | 4,922,618 | 4,717,118 |
| Share premium | | 7,259,179 | 7,149,141 |
| Legal reserves | | 71 | 71 |
| Exchange difference reserve | | 751,700 | 779,501 |
| Share options reserve | | 163,215 | 198,253 |
| Retained earnings | | (7,219,400) | (6,020,047) |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | 5,877,383 | 6,824,037 |

The financial statement were approved and authorised for issue by the Board of directors on 27 June 2011 and were signed on its behalf by:

Mark Child

M L Child
Chairman

The notes in pages 36 to 56 form an integral part of these financial statements

**CONDOR RESOURCES PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**AS AT 31 DECEMBER 2010**

| | Share Capital | Share premium | Legal reserve | Exchange difference reserve | Share option reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| At 1 January 2009 | 3,303,118 | 7,237,956 | 71 | 881,581 | 114,405 | (5,472,421) | 6,064,710 |
| Comprehensive income: | | | | | | | |
| Loss for the year | - | - | - | - | - | (558,059) | (558,059) |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | - | (102,080) | - | - | (102,080) |
| Total comprehensive Income | 3,303,118 | 7,237,956 | 71 | 779,501 | 114,405 | (6,030,480) | 5,506,651 |
| New shares issued | 1,414,000 | - | - | - | - | - | 1,414,000 |
| Share issue costs | - | - | - | - | - | - | - |
| Share based payment | - | (88,815) | - | - | 94,281 | - | 5,466 |
| Share options lapsed | - | - | - | - | (10,433) | 10,433 | - |
| At 31 December 2009 | 4,717,118 | 7,149,141 | 71 | 779,501 | 198,253 | (6,020,047) | 6,824,037 |
| Comprehensive income: | | | | | | | |
| Loss for the year | - | - | - | - | - | (1,199,353) | (1,199,353) |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | - | (27,801) | - | - | (27,801) |
| Total comprehensive income | 4,717,118 | 7,149,141 | 71 | 779,501 | 198,253 | (7,219,400) | 5,596,883 |
| New shares issued | 205,500 | 75,000 | - | - | - | - | 280,500 |
| Share issue costs | - | - | - | - | - | - | - |
| Share based payment | - | - | - | - | - | - | - |
| Share options lapsed | - | 35,038 | - | - | (35,038) | - | - |
| At 31 December 2010 | 4,922,618 | 7,259,179 | 71 | 751,700 | 163,215 | (7,219,400) | 5,877,383 |

Share premium reserve represents the amounts subscribed for share capital in excess of the nominal value of the shares issued, net of cost of issue.

Legal reserve represents the El Salvadorian statutory reserve calculated on results declared.

The exchange difference reserve is a separate component of Shareholders' equity in which the exchange differences, arising from translation of the results and financial positions of foreign operations that are included in the Company's Consolidated Financial Statements, are reported.

The share option reserve represents the amount recognised in previous years and the current year relating to the share options granted under the Group's share option scheme.

Retained earnings represent the cumulative net gains and losses recognised in the consolidated income statement.

The notes in pages 34 to 56 form an integral part of these financial statements

**CONDOR RESOURCES PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2010**

| | Notes | 31.12.10 | 31.12.09 |
|---|---|---|---|
| | | £ | £ |
| **ASSETS:** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | - | 905 |
| Investments | 11 | 2,974,052 | 2,954,354 |
| Trade and other receivables | 12 | 2,203,456 | 1,970,994 |
| | | 5,177,508 | 4,926,253 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 12 | 10,962 | 8,509 |
| Financial assets at fair value through profit and loss | 13 | - | 1,496,487 |
| Cash and cash equivalents | | 911,957 | 652,937 |
| | | 922,919 | 2,157,933 |
| **TOTAL ASSETS** | | **6,100,427** | **7,084,186** |
| **LIABILITIES:** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 78,766 | 58,703 |
| **TOTAL LIABILITIES** | | **78,766** | **58,703** |
| **NET CURRENT ASSETS** | | 844,153 | 2,099,230 |
| **NET ASSETS** | | 6,021,661 | 7,025,483 |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 16 | 4,922,618 | 4,717,118 |
| Share premium | | 7,259,179 | 7,149,141 |
| Share options reserve | | 169,957 | 210,096 |
| Retained earnings | | (6,330,093) | (5,050,872) |
| **TOTAL EQUITY** | | **6,021,661** | **7,025,483** |

The financial statements were approved and authorised for issue by the Board of directors on 27 June 2011 and were signed on its behalf by:

Mark Child

M L Child
Chairman

The notes in pages 34 to 56 form an integral part of these financial statements

**CONDOR RESOURCES PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**
**AS AT 31 DECEMBER 2010**

| | Share capital £ | Share premium £ | Share option reserve £ | Retained earnings £ | Total £ |
|---|---|---|---|---|---|
| **Company** | | | | | |
| At 1 January 2009 | 3,303,118 | 7,237,956 | 114,405 | (4,489,659) | 6,165,820 |
| Comprehensive income: | | | | | |
| Loss for the period | - | - | - | (571,646) | (571,646) |
| Total comprehensive income | 3,303,118 | 7,237,956 | 114,405 | (5,061,305) | 5,594,174 |
| New shares issued | 1,414,000 | - | - | - | 1,414,000 |
| Share based payment | - | (88,815) | 106,124 | - | 17,309 |
| Share options lapsed | - | - | (10,433) | 10,433 | - |
| At 31 December 2009 | 4,717,118 | 7,149,141 | 210,096 | (5,050,872) | 7,025,483 |
| Comprehensive income: | - | - | - | - | - |
| Loss for the period | - | - | - | (1,284,322) | (1,284,322) |
| Total comprehensive income | 4,717,118 | 7,149,141 | 210,096 | (6,335,194) | 5,741,161 |
| New shares issued | 205,500 | 75,000 | - | - | 280,500 |
| Share based payment | - | - | - | - | - |
| Share options lapsed | - | 35,038 | (40,139) | 5,101 | - |
| At 31 December 2010 | 4,922,618 | 7,259,179 | 169,957 | (6,330,093) | 6,021,661 |

Share premium reserve represents the amounts subscribed for share capital in excess of the nominal value of the shares issued, net of cost of issue.

The share option reserve represents the amount recognised in previous years and the current year relating to the share options granted under the Group's share option scheme.

Retained earnings represent the cumulative net gains and losses recognised in the Company's income statement.

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2010

| | 31.12.10 | 31.12.09 |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| Loss before tax | (1,199,352) | (551,741) |
| Share based payment | - | 5,466 |
| Professional fees paid in shares | - | 14,000 |
| Depreciation charges | 905 | 4,864 |
| Loss on disposal of computer equipment | - | 325 |
| Profit on disposal of motor vehicles | - | (12,973) |
| Adjustment for net movement in unrealised gains on | - | |
| financial assets at fair value through profit and loss | - | (95,426) |
| Adjustment for disposal of financial assets at fair value | | |
| through profit and loss | 804,465 | |
| Adjustment for net movement in unrealised gains/(losses) | | |
| on foreign exchange | - | (1,061) |
| Impairment charge of intangible fixed assets | 21,378 | 6,497 |
| Reallocation of tangible fixed assets | (581) | - |
| Exchange rate differences on exploration costs brought | - | |
| forward | (16,867) | 71,521 |
| Finance income | (960) | (4,132) |
| | (391,012) | (562,660) |
| Decrease/(increase) in trade and other receivables | (35,998) | 4,675 |
| Decrease in trade and other payables | 15,794 | (31,000) |
| Income tax paid | - | (6,318) |
| Net cash absorbed in operating activities | (411,216) | (595,303) |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | (7,750) | - |
| Purchase of intangible fixed assets | (215,078) | (138,941) |
| Sales of tangible fixed assets | 692,022 | 39,031 |
| Interest received | 960 | 4,132 |
| Net cash absorbed in investing activities | 470,154 | (95,778) |
| **Cash flows from financing activities** | | |
| Proceeds from share issue | 280,500 | - |
| Net cash from financing activities | 280,500 | - |
| Increase / (decrease) in cash and cash equivalents | 339,438 | (691,081) |
| Cash and cash equivalents at beginning of year | 657,583 | 1,450,744 |
| Exchange losses on cash and bank | (74,746) | (102,080) |
| Cash and cash equivalents at end of year | 922,275 | 657,583 |

The notes in pages 34 to 56 form an integral part of these financial statements

## CONDOR RESOURCES PLC

## COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2010

| | Year Ended 31.12.10 £ | Year Ended 31.12.09 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before tax | (1,284,322) | (571,646) |
| Share based payment | - | 5,466 |
| Depreciation charges | 905 | 4,864 |
| Loss on disposal of computer equipment | - | 325 |
| Professional fees paid in shares | - | 14,000 |
| Adjustment for net movement in unrealised gains/(losses) on financial assets at fair value through profit and loss | - | (95,426) |
| Adjustment for net movement in unrealised gains/(losses) on foreign exchange | - | (1,061) |
| Adjustment for net movement on disposal of financial assets at fair value through profit and loss | 804,463 | - |
| Finance income | (910) | (4,066) |
| | (479,864) | (647,544) |
| Increase in trade and other receivables | (254,612) | (107,161) |
| Decrease in trade and other payables | 20,064 | (26,788) |
| Net cash absorbed in operating activities | (714,412) | (781,493) |
| **Cash flows from investing activities** | | |
| Interest received | 910 | 4,066 |
| Sale of tangible fixed assets | 692,022 | - |
| Net cash from investing activities | 692,932 | 4,066 |
| **Cash flows from financing activities** | | |
| Proceeds from share issue | 280,500 | - |
| Net cash from financing activities | 280,500 | - |
| Increased in cash and cash equivalents | 259,020 | (777,427) |
| Cash and cash equivalents at beginning of year | 652,937 | 1,430,364 |
| Cash and cash equivalents at end of year | 911,957 | 652,937 |

## 1. ACCOUNTING POLICIES

**General information**

These consolidated financial statements are for Condor Resources Plc and its subsidiary undertakings. The Company is a public company registered in England and Wales on 10 October 2005 and is listed on the Alternative Investment Market. The address of its registered office is 6 New Street Square, London, EC4A 3LX. The nature of the Group's operation is described in the Directors' report.

**Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional currency"). The consolidated financial statements are presented in British pounds ("£") which is the Company's presentation and functional currency.

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations), as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments that are measured at fair value.

The financial statements have been prepared on the going concern basis. The directors consider this basis is appropriate based on the Group cash flow forecasts and projections and current levels of cash and cash equivalents. As set out in note 21, the company raised £3 million in new equity after the balance sheet date.

The financial statements have been rounded to the nearest pound.

**Interpretations and amendments to published standards effective in 2010**

The following are the new IFRS and IFRIC interpretations and amendments to published standards effective in 2009 that are relevant to the Group:

IFRS Improvements re IFRS 5 (see detail below)
IAS 27 Consolidated and Separate Financial Statements
IFRS 3 Business Combinations
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
Improvements to IFRS (detail below)

The adoption of the above IFRS and IFRIC Interpretations did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for presentation and disclosures in the financial statements.

The following standards, amendments and interpretations were mandatory for the Group's accounting period, but are not relevant to the operations of the Group:

Amendments to IFRIC 9 and IAS 39 Embedded Derivatives
IAS 39 Financial Instruments: Recognition and Measurement (Amendment) – Eligible Hedged Items
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRS 1 First- time Adoption of International Financial Reporting Standards (revised)
IFRIC 18 Transfers of Assets from Customers
Amendments to IFRS 1 Additional Exemptions for First-time Adopters

**1. ACCOUNTING POLICIES - continued**

**Interpretations and amendments accounting standards**

The Group has not adopted the following IAS and IFRS and its interpretations that have been issued as at the date of this report but not yet effective:

| Reference | Effective date (Annual periods beginning on or after) |
|---|---|
| Amendment to IAS 32 Classification of Rights Issues | 01/02/2010 |
| IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | 01/07/2010 |
| IFRS 1 Amendment – Limited exemption from IFRS 7 Disclosures for first time adopters | 01/07/2010 |
| Annual Improvements to IFRS (detail below) | 01/07/2010 |
| IFRIC 14 (Amendment) Prepayments of a minimum funding requirement | 01/01/2011 |
| Revised IAS 24 Related Party Disclosures (Issued 4 November 2009) | 01/01/2011 |
| Annual Improvements to IFRS (detail below) | 01/01/2011 |

The directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application.

**Basis of consolidation**

The Group financial statements consolidate the accounts of its subsidiaries; Minerales Morazan S.A. De C.V., Condor S.A. and La India Gold S.A. under the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

All the Group's companies have 31 December as their year end. Consolidated financial statements are prepared using uniform accounting policies for like transactions.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

**Business combinations**

On the acquisition of a subsidiary, fair values are attributed to the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions necessary for recognition, on the basis of fair value at the acquisition date. Those mineral reserves and resources that are able to be reliably measured are recognised in the assessment of fair values on acquisition.

Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchase goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the cost of acquisition is less than the value attributable to such net assets, the difference is treated as negative goodwill and is recognised immediately in the income statement.

## 1. ACCOUNTING POLICIES – continued

### Property, plant and equipment

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss.

Depreciation is provided at the following annual rates in order to write off each asset over is estimated useful life.

| | |
|---|---|
| Plant and machinery | - 20% on cost |
| Fixtures and fittings | - 50% on cost |
| Motor vehicles | - 25% on cost |
| Computer equipment | - 50% on cost |

### Investments

Investments in subsidiaries are stated at cost less provision for any impairment in value.

### Financial instruments

*(a) Financial assets*
Financial assets are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at recognition. Where financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Group transfers substantially all risks and rewards of ownership.

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash-in-hand and deposits held with banks.

Investments which are held for trading are accounted for at fair value through profit and loss. Investments are treated as held for trading if they are:

(i) acquired or incurred principally for the purpose of selling or repurchasing in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) a derivative (except for derivatives that are designated as effective hedging instruments).

In addition, the Group classifies investments as financial assets at fair value through profit and loss where the investment eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases.

The net gain or loss recognised in profit and loss incorporates any dividend or interest earned on the financial asset.

*(b) Financial liabilities*
Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

**1. ACCOUNTING POLICIES - continued**

**Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided using the balance sheet method on temporary difference at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction , affects neither the accounting profit nor taxable profit; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductable temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductable temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

**Intangible assets – exploration costs, licences and minerals resources**

Exploration expenditure comprises costs which are directly attributable to researching and analysing data. Licences include the costs incurred in acquiring mineral rights and, the entry premiums paid to gain access to areas of interest. Mineral resources include amounts paid to third parties to acquire interests in existing projects.

When it has been established that a mineral deposit has development potential, all costs (direct and applicable overheads) incurred in connection with the exploration and development of the mineral deposits are capitalised until either production commences or the project is not considered economically viable.

In the event of production commencing, exploration costs, licences and mineral resources are amortised through administrative expenses, over the expected life of the mineral reserves on a unit production basis. Other pre-trading expenses are written off as incurred. For the purposes of impairment testing, intangible assets are allocated to specific projects with each licence reviewed annually. Where a project is abandoned or is considered to be of no further interest, the related costs are written off.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

On consolidation of a foreign operation, assets and liabilities are translated at the balance sheet rates, income and expenses are translated at rates ruling at the transaction date. All resulting exchange differences shall be recognised in other comprehensive income and accumulated in equity.

**1. ACCOUNTING POLICIES - continued**

**Share based payments**

The fair value of equity instruments granted to directors, employees and consultants is charged to the income statement with a corresponding increase in equity. The fair value of share options is measured at grant date, using the Black-Scholes model, and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest, except where forfeiture is due to criteria, as stated in the share option agreements.

**Revenue recognition**
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred onto a vessel, train, conveyor or other delivery mechanisms. Revenue is measured at the fair value of the consideration received or receivable.

The following criteria are also met in specific revenue transactions:

**Gold bullion sales**

Revenue from gold bullion sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can reasonably be estimated.

**Gold and silver in concentrate sales**

Contract terms for the Group's sale of gold and silver in concentrate (metal in concentrate) allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the content. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the spot price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of "Other Income".

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specific future date after shipment to the customer (the "quotation period"). Adjustment to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months.

The provisionally priced sales of metal in concentrate contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. Accordingly the embedded derivative, which does not qualify for hedge accounting, is recognised at fair value, with subsequent changes in the fair value recognised in the statement of comprehensive income each period until final settlement, and presented as "Other Income". Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for gold and copper.

**Interest revenue**

Interest revenue is recognised as it accrues, using the effective interest rate method (EIR).

**Critical accounting estimates and judgements**

The preparation of financial information in conformity with generally accepted accounting standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period.

**1. ACCOUNTING POLICIES - continued**

In the process of applying the Group's accounting policies, which are described in note 1, management has made the following assumptions that have the most significant effect on the amounts recognised in the financial information:

**a) Impairment of intangible assets and investment in subsidiaries**

The Group tests annually for impairment or more frequently if there are indications that the intangible assets and/or investments might be impaired.

Determining whether the intangible assets and/or investments are impaired requires an estimation of the value in use of the cash generating units to which the intangible assets belong to. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and the suitable discount rate in order to calculate the present value.

In particular, the present moratorium on processing applications for mineral exploration and extraction in El Salvador gives rise to a critical judgement in preparing the financial statements. The factors considered by the Board in arriving at its judgement in relation to El Salvador are set out in note 10, 11 and 12. If necessary permit renewals are not granted this would result in impairment of the Group's intangible assets and the Company's investments and loans in El Salvador in the future and such impairment would be material.

The situation in relation to the moratorium in El Salvador continues to be closely monitored on an ongoing basis by the directors in the light of local intelligence.

**b) Share based payments**

The Group has made awards of options on its un-issued share capital to certain directors and employees as part of their remuneration package.

The valuation of these options involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and interest rates. These assumptions are described in more detail in note 19.

**Classes of equity and reserves**

Called up share capital represents the nominal value of share in issue at the reporting date.

Share premium reserve represents the amounts subscribed for share capital in excess of the nominal value of the shares issued, net of cost of issue.

Legal reserve represents the El Salvadorian statutory reserve calculated on results declared.

The exchange difference reserve is a separate component of Shareholders' equity in which the exchange differences, arising from translation of the results and financial positions of foreign operations that are included in the Company's Consolidated Financial Statements, are reported.

The share option reserve represents the amount recognised in previous years and the current year relating to the share options granted under the Group's share option scheme.

Retained earnings represent the cumulative net gains and losses recognised in the consolidated income statement.

**2. REVENUE AND SEGMENTAL REPORTING**

The Groups operating segments have been determined based on geographical areas.

The Groups operations are located in UK, El Salvador and Nicaragua. The Group undertakes only one business activity as described in the Director's Report.

## 2. REVENUE AND SEGMENTAL REPORTING - continued

### Revenue and results

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses, as set out in note 1.

The segment results are the measures that are reported to the Groups' chairman in order to assess the segments' performance during the period.

The Group has not generated revenue during the year.

The Group's results by reportable segment for the year ended 31 December 2010 are as follows:

| | UK<br>£ | El Salvador<br>£ | Nicaragua<br>£ | Consolidation<br>£ |
|---|---|---|---|---|
| **RESULTS** | | | | |
| Operating loss | 496,670 | - | 5,935 | 502,605 |
| Interest income | 910 | 50 | - | 960 |
| Income tax expense | - | - | 4,342 | 4,342 |
| **Included in operating loss** | | | | |
| Depreciation | 905 | - | - | 905 |
| Net gain/(loss) from fair value adjustment on financial assets | (804,461) | - | - | (804,461) |

### Assets

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses, as set out in note 1.

| | UK<br>£ | El Salvador<br>£ | Nicaragua<br>£ | Consolidation<br>£ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Total assets | 922,919 | 4,707,220 | 371,406 | 5,970,003 |

| | UK<br>£ | El Salvador<br>£ | Nicaragua<br>£ | Consolidation<br>£ |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| Total liabilities | 78,767 | 3,007 | 10,849 | 92,620 |

The Group had intercompany debt owed to the UK at 31 December 2010 split segmentally as follows:
Due from El Salvador £1,869,095
Due from Nicaragua £1,858,808

## 2. REVENUE AND SEGMENTAL REPORTING - continued

The Group's results by reportable segment for the year ended 31 December 2009 is as follows:

| | UK £ | El Salvador £ | Nicaragua £ | Consolidation £ |
|---|---|---|---|---|
| **RESULTS** | | | | |
| Operating loss/profit | (671,138) | 1,524 | 18,315 | (651,299) |
| Interest income | 4,066 | 66 | - | 4,132 |
| **Included in operating loss** | | | | |
| Depreciation | 4,864 | - | - | 4,864 |

**Assets**

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses, as set out in note 1.

| | UK £ | El Salvador £ | Nicaragua £ | Consolidation £ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Total assets | 2,158,838 | 4,630,097 | 587,352 | 6,900,863 |

| | UK £ | El Salvador £ | Nicaragua £ | Consolidation £ |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| Total assets | 58,703 | 7,592 | 10,531 | 76,826 |

The Group had intercompany debt owed to the UK at 31 December 2009 split segmentally as follows:
Due from El Salvador £1,816,731
Due from Nicaragua £1,807,757

## 3. STAFF COSTS

| | 31.12.10 £ | 31.12.09 £ |
|---|---|---|
| Wages and salaries | 77,495 | 72,875 |
| Social security costs | 801 | 816 |
| | 78,296 | 73,691 |

Staff costs included within additions to exploration costs during the year were £53,495 (2009: £63,865).

The average monthly number of Group and Company employees during the year were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Directors | 2 | 3 | 2 | 3 |
| Employees | 12 | 12 | - | - |
| | 14 | 15 | 2 | 3 |

Directors remuneration, which form part of key management personal is described below there are no other key management personal in the opinion of the directors.

## 3. STAFF COSTS - continued

| | Salary Payments | | Termination Payment | | Related Party Payments * | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| M L Child | 12,000 | 12,000 | - | - | 116,325 | 62,400 | 122,325 | 74,400 |
| N Ferguson | - | - | - | - | - | (2,000) | - | (2,000) |
| K P Eckhof | 12,000 | 12,000 | - | - | 6,000 | 21,000 | 18,000 | 33,000 |
| Total | 24,000 | 24,000 | - | - | 122,325 | 81,400 | 140,325 | 105,400 |

* Refer to note 18 for listing of related parties

The Company has adopted a discretionary bonus scheme by which bonuses are paid to directors, employees and consultants and used by the recipients to subscribe for new Ordinary Shares at market value. A total of up to 15 percent of the total share capital in issue from time to time will be made available for this purpose without the Board having first obtained the consent of the Shareholders. The amount of any bonus payable under this scheme will be subject to approval by the remuneration committee. At the year end no bonuses were paid.

No share options have been exercised by the directors.

The interests of the directors in options to subscribe for ordinary shares of the Company were:

| | Exercise price (p) | Latest exercise date | As at 1 January 2010 | Granted during the year | Lapsed in the year | As at 31 December 2010 |
|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | |
| M L Child | 15 | 30 May 2011 | 1,250,000 | - | - | 1,250,000 |
| | 1 | 23 Dec 2013 | 9,000,000 | - | - | 9,000,000 |
| K P Eckhof | 15 | 30 May 2011 | 1,750,000 | - | - | 1,750,000 |
| | 1 | 23 Dec 2013 | 3,000,000 | - | - | 3,000,000 |
| P Moussa | 1 | 23 Dec 2013 | 2,000,000 | - | 2,000,000 | - |

The options all have a life of five years from the date they were issued. The exercise price varies dependent on the date of issue.

There are no vesting conditions attached to these options. However, if the individual's engagement with the company is terminated, the options lapse within 30 days.

The market price of the shares at 31 December 2010 is 10.75p (2009 0.37p).

The market price during the year ranged from 0.37p to 10.75p (2009 0.30p to 1.14p).

The interests of the directors in warrants to subscribe for ordinary shares of the company were:

| | Exercise price (p) | Latest exercise date | As at 1 January 2010 | Granted during the year | Lapsed in the year | As at 31 December 2010 |
|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | |
| M L Child | 1 | 10 July 2011 | 13,750,000 | - | - | 13,750,000 |
| | 1.5 | 10 July 2011 | 5,000,000 | - | - | 5,000,000 |
| | 2 | 10 July 2011 | 5,000,000 | - | - | 5,000,000 |

## 4. FINANCE INCOME

| | 31.12.10 | 31.12.09 |
|---|---|---|
| | £ | £ |
| Deposit account interest | 960 | 4,132 |

## 5. LOSS BEFORE TAX

The loss before tax is stated after charging:

| | 31.12.10<br>£ | 31.12.09<br>£ |
|---|---|---|
| Depreciation – owned assets | 905 | 4,864 |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 22,000 | 23,500 |
| Fees payable to the company's auditor and its associates for other services: | | |
| - Other services pursuant to legislation | 2,350 | 7,303 |
| Foreign exchange differences | 111,096 | 16,260 |
| Impairment of intangible assets | (21,378) | - |
| Rent – operating leases | 7,239 | 8,050 |

## 6. TAXATION

| **Analysis of the tax charge** | 31.12.10<br>£ | 31.12.09<br>£ |
|---|---|---|
| Current tax: | | |
| Tax | 4,342 | 6,318 |
| Total tax charge in income statement | 4,342 | 6,318 |

**Reconciliation of the tax charge**

| | 31.12.10<br>£ | 31.12.09<br>£ |
|---|---|---|
| Loss before tax | (1,195,011) | (551,741) |
| Loss before tax multiplied by standard rate of Corporation tax in the UK of 21% (2009: 21%) | (250,952) | (115,866) |
| Effects of: | | |
| Non-taxation income/(non-deductable expenses) | (21,852) | 29,035 |
| Deferred tax not provided | 269,708 | 84,693 |
| Differences in overseas taxation rates | 3,096 | 2,138 |
| Total tax charge in income statement | - | - |

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to certain losses carried forward at the year end, as there is insufficient evidence that taxable profits will be available in the foreseeable future against which the deductible temporary difference can be utilised. The unrecognised deferred tax asset was £1.4 million (2009: £1.1million).

## 7. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £1,284,322 (2009: £571,646).

## 8. LOSS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

A reconciliation is set out below:

| **Basic EPS** | 31.12.10<br>£ | 31.12.09<br>£ |
|---|---|---|
| Loss for the period | (1,310,448) | (558,059) |
| Weighted average number of shares | 490,549,253 | 408,546,821 |
| Loss per share (in pence) | (0.24) | (0.13) |

In accordance with IAS 33 and as the Group has reported a loss for the year, the share options are anti-dilutive.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Improvements to rental property | Plant & machinery | Fixtures & fittings | Motor vehicles | Computer equipment | Totals |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Group** | | | | | | |
| **Cost or valuation:** | | | | | | |
| At 1 January 2009 | - | 15,188 | 22,736 | 102,790 | 50,472 | 191,186 |
| Disposals | - | - | - | (55,963) | (3,730) | (59,693) |
| Reclassification | - | - | (857) | 3,678 | - | 2,821 |
| Exchange difference | - | (1,505) | (2,436) | (12,306) | (3,898) | (20,145) |
| At 1 January 2010 | | 13,683 | 19,443 | 38,199 | 42,844 | 114,169 |
| Additions | 906 | - | - | 6,557 | 287 | 7,750 |
| Disposals | - | - | - | - | - | - |
| Reclassification | - | - | - | 581 | - | 581 |
| Exchange difference | - | 374 | 481 | 807 | 763 | 2,423 |
| At 31 December 2010 | 906 | 14,055 | 19,924 | 46,146 | 43,894 | 124,925 |
| **Accumulated depreciation and impairment:** | | | | | | |
| At 1 January 2009 | - | (3,459) | (15,484) | (50,413) | (36,398) | (105,754) |
| Charge for year | - | (527) | (3,595) | (9,714) | (11,323) | (25,159) |
| Disposals | - | - | - | 30,810 | 3,405 | 34,215 |
| Reclassification | | (963) | (825) | (7,605) | 5,667 | (3,726) |
| Exchange difference | - | 121 | 1,580 | 5,772 | 3,582 | 11,035 |
| At 1 January 2010 | - | (4,828) | (18,324) | (31,150) | (35,067) | (89,369) |
| Charge for period | - | 2,678 | 718 | 1,208 | 1,586 | 6,190 |
| Disposals | - | - | - | - | - | - |
| Reclassification | - | - | - | - | - | - |
| Exchange difference | - | (29) | (457) | (654) | (676) | (1,816) |
| At 31 December 2010 | - | (2,179) | (18,063) | (30,596) | (34,157) | (84,995) |
| **Net Book Value:** | | | | | | |
| At 31 December 2009 | - | 8,855 | 1,119 | 7,049 | 7,777 | 24,800 |
| At 31 December 2010 | 906 | 11,876 | 1,861 | 15,550 | 9,737 | 39,930 |

The depreciation charge for the subsidiaries of £88,808 (2009: £20,295) is included within the addition to exploration costs in the year.

## 9. PROPERTY, PLANT AND EQUIPMENT – continued

| **Company** | Computer Equipment £ |
|---|---|
| **Cost:** | |
| At 1 January 2009 and 1 January 2010 | 11,186 |
| Disposals | - |
| At 31 December 2010 | - |
| **Depreciation:** | |
| At 1 January 2009 | (8,822) |
| Charge for the year | (4,864) |
| Disposals | 3,405 |
| At 1 January 2010 | (10,281) |
| Charge for the year | (905) |
| Disposals | - |
| At 31 December 2010 | (11,186) |
| **Net Book Value:** | |
| At 31 December 2009 | 905 |
| **Net book Value:** | |
| At 31 December 2010 | - |

## 10. INTANGIBLE ASSETS

| | Exploration costs | Mineral resources | Licences | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Group** | | | | |
| **Cost or valuation:** | | | | |
| At 1 January 2009 | 3,390,550 | 3,600,443 | 472,036 | 7,463,029 |
| Additions | 168,346 | - | - | 168,346 |
| Exchange difference | (71,521) | - | - | (71,521) |
| At 1 January 2010 | 3,487,375 | 3,600,443 | 472,036 | 7,559,854 |
| Additions | 215,078 | 19,698 | - | 234,776 |
| Disposals | (19,698) | - | - | (19,698) |
| Exchange difference | 56,107 | - | - | 56,107 |
| At 31 December 2010 | 3,738,862 | 3,620,141 | 472,036 | 7,831,039 |
| **Accumulated depreciation and impairment:** | | | | |
| At 1 January 2009 | (1,789,783) | (663,510) | (472,036) | (2,925,329) |
| Impairment for year | (6,497) | - | - | (6,497) |
| Exchange difference | - | - | - | - |
| At 1 January 2010 | (1,796,280) | (663,510) | (472,036) | (2,931,826) |
| Impairment for year | (21,378) | - | - | (21,378) |
| At 31 December 2010 | (1,817,658) | (663,510) | (472,036) | (2,953,204) |
| **Net Book Value:** | | | | |
| At 31 December 2009 | 1,691,095 | 2,936,933 | - | 4,628,028 |
| At 31 December 2010 | 1,921,204 | 2,956,631 | - | 4,877,835 |

During the year the Group disposed of the Cerro Quiroz concession in Nicaragua by way of concession swap. The Group received in return an 80% holding in La India Gold SA which holds two concessions in the La India province of Nicaragua, additionally the group received a 20% holding in Cerro Quiroz Gold SA, which now hold the concession for the Cerro Quiroz area. This concession swap was completed on an open market basis, where in the Directors opinion the fair value of the disposed concession was at cost, which also fairly reflects the value of the acquired holdings.

During the prior year, the Group made an impairment charge of £6,647 to the carrying cost of exploration costs on three licences held in El Salvador.

During the year, the depreciation policy in Nicaragua was revised to fall in line with local regulations, this led to a restatement of depreciation charges brought forward, and thus a devaluation of the exploration assets, shown as an impairment above. This totalled £21,378 (2009: £nil).

In assessing whether an impairment is required for the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequentially, unless indicated otherwise, the recoverable amount used in assessing the impairment charges described below is value in use. The group generally estimates value in use using a discounted cash flow model.

## 10. INTANGIBLE ASSETS - continued

The calculation of value in use is most sensitive to the following assumptions:

- Production volumes
- Discount rates
- Metal prices
- Operating costs

In arriving at its assessment as to whether an impairment review is required in relation to its El Salvador assets, which amounted to £4,682,470 at the balance sheet date, factors in the context of the ongoing moratorium in that country;

a. Whilst the Company's exploration licences in El Salvador are currently suspended as a result of the moratorium on mining activities they have not been revoked, nor have they expired.
b. The Company has received assurances from a number of relevant government officials that it will maintain its concession areas following the outcome of the moratorium process.
c. Exploration for and evaluation of mineral resources in the El Salvador project areas show excellent potential through additional drilling. The gold resource of 747,000 oz has the potential to double to 1.5m oz and the silver resource has the potential to increase from 22.4m oz to over 50m oz, which would be a large commercial reserve.
d. The gold and silver price has increased significantly since the El Salvador projects were last drilled; and
e. Condor remains committed to continuing its exploration and evaluation activities in the El Salvador project areas

In light of the above, the Board does not consider the El Salvador exploration licences and related intangible assets to require impairment reviews and has continued to capitalise care and maintenance expenditure in relation to the El Salvador projects.

In arriving at its assessment as to whether an impairment review is required in relation to its Nicaragua assets, which amounted to £195,365 at the balance sheet date:

The exploration assets are in good standing, substantive expenditure is planned on further exploration for and evaluation of mineral resources in Nicaragua project areas area, results from exploration for evaluation of mineral resources to date lead the directors to believe that the projects can be development into significant commercial reserves and sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is likely to be recovered in full from successful development or by sale.

In light of the above, the Board does not consider the Nicaragua exploration licences and related intangible assets to require impairment reviews and has continued to capitalise exploration expenditure in relation to those projects.

## 11. INVESTMENTS

| **Company** | Equity in subsidiary undertakings | Capital contribution | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost:** | | | |
| 31 December 2008 | 3,606,021 | - | 3,606,021 |
| Additions 2009 | - | 11,843 | 11,843 |
| 31 December 2009 | 3,606,021 | 11,843 | 3,617,864 |
| Additions 2010 | 19,698 | - | 19,698 |
| At 31 December 2010 | 3,625,719 | 11,843 | 3,637,562 |
| **Impairment:** | | | |
| Charge at 1 January 2009 | - | | |
| Charge for year | (663,510) | - | (663,510) |
| At 31 December 2009 and 31 December 2010 | (663,510) | - | (663,510) |
| **Net Book Value:** | | | |
| At 31 December 2009 | 2,942,511 | 11,843 | 2,954,354 |
| At 31 December 2010 | 2,962,209 | 11,843 | 2,974,052 |

In assessing whether an impairment is required for the carrying value of an asset, reference has been made to the underlying intangible assets discussed in note 10.

The Company's investments at the balance sheet date in the share capital of companies include the following:

| Name | Country of incorporation` | Interest % | Class of shares | Nature of the business | Share capital and reserves £ | Profit/(Loss) for the year £ |
|---|---|---|---|---|---|---|
| Minerales Morazan S.A. de C.V. | El Salvador | 100 | Ordinary | Gold and silver exploration | (582,136) | 50 |
| Condor S.A. | Nicaragua | 100 | Ordinary | Gold and silver exploration | (1,115,893) | (84,919) |
| La India Gold S.A. | Nicaragua | 80 | Ordinary | Gold and silver exploration | - | - |
| Cerro Qurioz Gold S.A. | Nicaragua | 20 | Ordinary | Gold and silver exploration | - | - |

## 12. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.10 | 31.12.09 | 31.12.10 | 31.12.09 |
| | £ | £ | £ | £ |
| Current: | - | | - | |
| Other receivables | 108,198 | 70,013 | 1,800 | 300 |
| Prepayments | 21,765 | 23,952 | 9,162 | 8,209 |
| | 129,963 | 93,965 | 10,962 | 8,509 |
| Non-current: | | | | |
| Amounts owed by Group undertakings | - | - | 3,859,469 | 3,624,488 |
| Provision | - | - | (1,656,013) | (1,656,013) |
| Net amounts owed by group undertakings | - | - | 2,203,456 | 1,968,475 |
| Loans receivable | - | 3,235 | - | 2,519 |
| Provision | - | (3,235) | - | - |
| Net loans receivable | - | - | - | - |
| | - | - | 2,203,456 | 1,970,994 |
| | 129,963 | 93,965 | 2,214,418 | 1,979,503 |

In assessing whether an impairment is required for the carrying value of an asset, reference has been made to the underlying intangible assets discussed in note 10.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows.

| Designated at fair value through profit or loss at inception: | 31.12.10 | 31.12.09 |
|---|---|---|
| | £ | £ |
| - Listed equity securities | - | 1,496,487 |

The fair value of all equity securities is based on the quoted prices (unadjusted) in active markets.

## 14. FINANCIAL INSTRUMENTS

The Group uses financial instruments such as trade receivables and payables and other items that arise directly from its operations. The main purpose of these financial instruments is to help finance the Group's operations.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Group's financial instruments, which are recognised in the balance sheet, comprise financial assets at fair value recognised through profit and loss, cash and cash equivalents, receivables and payables. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes below, where applicable.

The Group does not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

There were no financial instruments not recognised in the balance sheet of the Company and the Group.

## 14. FINANCIAL INSTRUMENTS – continued

### 14.1 Financial instruments by category

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.10 | 31.12.09 | 31.12.10 | 31.12.09 |
| | £ | £ | £ | £ |
| **Assets as per balance sheet** | | | | |
| Financial assets at fair value through profit and loss | - | 1,496,487 | - | 1,496,487 |
| Loans and receivables: | | | | |
| Other receivables | 129,963 | 93,965 | 10,962 | 8,509 |
| Cash and cash equivalents | 922,275 | 657,583 | 911,957 | 652,937 |
| Total | 1,052,238 | 2,248,035 | 922,919 | 2,157,933 |

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.10 | 31.12.09 | 31.12.10 | 31.12.09 |
| | £ | £ | £ | £ |
| **Liabilities as per balance sheet** | | | | |
| Loans and receivables: | - | - | - | - |
| Trade and other payables | 14,363 | 27,248 | 14,991 | 10,805 |
| Accrued expenses | 78,260 | 49,578 | 63,776 | 47,898 |
| Total | 92,623 | 76,826 | 78,767 | 58,703 |

The Directors consider the carrying value of the financial assets and liabilities to approximate their fair values.

### 14.2 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest-rate risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Foreign currency exchange risks

The Group does not hedge its foreign currencies. The directors believe that the contracts for transfers of funds to Central America are so small, there would be no benefit gained from hedging these contracts on the market. The situation is monitored on a regular basis. Transactions with vendors are mainly denominated in a number of currencies. Therefore the directors consider that the currency exposure arising from these transactions is not significant to the Group.

At 31 December 2010, if the currency had weakened/strengthened by 15% against the sterling with all variables held constant, before tax losses for the year would have been £15,063 (2009: £238).

At present the Group does not have any formal policy for hedging against exchange exposure. The Group may, when necessary, enter into foreign currency forward contracts to hedge against exposure from currency fluctuations, however, the Group has not entered into any currency forward contracts to date.

The following significant exchange rates were applied during the year:

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| USD 1 | 0.6372 | 0.6386 | 0.6465 | 0.6278 |
| NIO 1 | 0.0307 | 0.0312 | 0.0301 | 0.0295 |

The assets and liabilities (including inter-company accounts) as denominated in the local currency are:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | NIO | $ | NIO | $ |
| Assets | 4,296,346 | 200,031 | 19,667,904 | 2,696,875 |
| Liabilities | 3,077,176 | 143,268 | 60,431,259 | 3,597,393 |

## 14. FINANCIAL INSTRUMENTS – continued

### 14.2 Financial risk management objectives and policies

(b) Credit risk

As the Group had no turnover during the year; there is no significant concentration of credit risk. The Group does not have written credit risk management policies or guidelines.

The Group's cash is held in reputable banks. The carrying amount of these financial assets represent the maximum credit exposure.

No collateral was held as security and other credit enhancements during the period. No financial assets are impaired or past due at the end of the reporting period.

(c) Liquidity risks

To ensure liquidity, the Group maintains sufficient cash and cash equivalents to meet its obligations as and when they fall due.

(d) Cash flow and fair value interest rate risks

The Group has no interest-bearing liabilities. Interest rates on bank deposits are based on the relevant national inter bank offered rates. The Group has no fixed interest rate assets.

The main financial risks for the Group are given on page 1 of the Directors' Report.

At 31 December 2010 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

| | 31.12.10 | | 31.12.09 | |
|---|---|---|---|---|
| | £ | Weighted average interest rate | £ | Weighted average interest rate |
| Financial assets: | | | | |
| GBP – cash and cash equivalents | 348,277 | 0.62% | 652,938 | 0.62% |
| USD – cash and cash equivalents | 564,815 | 1.42% | 642 | 1.42% |
| NIO – cash and cash equivalents | 9,183 | 0.00% | 4,003 | 0.00% |
| Total | 922,275 | | 657,583 | |

A decrease of 1% on the interest rates offered by the bank will result in a decrease in interest receivable of £7,808.

(e) The Group prepares budgets and forecasts to project its future spend, and manages the capital available accordingly.

## 15. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.10 | 31.12.09 | 31.12.10 | 31.12.09 |
| | £ | £ | £ | £ |
| Current: | | | | |
| Trade payables | 14,363 | 15,788 | 14,991 | 10,791 |
| Social security and other taxes | 7,016 | 8,060 | - | 14 |
| Other payables | - | - | - | - |
| Accrued expenses | 71,241 | 49,578 | 63,776 | 47,898 |
| | 92,620 | 73,426 | 78,767 | 58,703 |
| Non-Current: | | | | |
| Deferred employee remuneration | - | 3,400 | - | - |
| | - | 3,400 | - | - |

No interest is charged on the trade payables. The Company and the Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The Company has reviewed liquidity risk, and does not believe it is a material risk to the group.

## 16. CALLED UP SHARE CAPITAL AND SHARE PREMIUM

| | Number of shares (thousands) | Ordinary shares £ | Share premium £ | Total £ |
|---|---|---|---|---|
| At 1 January 2009 | 330,312 | 3,303,118 | 7,237,956 | 10,541,074 |
| Proceeds from shares issued | 141,400 | 1,414,000 | (88,815) | 1,325,185 |
| At 31 December 2009 | 471,712 | 4,717,118 | 7,149,141 | 11,866,259 |
| Warrants/options issued/cancelled | - | - | 35,038 | 35,038 |
| Proceeds from shares issued | 20,550 | 205,500 | 75,000 | 280,500 |
| At 31 December 2010 | 492,262 | 4,922,618 | 7,259,179 | 12,181,797 |

The total authorised number of ordinary shares is 1,000,000,000 (2009: 1,000,000,000) with a par value of 1p. All issued shares are fully paid.

The company has one class of ordinary shares which carry no right to fixed income nor have any restrictions attached.

## 17. EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS

a) Share Options

The Company has established a share option scheme for Directors, employees and consultants to the Group.

The options all have a maximum life of five years from the date they were issued. The exercise price is dependent on the date of issue.

There are no vesting conditions attached to these options, however, if the individual's engagement with the company is terminated, the options lapse within 30 days.

Details of the share options outstanding during 2009 were as follows:

| Date of Grant | 1 January 2009 No. of shares | Issued in year | Forfeit or lapsed in year | 31 December 2009 No. shares | Date from which options are first exercisable | Lapse date | Price per share |
|---|---|---|---|---|---|---|---|
| 24/03/2006 | 6,950,000 | - | - | 6,950,000 | 31/05/2006 | 30/05/2011 | 1.5p |
| 31/05/2007 | 1,150,000 | - | (400,000) | 750,000 | 31/05/2007 | 31/05/2010 | 1p |
| 23/12/2008 | 21,000,000 | - | (3,100,000) | 17,900,000 | 31/05/2006 | 30/05/2011 | 1p |
| 10/09/2009 | - | 2,000,000 | - | 2,000,000 | 11/09/2009 | 09/09/2014 | 1p |
| 14/10/2009 | - | 1,000,000 | - | 1,000,000 | 15/10/2009 | 13/10/2014 | 1p |
| | 29,100,000 | 3,000,000 | (3,500,000) | 28,600,000 | | | |

Details of the share options outstanding during 2010 were as follows:

| Date of Grant | 1 January 2010 No. of shares | Issued in Year | Exercised in year | Forfeit or lapsed in year | 31 December 2010 | Date from which options are first exercisable | Lapse date |
|---|---|---|---|---|---|---|---|
| 24/03/2006 | 6,950,000 | - | - | - | 6,950,000 | 31/05/2006 | 30/05/2011 |
| 31/05/2007 | 750,000 | - | (750,000) | - | - | 31/05/2007 | 31/05/2010 |
| 23/12/2008 | 17,900,000 | - | (2,050,000) | - | 15,850,000 | 31/05/2006 | 30/05/2011 |
| 10/09/2009 | 2,000,000 | - | - | (2,000,000) | - | 11/09/2009 | 09/09/2014 |
| 14/10/2009 | 1,000,000 | - | - | - | 1,000,000 | 15/10/2009 | 13/10/2014 |
| 31/12/3010 | - | 1,950,000 | | | 1,950,000 | | |
| | 28,600,000 | 1,950,000 | 2,800,000 | (2,000,000) | 25,750,000 | | |

The weighted average exercise price per share is 1.36p (2009: 4.64p) and the average contractual life is 2 years (2009: 2 years). All the share options in issue are exercisable at the year end.

The estimated fair value of the options granted in 2010 was £nil (2009: £5,466) and has been fully recognised within administration expenses. This fair value has been calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

| | 2010 | 2009 |
|---|---|---|
| Share price | 10.75p | 0.37p |
| Exercise price | 1p | 1p |
| Expected volatility | 109.52% | 109.52% |
| Expected life (yrs.) | 3 | 3 |
| Risk free rate | 3.3% | 3.3% |
| Expected dividend yield | - | - |

A release from the share option reserve of £35,038 (2009: £10,433) was made during 2010 reflecting the movements on issued warrants and options during the year.

Expected volatility was determined with reference to the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The weighted average remaining contractual life of the share options outstanding at the end of the period is 1 year.

## 17. EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS - continued

b) Warrants

During the previous year the Company issued warrants to its consultants for services provided.

The warrants all have a maximum life of two and a half years from the date they were issued.

Details of the warrants outstanding during 2010 were as follows:

| Date of Grant | 1 January 2010 No. of warrants | Issued in year | Exercised in year | Forfeit or lapsed in year | 31 December 2010 No. of warrants | Lapse date | Price per share |
|---|---|---|---|---|---|---|---|
| 14/01/2009 | 27,500,000 | - | (7,750,000) | - | 19,750,000 | 10/07/2011 | 1p |
| 14/01/2009 | 10,000,000 | - | (5,000,000) | - | 5,000,000 | 10/07/2011 | 1.5p |
| 14/01/2009 | 10,000,000 | - | (5,000,000) | - | 5,000,000 | 10/07/2011 | 2p |
| | 42,500,000 | - | (17,750,000) | - | 29,750,000 | | |

The estimated fair value of the warrants granted in 2010 was £nil (2009: £88,815). This fair value has been calculated using the Black-Scholes option pricing model as detailed above.

## 18. RELATED PARTY TRANSACTIONS

During the year the Company received consultancy advice from the following related parties:

| Company | Related party | 31.12.10 £ | 31.12.09 £ | Outstanding at year end £ |
|---|---|---|---|---|
| Ridgeback Holdings Pty Ltd | N Ferguson | - | (2,000) | - |
| Iguana Resources Pty Ltd | K P Eckhof | 12,000 | 21,000 | - |
| Axial Associates Limited | M L Child | 122,325 | 62,400 | - |

All key management receives their remuneration from the subsidiary they work for. The remuneration of key management in the subsidiaries is capitalised within exploration costs.

During the year the Company (Condor Resources Plc) loaned funds to its subsidiaries details of which are set out below:

| | 31.12.10 | 31.12.09 |
|---|---|---|
| **Condor S.A.** | £ | £ |
| Brought forward loan balance | 151,744 | 98,788 |
| Additional loans during the period | 199,795 | 52,956 |
| Transfer of assets | (19,698) | - |
| Closing balance | 331,841 | 151,744 |

| | 31.12.10 | 31.12.09 |
|---|---|---|
| **Minerales Morazan S.A.** | £ | £ |
| Brought forward loan balance | 1,816,731 | 1,760,525 |
| Additional loans during the period | 52,364 | 56,206 |
| Closing balance | 1,869,095 | 1,816,731 |

## 19. OPERATING LEASES

The group has no operating lease commitments at the end of 2010 or 2009.

## 20. CONTROLLING PARTY

There is no ultimate controlling party.

## 21. POST BALANCE SHEET EVENTS

Since the year end date the company announced it has raised in total £402,500 via the exercise of 32,750,000 existing warrants at between 1-2p per share.

The Company has also announced on 13 April 2011 that it raised £3,000,000 via a placement to Macquarie Bank Limited.

Lastly the Company has announced, that is has approved a gift of 10% of the issued ordinary share capital of Minerales Morazan S.A. into Condor Resources El Salvador Charitable Foundation.