Company number: 05587987

CONDOR RESOURCES PLC
Report and Accounts
Year ended 31 December 2011

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FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Condor Resources ("Condor", the "Company" or the "Group"), the AIM listed Central American gold exploration company, announces its results for the year ended 31st December 2011.

HIGHLIGHTS

- La India Project Mineral Resource increased to 1,620,000 oz gold at 5.6g/t of which 260,000 oz gold at 7.1g/t gold is at JORC Indicated category, with the balance in the Inferred category.
- Acquisition of the Espinito Mendoza Concession in the heart of La India Mining District to gain 100% ownership of exploration and mining rights over the entire District.
- Completion of 82 drillholes for 14,813m and 48 trenches for 814m on the La India District.
- Discovery of wide moderate grade zones of gold mineralisation on the main India-California veins suggesting open pit mining potential.
- A maiden JORC Inferred Mineral Resource of 80,000 oz gold at 3.5g/t and 500,000 oz silver at 56g/t on the Rio Luna Concession in the Central Highlands of Nicaragua.
- Estrella Concession returned encouraging initial exploration results including a trench of 9m at 5.44g/t.
- Macquarie Bank subscribed for £3M of new ordinary shares at 9 pence per share and became cornerstone investor.

POST PERIOD HIGHLIGHTS

- A Conceptual Mining Study concluded that 81,000 oz per annum gold production at La India Project is, at a conceptual level, both technically feasible and economically viable on underground mining alone. Consideration was not given to an open pit production component
- £2.5M raised by way of a private placement of 50m new ordinary shares at a placement price of 5 pence per share.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011. Condor's JORC Code Mineral Resource in the Republic of Nicaragua ("Nicaragua") increased 41 fold in 2011 from 41,000 oz gold on 1st January 2011 to 1.7 Million oz gold on 31st December 2011. 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 moratorium on all exploration and mining in El Salvador, however, 10% of the Company's resource in El Salvador was gifted to a UK Charitable Foundation whose beneficiaries are the most needy and poor in that country.

The significant increase in the JORC Code Mineral resource to 1.7 million oz gold equivalent in Nicaragua was primarily on La India Project, which now hosts a JORC resource of 1.62 million oz gold at 5.6g/t, with the balance of 87,000 oz gold equivalent at 3.9g/t on the Rio Luna Project. The Mineral Resource increase of over 1.66 million oz gold was achieved through a combination of 12,800m drilling during the year by Condor, digitization of historic data, recalculation of existing resources and the acquisition of a new concession.

During 2011 Condor completed a long term strategic objective of acquiring nearly 100% ownership of the entire La India Gold Mining District, except a few percent held by a local cooperative. This was achieved by the acquisition of one new concession, the Espinito Mendoza Concession in the heart of District, and through gaining full ownership of the La India and Espinito San Pablo concessions, now merged into one 'La India Concession'. Condor now holds a contiguous exploration and mining concession package over an area of 166.66 km² covering the historic gold workings that produced an estimated 576,000 oz gold at 13.4g/t between 1938 and 1956 and adjacent areas of known gold mineralisation. It has taken Condor 5 years to accumulate this valuable concession package. Condor is the first company to own 100% of the concessions in La India Project since the privatisation of the mining industry in 1992.

In April 2011, Macquarie Bank invested £3m in Condor at 9 pence per share, which has provided the Company with additional funds to complete the 2011 drill programme on La India Project.

On 24th August 2011, Condor announced it had acquired 100% of the Espinito-Mendoza Concession for US$1,625,000 (see announcement for full details). Condor digitised the 4339m of drilling, 1595m of trench sampling and 489 underground channel samples completed on the Espinito Mendoza Concession and passed this data to SRK Consulting (UK) Limited who converted the Soviet style resource of 513,000oz gold at 11.1g/t to a JORC Code Mineral Resource of 209,000 oz gold at 6.9g/t in December 2011.

Condor also holds 100% ownership of three other concessions in Nicaragua; the Estrella and Potrerillos concessions which contain historic gold mine workings and the Rio Luna Concession which contains extensive gold mineralisation and as of this year a maiden JORC Inferred gold Resource. In addition the Company has a 20% interest in a fourth Concession, Cerro Quiroz, which contains established gold mineralisation and is adjacent to B2Gold's operating gold mine at La Libertad.

During 2011, Condor's understanding of La India Project was significantly enhanced by site visits on three occasions from three separate expert consultants from SRK; an independent resource consultant, a structural geologist and a mining engineer. The resultant reports; independent resource updates, structural geologist's report and mining concept study have proved highly valuable in understanding the geology and potential of La India Project. Furthermore, SRK is engaged to assist in the design of the current drill programmes and optimise the conversion of inferred to indicated resources using a 3D model of the drill results and exploration data.

SRK's most recent resource update and mining concept study have highlighted the need for resource definition drilling to remain focused on the 3 main vein sets with the ultimate objective of feeding a large commercial mill. The three Vein Sets which are separated by only 1km to 1.5km are La India Vein Set with 730,000 oz gold at 5.3g/t, the America Vein set with 405,000 oz gold at 6.2g/t and the Mestiza Vein Set with 334,000 oz at 7.0g/t. The mining concept study concludes that an 80,000 oz per annum mill fed by ore from the 3 vein sets is, at a conceptual level, both technically feasible and economically viable. The operating cash costs for an 81,000 oz p.a. mill are US$600 per oz assuming a head grade of 5.0g/t. If La India Project is "high graded" with a cut off grade of 4g/t and head grade of 6.3g/t the operating cash costs fall to US$390 per oz. The study allows for underground mining alone and makes no provision for open pit. Following the current drill programme of 7,300m, the size of a potential mill is likely to increase to over 100,000 oz gold production per annum as the overall resource increases and open pit targets are included in an updated mining study.

La India Project has potential for two open pits and should not be viewed purely as a narrow vein underground deposit. The main La India Vein is circa 2,000m long, has an average width of 2.5m and grade of 6.1g/t; running parallel and within 20 meters are the hanging wall veins also known as the California Veins, which are at least 1,300m long, 9m wide and have an average grade of 4g/t gold assuming a 2.5g/t cut off grade. In the middle of La India valley the 2 veins converge for approximately 600m, as seen in Condor's drill hole LIDC067 which has a drill intercept of 34m true width at 2.31g/t. The second open pit potential is at the Central Breccia were Condor has recently completed 546m drilling and 1,392m trenching. The excellent drill intercepts of 45.8m at 4.24g/t, 38.7m at 1.28g/t and 8.8m at 6.7g/t when combined with best trench results of 23m at 3.63g/t, 25m at 2.28g/t and 49m at 1.26g/t have helped define a hydrothermal breccia, which has a surface expression of 300m by 150m.

A considerable effort was made in 2011 into building a business at La India Project for the long term. An experienced field manager, a qualified accountant, a health and safety officer and an environmental officer were recruited. Condor's main office in Nicaragua is now at a field camp in the local village of La India. Six geologists and support staff, including technical staff are located at La India. An accommodation block for 20 people has been built and a core shed capable of storing 20,000m of drill core has been constructed.

The moratorium on metallic mining in the Republic of El Salvador ("El Salvador") has now been in place for just over 4 years. The Government of El Salvador awarded a tender to the Tau Group of Spain www.taugroup.com to complete a Strategic Environmental Study on the benefits of Mining to El Salvador ("EAE" or the "report") in September 2010. The Tau Group completed the EAE and submitted it to the Government in September 2011; a copy is available on the Internet.

On 18th May 2012, I met the Director of the Department for Regulating Hydrocarbons and Mines at his office in the Ministry of the Economy in San Salvador. Following this meeting and a review of the EAE my understanding of the process is as follows: The EAE is currently awaiting final comment from the Ministry of the Environment ("MARN"), which can add formal comments to the report. The EAE will then be submitted to the Ministry of the Economy ("MINEC") and on to the President for a final decision.

The EAE is an independent professional report written by the Tau Group. The report does not seek to conclude whether metallic mining is possible in El Salvador, but recommends what should be done to permit metallic mining in a safe, secure and environmentally friendly manner.

The EAE highlights the institutional weaknesses in government for regulating metallic mining. There are currently no metallic mines in operation in El Salvador, consequently at Government level, there is a lack of understanding of the economic benefits that mining can bring coupled with a lack of practical experience of regulating the mining industry. The EAE looks at the economic benefits of mining; the potential numbers to be employed by the mining industry and forecast gold production over the next decade.

The Salvadoran economy has performed poorly in recent years with GDP contracting 3% in 2009; there is an over-reliance on remittances from the United States, which account for 17% of GDP and 36.5% of the population is below the poverty line (source CIA World Factbook www.cia.gov). Against this backdrop it is difficult to see how the economic benefits of mining, particularly in providing employment and alleviating poverty will not prevail and a decision to permit mining, accompanied by robust environmental laws, will result.

The conclusion of the EAE is that the Government either passes a law to prohibit mining or passes laws to regulate and permit mining. During my most recent visit to El Salvador in May 2012, which included meetings with officials at MINEC and a number of prominent businessmen, I formed the clear view that a decision will be taken on the continuation or otherwise of the present moratorium on mining in the country and I remain cautiously optimistic that the outcome will be a resumption of mining.

We continue to monitor carefully developments in El Salvador in relation to the present moratorium. Although there is a clear risk that the El Salvador exploration licences and related intangible assets may become impaired should the outcome of the Government's consideration be a decision to pass a law prohibiting metallic mining, the board has concluded that they are not currently impaired. However, in the circumstances, the board has concluded that it is not appropriate to continue to capitalise expenditure in relation to the El Salvador projects and this has ceased.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

Turning to the financial results for the year 2011, the operating loss was £1,975,408 (2010: £502,605). Additionally the Company raised £3,402,500 (2010: £280,500) through the exercise of warrants and options, and a private placement. The Company made foreign exchange gains of £12,404 (2010: £111,096). The increase/(decrease) of cash and cash equivalents was (£68,129) (2010: £339,438). The net cash balance at 31st December 2011 was £854,146.

The Company proposes to change its name to "Condor Gold plc" at the forthcoming AGM on 25th June 2012. This is proposed as there is a company with the same name, "Condor Resources Inc" listed on the Toronto Stock Exchange, which may cause confusion for people when using internet search engines in an attempt to locate the company website and has caused confusion at meetings held by the Company in Canada this year. The proposed name change more accurately reflects the metal which is the core of the Company's exploration activity. The Company also proposes a 20 into 1 share consolidation for two reasons: Firstly, the recent spread between the bid and offer price on the LSE has been between 10% to 15% in recent months as the current share price is around 4pence, such a wide spread is not in shareholders interest. Secondly, at meetings this year in the United Sates and Canada investors have articulated that 610m shares outstanding is, in their opinion, too many and is viewed negatively.

The strategy for 2012 is to increase the economic potential of the three vein sets by increasing the overall resource size, converting inferred to indicated resources and proving open pit potential on La India valley and the Central Breccia. Condor's focus has shifted to the economics of proving a large commercial mine. The main excitement about La India Vein Set is the potential for a large open pit. The main La India Vein is circa 2,000m long, has an average width of 2.5m and grade of 6.1g/t; running parallel and within 20 meters are the hanging wall veins also known as the California Veins, which are at least 1,300m long, 9m wide and have an average grade of 4g/t gold assuming a 2.5g/t cut off grade. In the middle of La India valley the 2 veins converge for approximately 600m, as seen in Condor's drill hole LIDC067 which has a drill intercept of 34m true width at 2.31g/t. The current 6,800m drill programme is expected to treble the size of the indicated resource to circa 400,000 oz gold, increase the headline figure to 800,000 oz gold resource on La India Vein Set and prove open pit potential. By October 2012, Condor is aiming for an increase in the overall resource of La India Project to 1.75m oz gold of which 500,000 oz will be in the indicated category. Condor is also due to release a preliminary economic assessment or scoping study in October 2012. The current plan is to complete a pre-feasibility study at La India Project once the indicated resources have increased to between 700,000oz and 800,000oz gold.

PROJECT OVERVIEW
FOR THE YEAR ENDED 31 DECEMBER 2011

CURRENT CONCESSION HOLDING

Nicaragua Projects

Project	Concession	Ownership	Expiry Date	Area (km^2)
La India Gold District	La India	100% Owned	January 2027	68.50
	Espinito Mendoza	100% Owned	November 2026	2.00
	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
Nueva Segovia	Potrerillos	100% Owned	December 2031	12.00
La Libertad-Santo Domingo Gold District	Cerro Quiroz	20% Owned	April 2035	22.50
TOTAL				**261.16**

All concessions in Nicaragua are combined exploration and exploitation concessions.

El Salvador Projects

Project	Concession	Ownership	Expiry Date	Area (km^2)
La Calera	La Calera	90% Owned	Admin. freeze	42.00
El Pescadito	El Pescadito	90% Owned	Admin. freeze	50.00
	Carolina	90% Owned	Admin. freeze	40.50
	El Gigante	90% Owned	Admin. freeze	42.50
TOTAL				**175.00**

All exploration licences in El Salvador are in administrative freeze whilst El Salvador’s moratorium on mining and exploration remains in effect. Condor owns 90% interest in El Salvador licences (remaining 10% gifted to the Condor Resources El Salvador Charitable Foundation).

CURRENT GLOBAL JORC-CODE MINERAL RESOURCE

The following Mineral Resource estimations have been reported by independent geologists in accordance with the terms and definitions of the JORC Code. The Mineral Resource Estimations for Nicaragua were completed by SRK Consulting (UK) Ltd. (La India), and for El Salvador by Geosure Exploration and Mining Solutions (La Calera and part of Pescadito) and Ravensgate Resources (Part of Pescadito).

	Tonnes (kt)	Gold		Silver		Gold Equivalent			JORC Category
		Grade (g/t)	Contained (koz)	Grade (g/t)	Contained (koz)	Grade (g/t)	Contained (koz)	Attributable Contained (koz)	
Nicaragua Projects (100% Condor owned)									
La India Project	1,160	7.1	264	-	-	7.1	264	264	Indicated
	7,790	5.4	1,356	-	-	5.4	1,356	1,356	Inferred
Total	***8,940***	***5.6***	***1,620***			***5.6***	***1,620***	***1,620***	***Ind + Inf***
Rio Luna	694	3.5	80	56	500	3.9	87	87	Inferred
Total	***9,640***	***5.5***	***1,700***	-	-	***5.5***	***1,700***	***1,707***	***Ind+Inf***
El Salvador Projects (90% Condor owned)									
Pescadito	7,100	1.9	434	97	22,100	3.9	802	722	Inferred
La Calera	6,000	1.6	313	1.4	280	1.6	317	286	Inferred
Total	***13,150***	***1.8***	***747***	***53***	***22,370***	***2.6***	***1,120***	***1,008***	***Inferred***
Grand Total	**22,790**	**3.3**	**2,446**	**53**	**22,870**	**3.9**	**2,830**	**2,715**	**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 90% interest in El Salvador licences (remaining 10% gifted to the Condor Resources El Salvador Charitable Foundation).

NICARAGUA – OPERATIONS REPORT

The 2011 exploration campaign focused on drill testing the flagship La India Project to increase the overall Mineral Resource at the Inferred category with up to four active drilling rigs. The drilling was supplemented by exploratory rock chip and trench sampling which successfully generated new drilling targets including the newly discovered Central Breccia. Acquisition of the Espinito Mendoza Concession in the heart of La India Project and assumption of 100% ownership of the La India Concession (previously the La India and Espinito San Pablo concessions) increased the Company's tenure on La India Project to cover almost all known gold mineralisation in the historic mining district. An updated Mineral Resource for La India Project incorporating most of the years drilling data as well as historic exploration data for the newly acquired Esinito Mendoza Concession was completed and announced at the end of the year.

Location of Condor Resources concessions held in Nicaragua.

Elsewhere, verification trench sampling and the first modern sampling of the historic mine workings at Estrella confirmed high grade gold mineralisation on the Estrella Concession and a maiden Mineral Resource estimation was completed on the Rio Luna Concession.

From 1 January to 31 December 2011													QA/QC Samples			
Project	Concession	Prospect	Rock Chip Samples	Trenches Completed	Trench (m)	Trench Samples	Drillholes Completed	Total Drilling (m)	RC Drilling (m)	RC 1m Samples	Diamond Core Drilling (m)	Core Samples	Field dups	Lab dups	Blanks	Standards
La India	La India	La India Vein Set	8	5	75	27	32	6872	253	35	6619	2098	3	0	69	70
		America Vein Set	5	17	260	174	26	4137	67	63	4070	453	8	2	21	21
		Mestiza Vein Set	2	2	24	18	10	1698			1698	336	0	0	10	10
		San Lucas	9				12	1786			1786	442	0	0	16	16
		Central Breccia	3	12	372	321	2	320			320	229	7	0	15	15
	El Rodeo	Andrea Vein		4	20	24							4	0	1	1
	Santa Barbara	Santa Barbara	3													
RAAN	Estrella			8	64	48							1		2	2
Totals			30	48	814	612	82	14813	320	98	14493	3558	23	2	134	135

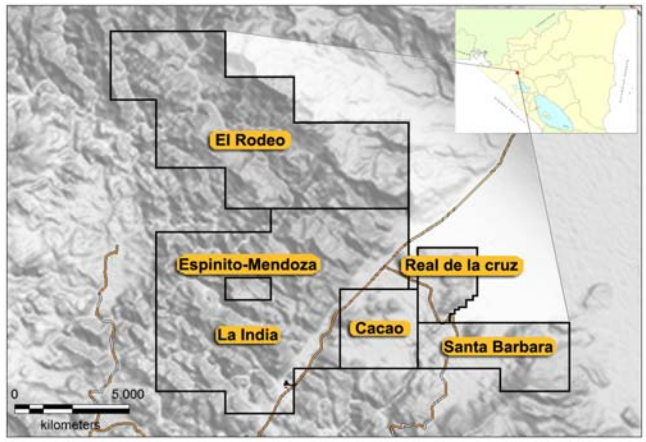
Summary of exploration activity completed in 2011.

NICARAGUA – OPERATIONS REPORT (continued)

La India Mining District

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

Condor holds a 166.66 square kilometre concession package comprising 6 contiguous concessions over nearly the whole of the historic La India Mining District. An estimated 576,000 ounces of gold at 13.4g/t was produced from the concession area by Noranda Mining over an 18 year period prior to the sudden closure of the La India Mine in 1956. All of the production is believed to have come from Condor's La India and Espinito Mendoza concessions, with the bulk coming from the La India and America-Constancia underground mines on the La India Concession. Prior to Condor gaining ownership of the Project previous explorers had completed a total of 157 drillholes for 20,264m and over 4,700m of trenching. Combined with over 9,000 original underground mine grade control samples and Condor's 2006-2008 exploration on the Cacao Concession the Company started the year with an advanced exploration project and enough data to make an initial JORC-Code Inferred Mineral Resource of over 909,000 oz gold at the beginning of the year.



Location of Condor Resources concessions on La India Project.

During 2011 Condor completed 82 drillholes for 14,813m of drilling (including 4 re-drills), primarily designed to extend existing resource blocks along strike and to depth. This was supplemented by sampling of a further 8 drillholes for 1509m of drilling that had been completed by a previous explorer in 2004 but for which the original assay data was not available. The drilling was designed to increase the existing Mineral Resource at the Inferred category (1) along strike of the existing resource blocks by wide-spaced drilling where trench data demonstrated surface, and (2) down-dip beneath the existing resource blocks where previous drilling and/or historical mining data indicated that high grade gold mineralisation was open to depth. In the process the drilling also defined a new group of veins in the hangingwall and footwall of the principal historic mine workings which has made a significant addition to the overall resource and has changed the dynamics of the project area by defining wide zones of moderate grade gold mineralisation that may be amenable to open pit mining in addition to the narrow vein underground mining that has already been successfully demonstrated by historic mining activity.

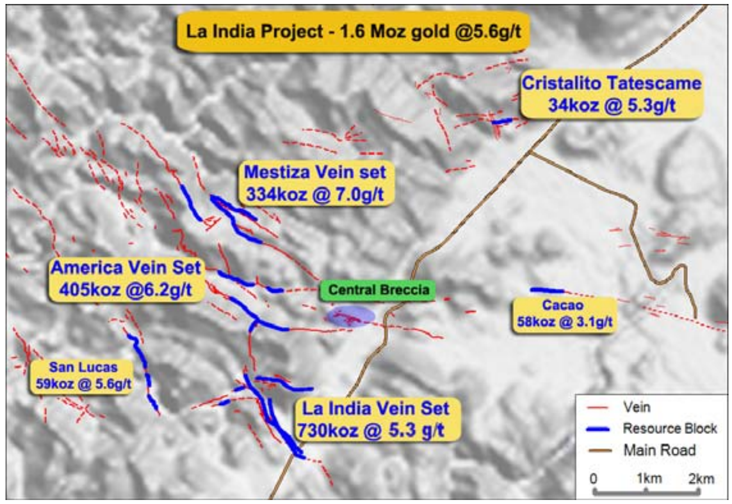
Diamond core drilling on the La India Project.

A revised Mineral Resource Estimation of 8.94Mt at 5.6g/t for 1.62Moz gold, of which 1.165Mt at 7.1g/t for 0.26Moz gold is at JORC Indicated category, with the balance in the Inferred category was announced at the end of the year. The Mineral Resource update included drilling data completed up to November 2011; comprising 72 drillholes (including 4 re-drills) for 12,013m of drilling. At the time of the Mineral Resource estimation the assay results had not been received for the last 10 drillholes completed in 2011. These drillholes will be included in a future Mineral Resource update.

NICARAGUA – OPERATIONS REPORT (continued)

La India Mining District (continued)

The year-end Mineral Resource estimation amounts to a 0.71Moz increase on the Mineral Resource announced a year earlier. The majority of the mineral resource increase is attributable to the drilling programme. The acquisition of the last significant gold mineralised area in the La India Mining District, the 2km² Espinito Mendoza Concession in August 2011 for a consideration of US$1,625,000 accounted for one quarter of the 2011 Mineral Resource increase through an Inferred JORC Mineral Resource of 0.98Mt at 6.7g/t for 209,000 oz gold estimated on the Espinito Mendoza Concession using historic mining a nd exploration data. A minor component of the Mineral Resource increase can be attributed to the acquisition of further historic exploration and mine data.



Plan showing the surface distribution of the Mineral Resource on La India Project.

In addition to the drilling programme which concentrated on extending the existing Mineral Resources the Company completed surface exploration including rock chip sampling and 32 trenches for 686m. A trenching programme on the Andrea Vein in the north of the Project area started the previous year was completed. Sampling of trenches and artisanal workings has defined a total of four enrichment zones with a combined strike length of 1.3km on a 2.3km long epithermal vein with best intercepts of 1.9m at 6.53 g/t gold and 1.4m at 6.63 g/t gold from trenches located 250m apart along strike.

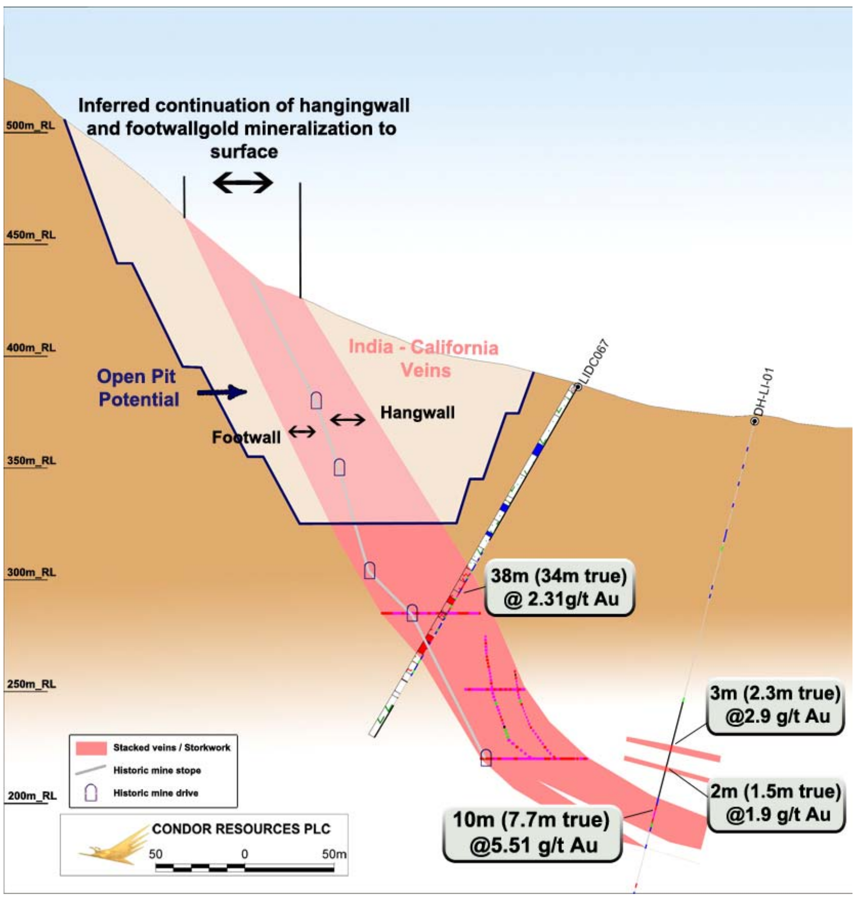
General prospecting in the structural centre of the La India District resulted in the discovery of a gold mineralised quartz and quartz-calcite hydrothermal breccia, dubbed the Central Breccia, with trench intercepts of up to 11m at 2.74g/t gold, open to extension, defined by trench sampling in the initial phase of trench sampling before the end of the year. Two exploratory drillholes were completed at the end of the year. This initial drilling did not repeat the trench results but instead intersected a wide quartz calcite hydrothermal breccia system dominated by background gold mineralisation of 0.1-0.3g/t gold. However higher grade zones within one of the drillholes of 0.72m drill width at 5.22g/t Au from 45m drill depth and 7.62m drill width at 0.95g/t Au from 96.01m drill depth indicate that high grade gold mineralisation does exist at depth which warrants further drill testing.

NICARAGUA – OPERATIONS REPORT (continued)

La India Mining District (continued)

Post Period Development for La India Project

- Further trenching on the Central Breccia extended the known extent of the gold mineralisation with intercepts of 40.9m at 1.58g/t gold and 48m at 1.28g/t gold from two trenches located 25m apart on the Central Breccia.
- A Mining Concept Study undertaken by SRK Consulting (UK) Limited concluded that the La India Project is, at a conceptual level, both technically feasible and economically viable. The study concluded that the La India Project could potentially support production of up to 81,000 oz per annum on underground mining alone. Consideration was not given to an open pit production component. Open pit mining could significantly improve the production economics and production rate, exploration for ore zones with open pit mining potential is an important component of the 2012 exploration programme.



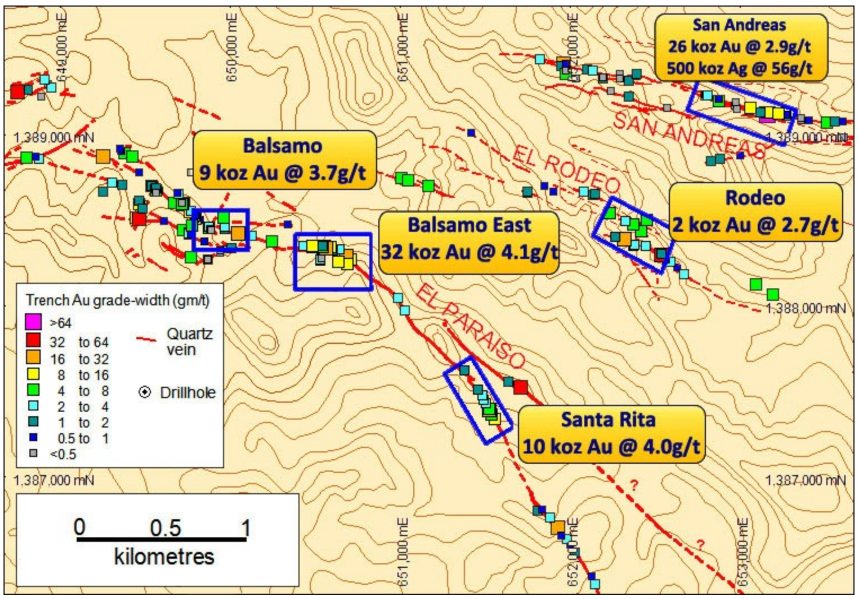
Schematic cross-section showing the un-mined hangingwall and footwall gold mineralisation remaining on the La India Vein

NICARAGUA – OPERATIONS REPORT (continued)

Other Project Areas

Rio Luna Concession (Condor 100% ownership)

The Rio Luna Concession covers an area of 43 square kilometres in the Central Highlands of Nicaragua. A maiden JORC Inferred Mineral Resource of 694kt at 3.5g/t for 80,000 oz gold and 280kt at 56g/t for 500,000 oz silver was estimated on five separate resource blocks on three separate vein sets within the concession area. In total this is a gold equivalent Mineral Resource of 87,000 oz gold equivalent at 3.9g/t gold equivalent (using a gold:silver ratio of 1:60). The Mineral Resource estimation was calculated using exploration data from Canadian explorer First Point Minerals Corporation who completed a programme of soil, auger, rock chip, trench and drill sampling between 2004 and 2006. That exploration included 58 exploratory diamond core drill holes for 6,262m that tested a number of selected target zones along over 18km of gold-bearing epithermal quartz veins identified by surface exploration. The current Mineral Resource is confined to five resource blocks where there is sufficient density of trench and drilling data to demonstrate continuity of gold mineralisation



Plan showing the location of the Mineral Resource on the Rio Luna Concession.

along strike and to depth. The Resource blocks have a combined strike length of only 1,750m to a depth of less than 150m below surface, except on one cross section where drilling tested to a depth of 250m below surface.

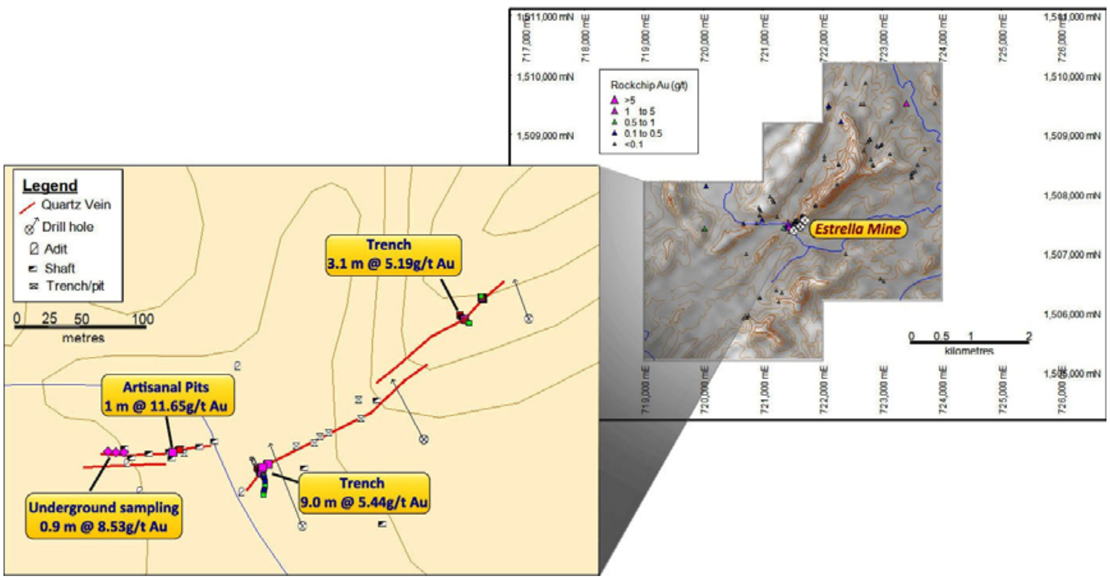
This initial Mineral Resource Estimate demonstrates that where drilling has tested segments of the 18km of epithermal veining currently recognised at Rio Luna the gold mineralisation extends to depths of up to 250m below the surface, and gold mineral concentrations are at sufficient grade to warrant further exploration. Gold mineralisation on all five prospects included in the Mineral Resource remains open along strike and to depth. Trenching has already defined surface mineralisation along strike of the resource blocks with some significant mineralised zones remaining to be drill tested and brought into the Mineral Resource, such as 2.2m at 8.3g/t gold.

NICARAGUA – OPERATIONS REPORT (continued)

Estrella Concession (Condor 100% ownership)

A reconnaissance exploration trip to the 18 square kilometre Estrella Concession in Nicaragua's historic 'Mining Triangle*' in the northeast of the country confirmed high grade gold intercepts reported by previous explorers over a 400m strike length that defines the historic Estrella Gold Mine. Three trenches were excavated for 58m with a best intercept of 9.0m at 5.44g/t gold demonstrating that mineralisation occurs along at least two close-spaced sub-parallel structures, and that in the weathered zone gold mineralisation extends beyond the veins into the wall rock. Intense artisanal mining activity was taking place at the time of the visit along a 100m strike length where the vein passed close to a river, and channel sampling of the artisanal miners pits returned average grades of 11.85g/t gold over 1m intervals across the high-grade core of the veins. Condor geologists took advantage of a 14m long section of the historic mine that has been opened-up by artisanal miners to collect the first underground channel samples since the mine closed and was rewarded with three intercepts averaging 0.9m at 8.53g/t gold. The Company is encouraged that this gold mineralised epithermal vein is one of two to three parallel veins separated by short intervals of 5 to 10m of country rock.

The challenge on this concession is to extend the size of the mineralised zone beyond the 400m strike length defined to date. It is highly unlikely that the mineralised fluids that deposited this ore body were restricted to an isolated structure and future exploration activity will aim to discover extensions to the known structure and/or other gold mineralised veins in the vicinity.



Location of the historic Estrella Mine within the Estrella Concession and Condor Resources trench and underground sampling results.

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.

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 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.

NICARAGUA – OPERATIONS REPORT (continued)

Potrerillos Concession (Condor 100% ownership)

No exploration activity was carried out on Condor's **Potrerillos** Concession located adjacent to and along strike of the historic San Albino Mine in the North of Nicaragua. There was significant exploration activity on the neighbouring San Albino Murra Concession, on and adjacent to the old San Albino Mine workings. The geological structure exploited at San Albino runs through the Potrerillos Concession for a 3.5km strike length. 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.

Cerro Quiroz Concession (Condor 20% ownership)

Condor holds a 20% interest in the 22.5 square kilometre Cerro Quiroz Concession located approximately 15 kilometres from the La Libertad Gold Mine which is operated by TSX-listed Canadian mining company B2Gold. B2Gold hold the majority 80% Interest in the Concession and under the terms of the agreement manage and wholly fund exploration up until completion of the first 2000m of drilling has been completed, after which Condor will be required to provide equity funding to maintain the Company's interest. No exploration was undertaken during 2011.

EL SALVADOR – OPERATIONS REPORT

In El Salvador the Government continues the suspension of metallic mining and exploration initiated in 2007. This moratorium is being administered by the Ministry of Economy ("MINEC"). Condor continued to maintain an administrative presence in El Salvador in order to retain the existing licence holding 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"). The EAE was completed during the year and has been submitted to the Government of El Salvador for review.

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. In order to protect the Company's assets Condor has maintained legal actions against MINEC and the Ministry of Environment ("MARN").

The Company recognises that the resolution lies with the central government, and since 2007, and increasingly during the period Condor has played a leading role in lobbying the Government in favour of a resumption of mining activity.

Location of Condor Resources' claims in 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.

EL SALVADOR – OPERATIONS REPORT (continued)

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 develop a sustainable business model for all parties.

Pescadito Project

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

The Pescadito project, located in eastern El Salvador near the town of San Miguel, 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 the historic El Divisidero Mine produced 100,000 ounces gold and 5.6 million ounces silver at grades of 3.8g/t gold and over 200 g/t silver in the early 1900's from the Project area. Over 10,000 metres of drilling has been completed to date by Condor and previous explorers. The Pescadito Project contains a JORC Code Inferred Mineral Resource of 430,000 oz gold at 1.9g/t and 22.1 million oz silver at 96g/t. This equates to a gold equivalent resource of 802,000 oz at 3.9g/t using a silver to gold ratio of 60:1. The Mineral Resource is a combination of an historical Mineral Resource certified at JORC Code Inferred Category by independent geological consultant Ravengate Pty Ltd and an Inferred Mineral Resource estimated by independent geological consultant Geosure Exploration and Mining Solutions.

La Calera Project

La Calera Licence (Condor 100% ownership)

La Calera Concession, located 45km northeast of the capitol city 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 JORC-Code Inferred Mineral 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 Mineral Resource was calculated by independent geological consultant Geosure Exploration and Mining Solutions.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS REPORT

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2011.

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 2011 amounted to £1,972,147 (2010: £1,310,448). 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 which 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 is an effect way of measuring the key performance of the Company.

DIRECTORS

The directors shown below have held office during the year:

M L Child	
K P Eckhof	- Resigned (11/05/2011)
J Mellon	- Appointed (11/05/2011)
R Davey	- Appointed (30/12/2011)

SUBSTANTIAL SHAREHOLDERS

On 31 May 2012 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	11.3
Oracle Management Limited	50,991,971	8.4
Macquarie Bank Limited	33,333,333	5.5

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 2011 were:

		31 December 2011		31 December 2010	
Directors	Holding	Number of shares	Number of options	Number of shares	Number of options
M L Child	Direct	68,750,000	14,000,000	48,000,000	10,250,000
	Indirect	-	-	-	-
K P Eckhof	Direct	-	-	-	-
	Indirect	-	-	10,160,000	4,750,000
R Davey	Direct	-	-	-	-
	Indirect	-	-	-	-
J Mellon	Direct	-	-	-	-
	Indirect	2,000,000	5,000,000	-	-

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 2011	Granted during the year	Forfeit/ lapsed/ exercised in the year	As at 31 December 2011
DIRECTORS						
M L Child	15	30 May 2011	1,250,000	-	1,250,000	-
	1	23 December 2013	9,000,000	-	-	9,000,000
	1	15 April 2016	5,000,000	-	-	5,000,000
K P Eckhof	15	30 May 2011	1,750,000	-	1,750,000	-
	1	23 December 2013	3,000,000	-	3,000,000	-
J Mellon	1	15 April 2016	5,000,000	-	-	5,000,000

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 2011	Granted during the year	Lapsed/ exercised in the year	As at 31 December 2011
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.

- In September 2011, the Tau Group completed the EAE and submitted it to GoES, a copy is available on the internet.

- In May 2012, Condor's Chairman met with the Director of the Department for Regulating Hydrocarbons and Mines at his office in the Ministry of the Economy in San Salvador. Following this meeting and a review of the EAE mthe Company's understanding of the process is as follows: The EAE is currently awaiting final comment from the Ministry of the Environment ("MARN"), which can add formal comments to the report. The EAE will then be submitted to the Ministry of the Economy ("MINEC") and on to the President for a final decision.

- 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.

GOING CONCERN

The operations of the Group are currently financed from funds which the Company has raised from shareholders. The Group has not yet earned revenues and is still in the exploration phase of its business. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding will be required from time to time to finance the Company's activities and after the balance sheet date the Company secured £2,500,000 by way of a private placing of new shares. The directors prepare and monitor cash flow projections based on different funding scenarios and make assumptions about the availability of additional finance in the future.

The consolidated financial statements have been prepared on a going concern basis. The directors consider the going concern basis to be appropriate based on cash flow forecasts and projections and current levels of commitments, cash and cash equivalents.

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 2011 and 31 December 2010. 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 UK Corporate Governance Code

The directors recognise the value of the UK Corporate Goverance Code (“the Code”), 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 Code. The directors are of the opinion that the recommendations of the 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 2011. 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 R Davey (non-executive director). 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 J Mellon (non-executive director) and R Davey (non-executive director), both of whom were in attendance at the meetings since their appointment date.

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	100	50	13 July 2011	-	6 months
J Mellon	-	12	6 April 2011	-	6 months
R Davey	-	25	19 December 2011	-	3 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 2011 was 30 days (2010: 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 11a.m. on 25 June 2012 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 £5,300 (2010: £9,453) 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: 1 June 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CONDOR RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of Condor Resources Plc for the year ended 31 December 2011 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 22 and 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 2011 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CONDOR RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2011

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: 1 June 2012

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.

CONDOR RESOURCES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year Ended 31.12.11 £	Year Ended 31.12.10 £
Revenue		-	-
Administrative expenses		(1,975,408)	(502,605)
Operating loss	5	(1, 975,408)	(502,605)
Finance income	4	3,401	960
Net loss on financial assets at fair value through profit and loss		-	(804,461)
Loss before income tax		(1,972,007)	(803,501)
Income tax expense	6	(140)	(4,342)
Loss for the year		**(1,972,147)**	**(1,310,448)**
Other comprehensive income:			
Currency translation differences		12,404	111,096
Other comprehensive income/(loss) for the year		**12,404**	**111,096**
Total comprehensive loss for the year		**(1,959,743)**	**(1,199,352)**
Loss attributable to:			
Non-controlling interest		(6,479)	-
Owners of the parent		(1,965,668)	(1,310,448)
		(1, 972,147)	(1,199,352)
Total comprehensive loss attributable to:			
Non-controlling interest		(6,479)	-
Owners of the parent		(1,953,264)	(1,199,352)
		(1,959,743)	(1,199,352)
Loss per share expressed in pence per share:			
Basic and diluted	8	(0.37)	(0.24)

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

CONDOR RESOURCES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	31.12.11	31.12.10
		£	£
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	9	59,321	39,930
Intangible assets	10	7,064,914	4,877,835
		7,124,235	4,917,765
CURRENT ASSETS			
Trade and other receivables	12	349,968	129,963
Cash and cash equivalents		854,146	922,275
		1,204,114	1,052,238
TOTAL ASSETS		**8,328,349**	**5,970,003**
CURRENT LIABILITIES			
Trade and other payables	15	399,516	92,620
TOTAL LIABILITIES		**399,516**	**92,620**
NET CURRENT ASSETS		804,598	959,618
NET ASSETS		**7,928,833**	**5,877,383**
SHAREHOLDERS' EQUITY			
Called up share capital	16	5,583,451	4,922,618
Share premium		10,000,846	7,259,179
Legal reserves		71	71
Exchange difference reserve		764,104	751,700
Share options reserve		618,840	163,215
Retained earnings		(9,038,479)	(7,219,400)
		7,928,833	**5,877,383**
TOTAL EQUITY ATTRIBUTABLE TO:			
Non-controlling interest		(64,573)	-
Owners of the parent		7,993,406	5,877,383
		7,928,833	**5,877,383**

The financial statement were approved and authorised for issue by the Board of directors on 1 June 2012 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 2011

	Share Capital	Share premium	Legal reserve	Exchange difference reserve	Share option reserve	Retained earnings	Total	Non Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£	£
At 1 January 2010	4,717,118	7,149,141	71	779,501	198,253	(6,020,047)	6,824,037	-	6,824,037
Comprehensive income:									
Loss for the year	-	-	-	-	-	(1,199,353)	(1,199,353)	-	(1,199,353)
Other comprehensive income:									
Currency translation differences	-	-	-	(27,801)	-	-	(27,801)	-	(27,801)
Total comprehensive income	4,717,118	7,149,141	71	751,700	198,253	(7,219,400)	5,596,883	-	5,596,883
New shares issued	205,500	75,000	-	-	-	-	280,500	-	280,500
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	-	5,877,383
Comprehensive income:									
Loss for the year	-	-	-	-	-	(1,965,668)	(1, 965,668)	(6,479)	(1, 972,147)
Other comprehensive income:									
Currency translation differences	-	-	-	12,404	-	-	12,404	-	12,404
Total comprehensive income	4,922,618	7,259,179	71	764,104	163,215	(9,185,068)	3,924,119	(6,479)	3,917.640
Prior year non controlling interest losses	-	-	-	-	-	58,094	58,094	(58,094)	-
New shares issued	660,833	2,741,667	-	-	-	-	3,402,500	-	3,402,500
Share based payment	-	-	-	-	608,693	-	608,693	-	608,693
Share options lapsed	-	-	-	-	(153,068)	153,068	-	-	-
At 31 December 2011	5,583,451	10,000,846	71	764,104	618,840	(8,973,906)	7,993,406	(64,573)	7,928,833

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 2011

	Notes	31.12.11	31.12.10
		£	£
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	-
Investments	11	2,939,654	2,974,052
Trade and other receivables	12	4,837,053	2,203,456
		7,776,707	5,177,508
CURRENT ASSETS			
Trade and other receivables	12	24,964	10,962
Financial assets at fair value through profit and loss	13	-	-
Cash and cash equivalents		753,777	911,957
		778,741	922,919
TOTAL ASSETS		**8,555,448**	**6,100,427**
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	15	114,876	78,766
TOTAL LIABILITIES		**114,876**	**78,766**
NET CURRENT ASSETS		663,865	844,153
NET ASSETS		**8,440,572**	**6,021,661**
SHAREHOLDERS' EQUITY			
Called up share capital	16	5,583,451	4,922,618
Share premium		10,000,846	7,259,179
Share options reserve		618,840	169,957
Retained earnings		(7,762,565)	(6,330,093)
TOTAL EQUITY		**8,440,572**	**6,021,661**

The financial statements were approved and authorised for issue by the Board of directors on 1 June 2012 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 2011

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total £
Company					
At 1 January 2010	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
Comprehensive income:					
Loss for the period	-	-	-	(1,432,472)	(1,432,472)
Total comprehensive income	4,922,618	7,259,179	169,957	(7,762,565)	4,589,189
New shares issued	660,833	2,741,667	-	-	3,402,500
Share based payment	-	-	601,951	-	601,951
Share options lapsed	-	-	(153,068)	-	(153,068)
At 31 December 2011	5,583,451	10,000,846	618,840	(7,762,565)	8,440,572

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.

CONDOR RESOURCES PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	31.12.11	31.12.10
	£	£
Cash flows from operating activities		
Loss before tax	(1,972,007)	(1,199,352)
Share based payment	608,693	-
Depreciation charges	34,434	905
Loss on sale of tangible fixed assets	293,693	-
Adjustment for disposal of financial assets at fair value through profit and loss	-	804,465
Impairment charge of intangible fixed assets	-	21,378
Reallocation of tangible fixed assets	(13,558)	(581)
Finance income	(3,401)	(960)
	(1,052,146)	(374,145)
Decrease/(increase) in trade and other receivables	(220,005)	(35,998)
Decrease in trade and other payables	306,896	15,794
Income tax paid	(140)	-
Net cash absorbed in operating activities	(965,395)	(394,349)
Cash flows from investing activities		
Purchase of tangible fixed assets	(42,657)	(7,750)
Purchase of intangible fixed assets	(2,463,624)	(215,078)
Sales of tangible fixed assets		692,022
Interest received	3,401	960
Net cash absorbed in investing activities	(2,502,880)	470,154
Cash flows from financing activities		
Proceeds from share issue	3,402,500	280,500
Net cash from financing activities	3,402,500	280,500
(Decrease) / increase in cash and cash equivalents	(65,775)	360,647
Cash and cash equivalents at beginning of year	922,275	657,583
Exchange losses on cash and bank	(2,354)	(91,613)
Cash and cash equivalents at end of year	854,146	922,275

CONDOR RESOURCES PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Year Ended 31.12.11 £	Year Ended 31.12.10 £
Cash flows from operating activities		
Loss before tax	(1,585,538)	(1,284,322)
Share based payment	608,693	-
Share based payment to subsidiaries treated as investment	(259,295)	
Historic share based payment to subsidiaries movement	(6,744)	
Depreciation charges	-	905
Loss on disposal of investments	293,693	-
Adjustment for net movement on disposal of financial assets at fair value through profit and loss	-	804,463
Finance income	(3,137)	(910)
	(952,328)	(479,864)
Increase in trade and other receivables	(2,647,599)	(254,612)
Decrease in trade and other payables	36,110	20,064
Net cash absorbed in operating activities	(3,563,817)	(714,412)
Cash flows from investing activities		
Interest received	3,137	910
Sale of tangible fixed assets	-	692,022
Net cash from investing activities	3,137	692,932
Cash flows from financing activities		
Proceeds from share issue	3,402,500	280,500
Net cash from financing activities	3,402,500	280,500
(Decrease)/Increase in cash and cash equivalents	(158,180)	259,020
Cash and cash equivalents at beginning of year	911,957	652,937
Cash and cash equivalents at end of year	753,777	911,957

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

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 AIM Market of the London Stock Exchange. 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 operations of the Group are currently financed from funds which the Company has raised from shareholders. The Group has not yet earned revenues and is still in the exploration phase of its business. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only and further funding will be required from time to time to finance those activities. As referred to in Note 21, after the balance sheet date the Company secured further funding of £2,500,000 by way of a private placing of new shares. The directors prepare and monitor cash flow projections based on different funding scenarios and make assumptions about the availability of additional finance in the future.

The directors consider the going concern basis to be appropriate based on cash flow forecasts and projections and current levels of commitments, cash and cash equivalents.

The financial statements have been rounded to the nearest pound.

Interpretations and amendments to published standards effective in 2011

The following are the new IFRS and IFRIC interpretations and amendments to published standards effective in 2011 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.

1. ACCOUNTING POLICIES - continued

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
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRS 1 Amendment – Limited exemption from IFRS 7 Disclosures for first time adopters
Annual Improvements to IFRS

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)
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
IFRS 7 Amendments to Financial Instruments Disclosures	01/07/2011

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., La India Gold S.A. and Cerro Quiroz 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. Cerro Quiroz Gold S.A. is currently dormant, with no previous trading activity.

Entities that the group has significant influence but are not subsidiaries or joint ventures are accounted for as associates. The results and assets and liabilities of the associate were included in the consolidated accounts using the equity method of accounting.

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.

Recognition of sales revenue for these commodities is based on the most recently determined 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 gold bullion contracts with third parties contain provisional pricing arrangements whereby the selling price for gold bullion 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 gold bullion contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of gold bullion 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 bullion.

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.

1. ACCOUNTING POLICIES - continued

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.

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 2011 are as follows:

	UK £	El Salvador £	Nicaragua £	Consolidation £
RESULTS				
Operating loss	1,588,675	65,057	321,697	1,975,408
Interest income	3,137	264	-	3,401
Income tax expense	-	-	140	140

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	778,741	4,394,293	3,155,315	8,328,349

	UK £	El Salvador £	Nicaragua £	Consolidation £
LIABILITIES				
Total liabilities	114,876	4,461	280,179	399,516

The Group had intercompany debt owed to the UK at 31 December 2011 split segmentally as follows:
Due from El Salvador £2,392,329
Due from Nicaragua £2,444,724

2. REVENUE AND SEGMENTAL REPORTING - continued

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

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

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	922,919	4,707,220	371,406	5,970,003

	UK £	El Salvador £	Nicaragua £	Consolidation £
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

3. STAFF COSTS

	31.12.11 £	31.12.10 £
Wages and salaries	253,095	77,495
Social security costs	6,784	801
	259,879	78,296

Staff costs included within additions to exploration costs during the year were £194,095 (2010: £53,495).

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

	Group		Company	
	2011	2010	2011	2010
Directors	3	2	3	3
Employees	111	12	-	-
	114	14	3	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	
	2011	2010	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£	£	£
M L Child	56,000	12,000	-	-	75,400	116,325	56,000	122,325
N Ferguson	-	-	-	-	-	-	-	-
K P Eckhof	3,000	12,000	-	-	3,500	6,000	6,500	18,000
J Mellon	9,000	-	-	-	-	-	9,000	-
Total	68,000	24,000	-	-	78,900	122,325	140,325	140,325

* 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 2011	Granted during the year	Exercised in the year	Lapsed in the year	As at 31 December 2011
DIRECTORS							
M L Child	15	30 May 2011	1,250,000	-	-	1,250,000	-
	1	23 Dec 2013	9,000,000	-	-	-	9,000,000
	9	15 Apr 2016	-	5,000,000	-	-	5,000,000
K P Eckhof	15	30 May 2011	1,750,000	-	-	1,750,000	-
	1	23 Dec 2013	3,000,000	-	3,000,000	-	3,000,000
J Mellon	9	15 Apr 2016	-	5,000,000	-	-	5,000,000

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 2011 was 6.87p (2010 10.75p).

The market price during the year ranged from 4.14p to 11.00p (2010 0.37p to 10.75p).

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 2011	Granted during the year	Exercised / Lapsed in the year	As at 31 December 2011
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

	31.12.11	31.12.10
	£	£
Deposit account interest	3,401	960

5. LOSS BEFORE TAX

The loss before tax is stated after charging:

	31.12.11 £	31.12.10 £
Depreciation – owned assets	-	905
Fees payable to the company's auditor for the audit of the company's annual accounts	19,248	22,000
Fees payable to the company's auditor and its associates for other services:		
- Other services pursuant to legislation	-	2,350
Foreign exchange differences	31,067	111,096
Impairment of intangible assets	-	(21,378)
Rent – operating leases	10,757	7,239

6. TAXATION

Analysis of the tax charge	31.12.11 £	31.12.10 £
Current tax:		
Tax	140	4,342
Total tax charge in income statement	140	4,342

Reconciliation of the tax charge

	31.12.11 £	31.12.10 £
Loss before tax	(1,972,007)	(803,501)
Loss before tax multiplied by standard rate of Corporation tax in the UK of 21% (2010: 21%)	(372,560)	(168,735)
Effects of:		
Non-taxation income/(non-deductable expenses)	(7,717)	(21,852)
Deferred tax not provided	380,277	187,491
Differences in overseas taxation rates	-	3,096
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 £1.8 million (2010: £1.4million).

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 £1,432,472 (2010: £1,284,322).

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	31.12.11 £	31.12.10 £
Loss for the period	1,959,743	1,199,352
Weighted average number of shares	538,511,753	490,549,253
Loss per share (in pence)	(0.37)	(0.24)

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 2010	-	13,683	19,443	38,199	42,844	114,169
Additions	906	-	-	6,557	287	7,750
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	581	-	581
Exchange difference	-	372	481	809	763	2,425
At 31 December 2010	906	14,055	19,924	46,146	43,894	124,925
Additions	340	2,172	7,787	29,337	3,021	42,657
Disposals	-	-	-	-	(855)	(855)
Reclassification	(977)	-	-	14,535	-	13,558
Exchange difference	(69)	(229)	(611)	(2,584)	(1,305)	(4,798)
At 31 December 2011	200	15,998	27,100	87,434	44,755	175,487
Accumulated depreciation and impairment:						
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)
Charge for period	-	(14,085)	59	(17,075)	(3,333)	(34,434)
Disposals	-	-	-	-	855	855
Reclassification	-	2,714	191	1,108	(4,013)	-
Exchange difference	-	(1)	376	1,150	883	2,408
At 31 December 2011	-	(13,551)	(17,437)	(45,413)	(39,765)	(116,166)
Net Book Value:						
At 31 December 2010	906	11,876	1,861	15,550	9,737	39,930
At 31 December 2011	200	2,447	9,663	42,021	4,990	59,321

The current year depreciation charge for the subsidiaries of £6,190 (2010: £24,153) is included within the addition to exploration costs in the year.

9. PROPERTY, PLANT AND EQUIPMENT – continued

Company	Computer Equipment £
Cost:	
At 1 January 2010 and 1 January 2011	11,186
Disposals	-
At 31 December 2011	11,186
Depreciation:	
At 1 January 2010	(10,281)
Charge for the year	(905)
Disposals	-
At 1 January 2011	(11,186)
Charge for the year	-
Disposals	-
At 31 December 2011	(11,186)
Net Book Value:	
At 31 December 2010	-
Net book Value:	
At 31 December 2011	-

10. INTANGIBLE ASSETS

	Exploration costs £	Mineral resources £	Licences £	Total £
Group				
Cost or valuation:				
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
Additions	2,463,624	-	-	2,463,624
Disposals	-	(293,693)	-	(293,693)
Exchange difference	17,148	-	-	17,148
At 31 December 2011	6,219,634	3,326,448	472,036	10,018,118
Accumulated depreciation and impairment:				
At 1 January 2010	(1,796,280)	(663,510)	(472,036)	(2,931,826)
Impairment for year	(21,378)	-	-	(21,378)
Exchange difference	-	-	-	-
At 1 January 2010	(1,817,658)	(663,510)	(472,036)	(2,953,204)
Impairment for year	-	-	-	-
At 31 December 2011	(1,817,658)	(663,510)	(472,036)	(2,953,204)
Net Book Value:				
At 31 December 2010	1,921,204	2,956,631	-	4,877,835
At 31 December 2011	4,401,976	2,662,938	-	7,064,914

During the prior 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 current year the Group increased its' holding in La India Gold SA to 100%, the additional 20% holding was acquired at £nil cost as in line with certain conditions of the concession swap agreement in the prior year.

During the prior 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.

During the year the Company donated 10% of its' stake in Minerales Morazan S.A. de C.V. to Condor Resources El Salvador Charitable Trust, a related Charity, set up for the prevention and relief of poverty in the Republic of El Salvador.

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 (2010 £4,682,470) at the balance sheet date, the following were considered 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
f. The directors consider the most likely outcome of the present moratorium will be a resumption of mining activities in El Salavador.

In light of the above, the Board does not consider the El Salvador exploration licences and related intangible assets to require impairment reviews, however care and maintenance expenditure in relation to the El Salvador projects is no longer capitalised.

In arriving at its assessment as to whether an impairment review is required in relation to its Nicaragua assets, which amounted to £2,679,744 at the balance sheet date, the following factors were considered:

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 2009	3,606,021	11,843	3,617,864
Additions 2010	19,698	-	19,698
31 December 2010	3,625,719	11,843	3,637,562
Capital contribution relating to share based payment	-	259,295	259,295
Disposals 2011	(293,693)	-	(293,693)
	3,330,026	271,138	3,603,164
At 31 December 2011	3,330,026	271,138	3,603,164
Impairment:			
Charge at 1 January 2010	(663,510)	-	(663,510)
Charge for year	-	-	-
At 31 December 2010 and 31 December 2011	(663,510)	-	(663,510)
Net Book Value:			
At 31 December 2010	2,962,209	11,843	2,974,052
At 31 December 2011	2,668,516	271,138	2,939,654

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 capital contribution relating to share based payments relates to 19,550,000 share options granted by the company to employees of a subsidiary undertaking in the group. Refer to note 17 for further details on the group's share options.

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 £	Loss for the year £
Minerales Morazan S.A. de C.V.	El Salvador	90	Ordinary	Gold and silver exploration	(596,592)	(15,650)
Condor S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,095,416)	(42,936)
La India Gold S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(10,091)	(12,689)
Cerro Quirioz Gold S.A.	Nicaragua	20	Ordinary	Gold and silver exploration	-	-

During the year the Company donated 10% of its' stake in Minerales Morazan S.A. de C.V. to Condor Resources El Salvador Charitable Trust, a related Charity, set up for the prevention and relief of poverty in the Republic of El Salvador.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.11	31.12.10	31.12.11	31.12.10
	£	£	£	£
Current:				
Other receivables	321,033	108,198	1,800	1,800
Prepayments	28,935	21,765	23,164	9,162
	349,968	129,963	24,964	10,962
Non-current:				
Amounts owed by Group undertakings	-	-	6,493,066	3,859,469
Provision	-	-	(1,656,013)	(1,656,013)
	-	-	4,837,053	2,203,456
	349,968	129,963	4,862,016	2,214,418

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 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.

Designated at fair value through profit or loss at inception:	31.12.11	31.12.10
	£	£
- Listed equity securities	-	-

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.

13. FINANCIAL INSTRUMENTS – continued

13.1 Financial instruments by category

	Group		Company	
	31.12.11	31.12.10	31.12.11	31.12.10
	£	£	£	£
Assets as per balance sheet				
Loans and receivables:				
Other receivables	349,968	129,963	24,964	10,962
Cash and cash equivalents	854,146	922,275	753,777	911,957
Total	1,204,114	1,052,238	778,741	922,919

	Group		Company	
	31.12.11	31.12.10	31.12.11	31.12.10
	£	£	£	£
Liabilities as per balance sheet				
Loans and receivables:				
Trade and other payables	332,943	14,363	61,443	14,991
Accrued expenses	66,573	78,260	53,433	63,776
Total	399,516	92,623	114,876	78,766

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

13.2 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 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	
	2011	2010	2011	2010
USD 1	0.6250	0.6372	0.6416	0.6465
NIO 1	0.0274	0.0307	0.0278	0.0301

13. FINANCIAL INSTRUMENTS – continued

13.2 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 2011 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	31.12.11		31.12.10	
	£	Weighted average interest rate	£	Weighted average interest rate
Financial assets:				
GBP – cash and cash equivalents	748,368	0.62%	348,277	0.62%
USD – cash and cash equivalents	99,878	1.42%	564,815	1.42%
NIO – cash and cash equivalents	5,900	0.00%	9,183	0.00%
Total	854,146		922,275	

A decrease of 1% on the interest rates offered by the bank will result in a decrease in interest receivable of £5,639.

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

14. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.11	31.12.10	31.12.11	31.12.10
	£	£	£	£
Current:				
Trade payables	273,226	14,363	59,443	14,991
Social security and other taxes	33,707	7,016	-	-
Other payables	2,000	-	2,000	-
Accrued expenses	90,583	71,241	53,433	63,776
	399,516	92,620	114,876	78,767

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.

15. CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)	Ordinary shares £	Share premium £	Total £
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
Proceeds from shares issued	66,083	660,833	2,741,667	3,402,500
At 31 December 2011	558,345	5,583,451	10,000,846	12,584,296

The total authorised number of ordinary shares is 1,000,000,000 (2010: 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.

16. 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 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	-	(1,800,000)	-	16,100,000	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
31/12/2010	-	1,950,000			1,950,000		
	28,600,000	1,950,000	2,800,000	(2,750,000)	25,000,000		

Details of the share options outstanding during 2011 were as follows:

Date of Grant	1 January 2011 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
23/12/2008	16,100,000	-	(3,000,000)	-	13,100,000	31/05/2006	30/05/2011
31/12/2010	1,950,000	-	-	-	1,950,000	01/01/2011	30/12/2015
15/04/2011	-	17,900,000	-	-	17,900,000	16/04/2011	14/04/2015
15/08/2011	-	1,250,000	-	-	1,250,000	16/08/2011	14/08/2015
10/10/2011	-	400,000	-	-	400,000	11/10/2011	09/10/2015
	25,000,000	19,550,000	(3,000,000)	(6,950,000)	34,600,000		

The weighted average exercise price per share is 5.5p (2010: 1.36p) and the average contractual life is 4 years (2010: 2 years). All the share options in issue are exercisable at the year end.

The estimated fair value of the options granted in 2011 was £1,116,182 (2010: £nil) and has been fully recognised within administration expenses, on a pro-rata basis over the vesting period. This fair value has been calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2011	2010
Share price	6.87p	10.75p
Exercise price	9p	1p
Expected volatility	129.38%	109.52%
Expected life (yrs.)	3	3
Risk free rate	3.5%	3.3%
Expected dividend yield	-	-

A movement from the share option reserve of £455,625 (2010: £35,038) was made during the year 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 2 years (2010: 1 year).

16. 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 2011 were as follows:

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

The estimated fair value of the warrants granted in 2011 was £nil (2010: £nil). This fair value has been calculated using the Black-Scholes option pricing model as detailed above.

17. RELATED PARTY TRANSACTIONS

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

Company	Related party	31.12.11 £	31.12.10 £	Outstanding at year end £
Iguana Resources Pty Ltd	K P Eckhof	3,500	21,000	-
Burnbrae Limited	J Mellon	9,000	-	-
Axial Associates Limited	M L Child	75,400	122,325	-

During the year Axial Associates Ltd (a Company controlled by Mr M Child, Chairman) was paid an introductory fee of £90,000 for successfully raising £3,000,000 by way of a non brokered private placing of 33,333,333 new ordinary shares with a nominal value of £0.01 each at a price of 9 pence each with Macquarie Bank Limited.

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:

Condor S.A.	31.12.11 £	31.12.10 £
Brought forward loan balance	331,841	151,744
Additional loans during the period	419,451	199,795
Transfer of assets	-	(19,698)
Closing balance	751,293	331,841

Minerales Morazan S.A.	31.12.11 £	31.12.10 £
Brought forward loan balance	1,869,095	1,816,731
Additional loans during the period	51,992	52,364
Closing balance	1,921,087	1,869,095

La India Gold S.A.	31.12.11 £	31.12.10 £
Brought forward loan balance	-	-
Additional loans during the period	2,164,673	-
Closing balance	2,164,673	-

18. OPERATING LEASES

The group has no operating lease commitments at the end of 2011 or 2010.

19. CONTROLLING PARTY

There is no ultimate controlling party.

20. POST BALANCE SHEET EVENTS

On 23 February 2012 the Company announced that it had received written notification from the Minister of Energy and Mines in Nicaragua that the Minister had approved the transfer of the Espinito Mendoza Concession from Empresa Minera La Mestiza S.A. to Condor. The approval of the transfer represented effective completion of the acquisition of the Espinito Mendoza Concession for total consideration of $1,625,000 to be satisfied by a combination of cash payments, $350,000 of which had been advanced at the balance sheet date, and the issue of new ordinary shares in the Company. In addition, by 24 August 2015 Condor will conduct a JORC-Code compliant mineral reserve estimation on the gold mineralisation contained in the Espinito Mendoza Concession and the vendor will be entitled to bonus payments equivalent to 1% of the JORC-Code compliant Proven and Probable reserve category at the gold price applicable at the time of the reserve estimation and of additional such reserves catalogued before 24 August 2016. As part of the payment arrangements on approval the Company issued 1,934,000 new ordinary shares fully paid at a price of 9 pence per share and made a further cash payment of $250,000. At the date of approval of the financial statements the remaining consideration outstanding consists of three annual instalments each of $250,000 payable on 18 August 2012,18 August 2013 and 18 August 2014. Of the total consideration payable of $1,625,000, an aggregate amount of $500,000 will be treated as being advanced by the Group to the vendor and is available for offset against any future bonus/es which may become due for payment under these arrangements.

Additionally since the period end the company has secured further funding of £2,500,000 by way of private placing of 50,000,000 new ordinary shares, to aid the company in focusing on providing a large commercial reserve on its 1,620,000oz gold resource at La India Project in Nicaragua.