

***This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.***

## PROSPECTUS

Non-Offering Prospectus

December 21, 2017



## CONDOR GOLD PLC

No securities are being offered or sold pursuant to this non-offering preliminary prospectus. This prospectus is being filed with the securities regulatory authority in Ontario to enable Condor Gold plc (the “**Company**”, “**Condor Gold**” or “**Condor**”) to become a reporting issuer pursuant to the applicable securities legislation in such province.

The Company is a company incorporated in accordance with the laws of England and Wales under the *Companies Act 1985* (United Kingdom). The principal activity of the Company is gold exploration and development with a focus on Nicaragua. The Company holds interests in prospective tenements for gold mineralisation in Nicaragua through concessions and surface rights collectively known as the La India Project, for which it published the Technical Report (as such terms are defined herein).

Since no securities are being offered pursuant to this prospectus, no proceeds will be raised and all expenses in connection with the preparation and filing of this prospectus will be paid by the Company from general corporate funds.

The ordinary shares of the Company (the “**Ordinary Shares**”) are listed and posted for trading on the Alternative Investment Market (“**AIM**”) of the London Stock Exchange and are also traded in the United States on the OTCQX. The closing price of the Ordinary Shares on the AIM on December 20, 2017 was £0.40 (C\$0.688 based on the Bank of Canada average rate of exchange on December 20, 2017 as reported on the Bank of Canada website).

The Toronto Stock Exchange (the “**TSX**”) has conditionally approved the listing of the Ordinary Shares under the symbol “**COG**”. The listing of the Ordinary Shares will be subject to the Company fulfilling all of the listing requirements of the TSX on or before January 2, 2018. See “*Stock Exchange Listing*”.

An investment in the Ordinary Shares is speculative and involves a high degree of risk that should be considered by potential purchasers. An investment in the Ordinary Shares is suitable only for those purchasers who are willing to risk a loss of some or all of their investment and who can afford to lose some or all of their investment. The risk factors included in this prospectus should be reviewed carefully and evaluated by prospective purchasers of Ordinary Shares. See “*Risk Factors*” and “*Forward-Looking Information*”.

**No underwriter has been involved in the preparation of this prospectus or performed any review or independent due diligence of the contents of this prospectus.**

Substantially all of the assets of the Company are located outside of Canada and the Company and its material subsidiaries are formed and organised under the laws of jurisdictions outside of Canada. All of the directors of the Company reside outside of Canada. Crowe Clark Whitehill LLP, the Company’s auditor, is a limited liability partnership formed under the laws of England and Wales.

Each of the Company, Mark Child, Jim Mellon, Roger Davey, Peter Flindell, Kate Harcourt and Jeffrey Karoly, has appointed Blakes Extra-Provincial Services Inc., 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9 as his, her or its agent for service of process in Canada. In addition, each of (a) Crowe Clark Whitehill LLP, a named expert and an entity incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, and (b) Tim Lucks and Benjamin Parsons, each of whom is a named

expert and resides outside of Canada, has appointed Blakes Extra-Provincial Services Inc., 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9 as his or its agent for service of process in Canada. Prospective investors in Ordinary Shares are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada even if the party has appointed an agent for service of process in Canada.

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## ADVISORY

For an explanation of certain terms used in this prospectus, please refer to the Section entitled “Glossary” beginning on page 162 of this prospectus. References in this prospectus to “management” mean the executive officers of the Company. Any statements in this prospectus made by or on behalf of management are made in such persons’ capacities as officers and/or directors of the Company and not in their personal capacities.

Prospective investors should read this entire prospectus and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of an investment in the Ordinary Shares. Prospective investors should rely only on the information contained in this prospectus and should not rely on parts of the information contained in this prospectus to the exclusion of others. The Company has not authorized anyone to provide additional or different information than is contained herein. If anyone provides a prospective investor with additional, different or inconsistent information, including statements in the media about the Company, it should not be relied on.

The information contained in this prospectus is accurate only as of the date of this prospectus or as of the date stated. The Company’s business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

In this prospectus, unless the context otherwise indicates, references to the “Company”, “Condor” or “Condor Gold” refer to Condor Gold plc and its controlled or wholly-owned subsidiaries.

The Company is a “designated foreign issuer” as such term is defined in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* and is subject to the foreign regulatory requirements of AIM.

## TECHNICAL INFORMATION

Except where indicated, the disclosure contained in this prospectus that is of an economic, scientific or technical nature has been summarized or extracted from the technical report titled “*Technical Report on the La India Gold Project, Nicaragua, December 2014*”, dated November 13, 2017 with an effective date of December 21, 2014 (the “**Technical Report**”), prepared in accordance with NI 43-101 by SRK Consulting (UK) Limited (“**SRK**”). The Technical Report was prepared by or under the supervision of Tim Lucks, Principal Consultant (Geology & Project Management), Gabor Bacsfalusi, Principal Consultant (Mining), Benjamin Parsons, Principal Consultant (Resource Geology), each of SRK, and Neil Lincoln of Lycopodium Minerals Canada Ltd. (“**Lycopodium**”), each of whom is an independent “qualified person” as such term is defined in NI 43-101. Readers should consult the Technical Report to obtain further particulars regarding the La India Project. The Technical Report, which constitutes the current technical report for the La India Project, was filed on SEDAR on November 14, 2017 and is available for review at [www.sedar.com](http://www.sedar.com).

Where appropriate, certain information contained in this prospectus updates information derived from the Technical Report. Any updates to the scientific or technical information derived from the Technical Report and any other scientific or technical information contained in this prospectus was prepared by or under the supervision of David Crawford, the Chief Technical Officer of the Company, and Mr. Peter Flindell, a Non-Executive Director of the Company, each of whom is a “qualified person” for the purposes of NI 43-101.

### United Kingdom Disclosure

The Company is subject to continuous disclosure requirements in the United Kingdom in connection with its listing on AIM. The Company’s historic and ongoing disclosure record in the United Kingdom, including on the Company’s website, contains disclosure of a scientific or technical nature that is not compliant with NI 43-101. Such disclosure includes, but is not limited to, disclosure of two preliminary economic

assessments and the results of an optimisation study (the “**Whittle Optimisation Study**”) conducted by Whittle Consulting Limited (“**Whittle Consulting**”) on the La India Project. **Canadian investors cannot rely on such disclosure and must rely solely on this Prospectus and the Technical Report.** See “*The La India Project*”.

## **CIM Definition Standards**

The Mineral Resources for the Company’s properties (including as used in the Technical Report) have been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on May 10, 2014 (the “**CIM Definition Standards**”).

The following definitions are reproduced from the CIM Definition Standards:

“**Mineral Resource**” means a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

“**Inferred Mineral Resource**” means that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource (as defined herein) and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

“**Indicated Mineral Resource**” means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors (as defined herein) as described below in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource (as defined herein) and may only be converted to a Probable Mineral Reserve (as defined herein).

“**Measured Mineral Resource**” means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve (as defined herein) or to a Probable Mineral Reserve.

“**Mineral Reserve**” means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a pre-feasibility study or feasibility study.

**“Probable Mineral Reserve”** means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.

**“Proven Mineral Reserve”** means the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

For the purposes of the CIM Definition Standards, **“Modifying Factors”** are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

### **Cautionary note to United States Shareholders concerning estimates of Mineral Reserves and Mineral Resources**

Technical disclosure regarding Condor’s properties included in this prospectus has not been prepared in accordance with the requirements of U.S. securities laws. Without limiting the foregoing, such technical disclosure uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all Mineral Reserve and Mineral Resource estimates contained in the technical disclosure have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System.

Canadian standards, including NI 43-101, differ significantly from the requirements of the Securities and Exchange Commission (the **“SEC”**), and Mineral Reserve and Resource information contained in this prospectus may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term “resource” does not equate to the term “reserves”. Under U.S. standards, mineralisation may not be classified as a “reserve” unless the determination has been made that the mineralisation could be economically and legally produced or extracted at the time the reserve determination is made and volumes that are not “reserves” should not be disclosed. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Accordingly, Mineral Reserves estimates included herein may not qualify as “reserves” under SEC standards. The SEC’s disclosure standards normally do not permit the inclusion of information concerning “Measured Mineral Resources”, “Indicated Mineral Resources” or “Inferred Mineral Resources” or other descriptions of the amount of mineralisation in mineral deposits that do not constitute “reserves” by U.S. standards in documents filed with the SEC.

U.S. investors should also understand that “Inferred Mineral Resources” have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an “Inferred Mineral Resource” will ever be upgraded to a higher category. Under Canadian rules, estimated “Inferred Mineral Resources” may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an “Inferred Mineral Resource” exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralisation that does not constitute “reserves” by SEC standards as in-place tonnage and grade without reference to unit measures. In addition, the definitions of “Proven Mineral Reserves” and “Probable Mineral Reserves” under reporting standards in Canada differ in certain respects from the standards of the SEC. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.

## LIST OF ABBREVIATIONS

In this prospectus, the abbreviations set forth below have the following meanings:

Abbreviation	Equivalent Word or Phrase	Abbreviation	Equivalent Word or Phrase
Au	gold	mm	millimetre
ft	foot	Moz	millions of Troy ounces
g	gram	Mt	millions of metric tonnes
g/t	grams per tonne	Mtpa	million tonnes per annum
km	kilometre	oz	Troy ounce (31.1035 g)
km <sup>2</sup>	square kilometer	t	metric tonne
Koz	thousands of Troy ounces	tpd	tonnes per day
Kt	kilo tonnes	µm	micrometre
M	metre	p.a.	per annum
Mm <sup>3</sup>	million cubic meters		

## CURRENCY AND EXCHANGE RATES

The Company presents its financial statements in U.K. pounds sterling. Unless otherwise indicated, in this prospectus all references to: (i) “£” or “GBP” are to U.K. pounds sterling; (ii) “C\$” or “CAD” are to Canadian dollars; and (iii) “\$” or “U.S.\$” are to United States dollars.

The Canadian dollar rates of exchange on December 20, 2017 were:

<u>U.K. pounds sterling<sup>(1)</sup></u>	<u>United States dollar<sup>(1)</sup></u>
C\$1=£0.5810	C\$1=\$0.7787

**Note**

(1) Bank of Canada average rates of exchange as reported on the Bank of Canada website.

## FORWARD-LOOKING INFORMATION

Certain statements contained in this prospectus constitute forward-looking information under applicable Canadian securities laws. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “objectives”, “strategies”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in its prospectus should not be unduly relied upon.

In particular, this prospectus contains forward-looking statements pertaining to the following:

- Mineral Resource estimates;
- targeting additional Mineral Resources and expansion of deposits;

- the Company's expectations, strategies and plans for its Nicaraguan projects, including the Company's planned exploration and development activities;
- the results of future exploration and drilling and estimated completion dates for certain milestones;
- successfully adding or upgrading Mineral Resources and successfully developing new deposits;
- the timing, receipt and maintenance of approvals, licences and permits from the Nicaraguan government and from any other applicable government, regulator or administrative body, including, but not limited to, the Environmental Permit;
- production and processing estimates;
- future financial or operating performance and condition of the Company and its business, operations and properties; and
- any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements.

The actual results could differ materially from those anticipated in these forward-looking statements or information as a result of the risk factors set forth below and elsewhere in this prospectus:

- mineral exploration, development and operating risks;
- estimation of mineralisation, resources and reserves;
- environmental, health and safety regulations of the resource industry;
- competitive conditions;
- permitting and licencing risks;
- operational risks;
- negative cash flow;
- liquidity and financing risks;
- funding risk;
- A&R NSR Agreement risks;
- exploration costs;
- uninsurable risks;
- conflicts of interest;
- exercise of statutory rights and remedies;
- risks of operating in Nicaragua;
- government policy changes;
- ownership risks;
- artisanal miners and community relations;
- difficulty in enforcement of judgments;
- the Company's staggered Board;

- market conditions;
- stress in the global economy;
- current global financial condition;
- exchange rate and currency risks;
- commodity prices;
- reliance on key personnel;
- dilution risk;
- payment of dividends;
- other factors discussed under “*Risk Factors*”; and
- other risks and uncertainties described elsewhere in this prospectus.

Statements relating to “Mineral Reserves” or “Mineral Resources” are deemed to be forward-looking statements or information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this prospectus are expressly qualified by this cautionary statement.

Although the forward-looking statements contained in this prospectus are based upon assumptions which the Company believes to be reasonable, the Company cannot assure holders of Ordinary Shares that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this prospectus, the Company has made assumptions regarding: future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future currency exchange and interest rates; the impact of increasing competition; general conditions in economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; the receipt of required permits; royalty rates; future tax rates; future operating costs; availability of future sources of funding; ability to obtain financing and assumptions underlying estimates related to adjusted funds from operations. The Company has included the above summary of assumptions and risks related to forward-looking information provided in this prospectus in order to provide holders of Ordinary Shares with a more complete perspective on the Company’s future operations and such information may not be appropriate for other purposes. The Company’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. These forward-looking statements are made as of the date of this prospectus and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

## **PRESENTATION OF FINANCIAL INFORMATION**

The Company’s financial statements and other financial information included in this prospectus have been prepared in accordance with IFRS as adopted by the European Union.

## **MARKET AND INDUSTRY DATA**

This prospectus contains certain statistical, market and industry data obtained from government or other industry publications and reports or based on estimates derived from the same and management’s knowledge of, and experience in, the markets in which the Company operates. Government and industry publications and reports generally indicate that information has been obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. None of the

authors of such publications and reports has provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Company. Further, certain of these organizations are participants in, or advisors to participants in, the mining industry, and they may present information in a manner that is more favourable to the industry than would be presented by an independent source. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Company believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third-party sources referred to in this prospectus or ascertained the underlying assumptions relied upon by such sources.

## PROSPECTUS SUMMARY

*The following is a summary of this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

### The Company

The Company was incorporated in England and Wales under the *Companies Act 1985* (United Kingdom) on October 10, 2005 with number 5587987. The principal activity of the Company (and its subsidiaries) is gold exploration and development with a focus on Nicaragua.

See “*The Company*”.

### The Organisational Structure

The organisational structure of the Company and its subsidiaries as follows:

Subsidiaries of Condor Gold plc	Country of Incorporation	Percentage Owned by Condor	
		2015	2016
Minerales Morazan S.A. <sup>(1)</sup>	El Salvador	90%	90%
Condor S.A.	Nicaragua	100%	100%
La India Gold S.A.	Nicaragua	100%	100%
La India Inversiones S.A. <sup>(2)</sup>	Nicaragua	Incorporated in 2017	

#### Notes

- (1) Minerales Morazan S.A. is in the process of being wound down. The assets were fully written off (provided for) in the 2016 audited annual financial statements of the Company, which are attached hereto as Schedule “A”.
- (2) La India Inversiones S.A. was incorporated in 2017 and is a wholly-owned subsidiary of Condor.

### Overview of the Properties

The Company’s only material property is the La India Project in Nicaragua. The Company also has 100% ownership of three Concessions in other project areas in Nicaragua.

The maps below show the location of the Company’s properties in Nicaragua.



See “*Business of the Company – Overview of the Properties*”, “*The La India Project*” and “*Other Properties*”.

## Business Strategy

The Company has a twin strategy in place:

- Permit and construct a base case of 2,300 to 2,800 tpd processing plant with capacity to produce an average of 100,000 ounces of gold per annum for the first five years of a nine year mine life from a single open pit at the La India Project.
- Continue with the exploration strategy of expanding Mineral Resources by one to two million ounces of gold and demonstrating a major gold district, using a multi-disciplined approach of detailed geological mapping, geochemistry soil surveys, structural modelling, which together build on the geophysics survey, combined with trenching and exploration drilling.

## Business Plan for the Properties

In the short to medium term, the Company’s business plan will focus on the La India Project, as follows:

- To lobby the Government of Nicaragua at all levels in order to receive the required permits to construct and operate the mine, including an Environmental Permit. On receipt of the Environmental Permit, complete additional drilling and proceed with a Feasibility Study. The Company expects to receive all required permits in due course. See “*The Company’s Operations*”

in Nicaragua – Environmental Permit”, “Risk Factors – Risks Related to the Business” and “Forward-Looking Information”.

- Upon completion of a Feasibility Study and arrangement of appropriate and acceptable financing, initiate construction of a processing plant and associated infrastructure required for an industrial gold mine at the La India Project.
- Concurrent with the above, conduct detailed geological mapping and resource expansion drill programmes specifically aimed at expanding the current Mineral Resource and/or Mineral Reserve at the La India, America and Mestiza vein sets and exploration drilling programmes targeting the smaller resource areas, which have potential to be expanded, and prospects that have not been drilled and which are located within the La India Project.
- Following on from soil surveys and a study of the structural geology within the La India Project, to continue exploration activities for gold mineralisation outside of the immediate Mineral Resource/Mineral Reserve areas.

### Selected Financial Information

The following table sets out selected financial information from the Company’s unaudited interim financial statements for the three and nine months ended September 30, 2017 and the audited annual financial statements for the financial years ended December 31, 2016, 2015 and 2014.

	Nine months ended September 30, 2017	Three months ended September 30, 2017	Financial year ended December 31, 2016	Financial year ended December 31, 2015	Financial year ended December 31, 2014
Revenue (£)	Nil	Nil	Nil	Nil	Nil
Administration expenses (£)	(3,883,952)	(538,473)	(3,618,877)	(3,066,679)	(3,265,730)
Exploration and evaluation expenditure (£)	2,506,191	N/A	1,892,692	2,223,078	5,253,947
Total comprehensive loss (£)	(3,148,763)	(1,324,501)	(6,763,977)	(2,222,216)	(2,926,669)
Basic and diluted loss per Ordinary Share (in pence)	(6.52)	(0.88)	(14.52)	(7.62)	(8.12)
Total assets (£)	21,232,942		17,287,445	20,743,382	22,657,213
Total liabilities (£)	(354,019)		(351,551)	(559,984)	(571,117)
Net assets (£)	20,878,923		16,935,894	20,183,398	22,086,096

See “Selected Financial Information”.

## Selected Resources Data

The following table provides certain information about selected Mineral Resource information. See “*The La India Project*”, “*Forward-Looking Statements*” and “*Risk Factors*”.

### Mineral Resource Estimate, dated 30 September 2014

SRK MINERAL RESOURCE STATEMENT as of 30 September 2014 <sup>(4),(5),(6), (9)</sup>						
Category	Cut-Off	Gold			Silver	
		Tonnes (Kt)	Au Grade (g/t)	Au (Koz)	Ag Grade (g/t)	Ag (Koz)
Indicated	0.5 g/t (OP) <sup>(1)</sup>	8,382	3.2	862	5.5	1,480
	2.0 g/t (UG) <sup>(2)</sup>	1,176	5.9	221	8.2	312
	Subtotal Indicated	9,557	3.5	1,083	5.8	1,792
Inferred	0.5 g/t (OP) <sup>(1)</sup>	2,498	2.4	194	4.8 <sup>(7)</sup>	242
	2.0 g/t (UG) <sup>(2)</sup>	2,197	5.2	366	8.8	622
	1.5 g/t <sup>(3)</sup>	3,831	5.4	671		
	Subtotal Inferred	8,526	4.5	1,231	7.1 <sup>(8)</sup>	865

#### Notes

- (1) The La India, America and Central Breccia pits are amenable to open pit mining and the Mineral Resource Estimates are constrained within Whittle optimised pits, which SRK based on the parameters set forth below: a Gold price of U.S.\$1,500 per ounce of gold with no adjustments; prices based on experience gained from other SRK projects; metallurgical recovery assumptions of 91% for gold, based on assumptions provided by the Company; marginal costs of U.S.\$19.2/t for processing, U.S.\$5.63/t G&A and U.S.\$2.47/t for mining; and slope angles defined by the Company geotechnical study which range from angle 46 - 48°.
- (2) Underground Mineral Resources beneath the open pit are reported at a cut-off grade of 2.0 g/t over a minimum width of 1.0 m. Cut-off grades are based on a price of U.S.\$1,500 per ounce of gold and gold recoveries of 93% for resources, costs of U.S.\$19.0/t for processing, U.S.\$10.0/t G&A and U.S.\$50.0/t for mining, without considering revenues from other metals.
- (3) Mineral Resources as previously quoted by SRK (December 22, 2011) are reported at a cut-off grade of 1.5 g/t, and have not been updated as part of the 2014 study due to no further detailed exploration.
- (4) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material. All composites have been capped where appropriate.
- (5) The reporting standard adopted for the reporting of the Mineral Resource Estimate (“MRE”) uses the terminology, definitions and guidelines given in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.
- (6) SRK completed a site inspection to the deposit by Mr. Benjamin Parsons, MSc (MAusIMM(CP), Membership Number 222568), an appropriate “independent qualified person” as this term is defined in NI 43-101.
- (7) Back calculated silver grade based on a total tonnage of 1,576 Kt as no silver estimates for Central Breccia (922 Kt).

- (8) Back calculated silver grade based on total tonnage of material estimated for silver of 3,7731 Kt, for veins where silver assays have been recorded in the database.
- (9) The Mineral Resource is inclusive of the Mineral Reserve.

**Mineral Reserve Estimate, La India Open Pit, dated November 1, 2014**

Mineral Reserve Class	Diluted Tonnes ( Mt dry)	Diluted Grade		Contained Metal	
		(g/t Au)	(g/t Ag)	(Koz Au)	(Koz Ag)
Proven	-	-	-	-	-
Probable	6.9	3.0	5.3	675	1,185
<b>Total</b>	<b>6.9</b>	<b>3.0</b>	<b>5.3</b>	<b>675</b>	<b>1,185</b>

**Notes**

- (1) Open pit mineral reserves are reported at a cut-off grade of 0.75 g/t Au assuming: metal price of U.S.\$1,250 per ounce gold, processing cost of U.S.\$20.42 per tonne milled, G&A cost of U.S.\$5.63 per tonne milled, U.S.\$10/oz Au selling cost, 3% royalty on sales.
- (2) Average ore loss and dilution are estimated at 5% and 12%, respectively.
- (3) 91% Au and 69% Ag metallurgical recovery was used.
- (4) The reporting standard adopted for the reporting of the Mineral Reserve uses the terminology, definitions and guidelines given in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves (2014) as required by NI 43-101.
- (5) SRK completed a site inspection to the deposit by Mr. Gabor Bacsfalusi, BEng (MAusIMM(CP), Membership Number 308303, an appropriate independent qualified person as this term is defined in NI 43-101.

**Risk Factors**

Prospective investors in the Ordinary Shares should carefully consider the information set forth under the heading "Risk Factors" and the other information included in this prospectus before deciding to invest in the Ordinary Shares. Some of the risks relating to the Company's business and the Ordinary Shares are summarized as follows:

- mineral exploration, development and operating risks;
- estimation of mineralisation, resources and reserves;
- environmental, health and safety regulations of the resource industry;
- competitive conditions;
- permitting and licencing risks;
- operational risks;
- negative cash flow;
- liquidity and financing risks;
- funding risk;
- A&R NSR Agreement risks;
- exploration costs;
- uninsurable risks;
- conflicts of interest;
- exercise of statutory rights and remedies;
- risks of operating in Nicaragua;
- government policy changes;

- ownership risks;
- artisanal miners and community relations;
- difficulty in enforcement of judgments;
- the Company's staggered Board;
- market conditions;
- stress in the global economy;
- current global financial condition;
- exchange rate and currency risks;
- commodity prices;
- reliance on key personnel;
- dilution risk;
- payment of dividends; and
- other risks and uncertainties described elsewhere in this prospectus.

In assessing the risks of an investment in the Ordinary Shares, prospective investors in Ordinary Shares should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management of the Company. **An investment in Ordinary Shares is suitable for only prospective purchasers who are willing to risk a loss of their entire investment and who can afford to lose their entire investment. Prospective purchasers of Ordinary Shares should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Ordinary Shares.** Prospective investors in Ordinary Shares should carefully consider the information set out under *"The La India Project"*, *"Risk Factors"*, *"Business of the Company"* and the other information in this prospectus.

## THE COMPANY

The Company was incorporated under the *Companies Act 1985* (United Kingdom) on October 10, 2005 under the name Condor Resources Limited. The Company re-registered as a public limited company on April 7, 2006 under the name Condor Resources plc, and changed its name to Condor Gold plc on June 29, 2012. The Company's registered office is at Origin Two, 106 High Street, Crawley, West Sussex, RH10 1BF, United Kingdom, and its principal place of business is 39 St James's Street, St. James's, London, SW1A 1JD, United Kingdom. The Company currently does not have a principal place of business in Canada.

The Company is a gold exploration and development business with its focus on Nicaragua. The focus of the operational activities of the Company is its principal project, the 100%-held La India Project, which is the Company's sole material property, located in the Department of Leon in Nicaragua. The Company has filed the Technical Report on the La India Project, which was prepared by SRK in accordance with NI 43-101.

As of the date of this prospectus, the Company had 65 employees. The Company's subsidiaries are as follows:

Subsidiaries of Condor Gold plc	Country of Incorporation	Percentage Owned by Condor	
		2015	2016
Minerales Morazan S.A. <sup>(1)</sup>	El Salvador	90%	90%
Condor S.A.	Nicaragua	100%	100%
La India Gold S.A.	Nicaragua	100%	100%
La India Inversiones S.A. <sup>(2)</sup>	Nicaragua	Incorporated in 2017	

### Notes

- (1) Minerales Morazan S.A. is in the process of being wound down. The assets were fully written off (provided for) in the 2016 audited annual financial statements of the Company attached hereto as Schedule "A".
- (2) La India Inversiones S.A. was incorporated in 2017 and is a wholly-owned subsidiary of Condor.

For information on the Company's interests in the La India Project and its non-material projects, please see "*The La India Project*" and "*Other Properties*".

### Listing and Trading of Ordinary Shares and Reporting Issuer Status in Canada

The Ordinary Shares are currently listed and posted for trading on the AIM of the London Stock Exchange under the symbol "CNR" and are cross-traded in the U.S. on the OTCQX under the symbol "CNDGF". The closing price of the Ordinary Shares on the AIM on December 20, 2017 was £0.40. The Ordinary Shares of the Company were admitted to trading on AIM, a market operated by the London Stock Exchange, on May 31, 2006. The Company cannot provide any assurances as to the price at which the Ordinary Shares will trade.

The TSX has conditionally approved the listing of the Ordinary Shares under the symbol "COG". See "*Stock Exchange Listing*".

Information on the process that shareholders of the Company that trade their Ordinary Shares on AIM must follow in order to trade their Ordinary Shares on the TSX, and vice versa, shall be provided on the Company's website.

This prospectus is being filed with the Ontario Securities Commission to enable the Company to become a “reporting issuer” pursuant to the applicable securities legislation of the Province of Ontario.

## **BUSINESS OF THE COMPANY**

The principal activity of the Company (and its subsidiaries) is gold exploration and development in Nicaragua. The principal interest of the Company is the 100%-held La India Project, which is the Company’s sole material property.

The following summary sets out the notable events in the Company’s history during the three most recently completed financial years and the Company’s current financial year prior to the date of this prospectus.

The technical information presented in the below sections has been prepared by or under the supervision of David Crawford, the Chief Technical Officer of the Company, and Mr. Peter Flindell, a Non-Executive Director of the Company, each of whom is a “qualified person” for the purposes of NI 43-101.

### **Developments subsequent to December 31, 2016**

Mr Jeffrey Karoly was appointed as Chief Financial Officer of the Company, effective November 14, 2017.

The final six drill hole results from a 43 drill hole programme at the Mestiza Vein Set (“**Mestiza**”) were announced by the Company on November 6, 2017. This drill programme, completed in August 2017 and totalling 5,922 metres, was focussed on the Tatiana, Buenos Aires and Jicaro veins.

On October 23, 2017, the Company announced the appointment of Mr. Aiser Sarria as General Manager La India. Mr. Sarria is a civil engineer and Nicaraguan national and was previously Project and Mines Superintendent at the El Limon gold mine, located approximately 35 km from the La India Project.

Further rock chip results, taken at the La India Project, together with results from geological mapping, were announced by the Company on October 3, 2017.

Completion of a 5,922 metre drill campaign at Mestiza was announced by the Company on August 30, 2017. The objective of the drill campaign at Mestiza is to convert an historic Soviet-era resource to NI 43-101 standard.

On August 1, 2017, the Company announced details of a completed soil geochemistry survey carried out over the entire 313 km<sup>2</sup> of the La India Project, which had been initiated in January 2015. The soil survey was carried out in conjunction with geological mapping and airborne geophysics programmes as previously announced.

On June 29, 2017, the Company announced the further results of a drill campaign at Mestiza. In addition, the Company announced that its initial 2,000 metre drilling programme at Mestiza had been expanded to 6,000 metres. On May 22, 2017, the Company provided an update on the on-going drilling campaign at Mestiza.

On April 24, 2017, secondary trading of the Company’s Ordinary Shares commenced on the OTCQX under the symbol “CNDGF”.

The Company announced on March 31, 2017 that 10,000 m of drilling would be completed on La India Project during fiscal 2017 with the dual objectives of expanding the existing Mineral Resource at the La India Project, together with identifying new resources.

The Company closed a private placement of 8,454,733 units on February 28, 2017 at a price of 62 pence per unit, raising gross proceeds of approximately £5.242 million (the “**February 2017 Placement**”). Each

such unit consisted of one Ordinary Share and one-half of one Warrant, with each whole Warrant entitling the holder thereof to purchase one Ordinary Share at a price of 93 pence until February 28, 2019.

During the first quarter of 2017, the Company met with several Government Ministers in Nicaragua to discuss permitting for the La India Project. As disclosed in the PFS, it is envisaged that approximately 300 dwellings are required to be relocated as part of the development of 800 hectares of mine site infrastructure. This is because the extraction of mineralised ore from La India open pit requires the relocation of these dwellings over the life of mine. The Ministry of Mines and Natural Resources in Nicaragua ("**MARENA**") has requested a detailed resettlement action plan, which has been prepared and is ready to be presented to the Nicaraguan Government. The Company is currently preparing the local community and key stakeholders for a public consultation, which forms part of the Environmental Impact Assessment ("**EIA**") process. The Nicaraguan Government will require the inhabitants of the dwellings to agree to the terms of the resettlement as part of the permitting process. In April 2017, the Company hired an additional ten employees to work in the Company's social department to add depth to the team communicating with key stakeholders. The Company is continually assessing the situation and expects that the terms of resettlement will be approved. See "*The Company's Operations in Nicaragua – Environmental Permit*".

On January 27, 2017, the Company provided an update on drilling results at the Cacao Vein.

### **Developments during the year ended December 31, 2016**

On December 15, 2016, the Company provided an update on drilling and regional exploration at the La India Project. The Company's update stated that 168 km<sup>2</sup> of a 313 km<sup>2</sup> regional soil geochemistry survey had been completed, with 12,208 samples collected, and that 1,123 metres of scout drilling had been completed during 2016. This drilling focused on the Cacao Vein, Tatescame Vein and Real de la Cruz Concession.

On December 9, 2016, the Company reached terms of a settlement with B2Gold Co. ("**B2Gold**") and Royal Gold Inc. over a disputed net smelter royalty over part of the La India Project. As part of the settlement, the Company acquired approximately 3,508 hectares of land surface rights from B2Gold, which partly overlay the area of the Mineral Resource, Mineral Reserves and proposed mine site infrastructure at the La India Project. In exchange, B2Gold acquired the Company's 20% interest in Cerro Quiroz S.A., which owns the Cerro Quiroz Concession. For additional information see "*Material Contracts – A&R NSR Agreement*".

On November 10, 2016, the Company commenced a drilling campaign, the first 2,000 metres of which had the objective of expanding known gold mineralisation in the Cacao and Cristalito-Tatescame targets and testing for mineralisation in the Andrea vein, each being within the La India Project. The Company was also continuing the soil sampling programme that it commenced in June 2016.

Following on from a structural geology study and a soil survey across 71 km<sup>2</sup>, both of which were carried out at the La India Project in 2015, on July 1, 2016, the Company initiated a further 242 km<sup>2</sup> soil survey programme aimed at identifying additional prospects and better understanding of the district-scale potential for gold mineralisation.

On April 14, 2016, the Company completed a placement of 6,445,000 units at a price of 40 pence per unit for aggregate gross proceeds of £2.578 million. Each such unit consisted of one Ordinary Share and two-thirds of a Warrant, with each whole Warrant exercisable to acquire one Ordinary Share at 60 pence per share until April 14, 2018. In connection with this financing, on May 17, 2016, the International Finance Corporation (the "**IFC**"), a division of the World Bank Group and a shareholder of the Company, exercised a non-dilute clause contained in an equity and warrant subscription agreement between the Company and IFC dated October 24, 2014 (the "**IFC Subscription Agreement**"). On May 17, 2016, the Company issued 600,000 units to IFC upon the same terms as described above, raising a further £0.24 million in gross proceeds.

On March 21, 2016, the Company announced that it had successfully renegotiated terms on the final payment for the acquisition of 100% of the Espinito Mendoza Concession, located within the La India Project and which hosted a Mineral Resource of 908,000 tonnes grading 6.66 g/t for 208,000 oz gold in the Inferred Mineral Resource category.

On January 22, 2016, the Company announced the full financial results of the Whittle Optimisation Study carried out on the La India Project by Whittle Consulting. The Whittle Optimisation Study is a strategic planning tool and is not compliant with NI 43-101. Canadian investors should rely solely on the scientific and technical information in this prospectus and the Technical Report. See “*Technical Information – United Kingdom Disclosure*”.

#### **Developments during the year ended December 31, 2015**

The Company formally submitted an application for an Environmental Permit to MARENA in November 2015, following completion of an EIA. The EIA followed the terms of reference issued by MARENA in May 2015.

On October 20, 2015, the Company announced the results for the Whittle Optimisation Study. The Whittle Optimisation Study is not compliant with NI 43-101 and Canadian investors should rely solely on the scientific and technical information in this prospectus and the Technical Report. See “*Technical Information – United Kingdom Disclosure*”.

On September 15, 2015, the Company completed a study of the structural geology of the La India Project.

The Company completed a soil sampling programme on August 17, 2015, which had been initiated in January 2015. The sampling programme covered over 55 km<sup>2</sup> of the La India Project that had been identified as prospective for hidden, deep seated gold mineralisation. 5,767 samples were collected.

On June 26, 2015, the Company was granted the Terra Blanca Concession (“**Terra Blanca**”) by the MARENA. Terra Blanca is a 25 year exploration and exploitation Concession, totalling 32 km<sup>2</sup> and situated on the western side of the La India Project. The addition of Terra Blanca expanded the surface area of the La India Project Concessions held by the Company to a total of 313 km<sup>2</sup>.

On May 29, 2015, the Company announced the completion of a 1,952 metre drilling campaign at the La India Project. The campaign was initiated in January 2015 and was aimed at testing the southern strike extent of gold mineralisation in an area to the south of and adjacent to the proposed La India open pit.

On March 2, 2015, pursuant to the terms of the IFC Subscription Agreement, Ms. Kate Harcourt was appointed as a Non-Executive Director of the Company.

#### **Developments during the year ended December 31, 2014**

On December 21, 2014, the Company published the Technical Report titled “*Technical Report on the La India Gold Project Nicaragua, December 2014*”. The Technical Report was subsequently amended on November 13, 2017 to support the filing of this prospectus. See “*The La India Project*” and “*Technical Information*”.

On October 24, 2014, the Company entered into the IFC Subscription Agreement with IFC, a division of the World Bank Group, in respect of a placing of 3,900,000 units. Each such unit consisted of one Ordinary Share and one-half of one Warrant, to raise gross proceeds of approximately £3.51 million. Each such Warrant entitled IFC to purchase one Ordinary Share at a price of 144 pence per share until October 30, 2018. The financing closed on October 30, 2014.

In connection with the IFC Subscription Agreement, IFC was granted the right to nominate a director to Condor's Board (the "**IFC Nomination Right**") and was granted a *pro rata* participation right for future equity issuances by Condor (the "**IFC Pro Rata Right**"). Kate Harcourt is currently IFC's Board nominee. The IFC Nomination Right also provides that the Company shall include IFC's nominee among the Board's director nominees at subsequent annual meetings of shareholders of the Company where directors are elected for so long as IFC maintains a 7.5% ownership threshold in the Ordinary Shares. The IFC Pro Rata Right provides that, for so long as IFC holds any equity securities of Condor, it may elect to maintain its fully-diluted percentage interest in the issued share capital of Condor in the event that Condor proposes to issue additional equity securities, subject to certain exceptions.

On September 11, 2014, the Company announced a placing of 3,222,222 units, with each such unit consisting of one Ordinary Share and one-half of one Warrant, for gross proceeds to the Company of approximately £2.91 million. Each such Warrant entitled the holder thereof to purchase one Ordinary Share at a price of 144 pence per share until September 15, 2018. The placement closed on September 16, 2014.

On September 10, 2014, the Company renegotiated a final payment of U.S.\$450,000 for the La Mojarra Concession with the existing holder of the Concession, which was settled by the issuance by the Company of 286,134 new Ordinary Shares at a price of £1.00 per share.

Peter Flindell was appointed as a Non-Executive Director of the Company on September 1, 2014.

The results of 2,646 metres of trenching across 13 trenches on the Real de la Cruz concession at the La India Project were announced by the Company on August 19, 2014.

On May 8, 2014 the Company awarded a contract to provide an engineering design for a process plant to Lycopodium and to prepare components of a Pre-Feasibility Study report to NI 43-101 standards.

On April 3, 2014, the Company announced an update on regional exploration activity at the La India Project. The update disclosed that the Company had reviewed the geological and gold mineralisation model following the completion in November 2013 of an airborne geophysics programme and publication of a Mineral Resource estimate for the La India Project in January 2014, as announced by the Company on January 7, 2014.

On March 26, 2014, Mr. Dave Crawford was appointed as Chief Operating Officer of the Company. Mr. Crawford's current title is Chief Technical Officer of the Company.

### **Overview of the Properties**

The properties of the Company are located in Nicaragua. The La India Project is made up of the ten adjoining and contiguous Concessions covering a surface area of 313.21 km<sup>2</sup>. The Company's three other properties are comprised of three Concessions covering a surface area of 73 km<sup>2</sup>.

The map below shows the location of the Company's properties in Nicaragua.



Figure 1 Map of Nicaragua showing locations of the La India District and the Company's other properties.

### Concessions

The following table sets out the names, ownership, expiry date and surface area of the Concessions owned by the Company in Nicaragua. Condor owns 100% of each Concession.

Project	Concession	Expiry Date	Area (km <sup>2</sup> )	Date acquired
<b>La India Project</b>	La India	January 2027	68.50	February 23, 2011 <sup>(1)</sup>
	Espinito Mendoza	November 2026	2.00	March 3, 2012 <sup>(2)</sup>
	Cacao	January 2032	11.90	January 8, 2007 <sup>(3)</sup>
	Santa Barbara	April 2034	16.20	May 5, 2009 <sup>(3)</sup>
	Real de la Cruz	January 2035	7.66	January 14, 2010 <sup>(3)</sup>
	Rodeo	January 2035	60.40	January 14, 2010 <sup>(3)</sup>
	La Mojarrá	June 2029	27.00	December 18, 2012 <sup>(4)</sup>
	La Cuchilla	August 2035	86.39	July 11, 2013 <sup>(5)</sup>
	El Zacatoso	October 2039	1.00	October 30, 2014 <sup>(3)</sup>
	Tierra Blanca	June 2040	32.21	June 23, 2015 <sup>(3)</sup>

Project	Concession	Expiry Date	Area (km <sup>2</sup> )	Date acquired
	<b>Subtotal</b>		<b>313.26</b>	
<b>Other Projects</b>				
Boaco	Rio Luna	June 2035	43.00	June 15, 2010 <sup>(3)</sup>
RAAN	Estrella	April 2035	18.00	April 15, 2010 <sup>(3)</sup>
Nueva Segovia	Potrerrillos	December 2031	12.00	July 26, 2007 <sup>(3)</sup>
<b>TOTAL</b>			<b>386.26</b>	

#### Notes

- (1) Acquired from an arm's-length third-party, Triton Minera, Sociedad Anonima.
- (2) Acquired from an arm's-length third-party, Empresa Minera La Mestiza, Sociedad Anonima.
- (3) Acquired directly from the Government of Nicaragua.
- (4) Acquired from an arm's-length third-party, Gloria Marcela Novoa Morice.
- (5) Acquired from an arm's-length third-party, Hemco de Nicaragua, Sociedad Anonima.

The Company has applied for an additional Concession called Los Cerritos, which is north and adjacent to the existing ten Concessions at the La India Project and is 13,212.59 hectares in size. The Company has received feedback from MEM that the conditions for the grant of the Los Cerritos Concession have been met. The Concession now requires the signature of the Minister of Energy and Mines, which the Company expects to receive in 2018. The Company is not aware of any previous exploration work being done on this Concession.

In the first year following the acquisition of the Los Cerritos Concession, the Company plans to conduct geological mapping and geological prospecting, which will be funded using currently available capital at an expected cost of no more than U.S.\$10,000. This activity will be conducted as part of an environmental authorization application. During the second year, the Company plans to conduct geochemical soil sampling, which would require additional funding. During the third year, the Company will apply for an environmental permit application for trench excavations and probes, provided the results in years one and two are positive. This activity will also require additional funding.

For additional information on the La India Project and the Company's other properties, see "*The La India Project*" and "*Other Properties*", respectively, below.

#### Business Strategy

The Company has a twin strategy in place:

- Permit and construct a base case of 2,300 to 2,800 tpd processing plant with capacity to produce an average of 100,000 ounces of gold per annum for the first five years of a nine year mine life from a single open pit at the La India Project.
- Continue with the exploration strategy of expanding Minerals Resources by one to two million ounces of gold and demonstrating a major gold district, using a multi-disciplined approach of detailed geological mapping, geochemistry soil surveys, structural modelling, which together build on the geophysics survey, combined with trenching and exploration drilling.

#### Business Plan for the Properties

In the short to medium term, the Company's business plan is expected to focus on the La India Project, as follows:

- To lobby the Government of Nicaragua at all levels in order to receive the required permits to construct and operate the mine, including an Environmental Permit. On receipt of the Environmental Permit, complete additional drilling and proceed with a Feasibility Study. The Company expects to receive all required permits in due course. See *“The Company’s Operations in Nicaragua – Environmental Permit”*, *“Risk Factors – Risks Related to the Business”* and *“Forward-Looking Information”*.
- Upon completion of a Feasibility Study and arrangement of appropriate and acceptable financing, initiate construction of a processing plant and associated infrastructure required for an industrial gold mine at the La India Project.
- Concurrent with the above, conduct detailed geological mapping and resource expansion drill programmes specifically aimed at expanding the current Mineral Resource and/or Mineral Reserve at the La India, America and Mestiza vein sets and exploration drilling programmes targeting the smaller resource areas, which have potential to be expanded, and prospects that have not been drilled and which are located within the La India Project.
- Following on from soil surveys and a study of the structural geology within the La India Project, to continue exploration activities for gold mineralisation outside of the immediate Mineral Resource/Mineral Reserve areas.

## **Environmental and Social Policies**

Condor is an exploration and development company and has completed several technical, environmental and economic studies on the La India Project. Condor’s environmental policy is commensurate with a project at this stage of development, where construction of a new processing plant has not commenced.

Condor believes that responsible mining can only occur with a constant performance improvement in all environmental activities, with the focus on preventing and minimising the environmental impact of the Company’s operations. To this end, Condor is developing tailored environmental programs for all aspects of a commercial mine. As discussed below, these programs are designed not only to comply with the local environmental laws, but also to meet international standards, including the IFC Performance Standards (as defined below).

### *IFC Performance Standards*

The IFC, the investment arm of the World Bank, is a 7.33% shareholder in Condor. Condor is committed to complying with the IFC’s Performance Standards on Environmental & Social Sustainability dated January 1, 2012 (the **“IFC Performance Standards”**), which are an international benchmark for identifying and managing environmental and social risk. Condor has put considerable time and effort into fulfilling the requirements of an Environmental Social Action Plan (**“ESAP”**), which was agreed to with IFC as part of their investment process.

Under the ESAP, Condor is committed to:

1. Develop the necessary management plans and standard operating procedures as part of the operational control of the Company’s Health Safety Environmental and Community Policy which are aligned with Good International Industry Practices as set out in the IFC Performance Standards to address existing environmental, social and health and safety risks from current exploration activities.
2. Design and implement a surface and ground water participatory monitoring program to identify existing water quality and quantity conditions in the area to serve as baseline for the future Environmental and Social Impact Assessment, communicating these to the local population.

3. Update the Stakeholder Engagement Plan and Grievance Mechanism and develop a Communications Plan.
4. Update the Land Acquisition and Resettlement Framework.
5. Produce a plan for the management of artisanal miners.
6. Develop a Human Resources Policy and develop a Security Policy and Code of Conduct for security personnel.

La India Project has now met the conditions of the agreed ESAP. The Company's fulfilment of the ESAP items, to the satisfaction of the IFC, is establishing a base for the sustainability of a future mine at the La India Project. Implementation of the IFC Performance Standards help Condor manage and improve its environmental and social performance through an outcomes-based approach and also provide a solid base from which the Company may increase the sustainability of its business operations and provide benefits for all shareholders.

#### *Environmental and Social Policy*

Condor's environmental policy demonstrates its commitment to the environment by applying the principles of prevention, mitigation and environmental protection and the IFC's Performance Standards. The Company actively fosters the education and awareness of employees, contractors, the community and other stakeholders in best environmental practices.

Condor works together with Nicaraguan Government institutions and national organizations to monitor Condor's environmental stewardship, comply with local environmental laws and the IFC Performance Standards. The Company promotes open and transparent dialogue with host communities. As part of the transparent dialogue, local people are invited to join Condor's technical staff to measure its environmental performance in areas such as water and air quality monitoring, rehabilitation of work sites, reforestation projects and participation in local and national environmental initiatives. The results are shared and discussed in regular open forums.

Condor Gold advocates responsible mining practice. The Company recognizes that it has a social responsibility to the workforce and to the community where it operates to ensure that all the operating subsidiaries and contractors apply the highest international standards in environmental, social and safety management. Good work practice is the foundation upon which the Company can build community confidence and support for future mining operations. Condor Gold is committed to developing good relations based on respect, trust and honesty with the host communities. To achieve this, it believes strong bonds have been created with local and national stakeholders where the Company operates.

As part of this commitment, Condor Gold has established mechanisms to ensure fluent communication with its stakeholders. The Company believes that an honest dialogue with the local communities can only happen by disclosing information and reporting all activities. Condor Gold has opened an information office and started a programme of systematic meetings with key stakeholders and with the community in general in order to communicate the exploration, environmental and social activities, to discuss and answer any community concerns, and to receive and record stakeholder feedback.

The Company is convinced that the best way to achieve social development is through alliances. Condor Gold as another citizen works together with the community, local government and interested organisations in all of the Company's corporate social responsibility initiatives. As part of its policy of transparency and involvement Condor Gold has formed a committee in partnership with community leaders to select and prioritize a programme of Company-funded community projects. The current focus is on education, health and on one of the main concerns in the area, supply of potable water.

## THE LA INDIA PROJECT

The scientific and technical information in this section relating to the La India Project is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in, the Technical Report. Such assumptions, qualifications and procedures are not fully described in this prospectus and the following summary does not purport to be a complete summary of the Technical Report. Reference should be made to the full text of the Technical Report, which is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The qualified persons responsible for the Technical Report are Dr. Tim Lucks, Mr. Ben Parsons and Mr. Gabor Bacsfalusi. Mr. Parsons assumes responsibility for the MRE, Mr. Bacsfalusi for the open pit mining aspects and Dr. Lucks for the report as a whole. The Process Plant Design was completed by Lycopodium, with their respective qualified person being Mr. Neil Lincoln. See "*Technical Information*".

Where appropriate, certain information contained in this section updates information derived from the Technical Report. Any updates to the scientific or technical information derived from the Technical Report and any other scientific or technical information contained in section was prepared by or under the supervision of David Crawford, the Chief Technical Officer of the Company, and Peter Flindell, a Non-Executive Director of the Company, each of whom is a "qualified person" for the purposes of NI 43-101.

### Project Description and Location

The following disclosure under "*Project Description and Location*" has been extracted from the Technical Report.

The package of Concessions held by Condor covers 281 km<sup>2</sup>, comprises some 98% of the historic La India Gold Mining District and is located in the municipalities of Santa Rosa del Peñon and El Jicaral in the León Department, San Isidro and Ciudad Dario in the Matagalpa Department, and San Nicolás in the Estelí Department of Nicaragua. The Project is centred on geographical coordinates 12° 44' 56" North, 86° 18' 9" West.

The Project is located on the western flanks of the Central Highlands of Nicaragua between UTM WGS84, Zone 16 North coordinates 568,000 m E and 588,000 m E, and 1,408,000 m N and 1,425,000 m N.

In total, Condor holds nine contiguous concessions. Five of the concessions were awarded directly from the Government of Nicaragua between 2006 and 2014. The remaining four concessions were acquired from other owners. The La India Concession was added to Condor's portfolio in late 2010 through a concession swap agreement with Canadian miner B2Gold, while the Espinito Mendoza, La Mojarrá and HEMCO-SRP-NS (now renamed La Cuchilla) concessions were acquired from private companies in 2011, 2012 and 2013 respectively. See "*Business of the Company – Overview of the Properties*" for a current list of the Company's Concessions at the La India Project.

All concessions are renewable 25 year combined exploration and exploitation concessions. Under Nicaraguan law such concessions are subject to a "Surface Tax" based on the surface area and the age of the concession payable at six monthly intervals and a 3% government royalty on production. The La India, Espinito Mendoza and La Mojarrá concessions were granted under an earlier mining law and as such are subject to a tax exemption, whilst work undertaken on the newer concessions is subject to Nicaraguan tax.

La Mojarrá Concession was purchased from a third party for U.S.\$1,010,815 in cash and shares, the purchase process being completed in September 2014.

The 86.4 km<sup>2</sup> La Cuchilla Concession was purchased in January 2013 for a consideration of U.S.\$275,000 by way of the Company issuing new Ordinary Shares at a price of £2.00 per Ordinary

Share. The Company's further obligation under the purchase agreement is to pay HEMCO Nicaragua S.A. U.S.\$7.00 per ounce of gold of Proven and Probable Mineral Reserves, as defined by the CIM Definition Standards, by an independent geological consultant appointed by the Company. This payment may be made in shares of the Company and is payable during the period that the Company holds the Concession.

The Company also has a claim on the surface rights to a further 30.4 km<sup>2</sup> covering all the known Mineral Resource areas of the La India Concession. Under the original sale agreements, the original land owners were allowed to maintain possession at the Company's discretion. Elsewhere on La India Project, access to explore is negotiated with the land owners.

See "*The Company's Operations in Nicaragua – Surface Rights*" for additional information on Condor's current land acquisition plan and holdings.

The Company's land acquisition activities following the effective date of the Technical Report are set forth below. See "*Business of the Company – Overview of the Properties*" for a current list of the Company's Concessions at the La India Project.

As disclosed in the Technical Report, the Company was previously in a dispute with B2Gold over a 3% NSR on the La India Concession. This was resolved in December 2016 pursuant to the A&R NSR Agreement and the Settlement Agreement (as such terms are defined under the heading "*Material Contracts – A&R NSR Agreement*").

In August 2011, Condor announced that it had entered into a legally binding agreement to acquire the 2 km<sup>2</sup> Espinito-Mendoza Concession at the heart of La India Project. The purchase consideration was U.S.\$1,625,000 over a four year period. Condor was also obligated to complete certain drilling on the Concession and pay the previous owner of the Concession a bonus payment on any future JROC-compliance mineral resource. The Espinito-Mendoza Concession is subject to a 2.25% net smelter royalty in favour of the previous owner of the Concession. The current Mineral Resource on the Espinito-Mendoza Concession is 908 Kt at 6.66 g/t for 208,000 oz of gold in the Inferred Mineral Resource category.

Subsequent to the effective date of the Technical Report, in March 2016, Condor renegotiated terms and final payments to acquire the Espinito-Mendoza Concession. In total, U.S.\$1,725,000 has been paid to date with a remainder of approximately U.S.\$100,000 to be paid. The renegotiated terms mean that the bonus payment on future resources on the Espinito-Mendoza Concession no longer has to be paid and Condor has no drill obligations, but in return, Condor has to assume responsibility to acquire surface rights on the Concession area.

On June 26, 2015, the Company announced that it had been granted a 25 year exploration and mining concession over a 32 km<sup>2</sup> area known as the Tierra Blanca Concession. The addition of the Terra Blanca concession expanded the total concession package of the La India Project held by the Company to 313.4 km<sup>2</sup> across 10 Concessions. There is no MRE on the Terra Blanca Concession.

## **Permits**

Environmental permits to carry out exploration activity are obtained from MARENA. Two types of permit are required, an initial authorisation for prospecting obtained from the Regional Authority, which permits activities such as rock chip, soil sampling and trenching, and a permit to carry out exploration activity from the National Authority to allow drilling and other more extensive work. Table 1 details the current permits that have been obtained and has been updated from the disclosure in the Technical Report.

**Table 1: Environmental Permits**

Concession	Permit category	Environmental permits	Date granted
La India	Exploration	DGCA -250-2003-CS037-2011	23/12/2011
Espinito-Mendoza	Exploration	DGCA -POO48-1111-037-2012 (TMSA) <sup>(1)</sup> Rights transfer to Condor: DGCA -POO48-1111-037-2012-003CD-2013 <sup>(1)</sup>	06/12/2012 17/05/2013
Cacao	Exploration	R.A. No. 23-2007	23/11/2007
Santa Barbara	Prospecting	R.A. No. DTM -030-09	03/06/2009
El Rodeo	Exploration - 5 km2	DGCA – P0018-0510-001-2011	12/03/2010
Real de la Cruz	Prospecting Exploration - 29Ha	R.A. No. DTM-007-10 DGCA – P0033-1014-030-2015 <sup>(1)</sup>	12/05/2010 17/12/2015
La Mojarra	Prospection + drilling	R.A. No. Le 01- 2007 <sup>(1)</sup> Rights transfer R. A. No Le 01-009/120214 <sup>(1)</sup>	17/05/2007 12/02/2014
La Cuchilla	Prospecting	R.A. No. LE -022/091012 Rights transfer R.A. No. LE -012/060515 <sup>(1)</sup>	09/10/2012 06/05/2015
Zacatoso	Prospecting	No. LE - 011/230415 <sup>(1)</sup>	23/03/2015

**Note**

(1) Acquired subsequent to the effective date of the Technical Report.

See *“The Mining Industry in Nicaragua – Other Permits Relevant to the Mining Sector in Nicaragua”* for additional information on permitting for the La India Project.

**Accessibility**

The La India Project lies approximately 70 km due north of the capital city of Managua, and north of Lake Managua on the western flanks of the Central Highlands (see *“Business of the Company – Overview of the Properties”*).

The Project is accessed from Managua either by the paved León-Esteli Road (Highway 26) at a distance of approximately 210 km, or by the Pan-American Highway via Sebaco (approximately 130 km). The nearest town with banking services is Sebaco at a distance of 32 km.

The majority of the mineralised areas are accessible to within a few hundred metres of the paved highway via dirt tracks which require maintenance during the wet season between May and November. The crossing of small rivers proves difficult during periods of high rainfall.

**Historical Mining Activities**

The first evidence of mining activity in the area was by an English company, the Corduroy Syndicate, who operated a small mine on the Dos Hermanos Vein on the western edge of La India Concession sometime prior to the middle of the 20<sup>th</sup> Century.

Industrial-scale gold mining was initiated at La India in 1936 by the Compania Minera La India. By 1938, Noranda Mines of Canada had acquired a 63.75% interest in the company and mining continued until

1956. Between 1938 and 1956, Noranda's La India Mill is estimated to have processed approximately 100,000 tonnes of ore per annum ("tpa"). Monthly production records exist for the eight years and four and a half months of operation, between January 1948 and mid-May 1956 (Table 2 below) during which time a total of 267,674 oz gold and 294,209 oz silver is reported to have been produced from 796,476 tonnes of ore. Production records have not been sighted for 1938-1947, however extrapolation of production suggests an estimated total production of some 575,000 oz gold from 1.73 Mt of ore. This is in broad agreement with the estimate made by Roscoe, Chow & Lalonde of 576,000 oz from 1.7 Mt of ore. Roscoe, Chow & Lalonde also estimated a head grade of 13.4 g/t Au by assuming a 78% recovery from the mill. SRK considers that a recovery of between 85% and 90% is more likely which would give a head grade range of between 11.6-12.8 g/t Au.

Peak annual production was some 41,000 oz gold in 1953. The bulk of production was from shrinkage and sub-level stope mining in two areas, the La India - California Vein where some 2 km of strike length was exploited to a maximum depth of 200 m below surface, and the America-Constancia Vein and part of the intersecting Escondido Vein where again approximately 2 km of strike length was exploited to a maximum depth of 250 m below surface. Limited production was also obtained from the San Lucas vein and Cristalito-Tatascame which SRK considers to have been test stopes and to have limited impact on the overall production.

**Table 2: Summary of monthly production records and estimated production from the historic La India mill between 1938 and 1956<sup>(1)</sup>.**

<b>Recorded Production Data</b>					
		<b>Grade (Recovered oz/short ton)</b>		<b>Bullion Produced (oz)</b>	
<b>Year</b>	<b>Short Tons</b>	<b>Au</b>	<b>Ag</b>	<b>Au (oz)</b>	<b>Ag (oz)</b>
1948	112,114	0.2503	0.2970	28,065.67	33,272.11
1949	111,745	0.2657	0.2850	29,694.70	31,892.12
1950	93,465	0.2889	0.3380	27,003.70	31,611.45
1951	94,600	0.3814	0.4330	36,078.21	40,932.24
1952	102,970	0.3439	0.3640	35,414.14	37,519.70
1953	121,625	0.3442	0.3230	41,860.95	39,281.85
1954	102,955	0.3338	0.3530	34,369.81	36,238.02
1955	99,300	0.2498	0.3190	24,802.76	31,655.16
1956 (4.5 months)	39,169	0.2651	0.3010	10,383.67	11,806.71
<b>1948-1956</b>	<b>877,943</b>	<b>0.3049</b>	<b>0.3350</b>	<b>267,673.61</b>	<b>294,209.36</b>
<i>Annual Average (over 8 years 4.5 months)</i>	<i>104,269</i>	<i>0.3049</i>	<i>0.3350</i>	<i>31,790.21</i>	<i>34,941.73</i>

<b>Estimated Production</b>					
mid-1938 to end 1947 (9.6 years)	1,000,980	0.3049	0.3350	305,186	335,441
<b>Total Estimated</b>	<b>1,878,923</b>	<b>0.3049</b>	<b>0.3350</b>	<b>572,860</b>	<b>629,650</b>

**Note**

(1) Metric equivalents calculated using the following conversion factors: 1 oz = 31.103477 g; 1 tonne = 1.1023 short ton; 1 oz/short ton = 34.285 g/t; 1 g/t = 0.02917 oz/short ton.

<i>Year</i>	<b>Recorded Production Data – metric equivalent</b>				
	<i>Tonnes</i>	<i>Grade (Recovered g/t)</i>		<i>Bullion Produced (g)</i>	
		<i>Au</i>	<i>Ag</i>	<i>Au (g)</i>	<i>Ag (g)</i>
1948	101,709	8.58	10.18	872,939.9	1,034,878.3
1949	101,374	9.11	9.77	923,608.4	991,955.8
1950	84,791	9.91	11.59	839,909.0	983,226.0
1951	85,821	13.08	14.85	1,122,157.8	1,273,135.0
1952	93,414	11.79	12.48	1,101,502.9	1,166,993.1
1953	110,337	11.80	11.07	1,302,021.1	1,221,802.1
1954	93,400	11.44	12.10	1,069,020.6	1,127,128.4
1955	90,084	8.56	10.94	771,452.1	984,585.5
1956 (4.5 months)	35,534	9.09	10.32	322,968.2	367,229.7
<b>1948-1956</b>	<b>796,465</b>	<b>10.45</b>	<b>11.49</b>	<b>8,325,580.0</b>	<b>9,150,934.1</b>
<i>Annual Average (over 8 years 4.5 months)</i>	<i>94,592</i>	<i>10.45</i>	<i>11.49</i>	<i>988,786.2</i>	<i>1,086,809.3</i>

	<b>Estimated Production</b>				
mid-1938 to end 1947 (9.6 years)	908,083	10.45	11.49	9,492,348	10,433,369
<b>Total Estimated</b>	<b>1,704,548</b>	<b>10.45</b>	<b>11.49</b>	<b>9,492,348</b>	<b>10,433,369</b>

**Note**

(1) Metric equivalents calculated using the following conversion factors: 1 oz = 31.103477 g; 1 tonne = 1.1023 short ton; 1 oz/short ton = 34.285 g/t; 1 g/t = 0.02917 oz/short ton.

There has been intermittent artisanal mining activity, concentrated on the old mine workings, in the district since that time.

SRKs' re-constituted geological model of the veins suggests the depletion of some 1,465,000 tonnes of ore with a mean grade of 8.6 g/t (400,000 ounces) from the voids identified. SRK attributes the difference between this and the previously reported tonnages to be due to a number of factors. Notably:

- Potential additional mining which post-dates the depletion long-sections currently available. SRK has been supplied with the current long-section indicating depleted areas, and cross referenced these between plots completed by various owners of the Project to ensure consistency. Further work will be required to confirm any additional depletion including research into the last dated long-sections.
- The fact that SRK's model incorporates lower grade intersections to ensure geological continuity which may be conservative and may have caused drop in the grades within the high-grade core

domain. If the assumed mean grades from the historical production records are correct it represents some potential upside. Further work will be required to test this potential.

- Incomplete records of the project resulting in Inferred production for half of the mine life.

To test the risk of the potential underestimation of the amount of the Mineral Resource depleted, SRK has completed a high-level reconciliation based on the historical 2D long-sections, by calculating the areas, and using the associated underground channel samples to determine vein widths to estimate a complete volume for the depletion voids. This has been combined with the density and the mean head grade to estimate a depletion which is in the order of 1.25 Mt at 10.3 g/t for 420,000 oz of gold, which is in line with SRK estimates.

SRK consider the level of confidence in the La India deposit depletions related to the historical mining activities to be reasonable. The current level of drilling along strike and below the current depletion is to 50 x 50 metre spacing. The Company and SRK have taken considerable effort to log all mining void intersections which have been validated against the expected model.

Given lower levels of drilling by the Company to date at the America deposit, SRK considers that estimates of depletions here will have a lower level of confidence but the current study has been supplemented with more detailed maps and level plans from the historical maps to ensure the position of the development levels is accurate.

There is no record that the Central Breccia, which is located just over 1 km from the America-Constancia underground workings, had been mined prior to 2011, and it is certain that it was not exploited by Noranda or by subsequent artisanal miners.

### **History of Exploration**

The La India Mining District was explored extensively with Soviet government aid when mining in Nicaragua was state controlled (1986-1991). The organisation, Corporación Nicaraguense de Minas (“**INMINE**”), sampled the underground workings, excavated numerous surface trenches and drilled 90 holes on what is now the La India and Espinito Mendoza (“**La India-ESP**”) concessions. INMINE also produced a historical estimate for the entire La India INMINE District noting it had the potential to host 2.4 Moz gold at a grade of 9.5 g/t Au (Soviet-GKZ classification C1+C2+P1) of which 1.8 Moz at 9.0 g/t Au fell within the La India-ESP Concession, including 2.3 Mt at 9.5 g/t Au for 709,000 oz gold at C1+C2 classification. Note that the Company is not treating the historical estimate as current Mineral Resources or Mineral Reserves. It is superseded by the Mineral Resources and Mineral Reserves reported herein.

In 1994, the mining industry in Nicaragua was privatised and Canadian Company Minera de Occidente S.A. (“**Occidente**”) (subsequently renamed Triton Mining S.A. (“**Triton**”)) obtained a large concession holding including the entire La India Project excluding the Espinito San Pablo and Espinito Mendoza Concessions. The Espinito San Pablo Concession was subsequently sold to Occidente, and in 2011 was officially merged into the La India Concession. The Espinito Mendoza Concession was held by a private Nicaraguan company until 2006 when it was temporarily sold to Triton until it was returned to the original owners and assigned to the Company in 2012.

Exploration during this period, 1994-2009, was undertaken by a combination of the concession holders Occidente/Triton and by joint venture or option partners. It is worth noting that the owners of Nicaraguan registered Triton have changed through time from a joint ownership by Triton Mining Corporation and Triton USA to Black Hawk Mining Inc. (1998) to Glencairn Gold Corporation (“**Glencairn**”) (2003) to Central Sun (2007) and finally to B2Gold (2009).

The following outlines the principal periods of exploration undertaken by Triton and its joint venture partners on the La India Project during this period.

#### *1996-1998*

TVX Gold Inc. ("**TVX**", a Canadian listed mining company) evaluated the La India Concession and outlined a historic estimate of 540,000 oz gold and 641,000 oz silver on the La India and America-Constancia veins. This historical resource estimate was prepared before the adoption of NI 43-101 and the Company is not treating the historical estimates as current Mineral Resources or Mineral Reserves. It is superseded by the Mineral Resources and Mineral Reserves reported herein. TVX re-opened a number of adits and collected approximately 500 underground channel samples. It also mapped the principal veins at between 1:500 and 1:1,000 scale using tape and compass mapping and trench sampled over 500 trenches for over 800 channel samples. The UTM coordinates presented on the map sheets at the start of each traverse appear to be NAD27 format, but field verification by the Company has demonstrated that the coordinates are inconsistent with field locations and that no consistency in the error is present. The reason for the difference in coordinates is not known, however the Company has undertaken and continues to undertake a programme of relocating TVX maps and trenches on a systematic basis. Only verified trench locations have been included in the digital database provided to SRK. TVX also drilled 12 drill holes for 2,204 m into the La India Vein system, principally targeting the down dip extension of the India Vein below mine workings and a couple of shallow drillholes testing the orthogonal Arizona Vein.

#### *1996-2010*

Triton completed 8 drill holes for 1,509 m on the India Vein testing mineralisation down dip and along strike of the main mine workings. The assay results were not reported and the core was re-sampled by the Company in 2010/11, with the results incorporated in the most up to date exploration database.

#### *2000-2001*

Under an option agreement, Newmont Mining Ltd. ("**Newmont Mining**") undertook regional mapping and some trench sampling in the district in this period targeting low grade bulk mineable stockwork zones. Its main area of focus was the north and east of the La India Project.

#### *2004-2005*

Between 2004 and 2005, Gold-Ore Resources Ltd ("**Gold-Ore**"), through a joint venture with Glencairn over the northeastern part of the La India Concession, conducted underground sampling and drilled 10 diamond core holes for 1,063 m into the Cristalito-Tatascame Vein of La India Concession. Underground sampling of the 570 m level returned a weighted average of 1.6 m with a mean grade of 21.7 g/t Au. The drilling confirmed mineralisation over a 200 m strike length to a depth of 150 m with best intersections of 5.3 m at 9.43 g/t Au from 94.6 m in drillhole DDT-09. Three exploratory drill holes were also drilled by Triton beneath gold mineralised stockwork zones in the east of the Project area on what is now the Real de La Cruz Concession. They returned narrow zones of low to moderate grade in two of the drillholes.

#### *2006*

In 2006, Triton completed a number of twin trenches, including at least nine on the Tatiana Vein, which confirmed the Soviet intersections. It also completed three drillholes on the part of the Tatiana Vein that falls within the Espinito-Mendoza Concession, the results of which were disappointing and included twinning of a Soviet drill hole PO74 which returned only 0.8 m at 6.94 g/t Au compared with the original Soviet intercept of 2.7 m at 11.25 g/t Au. It is noted that recovery through the mineralised zone was poor, typically less than 70%. This contrasts with the Soviet drilling which used short interval percussion drilling through the ore zone to avoid the recovery problem. It is speculated by the Company that the poor recovery in the diamond drilling is the cause of the low grade, further verification work will be required to test this theory. In 2007, Triton published an NI 43-101 Inferred Mineral Resource of 558 Kt at 8.8 g/t Au for 158,600 oz gold for the part of the Tatiana Vein. Note that the Company is not treating the historical

estimates as current Mineral Resources or Mineral Reserves. It is superseded by the Mineral Resources and Mineral Reserves reported herein.

## **Geological Setting and Mineralisation**

### *Regional Geology*

The La India Mining District is located within a Tertiary-aged island arc volcanic setting formed on the edge of the Caribbean Tectonic Plate where it over-rides the subducting Cocos Plate, off-shore beneath the Pacific Ocean in what is colloquially known as the Pacific Rim of Fire. The La India epithermal gold system is near the southwestern margin of a broad belt of Tertiary volcanic rocks that forms the Central Highlands of Nicaragua. The Central Highland Volcanic Belt is bounded to the east by a major arc-parallel normal fault that marks the edge of the NW-SE orientated Nicaraguan Graben. The western boundary of the Central Highland volcanic belt is less well defined. The topography gradually drops to the East to a lower coastal plain where the surficial geology is a mix of Eocene-aged volcanic cover (Ehrenborg, 1996) and older basement rocks. The basement rocks are pre-Jurassic low metamorphic grade phyllites and schists, granites, ultramafics and carbonate sediments (Venable, 1994).

Two volcanic sequences are generally recognised in the Central Highlands:

- The Matagalpa Group - a widespread thick lower sequence of intermediate to felsic pyroclastic deposits and ignimbrites interpreted as having been deposited as a result of shield volcanism during the Oligocene.
- The Coyol Group - basaltic, intermediate and felsic volcanic flow and pyroclastic rocks originating from numerous volcanic centres forming felsic domes, basaltic to andesitic strato-shield volcanoes or caldera complexes and interpreted to be Miocene to Early Pliocene age (Ehrenborg, 1996).

The Central Highland Volcanic Belt was originally formed from magma derived from the northeast-directed subduction of the Cocos Plate beneath the Caribbean Plate. Subsequent roll-back of the subduction zone has shifted the volcanic activity further southwest. Two principal structural fabrics are recognised in Nicaragua:

- Deep-seated arc-normal NE-SW orientated fabrics comprising both ductile shear zones in the Mesozoic basement rocks and more brittle faults in the overlying Tertiary rocks, and
- Brittle deformation fabric of arc-parallel NW-SE orientated faults and associated linking structures. This structural fabric hosts the majority of the gold mineralised veins at La India.

In interpreting the structural setting of the Central Highlands and adjacent areas Weinberg, 1992 recognised three post-Oligocene phases of deformation in Nicaragua as follows:

- Late Miocene to Early Pliocene: NE-SW-directed compression and uplift in close temporal association with opening of NE-oriented fractures;
- Pliocene to Early Pleistocene: rollback of the subduction zone resulting in extension along NW-trending normal faults of the Nicaragua Graben; and
- Late Pleistocene to Recent: dextral transcurrent deformation along arc-normal NE-SW trending faults under subduction-related stresses and associated with the active volcanism in the Nicaragua Depression.

### *District Scale Geology*

The La India Mining District is located towards the southwestern edge of the Central Highland Volcanic Arc within Middle Miocene to Early Pliocene strato-shield and caldera volcanic complexes of the Coyol Group (Ehrenborg, 1996). At La India the volcanic complexes have been disrupted by a series of NW-SE and NE-SW orientated faults making it difficult to define the boundaries between adjacent volcanic complexes. Topographic and geophysical data suggests that the main La India gold mineralised area lies between two large volcanic calderas. The best defined, and interpreted as the younger, caldera is located approximately 6 km to the southeast of the concession area while a less well defined, interpreted as older, caldera lies approximately 6 km to the northwest.

Hydrothermal fluids generated by volcanic activity prior to and after the formation of one or both calderas probably migrated through pathways generated by extensional faulting associated to the formation of the Nicaraguan Depression. Multiple fault displacements allowed for repetitive mineralisation as evidenced by the presence of multiple stage veins and breccias.

### Rock Types

Only the central mineralised area of La India Mining District has been mapped to date, however reconnaissance exploration suggests that the same rock types are present throughout the district. Mapping and drill core re-logging exercises carried out across the three principal vein sets at the core of the mining district; La India, America and La Mestiza vein sets, have identified seven basic-felsic lava flows and pyroclastic deposits, assigned to the Coyol Group. The surface mapping and drill hole logging data was used to produce 3D interpretations of the main prospects. Although surface mapping has not been extended to the outlying mineral resources of Cacao, Cristalito-Tatascame and San Lucas, the same units are recognised on all three prospects.

A summary of the rocks from youngest to oldest, namely: quaternary alluvium, porphyritic andesite, felsic lava, felsic pyroclastic breccia, felsic lapilli tuff, andesitic lapilli tuff, basaltic andesite lava, and volcanoclastic sandstone, is shown in Table 7-1 of the Technical Report under the heading “*Geological Setting and Mineralisation – District Scale Geology - Rock Types*”.

### *Structural Geology*

The La India Mining District is located near the intersection of two major regional structures: the NW-SE orientated arc-parallel normal fault of the Nicaraguan Graben located 10 km - 30 km to the southwest of the District, and a perpendicular NE-SW orientated arc-normal structure that forms a major topographic feature that cuts through the Project area.

Faulting attributed to the extensional regime that forms the Nicaraguan Graben is particularly well developed near the graben-bounding fault where La India is situated. Structures developed at La India under this SW-directed extension are thought to have taken place at a very high crustal level as would be expected during rollback of the subduction zone. The La India Mining District is characterised by a system of multiple linked faults with differing dimensions and displacements which relate each other kinematically and spatially and have the overall geometry of a graben-like structure centred along a NW-SE orientated axis that runs through the America Vein Set at the centre of the La India District. The graben-like geometry is recognised by a dominantly north- to east-dip in structures located to the south and west of the axis, and a dominant south- and west-dip in structures located to the north and east of the axis.

The linkage structures between the faults are envisaged to have occurred at a relatively early stage in the development of the fault system; that is, after little displacement had occurred. Any displacements on a fault had to be accommodated away from the fault by the creation of new fractures, consistent with high-level brittle fault systems in massive volcanic rocks.

The major NE-SW striking structure that cuts through the southern part of La India Vein and forms a major downthrown Sebaco Graben block to the southeast is interpreted as a later, possibly post-mineralisation cross-cutting fault. The amount of movement along this fault where it cuts the La India vein is thought to be minimal as this location is interpreted to be close to the hinge of the fault and it is interpreted to be a scissor fault with increased downthrow along strike to the northwest where the Sebaco Plains are formed. Regional mapping suggests that it is a long-lived structure as it can be traced for hundreds of kilometres into older basement material to the northeast.

### Gold Mineralisation

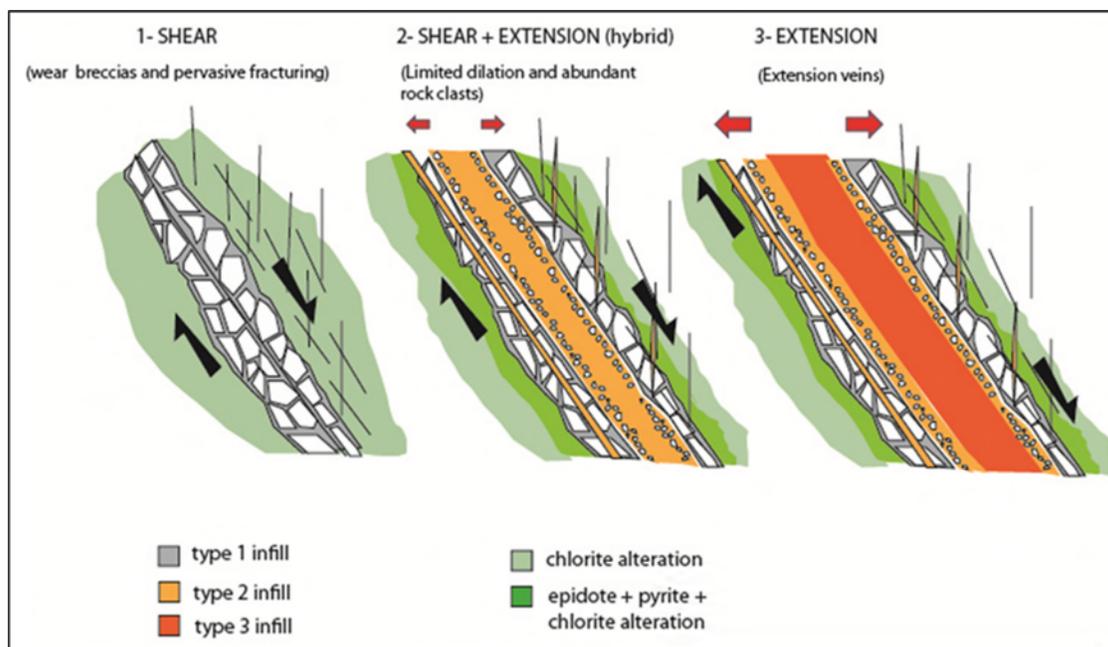
The bulk of the gold mineralisation at La India District occurs as shallow, low sulphidation epithermal veins and breccia-fill within structures interpreted to have formed under the Pliocene to Early Pleistocene SW-directed extensional tectonic regime.

Faulting was active at the time of vein emplacement, with some areas displaying tectonic brecciation of early vein phases sealed by later vein phases. The following principal structural orientations developed syn- and post-gold mineralisation and therefore host gold mineralised epithermal veins as follows:

- Epithermal veins hosted by WNW-ESE trending structures, such as the America Vein, have the longest traces and are interpreted to have formed as a response to a NE-SW oriented extensional regime which formed the Nicaraguan Graben during the Late Miocene to Early Pliocene. The epithermal veins hosted by these structures are interpreted as tensional veins or as fault-hosted shear veins.
- Epithermal veins hosted by NNW-SSE to N-S oriented linking structures which formed between the WNW-ESE vein systems, relaying displacement through the system as whole. These veins filled spaces formed under a trans-tensional regime with the oblique stress direction forming overlapping arcuate veins linked by wide quartz breccia zones in the flagship NNW La India-California Vein.
- E-W to ENE-WSW trending epithermal veins interpreted by the Company as the final stage of development possibly associated with the late stage reactivation of deep-seated NE-trending structures.

### *Mineralisation Types*

The fault infill of the La India vein comprises three principal types of vein core and breccia infill composition and textures. The components and their internal organization have been described in sequence (below) to define the deformation regime and para-genesis of the mineralisation events (Figure 2).



**Figure 2: Mineralisation Types**

*Type 1* - Early massive/banded grey-quartz cement occurring principally as stockwork, jigsaw fit and hydraulic chaotic breccia facies. The Au mineralisation occurs at the lowest grade in this first stage (<1 ppm Au). The breccia facies occurs principally in the foot-wall with strong to pervasive silica alteration, the thickness is variable but can be up to 4 metres wide.

*Type 2* - Fine white quartz occurs as banded and massive veins, commonly replacing platy calcite textures and tectonic breccia infills. This stage contains sulfide-rich bands of sphalerite ± pyrite with intermediate grades of up to approximately 10 ppm Au.

*Type 3* - This stage is characterized by coarse-grained white quartz + hematitic silica and interlayered fine grained sulfides. Crustiform, coloform and banded textures are dominant in this stage. Grades are highest in this stage with values commonly greater than 10 ppm Au.

Some bands are composed of microcrystalline quartz + adularia. Fine-grained ore minerals consist of chalcopryite with secondary malachite. SEM analyses identify acanthite -rich ( $Ag_2S$ ). Ore-mineral bands are composed of chalcopryite + sphalerite + jalpaite ( $Ag_3CuS_2$ ) + pyrargyrite ( $Ag_3SbS_3$ )/proustite ( $Ag_3AsS_3$ ) ± galena. This stage is exclusively observed in extensional regime veins and commonly cross-cuts early breccia facies.

The surrounding fault-wall damage has been observed over more than 10 m width at La India vein where it is composed by sheeted veins, stockwork zones with stage 1 and 2 infill cements.

### Vein Morphology

The morphology of the veins reflects the orientation of the structures that the veins fill. The Company has recognised the following styles of gold mineralised veins within La India Mining District.

- Stacked arcuate anastomosing veins and quartz breccias dipping between 45° and 75° along a 1.5 km strike length on the principal La India-California structure. This system is interpreted as forming under a trans-tensional stress regime with tectonic movement along a line of arcuate fault planes with stress transferred between fault planes through development of breccia zones.

- Single discrete planar veins and multiple parallel planar veins (America and La Mestiza vein sets) with strike continuity of 1 km - 3 km and widths ranging from 0.5 m to 4 m.

### Mineralisation

The gold in the low sulphidation epithermal quartz vein and quartz breccia gold mineralisation that constitutes the bulk of the mineral resource outlined to date occurs as fine grained electrum and native gold ranging in size from 11 microns to 315 microns in length and from 6 microns to 300 microns in width. Metallurgical tests carried out by Inspectorate at Lakefield, Ontario, Canada show that 70% of the gold is in the 75 to +50 micron size fraction. A minor proportion of the gold was reported to be present as blebs within iron oxy-hydroxides. Quantitative Evaluation of Minerals by Scanning Electron (“**QEMSCAN**”) carried out by Process Mineralogical Consulting Ltd. as part of a metallurgical testwork by Inspectorate at Lakefield, Ontario, Canada, on mineralised material from La India and America Vein samples are mainly quartz and K-feldspar with minor amounts of plagioclase, micas (biotite + muscovite), clay minerals and Fe-oxide minerals (hematite, magnetite, ilmenite), as well as trace amounts of pyrite and mafic minerals (amphibole, chlorite, epidote) associated with propylitic alteration proximal to the La India veins.

Galvan (2012) indicates that propylitic alteration can be subdivided into early and late episodes. The early episode is associated with the central La India vein system and consist of chlorite and pyrite alteration haloes extending to less than 15 m wide around the central La India vein and associated with early (Type 1 and 2) grey quartz breccia infill. A second episode of propylitic alteration occurs towards the south of the La India deposit and consist of epidote + pyrite + chlorite ± calcite associated with Type 3 white quartz mineralisation extending around 16 m from the ore zone.

QEMSCAN analysis on mineralised material from the Central Breccia showed this to have a significantly different mineralogy to the other veins at La India being composed of mainly quartz, mica and carbonates (mainly calcite) with moderate amounts of K-feldspar plus minor amounts of plagioclase, pyrite and Fe-oxides and trace amounts of arsenopyrite, clays and mafic minerals.

### *Deposit Scale Geology*

#### La India

The La India Vein Set comprises two cross-cutting structures. The bulk of the mineral resource is hosted by the India-California structure, a normal fault striking 330° and dipping ENE at approximately 70° in the southern zone, 50-60° in the central zone and 45° in the northern zone. The India-California structure displays evidence of trans-tensional movement with a sinistral transverse component inferred.

In the hangingwall zone a series of steep-dipping veins have formed in contact with the main structure that are interpreted as tension gash fill. The result is a thick mineralised sequence of anastomosing quartz veins and breccias. At the southern strike extent of the structure the mineralised veins do not reach surface but drilling has demonstrated that the mineralised fault system remains open along strike at depth.

A smaller mineral resource is contained within the approximately East-West striking Teresa-Agua Caliente-Arizona veins. These veins form a set of discrete, parallel, and vertical to steeply north-dipping veins.

#### America Mine

The gold mineralisation at America occurs along the faulted contacts which separate three structural blocks. The America-Escondido structure forms two of the three recognised block boundaries. The structure is characterized by a 60° bend between the America fault which strikes 300° and dips approximately 55° to the northeast and the Escondido fault which strikes north and dips at approximately 45° to the east. Both the America and Escondido fault limbs are planar normal faults, typically 1 m – 3 m

wide and characterized by the development of sand to gravel-grade cataclastic textures on the principal fault plane and small, metre-scale tension gashes in the hangingwall. A wider quartz breccia has developed at the flexure zone. The Constancia veins are hosted by a steeper dipping structure striking at 270-290° and dipping at approximately 70° to the north.

### Central Breccia

The Central Breccia is a multi-stage hydrothermal breccia deposit hosted by a massive porphyritic andesite located at the centre of the graben-like structure that runs down the axis of the America Vein Set near the intersection with the regional cross-cutting NE-Fault. Drilling has shown that the andesite overlies a felsic pyroclastic breccia. Two stages of hydrothermal breccia development are recognised, an early hydraulic breccia with evidence of clast movement and rotation and a silica-cemented microbreccia matrix, and a later crack and fill brecciation with calcite-cement containing anomalous gold values formed under a more passive dilational regime.

The Central Breccia deposit is interpreted as a breccia pipe and is characterised by wide zones of jigsaw-fit chlorite-altered andesite, cemented by silicified microbreccia and crystalline calcite.

Gold mineralisation is associated with a later calcite and quartz calcite crack and seal breccia. The breccia typically has gold grades of 0.1 g/t to 0.2 g/t, within which high-grade zones (interpreted as shoots within the wider breccia pipe) typically over 10 m thick and grading between 2 g/t and 7 g/t gold occur. The high-grade zones are often associated with sulphide minerals and intense argillic alteration and quartz veins.

### Weathering

In most cases, including the La India and America veins, gold mineralised quartz veins and breccia zones form resistant ridges. In contrast, in some cases, such as the La Mestiza and Cristalito-Tatascame areas, the gold mineralised structures occur within intensely weathered saprolitic bedrock (reported to extend to a depth of approximately 20 m). Within the saprolitic zone, gold values obtained from near surface vein material are only weakly anomalous, whereas samples from the base of the saprolitic zone are higher, suggesting either that the surface zone is above the higher-grade gold mineralisation of the boiling-zone of that near surface leaching and basal enrichment within the zone. Silver is also present, but there are no detailed reports describing its occurrence and character.

Near the topographical surface the rock types present signs of extensive weathering, being transformed into saprolite. This can extend up to 20 m depth and is defined as Moderate Weathered Rock ("**MW**") and Highly Weathered Rock and can be generally described by:

- **Overburden Soils and Highly Weathered Rock – (CW)**

Overburden consists of less than 1 m – 10 m of colluvium showing little evidence of transportation and usually consisting of subangular to angular gravel to block sized rock fragments in a sandy to silty matrix. The overburden overlies highly weathered rock which often contains completely weathered intervals resembling a residual soil. The highly weathered rock contains frequent core stones of moderately to slightly weathered rock. The depth of the base of this unit varies but it is usually less than 20 m thick. The weathered rock is of weak strength and of very poor to occasionally moderate rock mass quality. Very close to close joint spacing prevails. Joints are filled with red brown clay and limonitic silt.

- **Moderately Weathered Rock mass – (MW)**

Below the highly and completely weathered rock zone follows a 20 m – 30 m thick undulating blanket of moderately weathered rock. The thickness of this weathered zone increases to 30 m – 50 m in the southern hangingwall (SE pit area).

- **Fresh Rock Mass – (FR)**

Fresh rock mass is the unaltered rock that lies below the highly and moderately weathered rock mass zone.

### **Deposit Type**

The gold mineralisation at La India is interpreted as to have been deposited in a high level, low sulphidation epithermal system. The mineralisation itself occurs associated both with quartz vein systems and within well-confined hydrothermal breccias.

The veins and stockwork zones are hosted within massive andesites, andesitic and felsic tuffs or felsic lava flow deposits. Veins are typically less than 3 m in width, but stockwork zones and stacked stockwork-vein zones can be up to 25 m wide.

Quartz veins, often including a brecciated component, vary in thickness and are most typically between 0.7 m and 2 m in thickness. In many areas, the wallrock hosts a breccia or stockwork zone with vuggy quartz veinlets up to 5 cm thick and accounting for up to 70% of the rock mass. The breccia/stockwork zone is typically up to 10 m thick and is associated with silica-haematite alteration. The quartz in the breccia zone may be gold mineralised, although the country rock component means that gold grades are diluted compared to the veins.

The grade of gold and silver can vary from a few grams per tonne to significant intersections with grades in excess of 30 g/t (>1 oz/t). Gold mineralisation occurs as fine gold-silver amalgam with a gold to silver ratio of 1 to 1.5.

The “Central Breccia” deposit is interpreted as a gold-mineralised hydrothermal breccia with, low grade gold mineralisation is associated with carbonate breccia cement and high-grade gold mineralisation is associated with argillic alteration and sulphide mineralisation.

### **Exploration**

The following disclosure under the heading “*Exploration*” has been extracted from the Technical Report. For a summary of Condor’s exploration activities on the La India Project subsequent to the effective date of the Technical Report, see “*Business of the Company*” and “*Management’s Discussion and Analysis*”.

#### *Condor Mapping*

The Company has completed a 1:5000 scale update of the geological map focused on the La India, America and Mestiza vein sets with on-going refinement of the historical maps.

#### *Geophysical Study*

During 2013 the Company completed a geophysical survey of the Project. In total a 3,351 km line helicopter borne geophysics programme was completed comprising radiometric and magnetic surveys which resulted in a high quality dataset suited for interpretation on both regional and project scales. The main survey was flown on 100 m spaced lines with an azimuth of 030/210° with tie-lines flown at right angles to the main survey lines on 1,000 m line-spacing. The heliborne geophysics data has been processed by Lubbe Geophysics Inc. (“**Lubbe**”).

The radiometric data sets correlate well with known mineralisation and can be used as a direct tool to map vein presence. The recognition of the geophysical properties associated with the known veins and extrapolation of those characteristics into other less well-mapped areas demonstrates that only a small part of La India Project has been tested by drilling, which increases the potential to find additional Mineral

Resources within the area. The Company has identified two prospective regions in the north and northeast of La India Project which have similar geophysical signatures to the main Vein Sets.

The radiometric responses are robust and well-defined in the survey area. The potassium response, as well as the thorium to potassium ratio, has a strong correlation with areas of known veining in the core of the La India Project. Maps of these data sets show other areas within the Project area with a similar high potassium and low thorium:potassium ratio that may host undiscovered vein zones, which warrant further follow-up exploration.

The reduced-to-pole magnetic data shows a general WNW to NW-striking fabric over much of the survey area. The known veins are mostly parallel to these trends and are often associated with zones of disrupted magnetic signature that reflects the localised destruction of magnetite. Similar structures can be traced through less well explored parts of the Project area. The identification of disrupted signatures on these structures provides a targeting tool for future exploration.

The study identified a series of alternating NW-striking magnetic highs and lows evident when the 100 m upward continued directional filter is applied suggests that the basement is made up from a series of parallel and sub-parallel horst/graben features, which supports the original geological model. It is hypothesised that sigmoidal patterns are possibly the result of the slight angles between the grabens, or alternatively, an indication of the presence of extensional faults, which will require further exploration to confirm.

In Lubbe's report to the Company, it has been concluded that radiometric and magnetic data can be correlated to the known gold mineralized veins. The mineralised veins are associated with elevated potassium, especially where elevated relative to thorium, and with destruction of the magnetic signature, effects attributable to potassic alteration and magnetite destruction respectively by the epithermal fluids that deposited the gold mineralised veins. The identification of a similar geophysical signature elsewhere in the Project area can be used to target exploration for both the discovery of new gold mineralisation and the prioritization of the many existing gold anomalies recognized in the existing rock chip sampling database.

#### District-Scale Interpretation by the Company

The Company's geologists have used the results from the airborne magnetic and radiometric surveys, in conjunction with satellite derived topographic data, to develop a district-scale geological model of the La India Project's epithermal gold mineralisation system. Topographic and magnetic data were used to identify the structural system that provides the conduits for gold-bearing fluids, with radiometric potassium concentration indicative of the amount of hydrothermal fluid flow.

Following geological interpretation, the most significant geophysical anomalies identified (referred to by the Company as 'backbones') relate to the structure that hosts the La India and America deposits, two structures in the south west of the Project area (San Lucas and Dos Hermanos) and a further structure towards the north east (Andrea). Eight priority targets were identified as under-explored areas within prospective geological settings, with initial follow-up rock chip sampling enabling a ranking of the targets and the development of regional exploration plans.

#### *Surface Trenching*

Surface trenches have been excavated to access and sample in situ rock beneath overburden, which is typically less than 2.5 m in depth. Previous trenches and those produced by the Company prior to 2012 were excavated using manual methods, and there are therefore some areas with thicker cover where trenching failed to reach bedrock (resulting in areas where no samples were taken). In total almost 1,021 trenches for approximately 9,900 m have been completed historically during exploration by the different companies. The following trenching programmes have been completed by the Company:

- During 2011 the Company excavated a number of trenches to assist in the geological definition of certain veins by confirming the location of surface projections. An additional trench programme was completed over the central portion of the La India vein-system in an area which was mapped as having breccia material. The resultant trenches located a relatively wide breccias zone at surface (40 m – 50 m wide) in two trenches 25 m apart, providing the Company with an area for further follow-up investigation. A 235 m manual trenching programme was completed to follow-up a gold mineralised rock chip sample collected on the Central Breccia Prospect. A significant surface mineralisation zone was defined which was subsequently confirmed by drilling.
- In 2012, the Company excavated a number of trenches using a mechanical excavator to sample bedrock beneath colluvial material that was between 2 m and 4 m deep on the hangingwall of the central portion of the La India Vein. The resulting mineralised intercepts which included some wide gold mineralised breccia zones were correlated with underlying drillhole samples to help guide the geological model to surface. Further infill and extension trenching using a combination of manual and mechanical trenching was completed on the Central Breccia to try and better constrain the surface gold mineralisation. A total of 1,392 m of trenching has been completed on the Central Breccia to date defining a 150 m x 300 m alteration zone and a 70 m x 150 m core containing zones of high-grade gold mineralisation.
- In 2013, the Company completed a number of trenching programmes, the focus of which was the America-Constancia-Escondido veins where a total of 37 trenches for 2,694.8 m were completed testing for potential additional mineralisation in the wall rock in proximity to the veins, and for additional parallel features. At La India 4 trenches (732 m) were excavated at the north west of the deposit. The final phase of trenching (5 trenches for 799 m) was completed within the Mestiza veinset between Tatiana and the Buenos Aires veins to test for potentially additional veins within this region of the deposit.
- In 2014 the Company completed another trenching campaign which focused on testing a number of regional targets (including Dos Hermanos, San Lucas and Real de la Cruz) that were identified as having potential near surface gold mineralisation based on geophysics and rock chip sampling. The most encouraging results were related to the Real de La Cruz Concession where 51 trenches for 3,995 m were completed and identified a low-grade surface gold anomaly along a 1,100 m strike length. Data from the 2014 trenching campaign has not been included in the September 2014 Mineral Resource estimate.

For a summary of Condor's exploration activities on the La India Project subsequent to the effective date Technical Report, see *"Business of the Company"* and *"Management's Discussion and Analysis"*.

Trenches were marked out with spray paint to every metre. Samples were taken metre by metre in areas of interest, alteration or veining, and occasionally two metre long samples in areas of unaltered ground, at the discretion of the supervising geologist. Trench samples were collected from a 5 cm to 10 cm wide channel on a clean wall of the trench approximately 5 cm to 10 cm above the trench floor. Wherever possible, samples were always taken from the same side of the trench. The samples were continuous channel samples taken using a geological hammer, a hammer and chisel or a hand-held motorised rock saw in areas of hard rock. Material was collected onto a cleaned sheet of plastic to avoid contamination. The sample was then poured into a labelled sample bag with an average weight of 3 kg to 4 kg.

#### *Underground Sampling*

Historically, some 10,000 original underground mine grade control channel samples were taken on 11 veins within the La India Project. This sample data has been digitised from original hand-drawn vertical longitudinal sections ("**VLP**") at a 1 inch to 50 feet scale (c.1:600). The VLP show the sample width measured in feet to one decimal place and the grade measured in Troy ounces per Short Ton to two decimal places (equivalent to 0.34 g/t Au). Samples were collected at 6 ft (about 2 m) intervals along development drives and raises. It is assumed that the standard mining practice of collecting a horizontal

channel sample across the development face using a lump hammer and chisel was followed. The data has been digitised and re-projected into the original 3D position for use in the mineral resource estimate.

The historically reported underground widths and grade have been validated using more recent underground sampling (See *“The La India Project – Data Verification”*). Notably, between 1996 and 1997, TVX collected over 350 underground samples from accessible underground workings including La India, America and San Lucas. Geologically controlled roof and wall continuous chip channel sampling using a lump hammer and chisel was undertaken. Samples were taken perpendicular to the mineralised geological structure where possible. Gold-Ore also collected 32 underground samples from the upper level of the Cristalito-Tatascame underground workings in 2005 using a similar technique.

The Company has recently collected a limited number of underground mine sampling. In this case, separate samples have been taken horizontally from the hanging wall, vein and footwall in the side wall of the adits.

The protocol for mine sampling is summarised as follows:

- Samples were taken horizontally across the wall due to the high angle dip of the veins.
- The sample lengths were measured horizontally and are not true widths measured perpendicular to the vein.
- Samples were taken by the Company samplers under the instructions of a geologist of the Company.
- The samples were taken in a continuous channel by hand using a lump hammer and chisel.
- The sample was collected directly into the sample bag which was held open immediately below the sample channel.
- Some of the larger pieces of rock were broken by hammer during the quartering process.
- The sample was collected in a small bag of thin plastic which was sealed by tying a knot in the top. The sample weight was 3.0 kg to 4.0 kg.
- The sample location and sample type was written in a book of consecutively numbered assay tags and a tear-off numbered tag was placed in the sample bag. A geological description was made and recorded on the drilling logs.
- The mine samplers recorded the sample location by sample number on a 1:50 scale hand-drawn cross-sectional log and filled out a Microsoft Excel spreadsheet recording collar, survey, sample and geology in a format that is compatible with Micromine 3D mining Software.

#### *SRK Comments*

SRK has reviewed the sampling methods and sample quality for the La India Project and is satisfied that the results are representative of the geological units seen and that no underlying sample biases have been introduced. SRK does however comment that in some areas due to topographic constraints that it has been difficult to ensure/verify that full sample have been taken. SRK recommends efforts be made to ensure consistent sample volumes are taken during all trench programmes which can be monitored by clearly marking the face of the trench prior to sampling to ensure a consistent width and where possible depth of sample is taken. The aim of the programme should be for a trench sample to have equal volume/weighting as a diamond drill hole. SRK would recommend a before and after sampling photo be taken of all trench sampling as part of an internal quality control programme. The analytical QAQC results for the 2013 trench sampling campaign are presented in Section 12.5 of the Technical Report (see *“The*

*La India Project – Data Verification - QAQC for Condor 2013 Submissions to BSI Laboratories”* below for additional information).

The use of long trench sampling using a mechanical excavator to sample bedrock beneath colluvial material that was between 2 m and 4 m deep has proved a useful exploration tool since 2012 and has been successfully used to identify surface exposures of the La India – California veins, the more recently discovered Central Breccia deposit and the additional features parallel to the America and Constanca veins.

It is SRK’s view that the density and quality of samples is sufficient to support the Mineral Resource Estimate as reported.

### **Drilling**

A summary of the total metres drilled per programme and per vein is shown in Table 3. Note that in addition to the drilling shown in Table 3, Triton completed an additional three preliminary exploration holes on the Real de la Cruz vein. At present no Mineral Resources have however been declared for this target. The following disclosure under the heading “*Drilling*” has been extracted from the Technical Report. For information on the Company’s drilling activities subsequent to the effective date of the Technical Report, see “*Business of the Company*” and “*Management’s Discussion and Analysis*”.

**Table 3: Summary of Drilling Statistics per Company and Deposit (September 2014)<sup>(1)</sup>**

		Data			
Company	Prospect	Count	Sum Depth	Min Depth	Max Depth
Soviet-INMINE (1987 - 1990)	America	18	2,539.7	69.4	432.4
	America-Guapinol	2	510.3	231.0	279.3
	Buenos Aires	12	1,126.6	60.0	143.4
	Espinito	6	1,043.6	146.0	201.2
	Guapinol	34	3,008.6	27.8	253.2
	La India	6	1,805.8	233.6	396.1
	Jicaro <sup>(2)</sup>	1	108.6	108.6	108.6
	Tatiana	20	2,107.4	56.8	182.1
Soviet-INMINE Total		99	12,250.5	27.8	432.4
Triton Minera (2004 - 2007)	La India	8	1,509.0	131.0	215.0
	Real de la Cruz	3	457.0	110.0	208.0
	Tatiana	3	619.1	180.0	253.5
Triton Minera Total		14	2,585.1	110.0	253.5
TVX (1996 - 1997)	Arizona	3	310.9	78.4	142.6
	La India <sup>(3)</sup>	9	1,892.9	124.1	300.6
TVX Total		12	2,203.8	78.4	300.6
Gold Ore (2005)	Tatescame	10	1,063.5	37.0	180.0
Gold Ore Total		10	1,063.5	37.0	180.0
Condor (2007 - 2013)	America	42	5,267.8	41.0	307.0
	Arizona	6	1,135.8	102.1	239.3
	Cacao	22	2,170.5	47.0	185.1
	Central Breccia	21	3,185.5	80.7	231.0
	Constancia <sup>(3)</sup>	10	1,522.3	46.8	265.6
	Escondido	14	1,090.9	19.0	167.3
	Guapinol	9	1,648.6	40.5	413.2
	La India <sup>(3)</sup>	180	28,618.7	32.0	327.0
	San Lucas	7	1,215.0	97.5	303.0
	San Lucas-Capulin	5	570.8	47.3	195.0
	Tatiana	11	1,792.5	94.1	227.4
	Teresa	2	367.3	135.6	231.6
	Teresa Agua Caliente	1	190.5	190.5	190.5
Condor Total		330	48,776.2	19.0	413.2
Grand Total		<b>465</b>	<b>66,879.1</b>	<b>19.0</b>	<b>432.4</b>

**Notes**

- (1) Summary of drilling used as the basis for the September 2014 Mineral Resource Estimate
- (2) Not included in current Mineral Resource.
- (3) Includes wedged holes with depth counted from deviation from parent drill hole.

SRK has reviewed the drilling, sampling and core-logging methodologies used by the Company on an ongoing basis and has worked closely with the Company's geological team during the re-logging and interpretation of the hangingwall vein interpretations. SRK is satisfied that all the available information has been gathered in a correct and detailed manner and that the interpretations are consistent with the geological model.

SRK has reviewed the sampling methods and sample quality for drilling database for the La India Project and is satisfied that the results are representative of the geological units seen. Furthermore, no underlying sample biases have been identified. SRK has reviewed the core handling and logging and sampling procedures employed by the Company during the site visit which showed clearly marked sampling intervals. It is SRK's view that the sampling intervals and density of samples are adequate for the definition of the Mineral Resource Estimate presented herein.

### **Sample Preparation, Analysis and Security**

#### *Historical Preparation and Analysis*

No reports describing the sample preparation and analysis of the underground grade control samples collected during the previous mining operations are available. In line with common practice at the time, it is assumed that samples were prepared and analysed at an on-site laboratory using standard techniques of the time; fire assay with gravimetric finish. The gold grade is recorded in troy ounces per short ton to two decimal places which equates to a reported precision and minimum reported grade of 0.34285 g/t Au. No silver assay results are available.

During its exploration programme, the Soviet-aided INMINE completed laboratory investigations using fire assay for gold and silver with atomic absorption analysis. Gold results are reported with 0.1 g/t and silver with a 5 g/t detection limit. In some cases, semi-quantitative spectral analysis has been conducted for 23 elements. Other tests completed include ore mineralogical analysis, silica rock analysis, petrography and mineralogical analysis.

For the fire assay, all the channel and core samples were sent. The preparation and analysis for gold and silver was conducted at the INMINE Laboratory in Managua, as per the Swedish methodology used by all the geological and mining companies in Nicaragua:

- the sample material was crushed down to 3 mm - 5 mm with a weight of 150 g – 200 g and passed through a 200 mesh;
- the +3 mm - 5 mm fraction was returned to the customer;
- the split for analysis was pulverized;
- 25 g was assayed for Au and Ag using Fire Assay with AA finish; and
- the remainder of the material remains at the laboratory as a duplicate.

TVX drilling, trenching and underground channel samples were analysed for gold and silver using fire assay with atomic absorption analysis at Skyline Assayers & Laboratories of Tucson, Arizona. Results are given to 0.01 g/t Au and 0.1 g/t Ag.

Gold-Ore states that a qualified technician sawed all drill core samples submitted for analysis on the Cristalito-Tatascame Prospect. Blind blank samples were inserted into the sample stream to monitor laboratory sample preparation. All samples were fire assayed for gold with a gravimetric finish at CAS Laboratories in Tegucigalpa, Honduras.

## *Condor Approach*

### Sample Security and Custody

The chain of custody procedures used for sample security by the Company during its drilling programmes were as follows:

- At the drill rig, the drilling contractors were responsible for removing the core from the bore barrel (using manual methods), and placing the core in prepared core trays (3 m length). RC samples were split using a riffle splitter at the rig, and the material retained for sample analysis was packed in to sample bags. The drill core was transported to the core shed for selection of sampling intervals and initial sample preparation. Once completed and the half core photographed, the core boxes were stored in the core storage facility on site.
- Sample shipments were accompanied with the laboratory submittal forms and were transported to Managua. The samples were transported by the Company's employees to the preparation facilities. Upon reception at the sample preparation facility, the laboratory company checked that the samples received matched the work order and signed that it had accepted the samples.
- Once the sample preparation was, the laboratory dispatched the sample pulps by courier to selected overseas laboratories.

The coarse sample rejects and sample pulps from the preparation facilities in Managua were picked up by the Company's technicians during routine sample shipments to the preparation facilities. The coarse rejects and pulps were returned to the Company's core shed at La India for long-term storage.

### Sample Preparation and Analysis

Drilling and trench samples collected from the end of October 2007 onwards until 2011 were prepared and analysed by CAS Laboratories of Honduras in their laboratory in Tegulcigalpa. Samples were oven dried in stainless steel trays at less than 60° C and crushed such that 90% of material passed a 6.3 mm mesh screen. The material was split down to a 250 g sub-sample which was pulverised in a ring and puck mill such that 95% passes a 106 µm (150) mesh screen. Then 30 g samples were fused at 1,100° C with a 100 g pre-mixed flux of 62% PbO, soda ash, borax and silica, with flour added to achieve a 30 g button. Cupellation was achieved at 900° C with a 2 mg Ag liquid inquart. The gold was analysed with AAS with a 3 ppb detection limit. Samples returning over 1 ppm gold are re-run by fire assay with a gravimetric finish. For each 20 samples undergoing fire assay, two repeats, a standard and a blank are analysed as a quality control.

It should be noted that CAS Laboratories were not accredited at the time, although they had initiated proceedings to gain accreditation.

Drilling and underground sampling completed during the 2011 to 2013 the Company's programmes have been sent to BSI-Inspectorate Managua ("**BSI Managua**") for sample preparation, and then dispatched to Reno Nevada (USA) or Vancouver (Canada) for analysis.

Samples were oven dried where required and crushed such that >80% passed a 2 mm (-10) mesh screen. The sample was then split to a 250 g – 300 g sample which was pulverised in a ring and puck mill such that 95% passed a 106 µm (150) mesh screen.

Samples were then analysed for gold by fire assay with AAS finish with a 5 ppb detection limit. Samples returning over 3 ppm gold were re-analysed by fire assay with a gravimetric finish for a 0.34 ppm gold detection limit. Silver was analysed by aqua regia digest and AA finish with a 0.1 ppm reported detection limit.

## Density Analysis

In total, 519 bulk density measurements have been taken on the La India prospect. The Company completes a quality control check on the density by measuring the sample before and after the immersion in water. A total of 19 samples have reported values with greater than 10% difference and have been excluded from the analysis. The average density is in the order of  $2.43 \text{ g/cm}^3$ , but can vary between  $1.57 \text{ g/cm}^3$  and  $4.01 \text{ g/cm}^3$ , based on the degree of weathering, with the current database skewed toward highly to moderately weathered zones. In comparison historical reports had indicated a density of between  $2.55 \text{ g/cm}^3$  –  $2.70 \text{ g/cm}^3$ . While SRK noted improvements could be made to the current protocols to increase the confidence in the bulk density measurements, based on the recent analysis and the differences to the historical reports, SRK considered a reduction of the density from  $2.6 \text{ g/cm}^3$  to  $2.5 \text{ g/cm}^3$  to be acceptable and used this for the first time in preparing its 2012 Mineral Resource Estimate.

Additional density information collected from a series of geotechnical boreholes in 2013 has improved knowledge of the weathering profile at the La India deposit. SRK was provided with this data which had been coded against the weathering profiles and broken down the deposit into highly, moderately and unweathered domains. Based its analysis of this data, and for the purpose of its November 2013 MRE, SRK therefore adjusted the density values from the default of  $2.5 \text{ g/cm}^3$  for all material to a variable density based on the level of oxidation (more common best practice). This was done using weathering surfaces created for the geotechnical models and by then coding the density data accordingly. Density values were then assigned as follows:

- Oxide (Highly weathered) =  $2.2 \text{ g/cm}^3$ ;
- Transition (moderately weathered) =  $2.37 \text{ g/cm}^3$ ; and
- Fresh (unweathered) =  $2.5 \text{ g/cm}^3$

SRK recommends the improvements made to the size of the density database available for the La India deposit be continued on the remaining veins where currently a single value has been used for all material, due to insufficient geological information to define suitable weathering profiles.

### *SRK Comments*

In terms of the historical sampling and analytical methods, SRK has relied on the work documented within historical (INMINE) reports provided by the Company. The Company has however (during the course of the 2011/2012 drilling programs) completed check sampling on selected historical drill holes and SRK has only used the historical data where it has comfort in the quality of this.

It is also worth noting that the proportion of drilling completed by the Company at the La India-California and the America-Constancia veins is now significantly larger than that completed previously by INMINE, and therefore reduces the influence of drilling from this period.

With regard to the Company's approach, it is SRK's view that the sample preparation, security and analytical procedures used are consistent with generally accepted industry best practice and should not have introduced any bias into the assay database used to derive the MRE presented here.

## **Data Verification**

### *Routine Verification*

The Company has completed routine data verification as part of its on-going exploration programmes. This data verification can be sub-divided into two main types, verification of historical database and internal verification of the Company's on-going exploration programme respectively. During the latest

phase of exploration documented in the 2013 MRE, verification completed on the historical database included the following:

- Validation of historical trench locations in the field using DGPS measurements.
- Verification of the position of the La India underground sampling shown on georeferenced historical maps against the 2013 3D sample database.
- Re-projection of the America-Escondido and Constancia mine level centrelines. The Company initially “ground-truthed” known reference points in an attempt to more accurately geo-reference the historic mine plans. SRK subsequently digitised the updated positions of the levels and adjusted the position of the underground channel samples accordingly.
- Provision of high resolution VLP images of depletion outlines of the America-Escondido and Constancia veins, which SRK has (using the “ground-truthed” GPS data) geo-referenced to deplete the mined portions of the block model. SRK notes significant improvement for the America-Escondido mine depletion (when compared to the previous model) given the use of three VLP depletion sub-areas which more accurately accounts for the significant change in strike at the southern extent of the vein.

Checks completed on the Company’s on-going exploration programme activities include:

- validation for all tabulated data inclusive of re-logging of the geology and mining voids (from boreholes) for the principal veins, and re-interpretation (based on mapping and trench sampling) of the previously separate Escondido and America veins for form a continuous America-Escondido Vein; and
- validation of assays from the 2013 sampling program using Standards and Blanks inserted routinely into each batch submitted to the laboratory.

Following SRK recommendations from the 2013 MRE, the Company completed a detailed relogging exercise of the hangingwall and vertical structures. The aim of the study was to determine the different phases of quartz veins and possible dip angles relative to the core orientation. Using the information generated the Company has been able to correlate intersections between holes along strike and down dip with a higher degree of confidence than has previously been the case.

#### *Hangingwall Vein Reinterpretations*

One of the conclusions from the November 2013 Mineral Resource Estimate was that a review of the key geological features of these zones may result in an increase of confidence. Subsequent to the November 2013 MRE, the Company’s geological team have focused work on the reinterpretation of a series of hangingwall features previously described as vertical features that have been classified as Inferred in the 2013 Mineral Resource. The aim of the study was through increased confidence in the orientation and continuity of the structures to re-examine the classification and potentially upgrade this material to Indicated so that it could be considered in the Mineral Resource Estimate forming part of the PFS.

To focus the study of the hangingwall vein structures SRK completed a review of the location of “Inferred” (“**INF**”) material within the proposed mineable material of the November 2013 (\$U.S.1,200) pitshell, and broke the Inferred Mineral Resource down into four key areas:

1. hangingwall zones (vertical and parallel features);
2. material in the valley sides deemed inaccessible for drilling and therefore unlikely for future conversion;

3. breccia domain, and;
4. southern zone.

The Company has focused its review work on confirming the interpretation within the “Vertical” hangingwall domains, where the work completed by the Company includes:

- relogging of diamond drillcore;
- identification of mineralisation styles, Vein Type 1, 2 & 3;
- definition of angle to core for major structures (n.b., the core is not orientated); and
- geological interpretation (wireframe modelling).

The Company geological team visited SRK to review the processes employed by the Company and initial results. SRK agrees that it is the most appropriate method, without further studies, to maximize the understanding and hence interpretation from the core available. Due to the core not being orientated, SRK notes that the level of confidence of core angles to intercept are considered lower in terms of levels of geological confidence/reliance as true angles cannot be defined. The initial investigation was completed during the technical meeting using core photographs, with subsequent verification/validation exercises completed by the Company’s geological team on site.

The wireframes presented by the Company confirmed the majority of the previous interpretations developed during the November 2013 MRE, while presenting a number of adjustments to some of the hangingwall structures. Using the data coded by the Company’s initial geological information (vein names, angle of intersection of vein to core, vein styles) SRK reviewed each wireframe on a case by case basis with the following ranking system in terms of confidence:

- number of sections showing strike continuity;
- number of sections with multiple holes (requirement to display dip continuity on a minimum of two sections);
- number of boreholes per structure;
- number of samples per structure;
- number of structural measurements; and
- presence of underground or surface mapping/measurements.

#### *Historical Depletion*

In order to prepare the Mineral Resource Estimate, SRK has depleted the current block model based the historical information available for mined out volumes. Key verification and validation work completed by SRK included:

- Validation of all tabulated data including re-logging of the geology and mining voids (from boreholes) for the principal veins, and re-interpretation (based on mapping and trench sampling) of the previously separate Escondido and America veins as a continuous America-Escondido Vein.

- Re-projection of the America-Escondido and Constancia mine level centrelines. The Company initially “ground-truthed” known reference points to more accurately geo-reference the historic mine plans. SRK subsequently digitised the updated positions of the levels and adjusted the position of the underground channel samples accordingly.

In addition, the Company provided SRK with high resolution VLP images of depletion outlines of the America-Escondido and Constancia veins, which SRK has (using the “ground-truthed” GPS data) geo-referenced to deplete the mined portions of the block model. In addition interpreted mined voids were validated against post mined drilling.

SRK noted significant visual improvement in spatial positioning and volume of depleted areas for the America-Escondido mine depletion (when comparing the 2D historic long sections against the previous model) given the use of 3 VLP depletion sub-areas which more accurately accounts for the significant change in strike at the southern extent of the vein.

The La India Mine was in operation between 1938 and 1956. Detailed production records only exist for 1948 to 1956 during which period the La India mill processed 796,465 tonnes for 267,673 oz gold at a recovered grade of 10.45 g/t (with an estimated head grade of 13.5 g/t). Historical reports have suggested the production profile between 1938 and 1948 for the La India mill processed approximately 100,000 tpa at the same grade for an estimated total production of some 575,000 oz gold from 1.73 Mt at 10.45 g/t Au. The mining has been completed from two main areas which included the La India – California veins, and the America-Constancia-Escondido veins to the northwest. It is SRK current view that the estimated historical production rate (that accounts for a period of missing production information) over estimates the production for the historical mine, but without the historical production records it remains difficult to verify.

SRK currently estimates the historical depletion of the La India/California, America (and limited production from) San Lucas vein and Cristalito-Tatascame veins at approximately, 1,465 Kt at 8.6 g/t Au for 400 Koz gold. In addition test stoping is reported to have occurred at the Buenos Aires and Espenito veins. SRK attributes the differences between these two values to a number of factors:

- Potential additional mining which post-dates the depletion long-sections currently available. SRK has been supplied with the current long-section indicating depleted areas, and cross referenced these between plots completed by various owners of the Project to ensure consistency. Further work will be required to confirm any additional depletion including research into the last dated long-sections, or via additional drilling or via underground access,
- SRK has combined intersections from the latest drilling campaigns including lower grade material to ensure geological continuity; this new data could result in a drop in the grades within the high-grade core domain. If the assumed mean grades from the historical production records can be achieved it represents some potential upside. Further work will be required to test this potential,
- The 575 Koz production estimate, assumes full production for half of the mine life, at a constant head grade, which cannot be confirmed based on the current information.

To test the risk of the potential under depletion of Mineral Resource, SRK has completed a high-level reconciliation based on the historical 2D long-sections, by calculating the areas, and using the associated underground channel samples to determine vein widths to estimate a complete volume for the depletion voids. This has been combined with the density and the mean head grade to estimate a depletion which is in the order of 1.25 Mt at 10.3 g/t for 420,000 oz of gold, which is in line with SRK estimates. The differences in the grade could be a result of the inclusion of new lower grade drilling intercepts which result in a dilution of the grade within the high-grade core.

SRK consider the level of confidence in the La India depletions to be reasonable enough to define the Mineral Resources as Indicated. The current level of drilling along strike and below the current depletion is to 50 m x 50 m spacing. SRK notes that the post mining drilling campaigns have provided extensive

data on void locations, and that the interpreted void wireframe honour that drilling. The Company and SRK have taken considerable effort to log all mining void intersections which have been validated against the expected model. Intersections of high-grade core located within depletion on the long sections relate to parallel, yet undepleted features.

As an additional check on the reliability of the void wireframes, the Company 'ground-truthed' the voids by relogging of all the Company's drilled core relating to the open pit resources and plotting the drilling intercepts (all post-mining) with the void zones from the historical maps and surrounding area. The Company reports no instances of logged voids outside of the wireframe, nor were there instances of drilled rock inside the wireframes, and as such consider that this exercise effectively demonstrates that interpretation errors must be less than the drill spacing, and should on average be no worse than half the drill spacing.

Given lower levels of drilling by the Company to date at America, SRK consider the depletions in this area to have a lower level of confidence (of additional mining), but the current study has been supplemented with more detailed maps and level plans from the historical maps to ensure the position of the development levels is consistent with the regard accuracy for Indicated and Inferred Mineral Resources.

SRK recommend the Company investigate the possible access into the upper levels of the historical La India Mine. If access can be achieved safely, a programme of detailed mine survey should be completed to compare to the current model depletions for validation purposes. Furthermore, additional infill drilling at America will provide a greater level of confidence in the position and volume of the current modelled mine depletions.

#### *Historical Quality Assurance and Quality Control (QAQC) Procedures*

QAQC results for the historical drilling data is limited to a series of internal control (duplicate) analysis completed by INMINE exploration. Results of the analytical duplicates completed between 1988 - 1989 suggested at times a level of error (can this be defined "slight" or "high/low bias") at higher grades, which was considered potentially due in part to the nugget effect and limitations with the sample preparation and assay methodologies used at the time.

In relation to the historic underground channel sampling, whilst no routine QAQC procedures were carried out, SRK has reviewed the underground widths and grades against more recent underground sampling by TVX between 1996-1997 and concluded that the comparisons are with reasonable levels of error. In addition SRK has reviewed differences between the INMINE sample grades and historic mine production data.

SRK highlights that whilst there is a limitation in terms of QAQC for the historical data, within these areas of sampling, where these samples have greatest influence, the block model has been depleted to account for the historical workings, and therefore the impact of these samples is significantly reduced.

#### *QAQC for the Company's 2013 Submissions to BSI Laboratories*

The following control measures have been implemented by the Company to monitor both the precision and accuracy of sampling, preparation and assaying. Results shown have been limited to the QAQC samples inserted during routine 2013 sample submissions.

Certified Reference Materials ("**CRM**"), blanks and duplicates were submitted into the sample stream, equating to a QAQC sample insertion rate of approximately 7%. In every 30 samples sent to the laboratory, a CRM and blank have been inserted as QA-QC materials. In addition, field duplicates from RC drilling are inserted at a frequency of approximately 5% with a minimum of one per drill hole. The summary of analytical quality control data is set out in Section 12.5 – *QAQC for Condor 2013 Submissions to BSI Laboratories* of the Technical Report.

### Insertion of CRM

The Company has introduced three different CRM into the analysis sample stream, inserted at regular intervals. The CRM for gold have been supplied by Geostats, Australia. Summary statistics for each CRM sample are set forth in Section 12.5 – QAQC for Condor 2013 Submissions to BSI Laboratories of the Technical Report.

CRM results are monitored by the Company on a routine basis as each batch is reported from the laboratory. The internal guidelines used by the Company are that standards reporting within the range of two times the standard deviation from the mean value are acceptable, whilst those reporting outside of this range are rejected and (where significant) requested for reanalysis.

SRK has reviewed the CRM results and is satisfied that they demonstrate in general a high degree of accuracy at the assaying laboratory (with the exception of a limited number of anomalies) and hence give sufficient confidence in the assays for these to be used to derive a Mineral Resource estimate. CRM charts are presented in Appendix A of the Technical Report.

### Blanks

A fine grained blank of building sand purchased in Managua is included in the sample stream. In total, 358 blanks have been inserted at regular intervals within the sample stream for drilling, which represents some 3.2% of total sample submissions from the 2013 drilling programme. For the 2013 trench sampling program, a total of 201 blanks were inserted which represents some 3.1% of total trench sample submissions.

SRK has reviewed the results from the blank sample analysis, and has determined that there is little evidence for sample contamination at BSI Nevada. Blank sample analysis charts are presented in Appendix A of the Technical Report.

### Duplicates

The field duplicates for drilling were selected from samples expected to contain gold mineralisation and collected as a second riffle split from the bulk sample on site upon completion of drilling a hole. Duplicate channel samples were taken adjacent to the original sample by enlarging the channel.

In total, 99 duplicates for drilling were submitted for analysis which represents some 0.9% of total sample submissions from the 2013 drilling programme. For the trench sampling program, a total of 73 blanks were inserted which represents some 1.1% of total trench sample submissions.

The duplicates for drilling show a relatively good correlation to the original samples, with a correlation coefficient of 0.95. Duplicates for trench sampling show a poorer correlation, with a coefficient in the order of 0.8. The difference in the mean grades for the trench duplicates indicates a high geological variability (and potential of a significant nugget effect) in the trench sampling at the Project that is not resolved by sample preparation. Duplicate charts are presented in Appendix A of the Technical Report.

In context of a deposit with noted high geological variability, SRK is reasonably confident in the repeatability of the sample preparation process.

### *Check Assaying*

Selected samples from BSI Nevada have been resubmitted to ALS Laboratories (“**ALS**”) with sample preparation completed in BSI Managua and the analysis completed at ALS Vancouver.

Sample selection was completed by the Company. Samples were selected by sorting the drilling assay database by gold value and then selecting: every 5th sample that assayed over 1 g/t Au to represent 20%

of the high grade samples, every 10th sample (10%) in the 1.0 g/t – 0.5 g/t Au range and every 100th sample (1%) that returned assays in the 0.5 g/t – 0.1 g/t Au range.

In total, 205 samples were selected from the drilling database for check assaying at the certified Umpire Laboratory ALS, which represents some 2% of the 2013 assay database. SRK recommends that this should be increased to 5% for future exploration programs. The pulp sample stored by Inspectorate was sent directly to ALS for assay of gold only by Fire Assay with gravimetric finish, a similar process to that applied by Inspectorate.

Summary statistics for the selected samples and a check analysis chart are available in Section 12.6 – *Check Assaying* of the Technical Report.

Both datasets display similar minimum and maximum values, with similar sample variances reported, and a correlation coefficient in excess of 0.99, indicating the sample distributions are closely comparative. A review of the precision using a half absolute relative difference ranked plot (HARD analysis) indicated that 90% of all values are within 20% error.

#### *SRK Comments*

In the opinion of SRK, the analytical results delivered by BSI for the drilling and trench samples from the La India Project are sufficiently reliable to support mineral resource evaluation. SRK recommends that for future drilling programs that the Company could implement a number of changes to the QAQC programme to bring it further into line with generally considered industry best practice:

- Regular submission of duplicate core material (quarter core), in addition to RC material, to identify whether the level of geological variability is comparable in both sample types.
- QAQC samples should be inserted at random to limit the chance of the laboratory quickly identifying the QAQC and treating with more care than routine samples submissions.

#### *Verifications by SRK*

SRK has undertaken numerous site visits to the Project to verify the quality of geological and sampling information and develop an interpretation of gold grade distributions appropriate to use in the Mineral Resource model, and completed several phases of data validation on the digital sample database supplied by the Company and completed a re-estimation of the La India vein based on a number of scenarios to test the influence of the historical grade control data on the block estimate. See Section 12.7 - *Verifications by SRK* of the Technical Report for additional information on these verifications.

Overall, SRK is confident that the verification procedures used by the Company and by SRK have enabled data of uncertain quality to be identified and excluded from the database used to drive the MRE presented below and that the databases used is of sufficient quality to support the estimates as presented.

While QQ plots produced by SRK of domained borehole sample assay data have revealed apparent differences between the historic and the Company's phases of exploration, SRK considers these differences to be primarily because the recent drilling has been focussed in different areas. Visual comparison on long section of the latest versus historical drilling show the grades are generally in line with the grades in the adjacent recent holes. It should also be noted that the majority of historic samples are located within the lower confidence (Inferred) areas of the model and they represent a relatively limited proportion (4.0%) of the global domained borehole sample database. SRK does not consider the use of the historical drilling to materially impact on the current estimate.

The sampling database comprises a number of different sampling types. SRK tested the influence of the different sampling types using QQ plots. In the case of trench versus boreholes additional analysis was

taken to determine the influence of excluding trenching from the estimation process. Results indicated relatively limited sensitivity (0.6%) in the global mean grade of the deposit. SRK has also completed an investigation into the sensitivity of using the historical underground channel sampling database. While some degree of variability exists, the underground channel samples provide high-resolution information on the local grade distributions within the high-grade core(s), which (where present) enables more detailed geological interpretation. SRK also highlights that within the areas of sampling where these samples have greatest influence SRK has depleted the historical workings, and therefore the samples will have limited impact. Ultimately SRK elected to use all phases of exploration sampling in producing the Mineral Resource Estimate.

### **Mineral Processing and Metallurgical Testing**

SRK has designed and supervised a metallurgical development programme for the La India Project. PFS metallurgical studies were conducted on master composites and variability composites formulated from drill core from the La India Vein set.

The metallurgical programme was conducted by Inspectorate Exploration and Mining Services (“**Inspectorate**”). Solid liquid separation studies on final tailing products from each of the La India master composites were performed by Pocock Industrial.

The objectives of the metallurgical programme were to conduct baseline investigations to determine cyanidation, gravity concentration and flotation characteristics of the test composite; and generate adequate data to establish an optimised gold recovery process. These two aspects have then been used to design a process flowsheet.

The key results from the testwork are summarised as follows:

- The La India Project test composites are highly amenable to gold and silver recovery by cyanidation processing.
- The results of metallurgical studies demonstrate that material from the La India Project can be processed by either a standard carbon in pulp (“**CIP**”) or carbon in leach (“**CIL**”) cyanidation process flowsheet that would include crushing, grinding, agitated cyanide leaching, gold and silver adsorption onto activated carbon, gold and silver desorption, electrowinning and refining.
- Gold recovery from the La India deposit is estimated at about 91% and includes a 2% reduction from reported extractions to allow for plant inefficiencies.
- Silver recovery from the La India deposit is estimated at about 70% and includes a 2% reduction from reported extractions to allow for plant inefficiencies.
- Testwork on variability composites from the La India system, yielded gold and silver recoveries that were similar to those obtained from the La India Master composites.

The mineral processing design undertaken to date is commented upon under the heading “*The La India Project – Recovery Methods*”.

### **Mineral Resource Estimation**

The MRE is based on some 61,800 m of drilling, 11,426 m of trench sampling and over 9,000 original underground mine grade control channel samples on nine veins within the La India Project. The effective date of the Mineral Resource Statement is September 30, 2014.

The only changes made in producing the Mineral Resource presented here when compared to that derived in 2013 relate to a re-interpretation of the La India (wall-rock mineralisation) hangingwall vein

domains and the grade interpolation parameters and methodology are essentially as used for the November 2013 MRE.

The database used to estimate the Project Mineral Resources was audited by SRK. SRK is of the opinion that the current drilling information is sufficiently reliable to interpret with confidence the boundaries for gold mineralisation and that the assay data are sufficiently reliable to support Mineral Resource estimation.

Leapfrog Modelling Software was used to construct the geological solids, whilst Datamine Studio Version 3 was used to prepare assay data for geostatistical analysis, construct the block model, estimate metal grades and tabulate the resultant Mineral Resources. Isatis software was used for geostatistical analysis and variography.

In summary SRK has:

- Modelled mineralisation domains in 3D, including the re-interpretation of a series of hangingwall features based on increased confidence in the orientation, texture and subsequent continuity of the structures;
- Completed a statistical analysis of the sample assay data to determine an optimum sample composite length;
- Applied high-grade caps determined per estimation domain from log-probability and histograms;
- Created block models with block dimensions of 25 m x 25 m x 10 m (or 20 m x 10 m x 10 m for Central Breccia);
- Undertaken statistical and geostatistical analyses to determine appropriate interpolation algorithms for each mineralised domain;
- Undertaken a Quantitative Kriging Neighbourhood Analysis to test the sensitivity of, and refine, the above interpolation parameters;
- Used the above to above to interpolate grades into the block models;
- Visually and statistically validated the estimated block grades relative to the original sample results; and
- Reported the Mineral Resource according to the terminology, definitions and guidelines given in the CIM Definition Standards.

Upon consideration of data quality, drill hole spacing and the interpreted continuity of grades controlled by the deposit, SRK has classified portions of the deposit in the Indicated and Inferred Mineral Resource categories.

For additional information on the methodology used to estimate the Mineral Resource Statement, see Section 14 – *Mineral Resource Estimation* of the Technical Report.

#### *Mineral Resource Statement*

SRK has applied basic economic considerations to determine which portion of the in-situ Mineral Resource has reasonable prospects for economic extraction by open-pit mining methods. To determine this, the Mineral Resource has been subject to a pit optimisation study using Whittle Software, using a set of assumed technical and economic parameters shown in Table 4. The technical and economical parameters reflect the base costs applied to the PFS pit optimisation exercise, with the exception of the

production rate which was assumed to be 1.2 Mtpa for the Mineral Resources. It is this difference that equates to the differences observed between the numbers quoted above and the average mining and processing costs presented in the mining studies in Section 16.3 – *Mining* of the Technical Report.

SRK has used a gold price of U.S.\$1,500/oz to derive a pit outline and underground cut-off grade to restrict the resource estimate to that material with potential to be exploited at the project. This remains consistent with the November 2013 Mineral Resource Statement. It is SRK's view that a price of U.S.\$1,500 remains reasonable for the purpose of defining a Mineral Resource.

SRK has applied a cut-off grade of 0.5 g/t Au for the material with potential to be mined by open-pit mining methods, which is based on benchmarking against similar projects and remains consistent with the November 2013 Mineral Resource Estimate.

SRK has maintained the underground mining cut-off grade at 2.0 g/t Au as focus in the PFS has been limited to the open pit.

For the purpose of reporting the underground Mineral Resource, SRK has assumed an accumulated grade of 2.0 g/t Au is required over a mineralisation width of 1.0 m, to eliminate areas of lower-grade material within thinner portions of the vein.

Mineral Resources not investigated further to the November 2013 MRE remain as previously quoted by SRK (December 22, 2011) and are reported at a cut-off grade of 1.5 g/t Au, and have not been updated as part of the current study due to no further detailed exploration.

**Table 4: Summary of key assumptions for Conceptual Open Pit Optimisation (Whittle)**

<b>Parameter</b>	<b>Value</b>	<b>Unit</b>
Gold Price <sup>(1)</sup>	1,500	U.S.\$/oz
Silver Price	24	U.S.\$/oz
Mining Cost	2.47	U.S.\$/tmoved
Processing Cost	19.20	U.S.\$/tore
General and Administrative	5.63	U.S.\$/tore
Mining Dilution Open Pit	12	%
Mining Recovery Open Pit	95	%
Mining Dilution Underground	15	%
Mining Recovery Underground	95	%
Overall Pit Slope – La India	46 – 48 based on geotechnical domains	Deg
Overall Pit Slope – America/Central Breccia	40	Deg
Gold Process Recovery	91	%
Silver Process Recovery	69	%
Royalty	3	%
Selling Cost Au	10	U.S.\$/oz

**Note**

- (1) SRK elected to use market consensus long term gold price forecasts from over 30 contributors, to which a 20% uplift has been applied, resulting in a long term optimistic gold price of U.S.\$1,500/oz. SRK has further tested the sensitivity of the Mineral Resource to price to confirm stable conditions and that the increase in price does not have a material impact on the quoted Mineral Resource Statement. The technical and economical parameters reflect the base costs applied to the PFS pit optimisation exercise, with the exception of the production rate which was assumed to be 1.2 Mtpa for the Mineral Resources. It is this difference that equates to the differences observed between the numbers quoted above and the average mining and processing costs presented in the mining studies in Section 16.3 of the Technical Report.

The CIM Compliant Resource Statement for the La India Project is shown per deposit is shown in Table 5 with a summary of the Mineral Resources per veinset shown in Table 6, and a summary of the global Mineral Resource shown in Table 7.

**Table 5: SRK CIM Compliant Mineral Resource Statement as at 30 September 2014 for the La India Project**

SRK MINERAL RESOURCE STATEMENT SPLIT PER VEIN as of 30 September 2014 <sup>(4),(5),(6), (7)</sup>								
Category	Area Name	Vein Name	Cut-Off	gold			silver	
				Tonnes (Kt)	Au Grade (g/t)	Au (Koz)	Ag Grade (g/t)	Ag (Koz)
Indicated	La India veinset	La India/California <sup>(1)</sup>	0.5 g/t (OP)	8,267	3.1	832	5.5	1,462
		La India/California <sup>(2)</sup>	2.0 g/t (UG)	706	4.9	111	10.6	240
	America veinset	America Mine	0.5 g/t (OP)	114	8.1	30	4.9	18
		America Mine	2.0 g/t (UG)	470	7.3	110	4.7	71
Inferred	La India veinset	La India/California <sup>(1)</sup>	0.5 g/t (OP)	895	2.4	70	4.3	122
		Teresa <sup>(3)</sup>	0.5 g/t (OP)	4	6.6	1		
		La India/California <sup>(2)</sup>	2.0 g/t (UG)	1,107	5.1	182	11.3	401
		Teresa <sup>(2)</sup>	2.0 g/t (UG)	82	11.0	29		
		Arizona <sup>(3)</sup>	1.5 g/t	430	4.2	58		
		Agua Caliente <sup>(3)</sup>	1.5 g/t	40	9.0	13		
	America veinset	America Mine	0.5 g/t (OP)	677	3.1	67	5.5	120
		America Mine	2.0 g/t (UG)	1,008	4.8	156	6.8	221
		Guapinol <sup>(3)</sup>	1.5 g/t	751	4.8	116		
	Mestiza veinset	Tatiana <sup>(3)</sup>	1.5 g/t	1,080	6.7	230		
		Buenos Aires <sup>(3)</sup>	1.5 g/t	210	8.0	53		
		Espinito <sup>(3)</sup>	1.5 g/t	200	7.7	50		
	Central Breccia	Central Breccia <sup>(1)</sup>	0.5 g/t (OP)	922	1.9	56		
	San Lucas	San Lucas <sup>(3)</sup>	1.5 g/t	330	5.6	59		
	Cristalito-Tatescane	Cristalito-Tatescane <sup>(3)</sup>	1.5 g/t	200	5.3	34		
	El Cacao	El Cacao <sup>(3)</sup>	1.5 g/t	590	3.0	58		

## Notes

- (1) The La India, America and Central Breccia pits are amenable to open pit mining and the Mineral Resource Estimates are constrained within Whittle optimised pits, which SRK based on the following parameters: a gold price of U.S.\$1,500 per ounce of gold with no adjustments; prices are based on experience gained from other SRK projects; metallurgical recovery assumptions of 91% for gold, based on assumptions provided by the Company, marginal costs of U.S.\$19.2/t for processing, U.S.\$5.63/t G&A and U.S.\$2.47/t for mining; and slope angles defined by the Company geotechnical study which range from angle 46 - 48°.
- (2) Underground Mineral Resources beneath the open pit are reported at a cut-off grade of 2.0 g/t over a minimum width of 1.0 m. Cut-off grades are based on a price of U.S.\$1,500 per ounce of gold and gold recoveries of 91% for resources, costs of U.S.\$19.00/t for processing, U.S.\$10.0/t G&A and U.S.\$50.0/t for mining, without considering revenues from other metals.
- (3) Mineral Resources as previously quoted by SRK (December 22, 2011) are reported at a cut-off grade of 1.5 g/t, and have not been updated as part of the current study due to no further detailed exploration.
- (4) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material. All composites have been capped where appropriate. The Concession is wholly owned by and exploration is operated by Condor Gold plc.
- (5) The reporting standard adopted for the reporting of the MRE uses the terminology, definitions and guidelines given in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.
- (6) SRK completed a site inspection to the deposit by Mr. Benjamin Parsons, MSc (MAusIMM(CP), Membership Number 222568), an appropriate "independent qualified person" as this term is defined in NI 43-101.
- (7) The Mineral Resources are inclusive of the Mineral Reserves.

**Table 6: Summary of La India Project Mineral Resource per Vein Set, dated 30 September 2014**

SRK MINERAL RESOURCE STATEMENT SPLIT PER VEINSET as of 30 September 2014 <sup>(4),(5),(6),(9)</sup>								
Category	Area Name	Vein Name	Cut-Off	gold			silver	
				Tonnes (Kt)	Au Grade (g/t)	Au (Koz)	Ag Grade (g/t)	Ag (Koz)
Indicated	Subtotal Areas	La India veinset	0.5 g/t (OP) <sup>(1)</sup>	8,267	3.1	832	5.5	1,462
			2.0 g/t (UG) <sup>(2)</sup>	706	4.9	111	10.6	240
		America veinset	0.5 g/t (OP) <sup>(1)</sup>	114	8.1	30	4.9	18
			2.0 g/t (UG) <sup>(2)</sup>	470	7.3	110	4.7	71
Inferred	Subtotal Areas	La India veinset	0.5 g/t (OP) <sup>(1)</sup>	899	2.5	71	4.3	122
			2.0 g/t (UG) <sup>(2)</sup>	1,189	5.5	211	11.3	401
			1.5 g/t <sup>(3)</sup>	470	4.7	71		
		America veinset	0.5 g/t (OP) <sup>(1)</sup>	677	3.1	67	5.5	120
			2.0 g/t (UG) <sup>(2)</sup>	1,008	4.8	156	6.8	221
			1.5 g/t <sup>(3)</sup>	751	4.8	116		
		Mestiza veinset	1.5 g/t <sup>(3)</sup>	1,490	7.0	333		
		Central Breccia	0.5 g/t (OP) <sup>(1)</sup>	922	1.9	56		
Other veins	1.5 g/t <sup>(3)</sup>	1,120	4.2	151				

## Notes

- (1) The La India, America and Central Breccia pits are amenable to open pit mining and the Mineral Resource Estimates are constrained within Whittle optimised pits, which SRK based on the following parameters: a gold price of U.S.\$1,500 per ounce of gold with no adjustments; prices are based on experience gained from other SRK projects; metallurgical recovery assumptions of 91% for gold, based on assumptions provided by the Company, marginal costs of U.S.\$19.2/t for processing, U.S.\$5.63/t G&A and U.S.\$2.47/t for mining; and slope angles defined by the Company geotechnical study which range from angle 46 - 48°.
- (2) Underground Mineral Resources beneath the open pit are reported at a cut-off grade of 2.0 g/t over a minimum width of 1.0 m. Cut-off grades are based on a price of U.S.\$1,500 per ounce of gold and gold recoveries of 93% for resources, costs of U.S.\$19.0/t for processing, U.S.\$10.0/t G&A and U.S.\$50.0/t for mining, without considering revenues from other metals.

- (3) Mineral Resources as previously quoted by SRK (December 22, 2011) are reported at a cut-off grade of 1.5 g/t, and have not been updated as part of the current study due to no further detailed exploration.
- (4) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material. All composites have been capped where appropriate. The Concession is wholly owned by and exploration is operated by Condor Gold plc.
- (5) The reporting standard adopted for the reporting of the MRE uses the terminology, definitions and guidelines given in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.
- (6) SRK completed a site inspection to the deposit by Mr. Benjamin Parsons, MSc (MAusIMM(CP), Membership Number 222568), an appropriate "independent qualified person" as this term is defined in National Instrument 43-101.
- (7) Back calculated silver grade based on a total tonnage of 1,576 Kt as no silver estimates for Central Breccia (922 Kt).
- (8) Back calculated silver grade based on total tonnage of material estimated for silver of 3,7731 Kt, for veins where silver assays have been recorded in the database.
- (9) The Mineral Resources are inclusive of the Mineral Reserves.

**Table 7: Summary of La India Project, dated 30 September 2014**

SRK MINERAL RESOURCE STATEMENT as of 30 September 2014 <sup>(4),(5),(6),(9)</sup>								
Category	Area Name	Vein Name	Cut-Off	gold			silver	
				Tonnes (Kt)	Au Grade (g/t)	Au (Koz)	Ag Grade (g/t)	Ag (Koz)
Indicated	Grand total	All veins	0.5 g/t (OP) <sup>(1)</sup>	8,382	3.2	862	5.5	1,480
			2.0 g/t (UG) <sup>(2)</sup>	1,176	5.9	221	8.2	312
		Subtotal Indicated			9,557	3.5	1,083	5.8
Inferred	Grand total	All veins	0.5 g/t (OP) <sup>(1)</sup>	2,498	2.4	194	4.8 <sup>(7)</sup>	242
			2.0 g/t (UG) <sup>(2)</sup>	2,197	5.2	366	8.8	622
			1.5 g/t <sup>(3)</sup>	3,831	5.4	671		
		Subtotal Inferred			8,526	4.5	1,231	7.1 <sup>(8)</sup>

**Notes**

- (1) The La India, America and Central Breccia pits are amenable to open pit mining and the Mineral Resource Estimates are constrained within Whittle optimised pits, which SRK based on the following parameters: a gold price of U.S.\$1,500 per ounce of gold with no adjustments; prices are based on experience gained from other SRK projects; metallurgical recovery assumptions of 91% for gold, based on assumptions provided by the Company, marginal costs of U.S.\$19.2/t for processing, U.S.\$5.63/t G&A and U.S.\$2.47/t for mining; and slope angles defined by the Company geotechnical study which range from angle 46 - 48.
- (2) Underground Mineral Resources beneath the open pit are reported at a cut-off grade of 2.0 g/t over a minimum width of 1.0 m. Cut-off grades are based on a price of U.S.\$1,500 per ounce of gold and gold recoveries of 93% for resources, costs of U.S.\$19.0/t for processing, U.S.\$10.0/t G&A and U.S.\$50.0/t for mining, without considering revenues from other metals.
- (3) Mineral Resources as previously quoted by SRK (December 22, 2011) are reported at a cut-off grade of 1.5 g/t, and have not been updated as part of the current study due to no further detailed exploration.
- (4) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material. All composites have been capped where appropriate. The Concession is wholly owned by and exploration is operated by Condor Gold plc.
- (5) The reporting standard adopted for the reporting of the MRE uses the terminology, definitions and guidelines given in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.

- (6) SRK completed a site inspection to the deposit by Mr. Benjamin Parsons, MSc (MAusIMM(CP), Membership Number 222568), an appropriate "independent qualified person" as this term is defined in National Instrument 43-101.
- (7) Back calculated silver grade based on a total tonnage of 1,576 Kt as no silver estimates for Central Breccia (922 Kt).
- (8) Back calculated silver grade based on total tonnage of material estimated for silver of 3,7731 Kt, for veins where silver assays have been recorded in the database.
- (9) The Mineral Resources are inclusive of the Mineral Reserves.

### Mineral Reserve Estimate

This section presents the Mineral Reserve statement derived by SRK for the Project. This is constrained to an open pit designed by SRK for the PFS which is derived from the Indicated Mineral Resource presented above and based on a pit shell which was optimised assuming a gold price of U.S.\$1,250/oz and the following cost parameters:

- A mining operating cost of U.S.\$2.46/tmined
- A processing and G&A operating cost of U.S.\$26.25/t<sub>milled</sub>
- Estimated gold process recovery of 91%
- Royalty of 3% of revenue
- An estimated selling cost of U.S.\$10/oz Au

The Mineral Reserve Estimate is based on a regularised 2.5 m x 2.5 m x 2.5 m diluted mining model and a cut-off grade of 0.75 g/t Au. The average ore loss and dilution with the pit design was 5.2% and 12.4%, respectively.

The Mineral Reserve Statement is presented in Table 8.

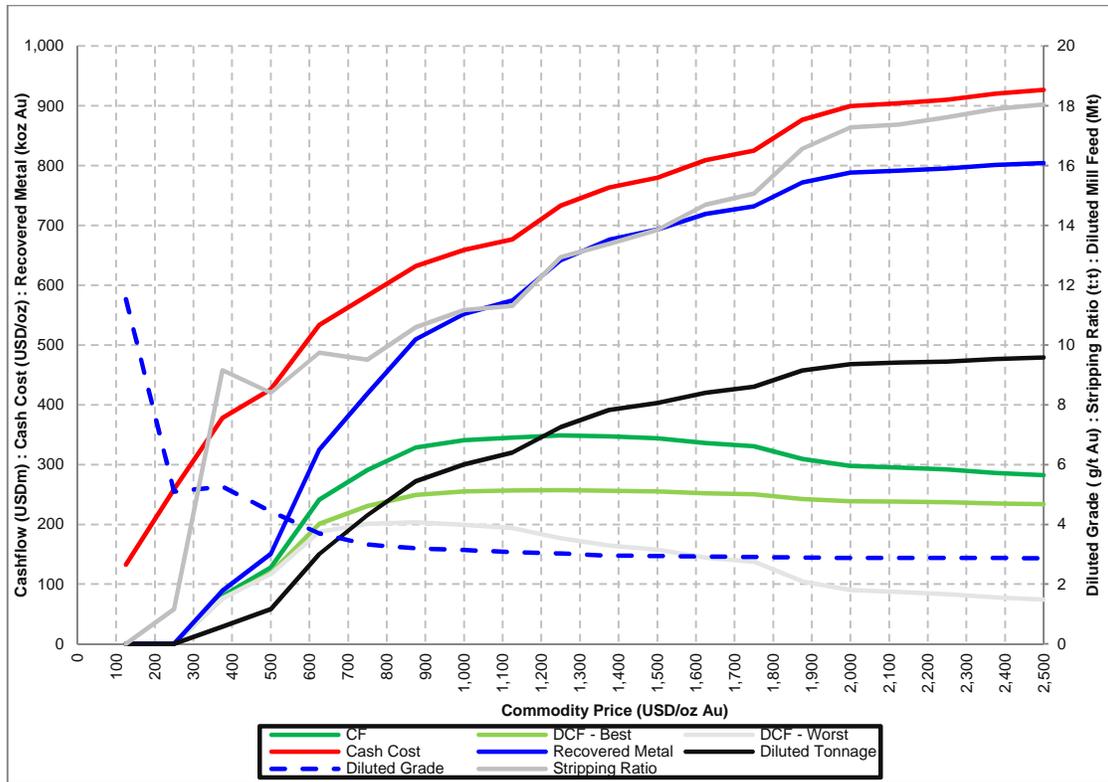
**Table 8: Mineral Reserve Estimate**

Mineral Reserve Class	Diluted Tonnes		Diluted Grade		Contained Metal	
	( Mt dry)	(g/t Au)	(g/t Ag)	(Koz Au)	(Koz Ag)	
Proven	-	-	-	-	-	
Probable	6.9	3.0	5.3	675	1,185	
<b>Total</b>	<b>6.9</b>	<b>3.0</b>	<b>5.3</b>	<b>675</b>	<b>1,185</b>	

**Note**

- (1) Open pit mineral reserves are reported at a cut-off grade of 0.75 g/t Au assuming: metal price of U.S.\$1,250 per ounce gold, processing cost of U.S.\$20.42 per tonne milled, G&A cost of U.S.\$5.63 per tonne milled, U.S.\$10/oz Au selling cost, 3% royalty on sales and a processing recovery of 91%.

Whilst the technical parameters that form the basis of the Mineral Reserve statement are in SRK's opinion reasonable, it is noted that the deposit is sensitive to metal price as shown in Figure 3.



**Figure 3: Tonnage and Grade Sensitivity to Metal Price (0.75 g/t Au cut-off)**

The Mineral Resource model which was used as the basis for the mineral reserve estimate has been depleted based on the available historical longitudinal sections and recent exploration drilling to model the historical mined out (underground) areas. SRK currently estimates the historical depletion of approximately 1,465 Kt at 8.6 g/t for 400 Koz gold. It should be noted that:

- The Company and SRK have taken considerable effort to log all mining void intersections which have been validated against the depleted long section; and
- The post mining drilling campaigns have provided extensive data on void locations providing information on depletion thickness. The spatial extents of the depletion are based on the historical longitudinal sections.

Additional investigation through drilling or underground access and survey may however be required in order to define any additional depletion which post-dates the information currently available and to further improve definition of the depletion thicknesses. No further modifying factors have been applied in addition to the depletions applied to the mineral resource block model. Additional details on the depletion process are provided in Section 14.5.5 of the Technical Report.

Other than discussed herein and in the Technical Report, SRK is not aware of any mining, metallurgical, infrastructure, permitting, environmental, legal, title, taxation, socio-economic, marketing or other relevant factors that could materially affect the Mineral Reserve Estimate.

### Geotechnical Mine Design Criteria

SRKs' geotechnical analysis of the La India Project has been based on the results from the comprehensive drilling programmes completed to date supplemented by limited surface and underground mapping. This work showed the rock mass strength to vary significantly over the length of the La India pit

and provided recommendations for optimised pit slope angles for consideration in conjunction with geological structural and hydrogeological data, with resulting slope angles ranging from 47-50 degrees in the footwall and 46-49 degrees in the hangingwall of the La India mineralisation.

Based on the slope design recommendations, SRK prepared an engineered pit design for which a safety above the acceptance criteria was obtained on all the slopes analysed except for the Northern footwall domain due to the presence of faulting. Whilst the PFS pit design accounts for faulting behind the Northern footwall SRK has recommended that the fault structure (namely position and characteristics) should be further investigated at the FS level to allow a greater confidence in the current pit design.

## **Hydrology and Hydrogeology**

The La India Project is subject to intense rainfall events and a river currently flows through the proposed pit footprint. As such, mitigating the effects of the river is a major consideration with respect to the viability of the project.

Hydrology and surface water management has been investigated by SRK based on monitoring of the local surface water network, flood peak estimates, total watercourse length and the average channel slope, with study findings used to support the PFS design. Methods analysed to mitigate flooding risk include incorporating a dam upstream of the La India pit (with a pumping system to discharge water downstream), an additional attenuation structure ("**Holding Pond**") and additional dams proposed upstream of the Holding Pond.

With respect to groundwater the La India area is essentially a brownfield site, with water levels unlikely to ever recover to their pre-mining levels due to the presence of historical workings and the San Lucas drainage adit. Pumping tests were completed to characterise groundwater hydraulic properties. The groundwater system is dominated by the historical underground workings, drainage adit and permeable structures (including faults and veins), with significant inter-annual variability associated with groundwater re-charge.

SRK considers that the proposed dewatering operations at La India (including Pre-dewatering of the open pit through pumping of the abandoned workings) will result in groundwater levels dropping close to the levels of drawdown observed during the historical mining activity, with associated impacts on a number of springs, the discharge from the San Lucas drainage adit and baseflow to the Aquas Frias river. The consequences of these impacts are considered likely to be small.

The study findings have been incorporated in to a site wide water balance, which has been used to influence the surface water management design, design for storm events and size the various pumping systems throughout the La India site.

## **Mining**

A PFS level open pit mining study has been completed on the La India deposit consisting of the development of a mining block model, pit optimisation, mine design, production scheduling, mining equipment and labour estimation, mining operating strategy and mining cost estimation. No underground mining methods have been evaluated in this case.

### *Mining Model*

Mining recovery and dilution factors for the La India open pit have been based on a regularised 2.5 m x 2.5 m x 2.5 m diluted mining model and a cut-off grade of 0.75 g/t Au. The cut-off grade has been derived from preliminary cost and technical parameters defined at the commencement of the study. The average ore loss and dilution with the pit design is 5.2% and 12.4%, respectively. The mining operations assume a highly selective mining method in mineralised zones.

## Pit Optimisation

The pit optimisation parameters are shown in Table 9. Based on the pit optimisation results, strategic planning objectives and the Company's key policy drivers, the U.S.\$1,250/oz shell (revenue factor 1.0) was selected for developing the mine design and strategic schedule. The U.S.\$1,250/oz pit shell is reflective of the maximum economic pit for the defined input parameters.

**Table 9: La India Pit Optimisation Parameters**

Parameters	Units	PFS Case	Basis
<b>Resource Classification</b>			
Included Resources		Indicated	
<b>Production</b>			
Production Rate	( Ktpa)	800	Based on scoping level studies
<b>Geotechnical</b>			
Weathered	(°)	35	Geotechnical Assessment
North Hanging Wall	(°)	47	Geotechnical Assessment and Ramps
North Foot Wall	(°)	48	Geotechnical Assessment and Ramps
Central Hanging Wall	(°)	47	Geotechnical Assessment and Ramps
Central Foot Wall	(°)	47	Geotechnical Assessment and Ramps
South Hanging Wall	(°)	48	Geotechnical Assessment and Ramps
South Foot Wall	(°)	46	Geotechnical Assessment and Ramps
<b>Mining Factors</b>			
Dilution	(%)	0	Regularised Model
Recovery	(%)	100	Regularised Model
<b>Processing</b>			
Recovery Au	(%)	91	Test work 90-92% expected
Recovery Ag	(%)	69	Test work 65-73% expected
<b>Operating Costs</b>			
Average Mining Cost	(U.S.\$/t <sub>moved</sub> )	2.46	Based on preliminary cost estimate
Base Mining Cost	(U.S.\$/t <sub>moved</sub> )	2.15	
Incremental Mining Cost	(U.S.\$/t <sub>moved/10 m</sub> )	0.03	Preliminary cost estimate
Reference Level	(Z Elevation)	380	Average Pit Exit
Processing	(U.S.\$/t <sub>ore</sub> )	20.42	Provided by Lycopodium
Tailings	(U.S.\$/t <sub>ore</sub> )	0.20	SRK Estimate
G&A	(U.S.\$/t <sub>ore</sub> )	5.63	
	(U.S.\$m/yr)	4.50	Provided by Condor
Selling Cost Au	(U.S.\$/oz)	10.00	Provided by Condor
Royalty Au	(%)	3.00	Provided by Condor
Royalty Ag	(%)	3.00	Provided by Condor
<b>Metal Price</b>			
Gold	(U.S.\$/oz)	1,250	Consensus Economics LTP
Silver	(U.S.\$/oz)	20.00	

Parameters	Units	PFS Case	Basis
<b>Other</b>			
Discount Rate	(%)	10	
<b>Cut-Off Grade</b>			
Marginal	(U.S.\$/t <sub>ore</sub> )	26.25	
	(g/t Au)	0.75	

### *Mine Layout*

The mining operation consists of a conventional drill, blast, load and haul operation with material hauled to the waste rock dumps (“**WRD**”), backfill areas, LG stockpile, HG stockpile, ROM (as defined below) stockpile or directly tipped at the crusher.

Road layouts have been estimated based on the pit exits of the cutbacks and location of the WRDs, HG and LG stockpiles, ROM stockpile and crusher.

### *Pit Phasing and Mining Design*

The engineered final and cutback designs have been designed in order to verify the technical feasibility of the optimised pit shells. The engineered pit designs are based on the selected U.S.\$1,250 /oz pit shell.

The La India WRD designs have been engineered based on the waste inventory within the designed pits. Wherever possible backfill into the mined out pit areas was considered to minimise the WRD footprints.

### *Life of Mine Plan*

The PFS mine schedule has been produced in quarterly periods for the first four years and in annual periods thereafter. See Section 16.3.6 – *Life of Mine Plan* of the Technical Report for additional information regarding the mine schedule proposal for the PFS.

### *Mining Equipment and Operations*

The mining equipment schedule has been based on a contractor operation. The majority of the equipment requirements have been developed by a mining contractor (the “**Mining Contractor**”) who is currently operating in the Central American region. The Mining Contractor was provided with the following schedule information from SRK: site conditions, ex-pit material movements, rehandle requirements, haulage travel times and distances and drill and blast volumes.

The Mining Contractor has based its estimates on an 11 m<sup>3</sup> waste shovel (Komatsu PC1250) with 91 t haul trucks (Caterpillar 777F). The Mining Contractor has assumed a 4.6 m<sup>3</sup> loading unit (Caterpillar 390) with 53 t haul trucks (Caterpillar 773F).

The blasting activities at the La India Project will be divided into mineralisation and waste production blasts.

## **Recovery Methods**

### *Mineral Processing*

The Company retained Lycopodium to undertake the process plant design aspects of the PFS. Lycopodium’s scope of work included providing preliminary design, capital costs, and operating costs for an 800,000 tpa gold process plant and associated infrastructure.

The results of this metallurgical investigation demonstrate that material from La India can be processed by either a standard CIP cyanidation process or by CIL cyanidation that would include crushing, grinding, agitated cyanide leaching, gold and silver adsorption onto activated carbon, gold and silver desorption, electrowinning and refining.

The plant design developed by Lycopodium is for the treatment of 805,000 tpa with 92% mill availability, with standby equipment in critical areas. The process plant design allows for fluctuations in mine production throughput. The ore is clean, of high hardness and extremely high abrasion, and with average life-of-mine (“**LOM**”) head grades of 3.0 g/t gold and 5.3 g/t silver. To accommodate for the variability in head grades, the plant is designed for head grades of 3.4 g/t gold and 5.8 g/t silver. The overall process flowsheet is based on a single stage Semi-Autogenous grind (“**SAG**”) comminution and conventional CIL circuit.

The process circuit designed for the project can be summarised as follows:

- Ore will be direct dumped into a Run of Mine (“**ROM**”) bin, which will then be fed to a jaw crusher via the primary apron feeder. The crushed rock will be conveyed to a surge bin. The surge bin will discharge via an apron feeder to the SAG mill feed conveyor and overflow to a dead stockpile as required. A front end loader (“**FEL**”) will reclaim crushed ore to the SAG mill feed conveyor;
- Grinding will be accomplished by a single stage SAG mill in closed circuit with cyclones to achieve the target grind size. The milled product will be thickened in a pre-leach thickener prior to the CIL circuit. A hybrid CIL circuit, consisting of 1 leach tank and 6 adsorption tanks will leach and adsorb gold from the milled ore onto activated carbon;
- An Anglo American Research Laboratories elution circuit will recover gold from the loaded carbon, and electrowinning and smelting processes will produce doré bar at site. Cyanide in the CIL tailings will be detoxified using the SO<sub>2</sub>/air process prior to the tailings being disposed of in the subaerial tailings storage facility. Process water supply for the operations will be supplied by recycled water from the tailings storage facility (“**TSF**”), supplemented by mine dewatering.

A copy of the complete Lycopodium PFS report is presented in Appendix B of the Technical Report, which includes the process flow diagrams (“**PFD**”) prepared for the Project.

The process plant design includes the required integrated support and operational infrastructure including the main power supply infrastructure, primary security, and administration functions and the maintenance and warehousing structures to support the process plant. The maximum power demand for the process plant will be 6.6 MW, and the average running load will be 4.9 MW, supplied from a 138 kV, 3-phase power supply.

The investigation and analysis carried out are considered appropriate to PFS level design.

### *Processing Waste*

The tailings storage requirements considered for the PFS comprises a maximum production rate of 800 Ktpa, producing a total tailings tonnage of 6,900 Kt (or 5,960,000 m<sup>3</sup> assuming 1.157 t/m<sup>3</sup> density). The proposed TSF layout is presented in Figure 17-2 of the Technical Report. The main features of the TSF engineering design are summarised below:

- The TSF has been designed according to the following factors: required storage capacity for the project duration; anticipated geotechnical and geochemical tailings characteristics; regional seismicity; sub-grade ground conditions; visual impact; operational factors including noise and dust; and, concepts for facility closure.

- The TSF includes dams at the western and eastern ends of the valley to form the impoundment void:
  - The dams are constructed from waste rock derived from the mining operation, which are sequentially raised in a 'downstream' manor in-line with tailings production to take into consideration the seismic conditions at the project.
  - A starter facility is constructed with sufficient capacity for the first two years of mining.
  - Subsequently the dam raises occur in Years 2 and 4.
  - The downstream toe of the dam will include a filter, seepage capture trenches and a sump from where water will be returned to the TSF impoundment pond.
- The impoundment is fully lined with HDPE to minimise seepage of contact water to the receiving environment:
  - Liner design includes a founding layer of selected engineered granular fill and a geotextile protector.
- Tailings are delivered to the TSF via a pipeline with deposition from perimeter spigots to promote beaching away from the dams and to promote ponding of water within the centre of the impoundment.
- Contact water is returned from the impoundment pond to the processing plant via a floating barge decant.

## Project Infrastructure

The proposed infrastructure assets and modifications to existing regional infrastructure required to support the PFS operation are presented in Table 11.

**Table 11: Summary of Infrastructure**

Task	Subtask
Site Infrastructure	Plant Site and Associated Infrastructure
	Mine Maintenance Area
	Accommodation Camp
	Explosives Storage Facility
	ROM Pad and haul roads
Project Regional Infrastructure	Road Diversion (2 km)
	Power Transmission Line Diversion (3 km)
Power Supply	Tie-in to the National Grid Transmission Infrastructure

### *Plant Site and Associated Infrastructure*

A single-storey administration building, 39 m x 19 m, will be located near the main site entrance gate. The building will have a reception area, offices, meeting rooms, a main conference room, medical clinic, kitchenette and washrooms. The offices are for managers, engineers, geologists, and clerks. A parking lot and transport and pick-up area is located adjacent to the administration building.

A combined laboratory and plant office building, 46 m x 12 m, will be used to test metallurgical accounting samples from the process plant, mining and exploration operations.

A plant kitchen and dining hall, 17.4 m x 6.4 m, will include a seating area for up to 80 people with kitchen, and food storage. The plant change house and ablutions building will be 17.4 m x 6.4 m. It will include separate male and female showers, bathrooms, and change room with lockers.

A main security gatehouse as well as a separate process plant security gatehouse will be included.

A septic system will be utilized for sewage disposal. Septic tanks will be located at the process plant. The septic tank sludge will be removed by vacuum truck at regular intervals.

### Mine Maintenance Area

The mine maintenance area will comprise the following mine support/maintenance and mine operations assets:

- vehicle workshop and tyre change;
- refuelling point;
- stores/warehouse;
- ablutions and change rooms for mining staff (including laundry);
- waste management area;
- mining administration and control offices, medical facility;
- lighting/security; and
- utilities and services.

The mine support infrastructure is located in proximity to the processing plant. Selected functionality at the processing plant shall be shared such as laundry and the laboratory. Each building has been specified and sized as required to support the proposed mining operation. The layout is designed to segregate heavy vehicle (“HV”) and light vehicle (“LV”) traffic as far as is reasonably possible.

A temporary mine maintenance facility is provided during the pre-strip phase of the project consisting of a temporary workshop facility, cabin style offices, welfare and ablutions, fuel storage and wash down facilities. The permanent fuel storage facility will be located and then relocated to the permanent facility.

### Accommodation

The Company’s staffing plan considers that general labour and operatives will reside locally however senior and mid-level management will require local purpose built accommodation. The accommodation block will be located in proximity to the operations and comprise self-contained unit with bedrooms, canteen and dining area with recreation area. The senior accommodation comprises a 10-person unit with single private bedroom, each with a private bathroom. Mid-level accommodation unit comprises three 10-person units with single private bedroom and shared bathroom facilities.

### Explosives Storage

An explosives store provides secure storage for ammonium nitrate, emulsion and the explosive detonators. To reduce requirements for safe distances from stored explosive material, all explosive cells will be surrounded by an earth mound and only the minimum support facilities will be provided for staff in this area. The required storage capacity is derived from the blasting requirements within the mining schedule. The explosives store will be sized for one months’ storage capacity.

The PFS is based on the standards set out by the United States Bureau of Alcohol, Tabaco Firearms and Explosive and the Government of Western Australia Department of Mines and Petroleum “Code of Practice, Safe storage of solid ammonium nitrate”. The explosive storage facility layout has been developed based on the project design criteria. A perimeter fence and security gate will secure the compound and control access to prevent any unauthorised access. The explosive magazines within the facility will be mounded for additional protection and separated by a minimum distance of 50 m.

### Power Supply

Access to power from the national grid is readily available at the La India Project. A 138 kV line owned by the Nicaraguan National Transmission Company lies adjacent to the property and can be used as a ready source of power, subject to installation of a tie-in and 138/11 kV transformer and switchgear.

This option of drawing power from the national grid has been selected as the power solution for the Project and a tie-in will be constructed adjacent to the processing plant and mine maintenance area during the re-alignment works for the existing 138 kV power transmission line

The Company has undertaken investigations as to the likely cost of power supply to the Project. Although firm quotations could not be secured at this point, the investigations reasonably demonstrated power can be supplied to the La India Project within the cost range of USc 18 to 19/kWh.

It is noted that the final power cost will be determined from negotiations with individual suppliers at the feasibility study stage, the Company is confident based on the discussions to date that a price of USc 18/kWh can be achieved. On this basis, a price of USc 18/kWh has been used in the study.

A “self-generation option” utilising heavy fuel oil (“HFO”) generator sets remains an option. This option would result in increased capital expenditure, however, power cost would be likely be lower and would be directly linked to the international HFO prices. The project team will solicit tenders for HFO fired self-generation systems at feasibility study stage.

### Regional Infrastructure

#### Road Diversion

The NIC-26 cuts across the mining area and requires a diversion to be completed during the second year of production. Considering constraints imposed by anticipated fly-rock exclusion zoning a road diversion alignment has been developed. The total road length of the NIC-26 diversion is 2 km.

The NIC-26 diversion aims to replace “like for like” with a 7.3 m wide bituminous carriageway comprising two 3.65 m wide lanes, with appropriate allowances for a verge and footway on each side of the road. The pavement design corresponds to a traffic design speed of 60 kph. The road design and curvatures are based on international road construction standards and are considered adequate for national highways in Nicaragua.

#### Power Transmission Diversion

The project area is bisected by a 138 kV transmission line. The transmission line comprises a double circuit three phase transmission line which splits at a “triple junction” into two single circuit three phase lattice pylon transmission lines, carrying power to the north and to the south.

To facilitate the project development, the single circuit sections of the transmission line will be re-aligned to avoid influencing or compromising the development of the open pit and waste rock dumps. The power diversion will comprise:

- Construction of 3.00 km of new single circuit three phase transmission line; and

- Dismantling of 2.75 km of single circuit three phase transmission line.

The new transmission line will replace the current comparable length and realigns the existing configuration some 300 m to the south, broadly following the road diversion alignment covering similar topography.

### **Market Studies and Contracts**

No market studies have been completed or contracts established for the Project.

### **Environmental Studies, Permitting and Social or Community Impact**

The Project is located within the Central Highlands of Nicaragua and is surrounded by valleys bound by fairly steep sided hills with elevations between 440 mamsl and 580 mamsl. The climate is characterised as tropical savannah with high temperatures and humidity, which remain relatively constant throughout the year, and seasonal variations in rainfall. The mean annual rainfall for the Project area is 1,240 mm, which falls predominantly between May and October (wet season).

The Project is located within the catchment of the Agua Fría River that flows westwards to the Sinecapa River, from where it drains southwards into Lake Managua. Seasonal rainfall results in high variation of flows in surface water drainage channels, and some channels (including sections of the Agua Fría) have no flow during the dry season. Surface waters and groundwater across the concession area have a circum-neutral to mildly alkaline pH with generally low metal concentrations, with the exception of arsenic. Groundwater is heavily influenced by historical underground workings from previous mining activities and the associated drainage adits. The community water supply wells in the area are associated with a shallow perched groundwater system that does not appear to be connected with the deeper groundwater regime. The topsoil layer is thin, with low organic content and high susceptibility to erosion, limiting land uses to forestry and pastoral farming.

The Project falls within the tropical and sub-tropical dry broadleaf forest ecoregion. The original forest habitat within this ecoregion has a significant degree of endemism; however, less than 2% of this habitat remains due to anthropological impacts such as, agriculture, forestry, and urbanisation. The predominant habitats in the concession area are secondary forest, hedges/boundaries, crops, and grassland with no endemic vegetation species. Riparian habitats have the highest faunal species diversity and a number of mammal, bird and reptile species of conservation concern have been recorded in the concession area.

From a social perspective, the Project is situated across three municipalities; El Jicaral and Santa Rosa del Peñón (Leon Department) and San Isidro (Matagalpa Department). La Cruz de la India (also known as La India village) is the closest village to the project and is located adjacent to the outline of the open pit limits. The population of La India village is approximately 1,000 (230 households), consequently the population within the 7 km<sup>2</sup> area directly impacted by the mine and associated facilities (Plant, TSF and WRD) is about 1,200. Some 17 other small villages with a combined population of 5,000 are located within the wider 280 km<sup>2</sup> area of the La India Project. The proportion of people characterised as economically active is 51%. The primary employment industries are mining and quarrying (mainly artisanal mining), manufacturing, agriculture and commerce. The average level of poverty and extreme poverty within the villages was 22.7% and 4.4%, respectively. No archaeological sites of conservation importance are affected by the Project.

The Company intends to meet Nicaraguan regulatory requirements, as well as good international industry practice for environmental and social performance, as defined by the Equator Principles and IFC Performance Standards.

The La India Project will require an EIA as part of the application for an Environmental Permit for exploitation. As of the effective date of the Technical Report, Condor had not yet formally commenced the permitting process, as key project engineering details required for the Environmental Permit application

had only recently become available. In advance of the formal EIA procedure, environmental and social activities such as baseline data collection and general stakeholder engagement had commenced. Based on the schedule as of the effective date of the Technical Report, Condor expected to receive the Environmental Permit and subsequent environmental approvals in advance of construction of the project in Q1 2016.

As of the effective date of the Technical Report, the Company's environmental and social team comprised six permanent Nicaraguan staff, including and led by a Chief Environmental Officer. Although the EIA process had not formally commenced at such time, the Company's team had been managing a suite of baseline studies to provide input to the EIA process. The specialist studies had resulted in the collection of considerable environmental and social data from within the La India concession area.

Subsequent to the effective date of the Technical Report, the Company formally submitted an application for an Environmental Permit to MARENA in November 2015, following the completion of an EIA.

The following disclosure has been extracted from the Technical Report. See *"Business of the Company"* and *"Management's Discussion and Analysis"* for information on Condor's environmental and social activities subsequent to the effective date of the Technical Report.

Since 2011, the Company has conducted stakeholder engagement activities with local and national government institutions, local community representatives and artisanal miners within the La India concession. The Company formalised a grievance mechanism in May 2013 to record and systematically address complaints from stakeholders. Through these engagement activities the Company has developed a constructive relationship with project stakeholders though details relating to the proposed mining activities have only recently been developed and have not yet been disclosed.

In 2014, the Company developed a Stakeholder Engagement Plan to plan strategic engagement activities and strengthen channels of communication. Development of the plan included a comprehensive stakeholder identification and analysis exercise. The Company also developed a stakeholder database alongside the Stakeholder Engagement Plan to maintain stakeholder details and centrally record future engagement activities.

Specific project details have not yet been shared with stakeholders, however, general perceptions, concerns and expectations regarding the development of a mining project were collected through opinion surveys. Opinions about the Company were also collected. Key concerns identified through the surveys include employment, impacts on artisanal mining, population influx, maintaining constructive relationships with the Company, need for transparency in agreements and contracts, deterioration of water quality and availability, vegetation removal, air pollution, poor waste management and occupational health and safety risks. As commonly seen for new mining projects in areas of limited economic opportunities, expectations of the surrounding communities are high. Once project details are disclosed, the Company will have to carefully manage concerns and expectations to maintain stakeholder relationships.

Key environmental and social issues have been identified for the La India Project, these are:

**Land acquisition** will be required to obtain surface rights for the construction of the proposed mine and associated infrastructure. Given the presence of households and land-based livelihoods within the project area, resettlement activities will be required to mitigate the effects of physical and economic displacement. Resettlement is a complex and sensitive process involving significant negotiations with affected parties that require substantial time and financial resources. If resettlement is managed poorly, conflict may occur between affected parties and the Company. The Company has developed a land acquisition policy to outline the process for land acquisition and definition of responsibilities between the Company and the government. In parallel with the land acquisition process, the Company will proceed with resettlement planning for the physical relocation of the La India village and compensation process for economic displacement. SRK has prepared a resettlement strategy on behalf of the Company to outline the process of resettlement planning in accordance with Good International Industry Practice ("**GIIP**").

**Artisanal and small-scale mining (“ASM”)** is evident within the La India Project and some of the extraction sites occur within the proposed La India open pit limits. The Company acknowledges the significance of the potential risks associated with ASM and has been proactively addressing these risks throughout the exploration phase. The Company has established constructive relationships with the artisanal miners in the area and has considered the expectations and issues/concerns communicated by the artisanal miners in the development of a strategic plan for management of ASM. The Company will co-ordinate livelihood restoration activities associated with the resettlement process alongside the implementation of the strategic plan for artisanal mining.

**Surface and groundwater** impacts from project activities can be managed, however, impacts on water resources and downstream receptors, such as community water users and aquatic ecosystems, need to be clearly defined and evaluated to ensure that management measures are sufficient to control negative effects. If such impacts are not well managed, costly actions may be required to retrospectively remediate unacceptable effects and relationships with surrounding stakeholders may deteriorate.

**Historic liabilities** exist within the La India Project due to existing disturbance and potential environmental contamination from historic mining operations and existing artisanal and small scale mining activities. Water quality sampling has shown elevated arsenic concentrations but no sampling of soil or sediment quality is yet available. If liability risks are unmanaged, the Company could be legally obliged to remediate past environmental or social damage that has occurred.

**Community health and safety** impacts from dust, noise, heavy vehicle traffic are likely for local communities. Due to the proximity of La India village to the Project, it has been assumed that these impacts cannot be mitigated to an acceptable level and, as such, La India village will require resettlement. Impacts on the next closest community receptors to the project, Nance Dulce and El Bordo, need to be adequately defined to understand whether impacts can be mitigated to an acceptable level.

A conceptual closure plan (“**CCP**”) for the La India Project has been prepared by SRK for the PFS. The CCP includes a summary of the legal framework and obligations for closure, environmental and social considerations, closure actions, assumptions, schedule and conceptual cost estimate.

The following environmental and social risks have been identified for the La India Project based on the studies completed up to and including the PFS.

- Delays obtaining the Environmental Permit leading to project schedule delays.
- Potential enforcement of an environmental bond leading to increased financial provisions.
- Independence and quality of in-house EIA.
- Potential changes in stakeholder relationships leading to deterioration in social licence to operate.
- Schedule delays or increased costs from land acquisition and resettlement process.
- Delays or loss of local support due to management of artisanal miners.
- Insufficient data and quantitative modelling to appropriately identify and manage impacts on water availability and quality.
- Potential responsibility for remediation of historic liabilities.
- Insufficient data to appropriately identify and manage impacts on community health and safety.
- Increases in closure cost due to inaccurate assumptions in conceptual closure design.

In the Technical Report, SRK noted that the IFC had recently become an 8.5% shareholder in the Company and had indicated their intention to appoint a senior environmental and social specialist to the Board as a Non-Executive Director. SRK noted that the appointment of these positions should in part mitigate against the risk associated to the independence and quality of an in-house EIA as the Company has agreed to the IFC performance standards. However, SRK noted that support may be required from experienced and qualified technical experts to define and assess impacts in accordance with good international industry practice.

Subsequent to the effective date of the Technical Report, Ms. Kate Harcourt was appointed to the Board as IFC's nominee director. Ms. Harcourt has over 25 years' experience with environmental and social aspects of both open pit and underground mining projects. See "*Directors and Executive Officers*".

## Economic Evaluation

The key technical, operational and financial parameters of the PFS assuming a gold price of U.S.\$1,250/oz and a silver price of U.S.\$20/oz are summarised in Table 12 below.

**Table 12: Key Technical, Operational and Financial Parameters**

Parameter	Unit	PFS
Mill Feed	Mt	6.9
Gold Average Head Grade	g/t	3.0
Waste Mined	Mt	94.5
Strip ratio open pit	Waste:ore	13.6
Contained gold	Koz	675
Contained silver	Koz	1,185
Average gold recovery	%	91
Annual production years 1-8	oz gold	74,000
Annual production years 1-8	oz silver	99,200
Upfront capital cost	U.S.\$ million	110
Undiscounted payback (years)	Production year	<4
Operating cash costs	U.S.\$/oz	657
All-in sustaining costs	U.S.\$/oz	690

### *Infrastructure and Capital Costs for the PFS*

The upfront capital cost for the PFS is U.S.\$110 million which assumes a contract mining model. The total pre-production capital cost for the PFS is U.S.\$102 million excluding contingency, and the payback period for this amount is <4 years.

**Table 13: Capital Costs**

Capital Costs (U.S.\$ million)	PFS
Processing Plant <sup>(1)</sup>	48.1
Infrastructure	9.8
Mining pre-production costs	18.7

<b>Capital Costs (U.S.\$ million)</b>	<b>PFS</b>
Mining support operations/equipment <sup>(2)</sup>	8.1
Tailing Storage Facility	6.0
Land Acquisition	7.0
Owners Costs	4.6
<b>Upfront Capital Costs</b>	<b>102.2</b>
Contingency <sup>(3)</sup>	7.6
<b>Total Pre-Production Capital Costs</b>	<b>109.9</b>

**Notes**

1. Includes EPCM
2. Assuming mining contract operations
3. A range of contingencies was used to calculate contingency depending on the confidence of the estimate of each contributing factor.

The PFS has been prepared on a contract mining basis, which is used widely in Mexico and Central America.

In addition to the upfront capital costs Table 14 below presents the sustaining and deferred capital costs estimated for the PFS over the Life of Mine.

**Table 14: Sustaining and Deferred Capital Costs**

<b>Sustaining and Deferred Capital Costs (U.S. million)</b>	<b>PFS</b>
Processing Plant	0.1
Infrastructure	3.6
Mining Equipment	2.4
Tailings Storage Facility	9.1
Land Acquisition	0.2
Closure Costs	9.0
<b>Sustaining and Deferred Capital Costs</b>	<b>24.4</b>
Contingency	3.1
<b>Total Sustaining and Deferred Capital Costs</b>	<b>27.5</b>

*Life of Mine Operating Unit Cost*

Table 15 below provides the Life of Mine unit operating cash costs based on a per tonne mined/mill feed basis.

The PFS mine plan has a stripping ratio of 13.6 t:t, and as such the project economics are sensitive to the mine operating cost. When benchmarked against similar gold projects in the Central American region the LOM mine operating cost of U.S.\$2.35/t sits within the overall range of costs of U.S.\$1.66/t to U.S.\$4.05/t (with a median of U.S.\$2.79/t).

The average ore loss and dilution factors have been estimated at 5% and 12%, respectively, based on a selective mining method using a regular block size of 2.5 m.

**Table 15: Life of Mine Operating Unit Cost**

Category	Units	PFS
Mining o/p	(U.S.\$/t ore mined)	32.13
Processing	(U.S.\$/t mill feed)	20.56
Refinery	(U.S.\$/t mill feed)	0.35
G&A	(U.S.\$/t mill feed)	5.46

*Cash Costs and All-in Sustaining Cash Costs*

Table 16 below provides the operating cash costs and All-In Sustaining Cash Costs as defined by the World Gold Council U.S.\$ per oz gold produced.

**Table 16: Operating Cash Costs and All-In Sustaining Cash Costs as Defined By The World Gold Council U.S.\$ Per Oz Gold Produced**

Category (U.S.\$/oz gold)	PFS
Mining <sup>(1)</sup>	361
Processing	232
G&A	63
<b>Operating Cash Costs</b>	<b>657</b>
Freight and refining	4
Royalties	38
Sustaining Capital	17
By-Product Credits (silver)	(26)
<b>All-in Sustaining Cash Costs</b>	<b>690</b>

**Note**

(1) Excludes the pre-production stripping costs

*Economic Sensitivity Analysis for PFS*

The economic analysis utilised an average gold price of U.S.\$1,250 per ounce over the LOM. This data is presented with a sensitivity, which examines the project economics at different gold prices (Table 17). It is the Company's view that a 5% discount rate is applicable as this is comparable with the results reported by the majority of other junior gold exploration companies listed on the TSX operating in Mexico, Central and South America.

**Table 17: PFS Economic Sensitivity<sup>(1)</sup>**

	U.S.\$1,100/oz	U.S.\$1,250/oz	U.S.\$1,400/oz
Post-tax NPV (U.S.\$ million)			
0% discount	89.0	153.9	217.6
5% discount	44.2	91.7	138.0

	U.S.\$1,100/oz	U.S.\$1,250/oz	U.S.\$1,400/oz
8% discount	25.3	65.3	104.0
Post-tax IRR (%)	13.8%	22.0%	28.8%

**Note**

- (1) The cost sensitivity reflects a change in the sale price presented in the financial model, but does not constitute re-optimisation of the underlying open pit optimisation studies.

**Other Relevant Data and Information**

Two expansion scenarios are being considered by Condor, one in which the mining is also undertaken from two additional open pits, termed America and Central Breccia Zone and which increases the plant feed to 1.2 mtpa, and one where the mining is extended to cover the additional open pits and two underground operations, at La India and America respectively, and in which the processing rate is further increased to 1.6 mtpa. The two expansion scenarios incorporate the mining of Inferred Mineral Resources which were not considered by the PFS. The scenarios investigate the potential technical feasibility of expanding the resource base and associated life of mine but the economic viability has not yet been demonstrated at this point and there is no certainty that the expansion scenarios as described will be realised.

**OTHER PROPERTIES**

The Company has carried out exploration activities on its other licences although its main focus is on the La India Project, and the Company does not consider the Rio Luna, Estrella and Potrerillos projects to be material. The Company continues to hold the Rio Luna, Estrella and Potrerillos Concessions in good standing.

**Rio Luna Concession**

The Rio Luna Concession, which covers an area of 43 km<sup>2</sup> in the Central Highlands of Nicaragua, was granted to Condor in June 2010 and will expire in 2035. The previous explorer of the Rio Luna Concession, First Point Minerals, a Canadian company, completed an extensive programme of soil, auger, rockchip and trench sampling to define 18 km of epithermal quartz veining in three distinct northwest-southeast trending gold vein sets. This surface sampling defined seven principal prospects, five of which were drill-tested over several phases of drilling. The mineralisation of the Rio Luna Concession is medium-sulphidation epithermal vein gold-silver type, hosted by a Tertiary-aged volcanic sequence of andesite flows intercalated with subordinate basalt. The Company has continued to carry out exploration activities at the Rio Luna Concession, including mapping and resurveying of previous drill holes.

**Estrella Concession**

The Estrella Concession was granted to Condor in April 2010 and expires in April 2035, and covers an 18 km<sup>2</sup> area in Nicaragua's historic 'Mining Triangle' in the northeast of the country. The Estrella Concession is centred on the historic Estrella Gold Mine. No mine plans or production data are available for the Estrella Mine (also referred to as the Estrella de Venus Mine in old reports). The Estrella Gold Mine was worked for only a few years before being destroyed in 1935 during civil unrest. At the Estrella Concession, an east-west trending mineralised structure containing at least three parallel epithermal veins within a width of 15-20 metres has been defined along a 400 metre strike length. Channel sampling, trenching and mapping have been previously carried out by the Company at the Estrella Concession.

## Potrerillos Concession

The Potrerillos Concession, which covers an area of 12 km<sup>2</sup>, contains a number of abandoned shafts and adits, which resulted from brief, interrupted periods of gold mining activity along a Palaeozoic schist belt known as the Guayape Suture Zone. Four prospects have been identified by Condor to date, all of which are along a 3,500 metre long segment of the Guayape mineralised corridor within the Potrerillos Concession. Gold mineralisation is contained within mesothermal quartz veins, hosted by a Greenschist facies metasedimentary package which is dominated by graphitic schist. The quartz veins strike parallel to the regional trend (northeast) and dip at 30° to 45° to the northwest. In addition to regional rock chip sampling, Condor has channel sampled approximately 700 metres of trenches and road cuttings and 130 metres of old mine adits. This work continues.

## El Salvador Assets

The Company's assets in El Salvador have been on care and maintenance since 2008, with no exploration activity carried out since then. Following the ruling in late 2016 by the World Bank's International Centre for Investment Disputes in favour of the Government of El Salvador in a dispute involving OceanaGold Corporation, the Company is winding up all activities in El Salvador and is withdrawing from that country. In 2016 it wrote off the carrying value on its balance sheet of its previous investments relating to projects in El Salvador, with a charge of £4,065,086 passing through the Company's consolidated statement of comprehensive income for the year ended December 31, 2016.

## THE MINING INDUSTRY IN NICARAGUA

### Overview

Nicaragua is the largest country in Central America, with a land area of 130,375 km<sup>2</sup> and having a population of circa 6.3 million people. It is bordered by Honduras to the north and Costa Rica to the south. The capital city is Managua. Nicaragua has been an independent country since 1821 and has a democratically elected government. The President is the head of state and of a multi-party system. The judiciary in Nicaragua is independent of the legislative and executive arms of the government. Spanish is the main official language.

The Company has encountered a favourable political and economic climate over the time in which it has been engaged in operations in Nicaragua.

The industrial mining sector formally employed approximately 5,000 people in 2016, the workforce having increased by 120% over the prior 10 year period. There are in addition several thousand people engaged in artisanal and small scale mining. Foreign direct investment into the mining sector totalled U.S.\$850 million over the period 2007-2016, 40% of which originated from Canada and 48% from the United States.

Mining of metals is focussed on precious metals: 241,000 ounces of gold were produced in the country in 2016, and 601,000 ounces of silver from the three industrial mines. The average annual output for each metal over the years 2012 to 2016 was 253,000 ounces of gold and 480,000 ounces of silver. Gold is one of Nicaragua's top three export products.

### Monetary Framework

The Banco Central de Nicaragua (the Central Bank of Nicaragua) was created in 1960 under an Article of the Constitution of Nicaragua. In 2010 it was defined through Law 732 as an autonomous, decentralised institution of the State of Nicaragua (the "State"), of technical character, indefinite duration, legal identity, independent funding and complete capacity to enter into legal contracts.

There are a variety of commercial banks operating in Nicaragua.

## Energy and Transport Infrastructure

Installed generation capacity has expanded from 819 MW in 2007 to 1,396 MW in 2016, of which 49% is from renewable resources. The electrical grid covers 90% of the territory of the country, up from 52% in 2007.

There are around 19,000 kilometres of highways in Nicaragua, of which 2,000 kilometres are paved. The country has six principal ports: three on the Pacific coast and three on the Atlantic coast.

## Regulatory Framework: Key Legislation and Permits

The legal system in Nicaragua is based upon the Napoleonic Code. Minimum investment guarantees are contemplated in the Constitution of the country. Article 5, "Principles of Nation", recognises private ownership, while Article 27 stipulates that all persons are equal before the law and have the right to equal protection. It specifically establishes that foreigners have the same duties and rights, with the exception of the political rights, granted to Nicaraguans.

There are three key laws impacting on the mining industry in Nicaragua as set forth below.

### *Law 344 for the Promotion of Foreign Investments Promotion Law ("Law 344")*

Promulgated in 2000, Law 344 establishes equal treatment of foreign and domestic investment, eliminates restrictions on the way in which foreign capital can enter the country and recognises foreign investors' rights to own and use property without limitation.

Article 5 of Law 344 recognises fundamental guarantees for the foreign investor, such as equal treatment with domestic investors, and permits among other things:

- Unrestricted currency convertibility;
- Freedom of expatriation of capital and profits;
- Full international ownership, with no requirement for domestic partners, with the exception of social media platforms.

Article 7 of Law 344 stipulates that double taxation is subject to international conventions to which Nicaragua is a signatory. Similarly, Articles 8 and Article 24 recognise the right to submit disputes to international arbitration, without prejudice to the application of national legislation.

Application of Law 344 is primarily the responsibility of the Ministry of Development, Industry and Trade in conjunction with other institutions such as Ministry of Finance and Public Credit and the Central Bank of Nicaragua, among others.

### *Special Law for the Exploration and Exploitation of Mines (Law 387) and its bylaws in Decree 119-2001 ("Law 387")*

The Constitution of Nicaragua enshrines state ownership of natural resources in the country and consequently the principal legal framework for the mining sector in Nicaragua is set out in Law 387, promulgated in 2001. Law 387 establishes that the mineral resources and subsoil are under absolute ownership of the State, with rights to explore for and extract and process minerals, both metallic and non-metallic, granted to holders of Concessions awarded by the Ministerio De Energia y Minas (Ministry of Energy and Mines) ("**MEM**").

A Concession is valid for 25 years and confers upon holders exclusive rights of exploitation, exploration and the establishment of facilities for collection and processing of minerals found in the area granted. A

Concession can have a maximum area of 50,000 hectares and exploration must commence within four years of a Concession being awarded.

Exploration programmes are also agreed in advance with both MEM and MARENA for a three year period from award when an application for a Concession is lodged, with agreement in principle also required from municipal authorities. These generally comprise mapping in the first year, soil sampling/trenching in the second and drilling in the third. However the Concession holder is not obliged to carry out exploration activities in accordance with the programme as agreed with MEM and MARENA, although if no exploration activity is carried on a Concession over a four year period, that Concession may be forfeited. Separate environmental permits are required from MARENA for each of soil sampling/trenching, as well as drilling.

Under Nicaraguan law, 1% of any Concession area can be mined by artisanal miners, who cannot use a back hoe or mechanised mining techniques. "Industrial" miners are obliged to recognise and work with the artisanal miners, although in reality the 1% of the Concession area available to artisanal miners is seldom clearly defined. Artisanal miners cannot under the law prevent construction or operation of an industrial-scale mine due to the rights held by the Concession holder, who is also responsible for paying any surface area taxes (see *"The Mining Industry in Nicaragua – Fiscal Framework – Surface Area Tax"* below).

#### *Law 953 – Incorporation of ENIMINAS*

Empresa Nicaragüense de Minas ("**ENIMINAS**"), the National Mining Company of Nicaragua, is a state-owned commercial company that was created on July 6, 2017 through Law 953, *Ley Creadora de la Empresa Nicaragüense de Minas (ENIMINAS)*. The purpose of ENIMINAS is developing and executing the exploration and exploitation of mineral resources in Nicaragua. Through reserved areas (the "**Reserved Areas**"), the State, as represented by ENIMINAS, may commercialise its Concession holdings. Reserved Areas in Nicaragua comprise Concessions already held by the State.

Third parties interested in obtaining mining Concessions from the State in Reserved Areas must do so in participation with ENIMINAS. The participation of ENIMINAS is not required in other areas.

None of the Company's Concessions are in Reserved Areas and the Company is not impacted by the creation of ENIMINAS.

#### **Other Permits Relevant to the Mining Sector in Nicaragua**

A Concession holder has to apply for an environmental permit for soil sampling, rock chip sampling and trenching. A further environmental permit is required for drilling.

In order to carry out extractive activities, Concession holders are required to submit an EIA, which forms part of the application for an Environmental Permit to extract. Environmental Permits are awarded by the MARENA.

The EIA draws on environmental and social baseline studies relating to the mine site infrastructure, surrounding area and mine schedule over the life of mine and must contain detailed environmental and social action plans for dealing with the impact of a mining operation. Public consultation forms a key part of the process of awarding an Environmental Permit.

Various other permits such as for water extraction, electricity, explosives are conditional on holding an Environmental Permit.

In addition to the above, prior to extractive activities, Concession holders must also secure surface rights, whether through ownership or agreements with owners of surface rights.

The Company has formally submitted an application for an Environmental Permit to MARENA. See “*The Company’s Operations in Nicaragua – Environmental Permit*” and “*Business of the Company*”. For an overview of the Company’s surface rights acquisition activities, see “*The Company’s Operations in Nicaragua – Surface Rights*” and “*Management’s Discussion and Analysis*”.

Other than as described herein, there are no additional material permits, licenses or other regulatory approvals necessary for the Company to be able to carry out business operations in Nicaragua. The Company has consulted with its local counsel to ensure that it has the required permits, licenses and other regulatory approvals necessary. Certain members of the Board and executive officers of the Company also have a breadth of experience operating in Nicaragua and South America. However, there are risks associated with operating in Nicaragua. See “*Risk Factors – Risks Related to the Business*” and “*Risk Factors – Risks Related to Operating In Nicaragua*”.

## **Fiscal Framework**

### *Corporate taxes*

The rate of corporate tax in Nicaragua is currently 30%.

### *Indirect taxes*

Value added tax is imposed at 15% on sales of goods and services and on imported goods.

### *Mining-specific taxes*

Under Law 387, a revenue-based royalty payment of 3% of the value of extracted substances is payable to MEM. A federal tax on surface rights is also levied.

### *Mine-specific tax benefits*

Law 387 also makes available various exemptions from import tariffs for exploration companies and commercial producers. Certain upfront capital costs incurred in the construction of a mine are tax deductible.

### *Surface area tax*

Surface area tax is payable upon the grant of the Concession by MEM and is due bi-annually in January and July. There is no indexation and the amounts are fixed for the 25 year life of the concession.

Surface area tax is paid by the Concession holder as follows, in the local currency equivalent of the following:

<b>Year</b>	<b>Per hectare</b>
1	U.S.\$0.25
2	U.S.\$0.75
3 and 4	U.S.\$1.50
5 and 6	U.S.\$3.00
7 and 8	U.S.\$4.00
9 and 10	U.S.\$8.00
11+	U.S.\$12.00

## THE COMPANY'S OPERATIONS IN NICARAGUA

### Overview

The Company holds title to its Concessions through receipt and possession of an original, numbered Acuerdo Ministerial ("**Ministerial Approval**"), signed, stamped and dated by the Minister or the Director de Administracion y Control de Concesiones (Director of Administration and Control of Concessions) of MEM.

The Ministerial Approval sets out, among other things, the following information:

- Name and registration details of the Concession holder.
- Specification that the Concession is a Mining Concession.
- Total surface area and grid co-ordinates of Concession area.
- Duration of Concession (25 years on award in Nicaragua).
- Confirmation of pre-requisite approvals, including from municipal authorities.
- Nature of any taxes and duties due in connection with the Concession.
- Obligations arising for the Concession holder, including: filing of bi-annual activity reports to both the MEM and MARENA, submission to inspection by these entities and compliance with various environmental laws and regulations.

In order to ensure that it is satisfied with its ownership of the Concessions comprising the La India Project, the Company has received a legal opinion from its Nicaraguan counsel dated September 11, 2017. For additional information on the Concessions that Condor holds in Nicaragua, see "*Business of the Company - Overview of the Properties – Concessions*".

The laws and customs of Nicaragua oblige the Company to have a 'social licence to operate'. This includes the need for formal local stakeholder approval. Access agreements must be made with holders of surface rights, while approval must also be granted by local municipal councils on whose land a Concession located, and both are required in order to carry out both exploration and extraction or processing activities. See "*Business of the Company – Environmental and Social Policies*" for additional information on the Company's approach to corporate social responsibility in Nicaragua.

### Environmental Permit

As disclosed above under "*The Mining Industry in Nicaragua – Other Permits Relevant to the Mining Sector in Nicaragua*", the Company will require an Environmental Permit in order to carry out extractive activities on its Concessions. The Environmental Permit is the "master permit" in Nicaragua, and, once granted, all other permits for construction, electricity, water use, explosives, etc., are expected to follow. The timing for the advancement of the Environmental Permit application will depend on input from third parties (including MEM, MARENA and the local mayor's office representing the local council (or "alcaldia")).

The Company was advised by MARENA in 2016 that it had passed the technical studies contained within the EIA. The technical studies were submitted as part of the Environmental Permit application process for the open pit at the La India Project.

During the first quarter of 2017, the Company met with several Government Ministers in Nicaragua to discuss permitting for the La India Project. As disclosed in the PFS, it is envisaged that approximately 300

dwellings are required to be relocated over the life of the mine as part of the development of 800 hectares of mine site infrastructure. MARENA has requested a detailed resettlement action plan, which has been prepared and is ready to be presented to the Nicaraguan Government. The Nicaraguan Government will require the inhabitants of the dwellings to agree to the terms of the resettlement as part of the permitting process. In April 2017, the Company hired an additional ten employees to work in the Company's social department to add depth to the team communicating with key stakeholders. As of the date hereof, the Company is awaiting further comment from the Nicaraguan Government regarding the resettlement action plan prior to negotiating with the inhabitants of the dwellings and commencing the public consultation process. See "*Risk Factors – Risks Related to Operating In Nicaragua*".

The Company expects that the terms of resettlement will be approved. 41% of the Project's local population lives beneath the United Nations poverty level and the Company believes these individuals will want to see the mine re-opened due to the 500 jobs that are anticipated to be created by the mine and their related impact on economic prosperity in the local community. Additional economic development would also offer better access to drinking water, sewage services and better housing. The Company's surveys show less than 10% of the local population are against the mine and that 70% of the local population currently works as artisanal miners. Accordingly, the Company believes that the area is a pro-mining community that will be supportive of the potential direct and indirect benefits, including employment, which the Project will bring.

Certain of the Company's future plans are dependent on receipt of the Environmental Permit. These plans include an in-fill drilling programme aimed at taking existing mineral reserves from the Pre-Feasibility Study level of confidence to the Feasibility Study level of confidence. See "*Management's Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Status Plans and Expenditures at the La India Project*". If the Company is not able to have the resettlement approved, it expects to proceed with an underground mining option or a smaller open pit for the Project. However, as disclosed above, the Company believes that it is unlikely that the resettlement will not be approved. See "*Risk Factors – Risks Related to the Business*".

## **Surface Rights**

Concessions awarded by MEM provide sub-surface mineral rights only. In order to gain access to the land determined by the Concession, the Concession holder must either separately acquire the surface rights or secure an agreement with the surface rights holder.

The Company has had an active land acquisition programme since 2013 and has developed plans to acquire approximately 800 hectares of rural land. In conjunction with these acquisitions, specialist staff has been engaged. Two independent valuations have been conducted and a strategy is being implemented to secure the rural land by paying 10% of the purchase price of the land to the landowners, who grant the Company an option to purchase the rural land for a two-year period. Under this programme, the Company has made purchase offers to all landowners and, as at the date of this prospectus, approximately 30% of the landowners have accepted (see "*Management's Discussion and Analysis – MD&A for the Twelve Months Ended December 31, 2016 – Company Overview and Discussion of Operations – Discussion of Operations*" and "*Management's Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Contractual Obligations*" for additional information).

In 2017, the Company acquired 3,508 hectares of surface rights from B2Gold, a portion of which comprises the planned locations for mine site infrastructure for the La India Project (see "*Material Contracts – A&R NSR Agreement*"). In 1996, a predecessor company of B2Gold paid U.S.\$820,000 to acquire these surface rights; however, subsequent to the purchase of the land, certain resident individuals have acquired legal rights to some of the land through physical possession. Condor's purchase of the surface rights from B2Gold is seen by the Company as a negotiating tool in land acquisition discussions with current residents.

## Nicaraguan Subsidiaries

The Company's wholly-owned, in-country subsidiary companies in Nicaragua are managed by local representatives directly appointed and instructed by the Chairman of the Company. In respect of the board of directors of the Company's Nicaraguan subsidiaries, under Nicaraguan law, the shareholders of a corporation are entitled to remove directors at a duly convened general meeting of shareholders. The board of directors of a Nicaraguan corporation or the president of the board of directors can remove any officer. Accordingly, the Company can remove the directors and officers of its subsidiaries if necessary.

Funding to local subsidiaries is provided on a monthly basis to meet short term financial requirements only. No banking overdraft facilities are permitted. Board minutes and statutory documents of the in-country subsidiaries are prepared and kept by independent legal counsel. The corporate seals for the Company's subsidiaries are held in a secure manner at the Company's Managua office and La India office. The corporate records of the Company's subsidiaries are kept in the Company's Managua office. The minute books of each of the Company's subsidiaries are held at the offices of its local counsel.

The Chairman of the Company spends between one and two weeks per month in Nicaragua and speaks conversational Spanish, while senior management in Nicaragua are generally fluent in English. Two other members of the Board of the Company have proficient knowledge of Spanish. All reports regarding the Company's operations in Nicaragua are prepared for the Board in English. The Company also has a communications plan in place to IFC standards.

## DIVIDEND POLICY

The Company has not declared or paid any dividends on its Ordinary Shares since incorporation and does not foresee paying dividends in the foreseeable future. No dividend policy has yet been adopted by the Board. The Company currently relies on the equity capital markets to fund the operations and has no earnings. Once a large commercial mine is constructed and in operation, the dividend policy will be reviewed. Any decision to pay dividends on the Ordinary Shares in the future will be made by the Board on the basis of the Company's earnings and financial requirements as well as other conditions existing at such time. Unless the Company commences the payment of dividends, holders of Ordinary Shares will not be able to receive a return on their Ordinary Shares unless they sell them.

## CONSOLIDATED CAPITALISATION

The following table sets forth the capitalisation of the Company as at September 30, 2017 and as at the date of this prospectus. Each Option and Warrant is exercisable by the holder for one Ordinary Share of the Company.

	<b>Authorised</b>	<b>Number outstanding as at September 30, 2017</b>	<b>Number outstanding as at the date hereof</b>
Ordinary Shares	111,365,382	61,365,382	61,365,382
Options	9,204,807	7,521,600	7,521,600
Warrants	Unlimited	12,426,806	12,426,806

See "Options to Purchase Securities" for additional information on the outstanding Options and Warrants.

## SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information from the Company's unaudited interim financial statements for the three and nine months ended September 30, 2017 and the audited annual financial statements for the financial years ended December 31, 2016, 2015 and 2014.

	Nine months ended September 30, 2017	Three months ended September 30, 2017	Financial year ended December 31, 2016	Financial year ended December 31, 2015	Financial year ended December 31, 2014
<b>Revenue (£)</b>	Nil	Nil	Nil	Nil	Nil
<b>Administration expenses (£)</b>	(3,883,952)	(538,473)	(3,618,877)	(3,066,679)	(3,265,730)
<b>Exploration and evaluation expenditure (£)</b>	2,506,191	N/A	1,892,692	2,223,078	5,253,947
<b>Total comprehensive loss (£)</b>	(3,148,763)	(1,324,501)	(6,763,977)	(2,222,216)	(2,926,669)
<b>Basic and diluted loss per Ordinary Share (in pence)</b>	(6.52)	(0.88)	(14.52)	(7.62)	(8.12)
<b>Total assets (£)</b>	21,232,942		17,287,445	20,743,382	22,657,213
<b>Total liabilities (£)</b>	(354,019)		(351,551)	(559,984)	(571,117)
<b>Net assets (£)</b>	20,878,923		16,935,894	20,183,398	22,086,096

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of financial condition and results of operations ("**MD&A**") should be read in conjunction with the remainder of this prospectus, including sections entitled "*Selected Financial Information*" and "*Risk Factors*" in this prospectus and the Company's audited and unaudited financial statements and related notes thereto attached as Schedule "A" and "B" to this prospectus respectively. The Company's financial statements are prepared in accordance with IFRS as adopted by the European Union. The Company's fiscal year ends on December 31 and its reporting currency is U.K. pounds sterling.

This MD&A contains forward-looking information, such as statements regarding the Company's future plans and objectives that are subject to various risks and uncertainties, and those set forth in "*Statement Regarding Forward-Looking Information*" and "*Risk Factors*" in this prospectus. The Company cannot assure investors that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future periods. Investors are cautioned not to place undue reliance on this forward-looking information.

### Technical Information

The technical information about the Company's mineral properties contained in this MD&A, other than information summarized or extracted from the Technical Report, has been prepared under the

supervision of David Crawford, Chief Technical Officer of the Company, and Peter Flindell, a Non-Executive Director of the Company, each of whom is a “qualified person” within the meaning of NI 43-101. Mr. Crawford and Mr. Flindell have both reviewed the contents of this MD&A and have consented to the inclusion in this MD&A of all technical statements, other than information summarized or extracted from the Technical Report, in the form and context in which they appear and confirms that such information fairly represents the underlying data and study results.

## **Approval**

The Board of the Company has approved the disclosure contained in this MD&A.

## **Additional Information**

Additional information relating to the Company is available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **MD&A for the Three and Nine Months Ended September 30, 2017**

This MD&A should be read in conjunction with the Condensed Consolidated Interim Financial Statements of Condor Gold as at September 30, 2017, which have been prepared in accordance with IFRS and International Accounting Standards as adopted by the European Union, and are included as Schedule “B” to this prospectus.

### *Company Overview and Discussion of Operations*

#### Company Overview

The Company is registered and incorporated in the United Kingdom and is actively engaged in gold exploration and development in Nicaragua, with focus on the 100%-held La India Project, for which it has filed the Technical Report which includes a Pre-Feasibility Study. The Technical Report was prepared in accordance with NI 43-101. See “*The La India Project*”.

Records exist for industrial-scale gold mining in the La India Gold District between 1938 and 1956 by Noranda Mines of Canada, a Canadian company, and centred on the La India deposit. Production records estimate a total production from 1.73 Mt at 13.4 g/t for 575,000 oz gold.

The Pre-Feasibility Study summarized in the Technical Report contemplated a 0.8 Mtpa open pit mining operation at La India (“**La India Open Pit**”), producing 614,000 ounces over a nine year mine life. With an initial capital requirement of U.S.\$110 million, the project generated a Net Present Value at a discount rate of 5% (“**NPV5**”) of U.S.\$92 million and IRR of 22%, both on an after-tax basis and assuming a gold price of U.S.\$1,250 per oz.

The La India Project is located in the Department of Leon, approximately 70 km to the north of Managua, the capital city of Nicaragua. The La India Project’s Mineral Resource as disclosed in the Technical Report comprises an Indicated Mineral Resource of 9.6 Mt at 3.5 g/t gold, for 1.08 Moz gold (inclusive of Probable Mineral Reserves, as disclosed below) and an Inferred Mineral Resource of 8.5 Mt at 4.5 g/t gold, for 1.23 Moz gold. The PFS also defines a Probable Mineral Reserve on the open pit of 6.9 Mt at 3.0 g/t gold for 675 Koz gold and 5.3 g/t silver for 1.185 Moz silver, mined by open pit methods on the La India Vein, the principle vein of the La India Project. See “*The La India Project*” for additional information.

A total of approximately 78,500 metres of drilling has been completed on La India Project by Condor and previous explorers.

## Discussion of Operations

Since publication in December 2014 of the PFS for the La India Project, the principal operational activities of the Company have been:

- (i) to advance the permitting framework at La India Open Pit, together with land access; and
- (ii) to conduct further exploration within the La India Project.

Highlights of the nine months ended September 30, 2017 are as follows.

On January 27, 2017, the Company announced, as part of a scout drilling (as defined below) programme initiated in November 2016, announced the results of four holes for 719.6 metres at the Cacao target, four holes for 428.8 metres at the Real de la Cruz target and three holes for 663.8 metres at the Tatescame target. Further to the drill results, the Company disclosed that the Cacao vein was to be prioritised for further drilling.

Utilizing the proceeds from the Company's February 2017 Placement (as defined below) (see "*Other developments in the three and six months ended 30 June 2017*"), on March 31, 2017 the Company announced that 10,000 metres of drilling would be completed in 2017 on the La India Project, with the dual objectives of:

- Resource expansion aimed at increasing the current Mineral Resource at the La India Project; and
- Drilling outside of the immediate areas hosting Mineral Resources ("**scout drilling**") and aimed at identifying new gold deposits in additional vein sets within the La India Project.

In the first quarter of 2017, the Company also met a committee including four Nicaraguan Government Ministers who had been appointed by the Presidency to assist the Company in obtaining permits for the La India Project.

On May 22, 2017, the Company announced initial drill results at Mestiza. The objective of the Mestiza drill programme is to convert an historic Soviet-style mineral resource to NI 43-101 standard. This will boost the current Inferred Mineral Resource at Mestiza of 1,490 Kt at 7.47 g/t for 333,000 oz gold. Mestiza is excluded from the current mine plans in the PFS. A successful resource conversion has the potential to add large, high grade, and relatively shallow resources to a future mine plan, thereby increasing the annual gold production, life of mine and project economics.

On June 29, 2017, the Company announced further drill results at Mestiza and that the drill programme had been expanded to 6,000 metres. As part of the drilling programme, the Company had also completed six drill holes for 945 metres at the Andrea vein, also in the La India Project.

On July 6, 2017, the Company announced the award of 1,985,000 Options to directors and management of the Company at an exercise price of 62 pence. The Options expire on July 6, 2022.

On August 1, 2017, the Company announced details of a completed soil geochemistry survey carried out over the entire 313 km<sup>2</sup> of the La India Project, which had been initiated in January 2015. The soil survey was carried out in conjunction with geological mapping and airborne geophysics programmes as previously announced.

Completion of a 5,922 metre drill campaign at Mestiza was announced by the Company on August 30, 2017. The objective of the drill campaign at Mestiza is to convert an historic Soviet-era resource to NI 43-101 standard.

*Other developments in the three and nine months ended September 30, 2017*

On February 20, 2017, the Company announced a private placement (the "**February 2017 Placement**") of 8,293,443 units of the Company at a price of 62 pence per unit, together with a subscription by a director of the Company for 161,290 units, to raise in aggregate gross proceeds of £5,241,934. The February 2017 Placement price of 62 pence per unit represented a discount of 4.6% percent to the closing price of the Ordinary Shares on AIM of 65 pence per share on February 17, 2017.

The February 2017 Placement closed on February 28, 2017, and each unit issued consisted of one Ordinary Share and one-half of one Warrant. Each such Warrant entitles the holder thereof to purchase one Ordinary Share at a price of 93 pence until February 20, 2019. Following the February 2017 Placement, the Company had 61,365,382 Ordinary Shares of 20 pence each in issue.

On April 24, 2017, the Company announced that its Ordinary Shares had qualified for cross trading on the OTCQX in the United States and that trading would commence later that day under the symbol "CNDGF". The OTCQX is operated by OTC Markets Group Inc. The Company has undertaken to limit the percentage of its issued share capital represented by American Depositary Receipts or Depositary Securities that trade on the OTCQX to no more than 25% of total existing share capital at any such time.

As at September 30, 2017, a total of 59,697 metres had been drilled by the Company at the La India Project.

*Events subsequent to September 30, 2017*

Mr Jeffrey Karoly was appointed as Chief Financial Officer of the Company, effective November 14, 2017.

The final six drill hole results from a 43 drill hole programme at Mestiza were announced by the Company on November 6, 2017. This drill programme, completed in August 2017 and totalling 5,922 metres, was focussed on the Tatiana, Buenos Aires and Jicaro veins.

On October 23, 2017, the Company announced the appointment of Mr. Aiser Sarria as General Manager La India. Mr. Sarria is a civil engineer and Nicaraguan national and was previously Project and Mines Superintendent at the El Limon gold mine, located approximately 35 km from the La India Project.

Further rock chip results, taken at the La India Project, together with results from geological mapping, were announced by the Company on October 3, 2017.

*Status, Plans and Expenditures at the La India Project*

As at the date hereof, the La India Project is at the Pre-Feasibility Study stage. The Company has applied for and is awaiting approval of the application for the EP by the Nicaraguan authorities. Upon receipt of the EP, the Company intends to proceed with additional drilling and a Feasibility Study. The Company has been awaiting approval of the EP application prior to proceeding with the resource in-fill drilling programmes as recommended in Section 26 of the Technical Report and as summarised below. The Company's plans for 2018 are to continue to advance the La India Project towards the Feasibility Study stage and in particular:

- to secure the approval of the application for the EP for the La India Open Pit, submitted late in 2015; and

- concurrent with the above, to continue exploration activities aimed at identifying gold mineralisation outside of the current Mineral Resource / Mineral Reserve areas through geological mapping and trenching surveys over the entire La India Project area. In addition, conduct relogging of drill core to improve understanding of lithological and geological aspects of gold mineralisation at the Project.

The Company expects that the costs for carrying out the above, together with the those of operating and administering the Company through to the end of calendar year 2018 would amount to approximately £1.5 million, including approximately U.S.\$200,000 to maintain the Company's Concessions in Nicaragua through payment of land surface taxes. A breakdown of the expenditures planned for the 15 months through to the end of 2018 is as follows:

	Pounds Sterling (000s)
Securing approval of the Environmental Permit	105
Exploration aimed at identifying gold mineralisation outside of the current Mineral Resource / Mineral Reserve areas at the La India Project	643
Payment of land surface taxes	144
In-country operating costs	83
Costs of administering the Company	606
<b>Total</b>	<b>1,581</b>

See "*Forward-Looking Information*" and "*Risk Factors*".

The above amounts exclude the cost of purchasing land under the Option Agreements (as defined below) or from any of the surface rights holders that have not entered into Option Agreements with the Company. The above amounts do include the cost of rolling over 9 of the 23 the land purchase Option Agreements expiring in 2018, estimated to be approximately U.S.\$8,000. The Company does not intend to purchase the surface rights under the Option Agreements or from any other landowners under its land acquisition program until it has secured the Environmental Permit. See "*Management's Discussion and Analysis – MD&A for the Twelve Months Ended December 31, 2016 – Management Company Overview and Discussion of Operations – Discussion of Operations*" and "*The Company's Operations in Nicaragua – Surface Rights*" for additional information.

The Company spent approximately £2.0 million at the La India Project in the nine months ended September 30, 2017, including payment of land surface taxes and in country operating costs, and £1.9 million over the 12 months ended December 31, 2016 (12 months ended December 31, 2015: £2.2 million). The planned spending through to end-2018 is lower than in these previous periods primarily as it does not include drilling programmes, which significantly reduces operating costs. As discussed below, the Company intends to commence additional drilling programs following receipt of the Environmental Permit.

It should be noted that the Company was advised by MARENA in 2016 that it had passed the technical studies contained within the EIA, which was submitted as part of the EP application process for La India Open Pit. Securing approval for the EP application is a key future milestone in the de-risking and development of the La India Project. The timing for the advancement of the EP application will depend on input from third parties, including inter alia, MARENA, together with the outcome of a planned public consultation, required as part of the approval process. The timing for approval of the EP application cannot therefore currently be forecast. See "*The Company's Operations In Nicaragua – Environmental Permit*" and "*Risk Factors*".

Upon approval of the EP application, the Company plans to resume additional exploration drill programmes with two principal objectives:

- a resource in-fill drilling programme of approximately 11-13,000 meters to be conducted with the aim of taking the existing mineral reserves from the Pre-Feasibility Study level of confidence to the Feasibility Study level of confidence. The total cost for the drill programme would amount to approximately U.S.\$3 million, including incremental Company operating costs that would arise during these programmes.
- a resource expansion drilling programme of approximately 20,000 metres and focussing on the Mestiza and La India vein sets in order to expand total contained gold in the Mineral Resource within these two vein sets by approximately 40 percent. The cost of this programme, including incremental Company operating costs would amount to approximately U.S.\$5 million.

The Company does not hold sufficient financial resources to carry out the above planned drilling to be conducted following receipt of the EP, and will need to seek external funding in order to do so. Sources of such funding are likely to include issuance of additional share capital in the Company. See “*Risk Factors – Risks Related to the Business*”.

Upon completion of the above drill programmes, the Company intends to proceed with a Feasibility Study on the La India Project, the cost of which is estimated to be in the order of U.S.\$5 million and for which the Company will also need to seek external funding. The Company intends to complete an Environmental and Social Impact Assessment concurrently with the Feasibility Study. The estimated cost of this assessment is included in the U.S.\$5 million cost of the Feasibility Study as set out in the recommendations in the Technical Report.

Although the exact timing cannot be accurately forecast, the Company expects the Environmental Permit to be granted during 2018. Pending receipt of additional funds, the Company expects to commence the in-fill drilling and resources expansion programs within six months of the grant of the Environmental Permit. Within 12 to 18 months of the grant of the Environmental Permit, the Company intends to complete the 11-13,000 meter in-fill drilling programme and the technical studies required for a Feasibility Study. It is the Company’s intention to complete the resource expansion programme within 18 months of the grant of the Environmental Permit. See “*Risk Factors*” and “*Forward-Looking Information*”.

There have been no actual or anticipated changes which would adversely affect the financial condition or performance of the Company, nor industry or economic factors that would affect the Company’s performance.

Expenditure by the Company up to September 30, 2017 on the La India Project amounted to £35.6 million on a cumulative basis.

#### *Achievement of plans and milestones in 2017*

The Company has been endeavouring in 2017 to secure approval of the EP application. Pending this, the plans of the Company have been

- to conduct detailed geological mapping and resource expansion drill programmes specifically aimed at the Mestiza vein set and exploration drilling programmes targeting the smaller resource areas and prospects that have not been drilled and which are located within the La India Project area; and
- following on from soil surveys and a study of the structural geology within the La India Project, to continue exploration activities for gold mineralisation outside of the existing Mineral Resource/Mineral Reserve areas.

The development of the La India Project in the first nine months of 2017 has been consistent with these plans of the Company. In particular:

- The Company completed scout drilling carried out at the Andrea, Real de la Cruz and Tatescame targets.
- The Company completed a geochemistry survey in June on the entire 313 km<sup>2</sup> La India Project.
- A 5,922 metre drill campaign at Mestiza was completed by the Company on August 30, 2017. The objective of the drill campaign at Mestiza is to convert an historic Soviet-era resource to NI 43-101 standard.

For further discussion of the above, see “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Discussion of Operations*” and “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Other developments in the three and nine months ended September 30, 2017*”.

### *Risks and Uncertainties*

In common with other companies operating in natural resources exploration, the Company is subject to ongoing risk factors and uncertainties, including, among others, political risks, title risks, commodity prices, exchange rate risks, permitting risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies. See “*Risk Factors*”.

### *Summary of Financial and Operating Performance*

#### Summary of Overall Financial Performance

The Company reports in U.K. pounds sterling. The functional currency of the La India Project is Nicaraguan Cordobas. The presentational currency of the Company is U.K. pounds sterling. The financial statements of the Company are prepared in accordance with IFRS as adopted by the European Union.

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	(£)	(£)	(£)	(£)
Total comprehensive income/(loss)	(1,324,501)	(172,288)	(3,148,763)	(1,447,885)
Cash and cash equivalents	2,020,493	1,629,392	2,020,493	1,629,392
Exploration assets	18,355,741	20,822,675	18,355,741	20,822,675
Net assets	20,878,923	23,781,076	20,878,923	23,781,076

The total comprehensive income/(loss) for the Company of £(1,324,501) for the three months ended September 30, 2017 (three months ended September, 30 2016: £(172,288)) and £(3,148,763) for the nine months ended September 30, 2017 (nine months ended September 30, 2016: £(1,447,885)) was after the following principal items:

- General and Administrative (“**G&A**”) costs of £(538,473) for the three months ended September 30, 2017 (three months ended September 30, 2016: £(630,993) and £(3,883,952) for the nine months ended September 30, 2017 (nine months ended September 30, 2016: £(3,929,201))). Within G&A costs there is a non-cash unwinding charge for share options granted. See

*“Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Results from Operations”.*

- Currency translation differences for the three months ended September 30, 2017 of £(786,028) (three months ended September 30, 2016: £458,705) and £735,189 for the nine months ended September 30, 2017 (nine months ended September 30, 2016: £2,479,955), driven by movements in the United States dollar, the Nicaraguan Cordoba and in 2016 also the Salvadorian Colon relative to the U.K. pound sterling, resulting in unrealised currency translation differences.

Further analysis of total comprehensive income/(loss) is contained in the section *“Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Results from Operations”.*

The cash levels of the Company as at September 30, 2017 and September 30, 2016 vary due to the timing and quantum of financing by the Company as well as the level of expenditures by the Company on exploration and administrative activities.

The movement in exploration assets between September 30, 2016 and September 30, 2017 is a function of exploration expenditure during the year, together with foreign exchange movements and any asset impairments or revaluations during the period. See *“Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Intangible Assets”.*

#### Comparison of Financial Condition

The financial condition of the Company is primarily measured by the reserves of cash and cash equivalents, and the level of net assets. As of September 30, 2017 the Company held cash and cash equivalents of £2,020,493 (December 31, 2016: £583,610; September 30, 2016: £1,629,392). As of September 30, 2017, the Company had net assets of £20,878,923 (December 31, 2016: £16,935,894; September 30, 2016 £23,781,076). The February 2017 Placement (see *“Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Other developments in the nine months ended September 30, 2017”*) is the primary driver behind the variances in these two measures. Net assets are also impacted by the operating performance of the Company (see *“Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Results from Operations”*).

#### *Summary of Cash Flows*

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	(£)	(£)
Net cash absorbed in operating activities	(1,991,715)	(2,311,070)
Net cash absorbed in investing activities	(2,624,407)	(1,364,720)
Net cash flow generated from financing activities	5,241,933	2,853,000
Net increase/(decrease) in cash and cash equivalents	625,811	(822,790)

The net cash flows used in operating activities for the nine months ended September 30, 2017 and September 30, 2016 are driven by activities in the management of the La India Project. The change between September 30, 2016 and September 30, 2017 is primarily attributed to lower spend on corporate and administrative costs.

Cash used in investing activities increased to £(2,624,407) in the nine months ended September 30, 2017 as compared to £(1,364,720) in the nine months ended September 30, 2016. The higher spend in the first nine months of 2017 as compared to the same period in 2016 was principally driven by the implementation of a new drilling programme at the La India Project.

Cash flows from financing activities in the first nine months of 2017 arose from the February 2017 Placement (see “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Outstanding share data*” and “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Other developments in the three and nine months ended September 30, 2017*”).

#### Quarterly Financial Information

Quarter Ended	September 30, 2017 (£)	June 30, 2017 (£)	March 31, 2017 (£)	December 31, 2016 (£)	September 30, 2016 (£)	June 30, 2016 (£)	March 31, 2016 (£)	December 31, 2015 (£)
Revenue	—	—	—	—	—	—	—	—
Profit/(loss) from continuing operations <sup>(1)</sup>	(538,473)	(2,392,219)	(953,260)	(3,754,391)	(630,993)	(2,068,790)	(1,228,057)	(1,138,206)
Total comprehensive income/(loss) attributable to owners of the parent	(1,327,310)	(350,282)	(1,464,225)	(5,324,556)	(170,197)	(20,867)	(1,246,485)	(385,948)
Profit/(loss) from continuing operations pence per share	(0.88)	(3.90)	(1.86)	(7.10)	(1.19)	(3.91)	(2.68)	(2.48)
Total comprehensive earnings/(loss) per share	(2.16)	(0.57)	(2.86)	(10.06)	(0.32)	(0.04)	(2.72)	(0.84)

#### Notes

(1) Disclosed in Condensed Consolidated Statement of Comprehensive Income as “Loss for the period”

Profit/(loss) from continuing operations in each of the periods disclosed is driven on an on-going basis by G&A costs, including exploration costs expensed and in the fourth quarter of 2016, a non-cash impairment charge of £(4,065,086) in connection with the write down of the Company’s exploration assets in El Salvador (see “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Analysis of Intangible Assets*”). Non-cash charges arising in connection with share options and warrants are additionally reflected.

Total comprehensive income attributable to owners of the parent additionally reflects currency translation differences arising on translation of foreign operations and which are reflected in the quarters ending in June and December.

The quarters ending March 31, 2016 and June 30, 2016 reflect the restatement of the Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2016 and which arose from inclusion in that period of non-cash charges in connection with share based payment charge – see “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Changes in accounting policies*”.

Results from Operations

	Three months ended September 30, 2017 (£)	Three months ended September 30, 2016 (£)	Nine months ended September 30, 2017 (£)	Nine months ended September 30, 2016 (£)
<b>Cash expenditure on Exploration activities</b>	(899,665)	(484,442)	(2,506,191)	(1,353,553)
<b>Net Movement in Intangible Assets</b>	90,311	484,442	2,431,547	2,448,590
<b>Analysis of Operating Loss:</b>				
<b>General and Administration Costs</b>				
Wages and salaries	(42,193)	(51,527)	(123,920)	(151,686)
Unwinding/(Charge) for share options granted (non-cash)	(194,171)	(64,654)	(1,460,191)	(58,383)
Unwinding/(Charge) for warrants granted (non-cash)	-	-	(389,377)	(2,134,180)
Travel/expenses	(12,509)	(20,143)	(96,626)	(69,690)
Exploration costs expensed	(83,069)	(358,009)	(976,422)	(893,327)
Professional Fees	(101,667)	(66,764)	(482,953)	(280,808)
Legal fees	(21,361)	(15,798)	(84,190)	(93,640)
Fixed asset impairment	Nil	Nil	Nil	Nil
Overheads/other	(83,503)	(54,098)	(269,973)	(247,487)
<b>Total General and Administration Costs</b>	<b>(538,473)</b>	<b>(630,993)</b>	<b>(3,883,952)</b>	<b>(3,929,201)</b>
Finance Income	Nil	Nil	Nil	1,360
<b>Loss for the period</b>	<b>(538,473)</b>	<b>(630,993)</b>	<b>(3,883,952)</b>	<b>(3,927,840)</b>
Non-controlling interest	Nil	226	Nil	(684)
<b>Loss attributable to owners of the parent</b>	<b>(538,473)</b>	<b>(630,696)</b>	<b>(3,883,952)</b>	<b>(3,297,157)</b>
<b>Currency translation differences</b>	<b>(786,028)</b>	<b>458,705</b>	<b>735,189</b>	<b>2,479,955</b>
<b>Total Comprehensive profit/(loss)</b>	<b>(1,324,501)</b>	<b>(172,288)</b>	<b>(3,148,763)</b>	<b>(1,447,885)</b>
Non-controlling interest	2809	(2,091)	(6,946)	(11,020)
<b>Total comprehensive loss attributable to owners of the parent</b>	<b>(1,327,310)</b>	<b>(170,197)</b>	<b>(3,141,817)</b>	<b>(1,436,866)</b>

Cash expenditure on exploration activities comprises direct expenditure on the La India Project. This includes in-country operating, staff and permitting costs, as well as sampling, mapping and drilling programmes and studies, broken down as follows:

	Three months ended September 30, 2017 (£)	Three months ended September 30, 2016 (£)	Nine months ended September 30, 2017 (£)	Nine months ended September 30, 2016 (£)
Payroll	(174,600)	(62,403)	(321,600)	(235,573)
Operating Costs	(22,121)	(18,339)	(37,921)	(51,083)
Permitting	(188,320)	(77,534)	(188,320)	(148,332)
Direct field expenditure (Drilling / Sampling / Studies)	(514,624)	(326,166)	(1,958,350)	(918,566)
<b>Cash expenditure on Exploration activities</b>	<b>(899,665)</b>	<b>(484,442)</b>	<b>(2,506,191)</b>	<b>(1,353,553)</b>

For analysis regarding how these expenditures related to relevant milestones for the La India Project and anticipated timing and costs to advance the Project to further stages, see “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Status, Plans and Expenditures at the La India Project*” and “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Achievement of Plans and Milestones in 2017*”. For analysis of net movement in intangible assets and explanation of the Company’s exploration activities in 2017, see “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Intangible Assets.*”

G&A costs have decreased for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016 from £(630,993) to £(538,473) and for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 from £(3,929,201) to £(3,883,952). The main drivers behind this increase are as follows:

Within General and Administration costs:

- (Unwinding)/Charge for share options granted resulted in a non-cash charge for the three months ended September 30, 2017 of £(194,191) (three months ended September 30, 2016 £(64,654)) and £(1,460,491) for the nine months ended September 30, 2017 (nine months ended September 30, 2016: £(58,383)) as the estimated fair value of options granted are fully recognised within G&A costs on a pro-rata basis over the vesting period and are calculated using the Black-Scholes pricing model. A net non-cash credit arose in 2016 due to the unwinding of previous charges and which arose due to former holders of options leaving the employment of the Company, together with expiry of lapsed options.
- The non-cash charge for warrants granted for the three months ended September 30, 2017 of £nil (three months ended September 30, 2016: £nil) and nine months ended September 30, 2017 of £(389,377) (nine months ended September 30, 2016: £(2,134,180)) was driven by warrants issued in connection with private placements and calculated in accordance with the Black-Scholes pricing model. In 2016 charges in relation to warrants were not reflected in the interim reporting period.
- Exploration costs expensed, which include expenditure on consultant services outside of Nicaragua or El Salvador and which are generally expensed by the Company, have decreased in the third quarter of 2017 from £(358,009) in the three months ended September 30, 2016 to £(83,069) in the three months ended September 30, 2017 and increased from £(893,327) in the nine months ended September 30, 2016 to £(976,422) in the nine months ended September 30, 2017 due to the timing and nature of the Company’s exploration activities, coupled with realised foreign exchange movements in relation to funds remitted to and expensed by local operating

subsidiaries, which incur costs in United States dollars and/or Nicaraguan Cordobas. Gains or losses between realised exchange rates on remittance and exchange rates on date of transaction can also result in volatility in this measure.

- Professional fees have increased in the first nine months of 2017 from £(280,808) in the first nine months of 2016 to £(482,953) in the first nine months of 2017 due to additional charges raised in connection with the February 2017 Placement, with the associated charges being recorded in the three months ended March 31, 2017. Professional fees for the three months ended September 30, 2017 and three months ended September 30, 2016 remained at similar levels.
- Overheads/other principally comprises mainly marketing, property costs, accountancy and audit costs and did not materially vary between the reporting periods.

Additional movements:

Currency translation differences of £735,189 for the three months ended September 30, 2017 (three months ended September 30, 2016: £2,479,955) and £(786,028) for the nine months ended September 30, 2017 (nine months ended September 30, 2016: £458,705) arose from the relative movements in U.K. pounds sterling in relation to the United States dollar, the Nicaraguan Cordoba and (in the first half of 2016) the Salvadorian Colon and which impacted the values recorded in U.K pounds sterling of the Company's foreign assets and liabilities.

#### *Analysis of Intangible Assets*

	Exploration Costs (£)	Mineral Resources (£)	Licences (£)	Total (£)
<b>Net Book Value</b>				
At 1 January 2016	15,853,895	2,520,190	-	18,374,085
Additions	1,353,553	-	-	1,353,553
Disposals	-	-	-	-
Impairments	(25,005)	-	-	(25,005)
Exchange rate movements	1,120,042	-	-	1,120,042
At September 30, 2016	18,302,485	2,520,190	-	20,822,675
<b>As at January 1, 2017</b>	15,358,839	565,355	-	15,924,194
<b>Additions</b>	2,506,068	-	-	2,506,068
<b>Disposals</b>	-	-	-	-
<b>Impairments</b>	-	-	-	-
<b>Exchange rate movements</b>	(74,521)	-	-	(74,521)
<b>Net book value at September 30, 2017</b>	17,790,386	565,355	-	18,355,741

Exploration Costs within intangible assets comprise all costs directly attributable to the exploration of a project area and which are capitalised to that project. The accounting policies of the Company specify that exploration costs are to be denominated in the functional currency of the country in which the asset is located. The La India Project is located in Nicaragua and is thus denominated in Nicaraguan Cordobas.

Mineral Resources, as disclosed in the table above, comprise payments to third parties to acquire interests in existing projects.

Exploration costs capitalised in the first nine months of 2017 of £2,506,068 included the drilling programme initiated in March and completion of a geochemistry survey across the La India Project.

The total value attributed to the Company's intangible assets in El Salvador as at end-September 2016 amounted to £4,579,640. The assets in El Salvador were fully written down by the Company in the final quarter of 2016. This followed a ruling late in 2016 by the International Centre for Settlement of Investment Disputes in favour of the Government of El Salvador and against Oceana Gold Corporation. Consequently the Company decided to write off the carrying value of its assets in El Salvador and is withdrawing from the country.

#### *Other Information*

#### Outstanding Share Data

	As of September 30, 2017 (000's)	As of September 30, 2017 (£)	As of September 30, 2016 (000's)	As of September 30, 2016 (£)
<b>Issued and fully paid</b>				
Ordinary Shares of 20 pence each				
At 1 January	52,910	10,582,129	45,807	9,161,463
Issue of Ordinary Shares	8,455	1,690,947	7,103	1,420,666
At 30 September	61,365	12,273,076	52,910	10,582,129

For details of the issue of Ordinary Shares in 2017, see "*Management's Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Other developments in the three and nine months ended September 30, 2017.*"

#### Stock Options and Warrants in the Company

The total Options outstanding as at the date hereof amount to 7,521,600 with an average exercise price of 80 pence, and which will be fully vested by July 6, 2019. There is no other share-based compensation paid by the Company.

The Company recognises as an expense the cost of warrants and/or stock based compensation based upon the estimated fair value of new stock options or warrants granted. The fair value of each stock option or warrant is estimated on the date of grant using the Black-Scholes option pricing model and is expensed over the vesting period.

On February 20, 2017, 4,227,364 Warrants were issued as part of share subscriptions.

The Warrants all previously issued had a maximum life of two and a half years from the date they were issued, other than Warrants issued in 2014, which have a four year life, and the Warrants issued in 2016 and 2017 which have a two-year life. As at September 30, 2017, there were 12,426,806 Warrants outstanding. Should all Warrants be exercised in full, the Company would receive £11,842,445.

#### *Off-Balance Sheet Arrangements*

There are no off-balance sheet arrangements.

### *Liquidity, Capital Resources and Financial Instruments*

The Company is not in commercial production on any of its properties and accordingly it does not generate cash from operations and finances its activities by raising capital through equity issues.

As at September 30, 2017, the Company had £2,020,493 in cash at bank and on deposit. As at September 30, 2016, cash at bank and on deposit amounted to £1,629,392. The Company does not enter into lease arrangements or debt facilities to cover working capital requirements – see *“Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Contractual Obligations.”*

The Company endeavours to hold all cash and cash equivalents in interest bearing accounts. The Company has not invested in any short-term commercial paper, asset-backed securities or other financial instruments. There are no known or expected trends or fluctuations in the Company’s capital resources and which would have a material impact on the capital resources of the Company. The Company mitigates risks associated with its cash holdings by reviewing the credit ratings of banks with which it places those holdings. Cash holdings kept in Nicaragua are limited to cover short term needs only.

In management’s view the Company has sufficient financial resources to fund currently planned exploration programmes and ongoing operating expenditures over at least the next 12 months. Total expenditures over the 15 months through to end-2018 are expected to total approximately £1.5 million and include settlement of the contractual obligations of the Company. The plans for the company in the final quarter of 2017 and for calendar year 2018 are to secure approval of the EP and continue with exploration activities including geological mapping, trenching and analysis of drill core. (see *“Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Status, Plans and Expenditures at the La India Project”*).

Upon receipt of the EP, the Company plans to resume resource in-fill and resource expansion drilling activities at the La India Project, the total cost for which is anticipated to amount to US\$8 million (comprising U.S\$3 million for the resource in-fill drilling programme and U.S\$5 million for the resource expansion programme) and subsequently to carry out a Feasibility Study, the cost of which is currently estimated to be in the order of U.S.\$5 million - see *“Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Status, Plans and Expenditures at the La India Project”*). The Company does not currently have the financial resources for the planned drilling and Feasibility Study and will need to seek additional funding for external funding in order to carry out these activities. Sources of such funding are likely to include issuance of additional share capital in the Company. See *“Risk Factors – Risks Associated with the Company”*.

Subsequent to the completion of a Feasibility Study and subject to the results thereof, the Company will need to seek additional sources of funding in order to initiate construction of a mine at the La India Project.

Expenditure plans are reviewed and adjusted on a regular basis as appropriate and in line with the financial resources of the Company. Financial commitments are not given to third parties where they would result in undue risk to the financial solvency of the Company going forwards. Payments will be required to maintain the Company’s concessions in Nicaragua in good standing and the Company ensures that it holds sufficient financial reserves to meet those payments. The Company only commits to future payments and exploration programmes once it already has the required financial resources to do so.

There are no legal or practical restrictions on the repatriation out of Nicaragua of capital and profits.

As of the date of this document, the Company holds sufficient working capital to meet its contractual obligations and carry out its planned activities at least through to end-2018 as outlined above. It will continue to be dependent on raising equity capital as required until and unless it reaches the production

stage and generates cash flow from operations. To date the Company has been successful in raising funding from investors and believes that it will continue to be able to attract financial capital as it progressively de-risks and advances the La India Project towards the Feasibility Study, construction and production stages.

#### *Contractual Obligations*

£	<i>Payments Due by Period</i>				
	<i>Total (£)</i>	<i>Less than 1 year (£)</i>	<i>1 – 3 years (£)</i>	<i>4-5 years (£)</i>	<i>Greater than 5 years (£)</i>
Operating leases on offices	16,670	8,335	8,335	-	-
Material creditors <sup>(1)</sup>	89,538	89,538	-	-	-

#### **Notes**

(1) The material creditors figure above is in relation to a contractual agreement between the Company and Mendoza S.A. to acquire the Espinito Mendoza Concession entered into in March 2016. The contract states that \$200,000 will be paid over 20 equal installments. The above figure has been included within creditors in the financial statements of the Company.

The cost of maintaining the concession areas of the Company through to end-2018 by payment of taxes is expected to total approximately U.S.\$200,000 and has been included in the expenditure plans of the Company.

The Company is not in arrears or at risk of default with its suppliers and regarding its lease payments. It has no plans to pay dividends until it has commenced commercial production and holds no debt. There are no capital expenditure commitments and no sources of funding that the Company has arranged but not yet used.

The Company holds options pursuant to Option Agreements to purchase surface rights covering approximately 30% of 800 hectares required for the Project area. Of the total 23 Option Agreements signed, 14 expire in 2017. Of these 14, 13 have been rolled over for a further two years at a total cost to the Company of approximately U.S.\$10,000. The Company is in discussions with the holder of the last remaining Option Agreement that expires in 2017.

#### *Transactions with Related Parties*

The balances recorded as at September 30, 2017 and the comparative period in 2016 are as follows and cancel out upon consolidation:

	September 30, 2017 (£)	September 30, 2016 (£)
<b>Condor S.A.</b>		
Brought forward loan balance	5,812,246	4,184,043
Additional loans during the period	437,073	207,594
Closing balance	6,249,319	4,391,637

	September 30, 2017 (£)	September 30, 2016 (£)
<b>Minerales Morazan S.A.</b>		
Brought forward loan balance	-	2,104,733
Additional loans during the period	-	12,773
Loan write off	-	-
Closing balance	-	2,117,506

	September 30, 2017 (£)	September 30, 2016 (£)
<b>La India Gold S.A.</b>		
Brought forward loan balance	14,881,333	13,140,505
Additional loans during the period	443,150	348,931
Closing balance	15,324,483	13,489,436

	September 30, 2017 (£)	September 30, 2016 (£)
<b>La India Inversiones SA</b>		
Brought forward loan balance	-	-
Additional loans during the period	26,001	-
Closing balance	26,001	-

The above related parties are subsidiaries of Condor Gold plc. The purpose of the above loans, which are unsecured, is to meet the working capital requirements of the subsidiaries. The loan to Minerales Morazan S.A. was written off in conjunction with the impairment in the final quarter of 2016 of the Company's intangible assets in El Salvador – see “*Management's Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Analysis of Intangible Assets.*”

During the three months ended September 30, 2017 and three months ended September 30, 2016, the Company received consultancy advice from the following related parties:

Entity	Related party	Three months ended September 30, 2017 Payments (£)	Three months ended September 30, 2016 Payments (£)
Burnbrae Limited	J Mellon	4,167	6,250
Axial Associates Limited	M L Child	8,333	12,500

Entity	Related party	Three months ended September 30, 2017 Payments (£)	Three months ended September 30, 2016 Payments (£)
	P Flindell	9,833	7,753

During the nine months ended September 30, 2017, the Company received consultancy advice from the following related parties:

Entity	Related party	Nine months ended September 30, 2017 Payments (£)	Nine months ended September 30, 2016 Payments (£)
Burnbrae Limited	J Mellon	16,667	18,748
Axial Associates Limited	M L Child	33,333	37,500
	P Flindell	38,627	28,322

J Mellon and P Flindell are Non-Executive Directors of the Company. M L Child is Chairman and Chief Executive Officer. 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.

#### *Critical Accounting Policies and Estimates*

The Company's accounting policies are described in detail in Note 1 of the Company's December 31, 2016 annual consolidated financial statements attached as Schedule "A" to this prospectus. The Company considers the following judgments and estimates to be most critical in understanding its financial results:

#### Significant accounting judgments and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities at the date of the financial statements and the reported amounts of expenditures during the period reported. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. While actual results could differ materially from these estimates, no specific sources of estimation uncertainty have been identified by management that are believed to have a significant risk of resulting in a material adjustment within the next financial year to the carrying amount of the Company's assets and liabilities as recorded as at September 30, 2017.

Significant items subject to such estimates include:

#### Valuation of Intangible Assets

Exploration expenditure comprises all costs which are directly attributable to the exploration of a project area. Licence costs are those incurred acquiring mineral rights and include the entry premiums paid to

gain access to areas of interest. Mineral resource costs are those paid to third parties to acquire interests in existing projects.

In accordance with IFRS 6, the Company capitalises as exploration costs within Intangible Assets all exploration and evaluation costs, including field exploration and analysis costs relating to specific properties until those properties are brought into production, at which time they will be amortised on a unit-of-production basis or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge is made.

Intangible Assets are reviewed for impairment to determine if a write down of their carrying amount is required. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration. The Directors of the Company have reviewed the estimated value of each project prepared by management and consider them to be reasonable.

Management has made various estimations regarding the fair value of exploration assets acquired in the absence of NI 43-101 compliant resource data available at acquisition. The fair value of exploration assets acquired has been estimated based on a number of valuation techniques.

Where acquisitions represent transactions between knowledgeable and willing parties on an arm's length basis the exploration assets acquired have been valued on the basis of the consideration transferred. Where acquisitions are not deemed to represent arm's length transactions, management compare them to similar transactions that are on an arm's length basis taking into account key factors such as certainty over the level of defined resource, processing technology and location infrastructure in order to arrive at a fair valuation.

See "*Management's Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Results from operations*" and "*Management's Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Analysis of Intangible Assets*" for further information regarding the valuation of and movements in intangible assets during the reporting period.

#### Foreign currencies

The foreign currency movements included in the consolidated financial statements of the Company arose from the relative movements in the U.K. pound sterling in relation to the United States Dollar, the Nicaraguan Cordoba and the Salvadorian Colon. The Company has adopted accounting treatment of foreign operations upon consolidation following "International Accounting Standard 21 – *The Effects of Changes in Foreign Exchange Rates*" as regards application of exchange rates at balance sheet dates and/or exchange rates at the date of transaction as appropriate, in relation to monetary and non-monetary assets and liabilities.

Exploration costs, disclosed as part of Intangible Assets, are denominated in the functional currency of the country in which the asset is located. The La India Project is located in Nicaragua and is thus denominated in Nicaraguan Cordobas. All resulting unrealised exchange differences arising from variations in the exchange rate between the Nicaraguan Cordoba and U.K. pounds sterling are recognised in the profit and loss in "other comprehensive income" and accumulated in equity – see "*Management's Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Results from operations.*"

## Changes in accounting policies

### Share-Based Payments

The Condensed Consolidated Financial Statements of the Company as at June 30, 2017 were prepared in accordance with *International Accounting Standard 34 Interim Financial Reporting* (“IAS 34”).

The Company historically applied *IFRS2 Share-based payment* (“IFRS2”) only in its annual, audited financial statements. During the period ended June 30, 2017 the Company reviewed its policy of applying IFRS 2 and assessed that application of IFRS 2 across the financial year, rather than only in the annual financial statements, better applied the principles of paragraph 15 of *International Accounting Standard 1 Presentation of Financial Statements*, namely in respect to the principles of fair presentation.

Consistent with paragraph 43 of IAS 34, the restatement of the comparative period ending June 30, 2016 and arising from the application of IFRS2 have been disclosed. The following table summarises the impact of the above change in timing of the charge for the share based payment on affected line items within the Company’s Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2016, as disclosed as the comparative period in the Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2017. Share based payments are included within administrative expenses.

#### **Selected line items from Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2016**

	As previously reported £	Change £	Restated £
Administrative expenses	(1,170,299)	(2,127,909)	(3,298,208)
<b>Loss for the period</b>	<b>(1,168,938)</b>	<b>(2,127,909)</b>	<b>(3,296,847)</b>
Currency translation differences	2,021,250	-	2,021,250
<b>Total comprehensive income/(loss) for the period</b>	<b>852,312</b>	<b>(2,127,909)</b>	<b>(1,275,597)</b>
<b>Income/(loss) attributable to:</b>			
Non-controlling interest	(386)	-	(386)
Owners of the parent	(1,168,552)	(2,127,909)	(3,296,461)
	<b>(1,168,938)</b>	<b>(2,127,909)</b>	<b>(3,296,847)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Non-controlling interest	(7,859)	(386)	(8,245)
Owners of the parent	860,171	(2,127,523)	(1,267,352)
	<b>852,312</b>	<b>(2,127,909)</b>	<b>(1,275,597)</b>
<b>Loss per share expressed in pence per share:</b>			
Basic and diluted (in pence)	(2.46)	(4.48)	(6.94)

The above restatement does not impact the financial statements for the year ended December 31, 2016; the adjustment is solely in relation to the six months ended June 30, 2016. The Company did not previously disclose results for the three months ended June 30, 2016. The disclosures in “*Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Quarterly Financial Information*” and “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Quarterly Financial Information*” reflect the impact of the above restatement.

The share-based payment charge is a non-cash charge which is added back to retained earnings. There is therefore no impact on the balance sheet of the Company.

#### Other Changes

The adoption of IFRS and IFRIC interpretations did not result in any other substantial changes to the accounting policies adopted by the Company.

#### *Management’s Report on Internal Controls and Procedures*

##### Disclosure controls and procedures

Disclosure controls and procedures (“**DCP**”) have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under supervision of the Chief Executive Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company’s DCP and has concluded that they were effective as at the date of this document.

##### Internal control over financial reporting

The Company’s internal control over financial reporting (“**ICFR**”) is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements or fraud.

##### Changes in internal controls over financial reporting

There have been no changes in the Company’s ICFR during the three and nine month periods ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, its ICFR.

#### **MD&A for the Twelve Months Ended December 31, 2016**

This MD&A is prepared as at December 31, 2016 and should be read in conjunction with the Consolidated Financial Statements of Condor as at December 31, 2016, which have been prepared in accordance with IFRS and International Accounting Standards as adopted by the European Union and are attached hereto as Schedule “A”.

Unless otherwise noted, all currency figures in this MD&A are presented in U.K. pounds sterling.

Condor Gold is a publicly listed company, the shares of which have been listed since May 31, 2006 on the London Stock Exchange on the AIM market, under the symbol “CNR”.

#### *Company Overview and Discussion of Operations*

##### Company Overview

The Company is registered and domiciled in the United Kingdom and is actively engaged in gold exploration and development in Nicaragua, with focus on the 100%-held La India Project, for which it has

filed the Technical Report, which includes a Pre-Feasibility Study. The Technical Report was prepared in accordance with NI 43-101. See *"The La India Project"*.

The PFS summarized in the Technical Report contemplated a 0.8 Mtpa open pit mining operation at La India (the La India Open Pit), producing 614,000 ounces over a nine year mine life. With an initial capital requirement of U.S.\$110 million, the project generated an NPV5 of U.S.\$92 million and IRR of 22%, both on an after-tax basis and assuming a gold price of U.S.\$1,250 per oz.

The La India Project has a surface area of 313 square kilometres and comprises 10 contiguous and adjacent Concessions, covering an estimated 95% of the La India Gold Mining District. Records exist for industrial-scale gold mining between 1938 and 1956 by Noranda Mines of Canada, a Canadian mining company and centred on the La India deposit. Production records estimate a total production of 1.73Mt at 13.4 g/t for 575,000 oz gold.

The La India Project is located in the Department of Leon, approximately 70 km to the north of Managua, the capital city of Nicaragua. The La India Project's Mineral Resource as disclosed in the Technical Report comprises an Indicated Mineral Resource of 9.6 Mt at 3.5 g/t gold, for 1.08 Moz gold (inclusive of Probable Mineral Reserves, as disclosed below) and an Inferred Mineral Resource of 8.5 Mt at 4.5 g/t gold, for 1.23 Moz gold. The PFS also defines a Probable Mineral Reserve on the open pit of 6.9 Mt at 3.0 g/t gold for 675 Koz gold and 5.3 g/t silver for 1.185 Moz silver, mined by open pit methods on the La India Vein, the principle vein of the La India Project. See *"The La India Project"* for additional information.

#### Discussion of Operations

Since publication in December 2014 of the Pre-Feasibility Study for the La India Project the principal operational activities of the Company have been:

- (i) to advance the permitting framework at La India Open Pit, together with land access; and
- (ii) to conduct further exploration within the La India Project area via a continuation of a soil geochemistry programme and scout drilling.

Further to the formal submission in November 2015 of an EIA to MARENA in order to apply for an EP for the construction and operation of a 1.0Mtpa/100,000 oz gold per annum open pit mine at the La India Project, MARENA subsequently confirmed in writing that the technical studies within the EIA have been satisfied. The focus in 2016 was on preparing the local community and key stakeholders for a public consultation, which forms part of the EIA process. The Government of Nicaragua will require the inhabitants of dwellings to agree to the terms of a resettlement as part of the permitting process.

The Company also continued to advance a land acquisition programme, which commenced in 2014 with plans to acquire approximately 800 hectares of rural land for the production scenario in the PFS, with assistance from ProNicaragua, the official investment and export agency of the Government of Nicaragua in documenting surface titles. Offers to purchase have been made to all landowners. As of the date of this prospectus, 30% of the landowners had signed option agreements ("**Option Agreements**") whereby the Company has paid 10% of the purchase consideration for the right to acquire the land by paying the balance of 90% of the purchase consideration within two years. While the Company's rights to purchase the land under the Option Agreements begin to expire in 2017, the Option Agreements contain provisions that provide the Company with a right to renew.

Meanwhile, as at December 31, 2016, the Company had fulfilled the requirements of an Environmental and Social Action Plan in accordance with IFC's Performance Standards for the Company's activities during the exploration phase, as agreed to with IFC in conjunction with its equity investment in the Company. The Company's fulfilment of the ESAP items, to the satisfaction of the IFC, is establishing the basis for the sustainability of a future mine at the La India Project, whose development is subject to obtaining all required permits and compliance with IFC performance standards applicable to that stage. Implementation of the IFC Performance Standards helps Condor manage and improve its environmental

and social performance through an outcomes-based approach and also provide a solid base from which the Company may enhance the sustainability of its business operations and provides benefits for its shareholders. As of the date hereof, the IFC holds approximately 7.33% of the issued and outstanding Ordinary Shares.

Exploration activities in 2016 followed a dual approach:

#### Regional Exploration

During the first half of the year, regional exploration primarily focused on follow up at 33 exploration targets at the La India Project identified in a structural geology study and 13 exploration targets identified by the on-going soil survey as at the end of 2015. This was aimed at achieving a better understanding of district scale mineralisation, identifying targets for hidden deep-seated gold mineralisation (for example, to determine upflow zones of the fossil geothermal (epithermal) system) and identifying new gold targets. Methods used included soil geochemistry, rock chip sampling and limited trenching.

The La India Project has approximately 105 km strike length of veins, of which about 55 km have been trenched or mapped in any detail and only 13.2 km have been drill tested. There are a number of identified veins which had not been sampled as at December 31, 2016.

Continuing the programme commenced in 2015, a further 6,272 soil samples from 109 km<sup>2</sup> were collected in the year to give a total since 2015 of 12,208 samples taken from 168km<sup>2</sup> of the 313 km<sup>2</sup> La India Project.

During 2016 a total of 169 rock chip samples were collected during soil sampling and mapping.

#### Drilling

A drilling programme was initiated in November 2016 that focused on the Cacao vein (four holes for 719.6 metres), the Tatescame vein and the Real de la Cruz Concession. A total of 1,399 metres were drilled in 2016, the results of which were announced by the Company in January 2017.

As at end-2016, a total of 52,479 metres had been drilled by the Company at the La India Project. Approximately 17,000 metres of drilling had also been completed by other exploration companies prior to Condor's acquisition of the La India Project.

#### Other developments in 2016

A legal dispute was settled in March 2016 for a consideration of U.S.\$700,000, which included a final payment for the acquisition by the Company of the Espinto-Mendoza Concession, comprising 200 hectares and located inside the La India Project area. The Espinto Mendoza Concession hosts an Inferred Mineral Resource totalling 908,000 tonnes and grading 6.66 g/t gold for 208,000 oz gold. Mestiza hosts an Inferred Mineral Resource of 1.49 Mt at 7.5 g/t gold for 333,000 oz gold and includes the NI 43-101 resource on the Espinito Mendoza Concession. The veins on Mestiza straddle both the Espinito Mendoza Concession and the main La India Concession. The Mineral Resource at Mestiza is excluded from the PFS.

The Company announced in December 2016 that it had ended a legal dispute with B2Gold and Royal Gold Inc. and negotiated the terms of the settlement over a 3% NSR on a part the La India Project. The net result of the settlement is that 44% or 138.9 km<sup>2</sup> of the 313.4 km<sup>2</sup> La India Project concession area containing 90% of the current Indicated and Inferred Mineral Resources is within an area of interest subject to a 3% NSR in favour of Royal Gold Inc., with the remaining 56% excluded from the area of interest and 3% NSR. The settlement resolves the uncertainty arising from the legal dispute. As part of the settlement, Condor acquired surface rights in respect of 3,508 hectares of land from B2Gold at La India in return for selling to B2Gold a 20% share of the Cerro Quiroz concession, which is adjacent to

B2Gold's La Libertad mine. The acquisition of these surface rights is material as they include the area of 800 hectares required for the mine site infrastructure for the La India Open Pit. See "*Material Contracts – A&R NSR Agreement*" for additional information.

Dr. Warren Pratt of Specialised Geological Mapping Ltd. joined the Company in 2016 as senior geological consultant.

During 2016 the Company raised £2.853 million after expenses from: (i) a placement that was completed in two tranches, the first in April and the second in May 2016, of 7,045,000 new, Ordinary Shares at a price of £0.40 per Ordinary Share and (ii) an exercise in September 2016 of 58,333 Warrants at an exercise price of £0.60 per Ordinary Share. See "*Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Outstanding Share Data*".

#### *Status, Plans and Expenditures at the La India Project*

As at December 31, 2016, the La India Project was at the PFS-Stage.

In 2015 the Company had applied for and in 2016 was in dialogue with the Nicaraguan authorities in regard to progressing the approval of the EP.

In 2016, the Company was awaiting approval of the EP prior to proceeding with a phased resource in-fill drilling programme in the area of the La India open pit totalling approximately 11,000 to 13,000 metres, as recommended in Section 26 of the Technical Report. The total estimated cost of the in-fill drilling programme was circa U.S.\$3 million including incremental operating costs. The Company did not hold sufficient financial resources to carry out the above planned drilling and required external funding in order to do so. Sources of such funding were likely to include issuance of additional share capital in the Company.

Upon completion of the above drill programmes and subject to the results thereof, together with availability of funding, the Company intended to proceed with a Feasibility Study on the La India Project, the cost of which was estimated to be approximately U.S.\$5 million.

Pending the approval of the EP, the plans of the Company were to improve understanding of and confidence in occurrences of gold mineralisation in the La India Project area by:

- conducting detailed geological mapping and resource expansion drill programmes specifically aimed at expanding the current Mineral Resource at the La India, America and Mestiza vein sets and exploration drilling programmes targeting the smaller resource areas and prospects that had not been drilled and which are located within the La India Project area; and
- continuing with soil surveys initiated in 2015 and directed at identifying gold mineralisation outside of the current Mineral Resource/Mineral Reserve areas.

Expenditure by the Company up to end-2016 on the La India Project amounted to £30.3 million on a cumulative basis.

#### *Achievement of plans and milestones in 2016*

The Company did not secure approval of the EP in 2016. The timing for the advancement of the EP depended on input from third parties, including *inter alia*, MARENA, together with the outcome of a planned public consultation, required as part of the approval process. Key achievements of the Company in 2016 were consistent with its plans and can be summarised as follows:

- The Company was advised by MARENA that it had passed the technical studies contained within the EIA, submitted as part of the EP application process for La India Open Pit.

- With regard to exploration activities, the Company completed a further 1,398 metres of drilling in 2016 on the La India Project and continued to advance its soil sampling programme, with a further 6,272 soil samples taken from 109 km<sup>2</sup> of the La India Project area in 2016.

Furthermore and in relation to the overall plan to develop the La India Project, in 2016 the Company settled a dispute over purchase of the Espinto-Mendoza Concession and ended a legal dispute over a 3% NSR on the project and agreed to acquire 3,508 hectares of land surface rights (see “*Material Contracts – A&R NSR Agreement*”). Resolution of these matters served to remove these as areas of eventual uncertainty for potential providers of future financing for the Project.

#### *Risks and Uncertainties*

In common with other companies operating in natural resources exploration, the Company is subject to ongoing risk factors and uncertainties, including among others political risks, title risks, commodity prices, exchange rate risks, permitting risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies. See “*Risk Factors*”.

#### *Summary of Financial and Operating Performance*

##### Summary of Overall Financial Performance

The Company reports in U.K. pounds sterling. The functional currency of the La India Project is Nicaraguan Cordobas. The financial statements of the Company are prepared in accordance with IFRS as adopted by the European Union.

	Year ended December 31, 2016 £	Year ended December 31 , 2015 £
Total comprehensive loss for the year	(6,763,977)	(2,222,216)
Cash and cash equivalents	583,610	1,105,457
Exploration assets	15,924,194	18,374,085
Net assets	16,935,894	20,183,398

The total comprehensive loss for the year for Condor of £(6,763,977) for the year ended December 31, 2016 (year ended December 31, 2015: £(2,222,216)) was after the following principal items:

- G&A costs of £(3,618,877) (year ended December 31, 2015: £(3,066,679)) – see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Results from Operations*”.
- Total impairment of El Salvador Assets of £(4,065,086) (year ended December 31, 2015: £nil) - see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets*”.
- Currency translation differences of £918,254 (year ended December 31, 2015: £839,395), driven by movements in 2016 of the Nicaraguan Cordoba, and in 2015, also from movements of the Salvadorian Colon relative to the U.K. pound sterling, which resulted in unrealised currency translation differences.

Further analysis of Operating Loss is contained in the section “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Results from Operations*”.

The cash levels of Condor as at December 31, 2016 and December 31, 2015 vary due to the timing and quantum of financing by Condor as well as the level of expenditures by Condor on exploration and administrative activities.

The movement in exploration assets between December 31, 2016 and December 31, 2015 is a function of exploration expenditure during the year, together with foreign exchange movements and any asset impairments or revaluations during the period. See *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Intangible Assets”*.

#### Comparison of Financial Condition

The financial condition of the Company is primarily measured by the reserves of cash and cash equivalents, and the level of net assets. As of December 31 2016, the Company held cash and cash equivalents of £583,610 (December 31, 2015: £1,105,457). As of December 31, 2016, the Company had net assets of £16,935,894 (December 31, 2015: £20,183,398). The issue of new Ordinary Shares in the Company to investors (see *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Other developments in 2016”* and *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Outstanding Share Data”*) is the primary driver behind the variances in these two measures. Net assets are also impacted by the operating performance of the Company (see *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Results from Operations”*).

#### *Summary of Cash Flows*

12 months ended	December 31, 2016 £	December 31, 2015 £
Net cash absorbed in operating activities	(852,732)	(2,213,232)
Net cash absorbed in investing activities	(1,858,367)	(2,273,991)
Net cash flow generated from financing activities	2,852,999	Nil
Net increase/(decrease) in cash and cash equivalents	141,900	(4,487,223)

The net cash flows used in operating activities for the 12 months ended December 31, 2016 and December 31, 2015 are driven by activities in the management of the La India Project. The change is primarily attributed to lower spend on corporate and administrative costs. See *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Results from Operations”*.

Cash used in investing activities has decreased to £(1,858,367) in the 12 months ended December 31, 2016 when compared to £(2,273,991) in the 12 months ended December 31, 2015. The higher spend in 2015 as compared to 2016 is driven by the nature and timing of various exploration activities at the La India Project, including drilling programmes, soil sampling programmes and follow up geological mapping and prospecting.

Cash flows from financing activities in 2016 were as a result of the private placement offering completed in two tranches in April and May 2016 and the exercise of Warrants in September 2016 (see *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Outstanding Share Data”*).

*Analysis of Selected Financial Information*

	December 31, 2016 £	December 31, 2015 £	December 31, 2014 £
Revenue	Nil	Nil	Nil
Gross Profit	Nil	Nil	Nil
Loss attributable to owners of the parent	(7,681,718)	(3,061,486)	(3,257,811)
Total comprehensive loss attributable to owners of the parent	(6,762,285)	(2,218,391)	(2,924,921)
Dividends / Distributions	Nil	Nil	Nil
Total Assets	17,287,445	20,743,382	22,657,213
Total non-current liabilities	Nil	Nil	Nil

	December 31, 2016	December 31, 2015	December 31, 2014
Weighted average number of shares	52,910,649	40,183,746	40,183,746
Loss attributable to owners of the parent basic and diluted (pence per share)	(14.52)	(7.62)	(8.12)
Total comprehensive loss attributable to owners of the parent basic and diluted (pence per share)	(12.78)	(5.52)	(7.27)

In accordance with International Accounting Standard 33 and as the Company has reported a loss in each year, the share options and warrants outstanding as at the date of the balance sheet are anti-dilutive. Accordingly diluted earnings per share is the same as basic earnings per share.

Analysis of the drivers behind the change in Loss attributable to owners of the parent, from £(3,061,486) in 2015 to £(7,681,718) in 2016 is set out in the section *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Results from Operations”*. The Operating Loss in each of the years principally comprises on-going G&A costs, coupled with certain one-off items. In 2016 these included a £(4,065,086) charge in connection with the impairment of intangible assets relating to Condor’s assets in El Salvador – see *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets”*.

Total comprehensive loss attributable to owners of the parent for the year ended December 31, 2016 of £(6,762,285) was after exchange differences arising on translation of foreign operations of £918,254 – this is driven by movements in the year of the United States dollar and the Nicaraguan Cordoba relative to the U.K. pound sterling, resulting in unrealised currency translation differences. In the year ended December 31, 2015, the comprehensive loss attributable to equity holders in the Company of £(2,218,391) was after exchange differences arising on translation of foreign operations of £839,395 – this is also driven by movements in the year of the United States dollar, the Nicaraguan Cordoba and the Salvadorian Colon relative to the U.K. pound sterling, resulting in unrealised currency translation differences. The intangible assets of the Company in 2015 were held in Nicaragua and El Salvador and are denominated in the currencies of those countries. Total comprehensive income attributable to equity holders in the Company for the year ended December 31, 2014 of £2,924,921 was after exchange differences arising on translation of foreign operations of £335,494, which was also driven by movements in the year of the Nicaraguan Cordoba and the Salvadorian Colon relative to the U.K. pound sterling, resulting in unrealised currency translation differences.

The decrease in total assets from 2015 to 2016 of £(3,455,937), from £20,743,382 as at December 31, 2015 to £17,287,445 as at December 31, 2016, is principally reflected by a loss for the year of £(7,682,231) for the year ended December 31, 2016, offset by net cash flow from financing activities of £2,852,999 (2015: £nil), after expenses and adding back to reserves of £2,500,053 due to share based payments.

The decrease in total assets from 2014 to 2015 of £(1,913,831), from £22,657,213 as at December 31, 2014 to £20,743,382 as at December 31, 2015 is principally reflected by a loss of £(3,061,611) for the year ended December 31, 2015 (year ended December 31, 2014: £(3,262,163)), offset by currency translation differences arising of £839,395 and adding back to reserves of share based payments of £319,518.

#### Fourth Quarter

For the three-month period ended December 31, 2016, the Company had total comprehensive income attributable to owners of the parent of £(5,324,556) and a net loss per share of (10.06) pence, compared to £(385,948) and a net loss per share of (0.84) pence in the three-month period ended December 31, 2015, a decrease in profit of £(4,972,163).

Significant factors in line items that caused the decrease in net income for the three-month period ended December 31, 2016 as compared to December 31, 2015 were as follows:

- Impairment of the intangible assets held in El Salvador (£(4,065,086)) (2015: £nil).

#### Quarterly Financial Information

Quarter Ended	December 31, 2016 (£)	September 30, 2016 (£)	June 30, 2016 (£)	March 31, 2016 (£)	December 31, 2015 (£)	September 30, 2015 (£)	June 30, 2015 (£)	March 31, 2015 (£)
Revenue	—	—	—	—	—	—	—	—
Profit/(Loss) from continuing operations <sup>(1)</sup>	(3,754,391)	(630,993)	(2,068,790)	(1,228,057)	(1,138,206)	(468,533)	(972,024)	(482,848)
Total comprehensive income attributable to owners of the parent	(5,324,556)	(170,197)	(20,867)	(1,246,485)	(385,948)	(467,381)	(882,216)	(482,846)
Basic earnings/(loss) pence per share	(7.10)	(1.19)	(3.91)	(2.68)	(2.48)	(1.02)	(2.12)	(1.05)
Total comprehensive earnings / (loss) per share	(10.06)	(0.32)	(0.04)	(2.72)	(0.84)	(1.02)	(1.93)	(1.05)

#### Notes

(1) Disclosed in Consolidated Statement of Comprehensive Income as "Loss for the year".

Profit/(loss) from continuing operations in each of the periods disclosed is driven on an on-going basis by G&A costs, including exploration costs expensed and in the fourth quarter of 2016, a non-cash impairment charge of £(4,065,086) in connection with the write down of the Company's exploration assets in El Salvador (see "Management's Discussion and Analysis – MD&A For the Twelve Months Ended

December 31, 2016 – Analysis of Intangible Assets”). The quarters ending in 2016 and in December 2015 additionally reflect non-cash charges arising in connection with share options and warrants, which cause some volatility in the results.

For information regarding progress of the Company in achieving previously announced milestones, see “Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Discussion of Operations” and “Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Other developments in 2016”.

Total comprehensive income attributable to owners of the parent additionally reflects currency translation differences arising on translation of foreign operations and which are reflected in the quarters ending in June and December in 2015 and 2016. The loss in this category of £(20,867) that arose in the 2<sup>nd</sup> quarter of 2016 is after currency translation differences of £2,039,250. This is due to movements in the quarter of the U.K. pound sterling against the Nicaraguan Cordoba.

The quarters ending March 31, 2016 and June 30, 2016 reflect the restatement of the Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2016 and which arose from inclusion in that period of non-cash charges in connection with share based payment charge – see “Management’s Discussion and Analysis – MD&A For the Three and Nine Months Ended September 30, 2017 – Changes in accounting policies”.

#### Results from Operations

	12 months ended December 31, 2016 £	12 months ended December 31, 2015 £
<b>Cash expenditure on Exploration activities</b>	(1,892,692)	(2,225,448)
<b>Net Movement in Intangible Assets</b>		
Expenditure (cash + non-cash)	1,892,692	2,223,078
Disposals	-	(428,882)
Foreign exchange movement	(250,881)	7,560
Impairment	(4,091,702)	(34,782)
Net Movement	(2,449,891)	1,766,974
<b>Analysis of Operating Loss:</b>		
<b>General and Administration Costs</b>		
Wages and salaries	(204,194)	(197,835)
Unwinding / (Charge) for share options granted (non-cash)	236,311	(324,205)
Unwinding / (Charge) for warrants granted (non-cash)	(2,613,725)	(424,195)
Travel/expenses	(112,397)	(100,161)
Exploration costs expensed	(33,572)	(562,286)
Professional fees	(311,999)	(364,833)
Legal fees	(284,369)	(789,146)
Fixed asset impairment (non-cash)	(26,616)	(34,782)
Overheads/Other	(268,316)	(269,236)

	12 months ended December 31, 2016 £	12 months ended December 31, 2015 £
<b>Total General and Administration Costs</b>	(3,618,877)	(3,066,679)
Fixed asset impairment (non-cash)	(4,065,086)	Nil
Finance income	1,732	5,068
<b>Loss for the year</b>	<b>(7,682,231)</b>	<b>(3,061,611)</b>
Non-controlling interest	(513)	(125)
<b>Loss attributable to owners of the parent</b>	<b>(7,681,718)</b>	<b>(3,061,486)</b>
<b>Currency translation differences</b>	<b>918,254</b>	<b>839,395</b>
<b>Total comprehensive loss</b>	<b>(6,763,977)</b>	<b>(2,222,216)</b>
Non-controlling interest	(1,692)	(3,825)
<b>Total comprehensive loss attributable to owners of the parent</b>	<b>(6,762,285)</b>	<b>(2,218,391)</b>

Cash expenditure on exploration activities comprises direct expenditure on the La India Project. This includes in-country operating, staff and permitting costs, as well as sampling, mapping and drilling programmes and studies, broken down as follows:

	12 months ended December 31, 2016 (£)	12 months ended December 31, 2015 (£)
Payroll	(351,440)	(479,915)
Operating Costs	(87,500)	(84,422)
Permitting	(152,548)	(78,868)
Direct field expenditure (Drilling / Sampling / Studies)	(1,301,204)	(1,582,242)
<b>Cash expenditure on Exploration activities</b>	<b>(1,892,692)</b>	<b>(2,225,448)</b>

Cash expenditure levels vary according to the timing and nature of these activities undertaken as the Company advances the La India Project. A summary of the activities carried out in the year and how these relate to the development plans of the project are set out in “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Status, Plans and Expenditure at the La India Project*” and “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Achievement of plans and milestones in 2016*”.

For analysis of net movement in intangible assets, see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets*”.

The loss for the year of £(7,682,231) in 2016 (2015: £(3,061,611)) was partly driven by G&A costs, together with one-off, non-cash fixed asset impairment costs of £(4,065,086) (2015: £nil). See

*“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets”*. G&A costs have increased in the 12 months ended December 31, 2016 as compared to 2015, from £(3,066,679) to £(3,618,877). The main drivers of this movement are set out below:

- (Unwinding)/Charge for share options granted resulted in a net non-cash credit in 2016 of £236,311 due to the unwinding of previous charges and which arose due to former holders of options leaving the employment of the Company, together with expiry of lapsed options. The estimated fair value of options and warrants granted are otherwise fully recognised within G&A costs on a pro-rata basis over the vesting period and are calculated using the Black-Scholes pricing model. In 2015 there was a charge for share options granted of £(324,205). The variance from year to year is driven by the level and timing of option awards and the assumptions applied in the Black-Scholes pricing model.
- The non-cash charge for warrants granted of £(2,613,725) in 2016 (2015: £(424,195)) was principally driven by the charge relating to warrants issued in 2016 in connection with a private placement and calculated in accordance with the Black-Scholes pricing model.
- Exploration costs expensed, which include expenditure on consultant services outside of Nicaragua, have reduced from £(562,286) to £(33,572) – this reduction is driven by timing and nature of exploration activities, coupled with realised foreign exchange movements in relation to funds remitted to and expensed by local operating subsidiaries, which incur costs in United States dollars and/or Nicaraguan Cordobas. Gains or losses between realised exchange rates on remittance and exchange rates on date of transaction can result in volatility in this measure.
- Legal fees decreased from £(789,146) in 2015 to £(284,369) in 2016 due to the payment in 2015 of legal fees in connection with a settlement reached with a former employee of the Company.
- The fixed asset impairment charge of £(33,977) in 2016 (2015: £(34,782)) included in G&A costs related to write downs in the Company’s assets in El Salvador in relation to expenditure in those respective years.
- Overheads/other principally comprises mainly marketing, property costs, accountancy and audit costs.

In addition to movements in G&A, there were also the following factors which impacted loss for the year and which arose in the 2016 as follows:

- The fixed asset impairment charge in 2016 of £(4,065,086) related to the total write-down in the fourth quarter of the year of the Company’s assets in El Salvador – see *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets”*.

Additional movements affecting total comprehensive loss:

- Currency translation differences of £918,254 in 2016 and £839,395 in 2015 arose from the relative movements in the U.K. pound sterling in relation to the Nicaraguan Cordoba and, in 2015, the Salvadorian Colon and which impacted the values recorded in U.K. pounds sterling of the Company’s foreign assets and liabilities.

*Analysis of Intangible Assets*

	Exploration Costs (£)	Mineral Resources (£)	Licences (£)	Total (£)
<b>Net Book Value</b>				
At January 1, 2015	13,658,039	2,949,072	-	16,607,111
Additions	2,223,078	-	-	2,223,078
Disposals	-	(428,882)	-	(428,882)
Impairments	(34,782)	-	-	(34,782)
Exchange rate movements	7,560	-	-	7,560
At 31 December 2015	15,853,895	2,520,190	-	18,374,085
<b>Additions</b>	1,633,171	259,521	-	1,892,692
<b>Disposals</b>	-	-	-	-
<b>Impairments</b>	(1,877,346)	(2,214,356)	-	(4,091,702)
<b>Exchange rate movements</b>	(250,881)	-	-	(250,881)
<b>Net book value at December 31, 2016</b>	15,358,839	565,355	-	15,924,194

Exploration Costs within intangible assets comprise all costs directly attributable to the exploration of a project area and which are capitalised to that project. Exploration costs are denominated in the functional currency of the country in which the asset is located. The La India Project is located in Nicaragua and is thus denominated in Nicaraguan Cordobas.

Additions to Exploration Costs in 2016 of £1,892,692 included expenditure on the soil geochemistry programme at the La India Project, as well as a scout drilling programme initiated in November 2016, also at La India.

Mineral Resources, as disclosed in the table above, comprise payments to third parties to acquire interests in existing projects.

Of the total intangible asset net book value of £15,924,194 as at December 31, 2016 (December 31, 2015: £18,374,085), £12,081,813 relates to the La India Project (December 31, 2015: £10,694,416).

The impairment in 2015 of £(34,782) and £(4,091,702) in 2016 related to the write down of Condor's assets in El Salvador. The impairment in 2016 follows the ruling late in the year by the International Centre for Settlement of Investment Disputes in favour of the Government of El Salvador and against Oceana Gold Corporation and concerning a moratorium on mining declared by the government of El Salvador. Consequently the Company decided to write off the carrying value of its assets in El Salvador and is withdrawing from the country.

The disposal for value of £(428,882) in 2015 related to cancellation of capitalised share option charges. These were in connection with former employees of the Company employed directly on the La India Project and whose share options had lapsed.

## Other Information

### Outstanding Share Data

	2016 (Number) (000's)	2016 (£)	2015 (Number) (000's)	2015 (£)
<b>Issued and fully paid</b>				
Ordinary Shares of 20p each				
At January 1	45,807	9,161,463	45,807	9,161,463
Issue of Ordinary Shares	7,103	1,420,666	Nil	Nil
At December 31	52,910	10,582,129	45,807	9,161,463

In 2016, the Company raised a total of £2,852,999 net of placing costs. On April 4, 2016, the Company announced a private placement of 6,445,000 units, with each unit consisting of one Ordinary Share and two-thirds of a share purchase Warrant, at a price of 40 pence per unit. A total of 4,696,667 Warrants were therefore issued, with an exercise price of 60 pence and a two-year life. If exercised in full, the Warrants would raise gross proceeds of £2,818,000. On May 17, 2016, the International Finance Corporation exercised its Pro Rata Right under the IFC Subscription Agreement and subscribed for 600,000 units on the same terms as the private placement disclosed above. On September 19, 2016, 58,333 Warrants of the Company were exercised at a price of 60 pence.

No shares were issued by the Company in 2015.

### Stock Options and Warrants in the Company

Total Options outstanding as at December 31, 2016 amounted to 6,190,500 with an average exercise price of 89 pence, and which are fully vested by June 26, 2018. There is no other share-based compensation paid by the Company.

The Company recognises as an expense the cost of warrants and/or stock based compensation based upon the estimated fair value of new stock options or warrants granted. The fair value of each stock option or warrant is estimated on the date of grant using the Black-Scholes option pricing model and is expensed over the vesting period.

During 2016, 4,696,667 Warrants were issued as part of share subscriptions.

The Warrants all previously issued had a maximum life of 30 months from the date they were issued, other than the Warrants issued in 2014, which have a four year life, and the Warrants issued in 2016 Warrants which have a 2 year life. As at end-2016 there were 8,199,442 Warrants outstanding. Should all Warrants be exercised in full, the Company would receive £7,910,997.

### *Off-Balance Sheet Arrangements*

There are no off-balance sheet arrangements.

### *Liquidity, Capital Resources and Financial Instruments*

The Company is not in commercial production on any of its properties and accordingly it does not generate cash from operations and finances its activities by raising capital through equity issues.

As at December 31, 2016, the Company had £583,610 in cash at bank and on deposit. As at December 31, 2015, cash at bank and on deposit amounted to £1,105,457.

The Company endeavours to hold all cash and cash equivalents in interest bearing accounts. The Company has not invested in any short-term commercial paper, asset-backed securities or other financial instruments. The Company mitigates risks associated with its cash holdings by reviewing the credit ratings of banks with which it places those holdings. Cash holdings kept in Nicaragua are limited to cover short term needs only.

In management's view the Company has sufficient financial resources to fund currently planned exploration programmes and ongoing operating expenditures over the next 12 months, which are reviewed and adjusted on a regular basis as appropriate and in line with the financial resources of the Company. Financial commitments are not given to third parties where they would result in undue risk to the financial solvency of the Company going forwards. Payments will be required to maintain the Company's Concessions in Nicaragua in good standing and the Company ensures that it holds sufficient financial reserves to meet those payments. Thus the Company only commits to exploration programmes once it already has the required financial resources to do so.

Future working capital requirements of the Company will be driven by the continued exploration and development activities at the La India Project, coupled with G&A costs incurred in managing the Company. The specific exploration and development activities planned for 2017 are dependent on the timing and amount of further funding that the Company is able to secure.

There are no legal or practical restrictions on the repatriation out of Nicaragua of capital and profits.

The Company will continue to be dependent on raising equity capital as required until and unless it reaches the production stage and generates cash flow from operations. To date the Company has been successful in raising funding from investors and believes that it will continue to be able to attract financial capital as it progressively de-risks and advances the La India Project towards the construction and production stages.

#### *Contractual Obligations*

£	<i>Payments Due by Period</i>				
	<i>Total (£)</i>	<i>Less than 1 year (£)</i>	<i>1 – 3 years (£)</i>	<i>4-5 years (£)</i>	<i>Greater than 5 years (£)</i>
Operating leases on offices	16,670	8,335	8,335	-	-
Material creditors	105,652	97,525	8,127	-	-

#### **Notes**

- (1) The material creditors figure above is in relation to a contractual agreement entered into in March 2016 between the Company and Mendoza S.A. to acquire the Espinito Mendoza Concession. The contract states that \$200,000 will be paid over 20 equal installments. The above figure has been included within creditors in the financial statements of the Company.

The Company is also obliged to pay surface rights taxes to maintain its Concessions in good standing. These are included in the budget plans of the Company.

### Transactions with Related Parties

The balances recorded as at December 31, 2016 and the comparative period in 2015 are as follows and cancel out upon consolidation:

	December 31, 2016 (£)	December 31, 2015 (£)
<b>Condor S.A.</b>		
Brought forward loan balance	3,868,008	3,253,314
Additional loans during the period	871,745	614,694
Closing balance	4,739,753	3,868,008
	December 31, 2016 (£)	December 31, 2015 (£)
<b>Minerales Morazan S.A.</b>		
Brought forward loan balance	2,083,459	2,045,674
Additional loans during the period	44,167	37,785
Loan write off	(2,127,626)	
Closing balance	-	2,083,459
	December 31, 2016 (£)	December 31, 2015 (£)
<b>La India Gold S.A.</b>		
Brought forward loan balance	12,600,557	11,088,863
Additional loans during the period	1,254,452	1,511,694
Closing balance	13,855,009	12,600,557

The above related parties are subsidiaries of Condor Gold plc. The purpose of the above loans, which are unsecured, is to meet the working capital requirements of the subsidiaries. The loan to Minerales Morazan S.A. was written off in conjunction with the impairment in 2016 of the Company's intangible assets in El Salvador – see *"Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets."*

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

Entity	Related party	December 31, 2016 Payments (£)	December 31, 2015 Payments (£)	Outstanding at year end (£)
Burnbrae Limited	J Mellon	20,667	2,000	-
Axial Associates Limited	M L Child	53,312	50,000	-
	P Flindell	31,988	11,538	2,458
	K Harcourt	-	13,204	-

J Mellon, P Flindell and K Harcourt are non-executive directors of the Company. M L Child is Chairman and Chief Executive Officer. All key management received their remuneration from the subsidiary they work for. The remuneration of key management in the subsidiaries is capitalised within exploration costs.

#### *Critical Accounting Policies and Estimates*

The Company's accounting policies are described in detail in Note 1 of the Company's December 31, 2016 annual consolidated financial statements included in Schedule "A" to this prospectus. The Company considers the following judgments and estimates to be most critical in understanding its financial results:

#### *Significant accounting judgments and sources of estimation uncertainty*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities at the date of the financial statements and the reported amounts of expenditures during the period reported. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. While actual results could differ materially from these estimates, and noting the impairment of the Company's assets in El Salvador (see "*Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets*"), no specific sources of estimation uncertainty have been identified by management that are believed to have a significant risk of resulting in a material adjustment within the next financial year to the carrying amount of the Company's assets and liabilities as recorded at December 31, 2016.

Significant items subject to such estimates include:

#### Valuation of Intangible Assets

Exploration expenditure comprises all costs which are directly attributable to the exploration of a project area. Licence costs are those incurred acquiring mineral rights and include the entry premiums paid to gain access to areas of interest. Mineral resource costs are those paid to third parties to acquire interests in existing projects.

In accordance with IFRS 6, the Company capitalises as exploration costs within Intangible Assets all exploration and evaluation costs, including field exploration and analysis costs relating to specific properties until those properties are brought into production, at which time they will be amortised on a unit-of-production basis or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge is made.

Intangible Assets are reviewed for impairment to determine if a write down of their carrying amount is required. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration. The Directors have reviewed the estimated value of each project prepared by management and consider them to be reasonable, with the exception of the Company's assets in El Salvador, which were written off at the end of 2016 (see "*Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets*").

Management has made various estimations regarding the fair value of exploration assets acquired in the absence of NI 43-101 compliant resource data available at acquisition. The fair value of exploration assets acquired has been estimated based on a number of valuation techniques.

Where acquisitions represent transactions between knowledgeable and willing parties on an arm's length basis the exploration assets acquired have been valued on the basis of the consideration transferred. Where acquisitions are not deemed to represent arm's length transactions management compare them to similar transactions that are on an arm's length basis taking into account key factors such as certainty over the level of defined resource, processing technology and location infrastructure in order to arrive at a fair valuation.

See "*Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Results from operations*" and "*Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Analysis of Intangible Assets*" for further information regarding the valuation of and movements in intangible assets during the reporting period.

#### *Foreign currencies*

The foreign currency movements included in the consolidated financial statements of the Company arose from the relative movements in the U.K. pound sterling in relation to the United States Dollar, the Nicaraguan Cordoba and the Salvadorian Colon. The Company has adopted accounting treatment of foreign operations upon consolidation following "International Accounting Standard 21 – *The Effects of Changes in Foreign Exchange Rates*" regarding the application of exchange rates at balance sheet dates and/or exchange rates at the date of transaction as appropriate, in relation to monetary and non-monetary assets and liabilities.

Exploration costs, disclosed as part of Intangible Assets, are denominated in the functional currency of the country in which the asset is located. The La India Project is located in Nicaragua and is thus denominated in Nicaraguan Cordobas. All resulting unrealised exchange differences arising from variations in the exchange rate between the Nicaraguan Cordoba and U.K. pounds sterling are recognised in the profit and loss in "other comprehensive income" and accumulated in equity – see "*Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Results from operations.*"

#### *Changes in accounting policies*

The adoption of IFRS and IFRIC interpretations did not result in any substantial changes to the accounting policies adopted by the Company.

#### *Management's Report on Internal Controls and Procedures*

##### Disclosure controls and procedures

DCP have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under supervision of the Chief Executive Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company's DCP and has concluded that they were effective as at December 31, 2016.

##### *Internal control over financial reporting*

The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements or fraud.

As at December 31, 2016, an evaluation was carried out, under the supervision of the Chief Executive Officer, of the design and operating effectiveness of Condor's internal controls over financial reporting. Based on this evaluation, the Chief Executive Officer concluded that the internal controls over financial

reporting were effective as at December 31, 2016, using the criteria, having taken account of the size and nature of Condor, put forward by the Financial Reporting Council in their revised guidance for directors on internal controls for UK listed companies (issued 2005).

#### *Changes in internal controls over financial reporting*

There have been no changes in the Company's internal control over financial reporting during the twelve month period ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

### **MD&A for the Twelve Month's Ended December 31, 2015**

This MD&A should be read in conjunction with the Consolidated Financial Statements of Condor as at December 31, 2015 and which have been prepared in accordance with IFRS and International Accounting Standards as adopted by the European Union.

Unless otherwise noted, all currency figures in the MD&A are presented in U.K. pounds sterling.

#### *Company Overview and Discussion of Operations*

##### Company Overview

The Company is registered and domiciled in the United Kingdom and is actively engaged in gold exploration and development in Nicaragua, with focus on the 100%-held La India Project, for which it has filed the Technical Report, which includes a Pre-Feasibility Study. The Technical Report was prepared in accordance with NI 43-101. See "*The La India Project*".

The PFS summarized in the Technical Report contemplated a 0.8 Mtpa at the La India Open Pit, producing 614,000 ounces over a nine year mine life. With an initial capital requirement of U.S.\$110 million, the project generated an NPV5 of U.S.\$92 million and IRR of 22%, both on an after-tax basis and assuming a gold price of U.S.\$1,250 per oz.

The La India Project has a surface area of 313 square kilometres and comprises 10 contiguous and adjacent Concessions, covering an estimated 95% of the La India Gold Mining District. Records exist for industrial-scale gold mining between 1938 and 1956 by Noranda Mines of Canada, a Canadian mining company, and centred on the La India deposit. Production records estimate a total production of 1.73 Mt at 13.4 g/t for 575,000 oz gold.

The La India Project is located in the Department of Leon, approximately 70 km to the north of Managua, the capital city of Nicaragua. The La India Project's Mineral Resource as disclosed in the Technical Report comprises an Indicated Mineral Resource of 9.6 Mt at 3.5 g/t gold, for 1.08 Moz gold (inclusive of Probable Mineral Reserves, as disclosed below) and an Inferred Mineral Resource of 8.5 Mt at 4.5 g/t gold, for 1.23 Moz gold. The PFS also defines a Probable Mineral Reserve on the open pit of 6.9 Mt at 3.0 g/t gold for 675 Koz gold and 5.3 g/t silver for 1.185 Moz silver, mined by open pit methods on the La India Vein, the principle vein of the La India Project. See "*The La India Project*".

#### *Discussion of Operations*

Since publication in December 2014 of the PFS for the La India Project the principal operational activities of the Company have been:

- (i) to advance the permitting framework at La India Open Pit, together with land access; and
- (ii) to conduct further exploration within the La India Project area via a soil geochemistry programme, structural geological model and drilling.

In April 2015, the Company submitted a detailed Terms of Reference for an EIA to the MARENA as required for an EP for La India Open Pit. The EP is the key permit for mining in Nicaragua, as a number of other permits (e.g. water) are conditional on a valid EP.

Further to the approval in May 2015 by MARENA of the Terms of Reference for the EIA, Condor submitted the formal 700 page EIA document in November 2015, and applied for an EP for the construction and operation of an open pit mine, a CIL processing plant and associated infrastructure at La India Project.

The EIA document considers the environmental and social impacts of gold production from the La India Open Pit mine plan, as detailed in the PFS, and draws on data from 15 different environmental and social baseline studies, some of which commenced in 2013. In addition to describing the potential impacts of a future commercial mine on the environment, the EIA also contains detailed environmental management plans and social management plans to monitor and control any such impacts.

The EIA describes a processing plant that will have a capacity of up to 2,800 tonnes per day/ (1.0 million tonnes per annum) of ore from a single open pit. This is the larger processing plant identified in the Whittle Optimisation Study; the PFS processing plant size is 2,300 tonnes per day or 0.8 million tonnes per annum.

Since 2015, the Company has worked closely with ProNicaragua, the official investment and export agency of the Government of Nicaragua. Created as a project of the United Nations Development Program, ProNicaragua has Ministerial status and reports directly to the President of Nicaragua. Two lawyers working for Pro-Nicaragua were assigned to Condor to assist with permitting, land acquisition and other social areas. On July 1, 2017, one of the lawyers joined the Company to work on a full time basis as head of the legal department, with a focus on land acquisition.

The Company continued to advance a land acquisition programme, commenced in 2014 with plans to acquire approximately 800 hectares of rural land for the production scenario in the PFS, with assistance from ProNicaragua in documenting surface titles. Offers to purchase have been made to all landowners and as of December 31, 2015, 28% of the landowners had signed Option Agreements whereby the Company has paid 10% of the purchase consideration for the right to acquire the land by paying the balance of 90% of the purchase consideration within two years. While the Company's rights to purchase the land under the Option Agreements begin to expire from the end of 2017, the Option Agreements contain provisions that provide the Company with a right to renew.

Exploration activities in 2015 were as follows:

A regional soil geochemistry survey designed to look for high-level, hydrothermal pathfinder elements above hidden deep-seated epithermal gold mineralisation was initiated, with 5,942 soil samples covering 71 km<sup>2</sup>. The interpretation of the soil geochemistry, in conjunction with the field mapping has highlighted several areas for follow up exploration. Two soil anomalies identified along strike to the south of La India open pit were drill tested by three holes for 628 metres of drilling. Gold mineralisation was not returned.

Consultant structural geologist Dr. Tony Starling of Teluris Consulting Ltd. completed a study on the structural geology of the La India Gold District. Dr. Starling's study will enhance confidence in future mineral resource models while also improving understanding of the structural framework that controlled flow and deposition of epithermal gold.

In May 2015, the Company completed 1,952 metres of drilling on the La India Project which was primarily deep drilling aimed at evaluating the southern strike extent of the La India Open Pit.

As at end-2015, a total of 51,080 metres had been drilled to date by the Company at the La India Project. Approximately 17,000 metres of drilling had been completed by other exploration companies prior to Condor's acquisition of the La India Project.

### Other developments in 2015

In June 2015, a wholly-owned subsidiary of the Company was granted the 32 km<sup>2</sup> Tierra Blanca Concession by the Nicaraguan Government, located on the western side of the La India Project area, approximately 2.5 km to the northwest of the principal gold mineralisation zone in the La India Project area. The Concession is for 25 years.

#### *Status, Plans and Expenditures at the La India Project*

As of December 31, 2015, the La India Project was at the PFS-stage.

Further to completion of the Technical Report in December 2014, the plans of the Company in 2015 were to apply for the EP at the La India Project for La India Open Pit.

Pending receipt of the EP the plans of the Company were to improve understanding of and confidence in occurrences of gold mineralisation elsewhere in the La India Project area by:

- conducting detailed geological mapping and resource expansion drill programmes specifically aimed at expanding the current Mineral Resource and/or Mineral Reserve at the La India, America and Mestiza vein sets and exploration drilling programmes targeting the smaller resource areas and prospects that had not been drilled and which are located within the La India Project area; and
- initiating soil surveys and a study of the structural geology within the La India Project, to continue exploration activities for gold mineralisation outside of the existing Mineral Resource/Mineral Reserve areas.

The Company was awaiting approval of the EP prior to proceeding with a phased resource in-fill drilling programme in the area of the La India open pit totalling approximately 11,000 to 13,000 metres, as recommended in Section 26 of the Technical Report. The total estimated cost of the in-fill drilling programme was approximately U.S.\$3 million including incremental operating costs. The Company did not hold sufficient financial resources to carry out the above planned drilling and required external funding in order to do so. Sources of such funding were likely to include issuance of additional share capital in the Company.

Upon completion of the above drill programmes and subject to the results thereof, as well as availability of funding, the Company intended to proceed with a Feasibility Study on the La India Project.

Expenditure by the Company up to end-2015 on the La India Project amounted to £27.4 million.

#### *Achievement of plans and milestones in 2015*

The development of the La India Project in 2015 was in line with the plans of the Company. In particular:

- The Company formally submitted the EIA document as part of the EP application process.
- With regard to exploration activities, the Company completed a further 1,952 metres of drilling in 2015 on the La India Project and had initiated a soil sampling programme, with a further 5,942 soil samples taken from 71 km<sup>2</sup> of the La India Project area in 2015. A detailed, structural geological model was completed, which re-interpreted a helicopter-borne geophysics survey. The in-fill drilling completed at La India in 2015 was in line with the next steps as set out in Section 26 of the Technical Report.

## *Risks and Uncertainties*

In common with other companies operating in natural resources exploration, the Company is subject to ongoing risk factors and uncertainties, including among others political risks, title risks, commodity prices, exchange rate risks, permitting risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies. See “*Risk Factors*”.

## *Summary of Financial and Operating Performance*

### Summary of Overall Financial Performance

The Company reports in U.K. pounds sterling. The functional currency of the La India Project is Nicaraguan Cordobas. The financial statements of the Company are prepared in accordance with IFRS as adopted by the European Union.

	Year ended December 31 , 2015 £	Year ended December 31, 2014 £
Total comprehensive loss for the year	(2,222,216)	(2,926,669)
Cash and cash equivalents	1,105,457	4,761,128
Exploration assets	18,374,085	16,607,111
Net assets	20,183,398	22,086,096

The total comprehensive loss for the year for the Company of £(2,222,216) for the year ended 31 December 2015 (year ended December 31, 2014: £(2,926,669)) was after the following principal items:

- G&A costs of £(3,066,679) (year ended December 31, 2014: £(3,265,730)) – see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Results from Operations*”.
- Currency translation differences of £839,395 (year ended December 31, 2014: £335,494), driven by movements in the year of the United States dollar, the Nicaraguan Cordoba and the Salvadorian Colon relative to the U.K. pound sterling, resulting in unrealised currency translation differences.

Further analysis of Operating Loss is contained in the section “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016 – Results from Operations*”.

The cash levels of Condor as at December 31, 2015 and December 31, 2014 vary due to the timing and quantum of financing by Condor as well as the level of expenditures by Condor on exploration and administrative activities.

The increase in exploration assets between December 31, 2015 and December 31, 2014 was a function of exploration expenditure during the year, together with foreign exchange movements and any asset impairments or revaluations during the period. See “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Intangible Assets*”.

### Comparison of Financial Condition

The financial condition of the Company is primarily measured by the reserves of cash and cash equivalents, and the level of net assets. As of December 31, 2015, the Company held cash and cash equivalents of £1,105,456 (December 31, 2014: £4,761,128). As of December 31, 2015, the Company

had net assets of £20,183,398 (December 31, 2014: £22,086,096). The Company secures its financing from issuance of equity and therefore the timing and value of issue of new Ordinary Shares in the Company to investors is the primary driver behind the variances in these two measures. The Company did not raise funds through financings in 2015 (see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Outstanding Share Data*”). Net assets are also impacted by the operating performance of the Company (see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Results from Operations*”).

#### Summary of Cash Flows

12 months ended	December 31, 2015 (£)	December 31, 2014 (£)
Net cash absorbed in operating activities	(2,213,232)	(2,600,722)
Net cash absorbed in investing activities	(2,273,991)	(1,378,056)
Net cash flow generated from financing activities	Nil	6,711,134
Net increase/(decrease) in cash and cash equivalents	(4,487,223)	2,732,356

The net cash flows used in operating activities for the 12 months ended December 31, 2015 and December 31, 2014 are driven by activities in the management of the La India Project. The change between December 31, 2014 and December 31, 2015 is primarily attributed to lower spend on corporate and administrative and expensed exploration costs.

Cash used in investing activities increased to £(2,273,991) in the 12 months ended December 31, 2015 when compared to £(1,378,056) in the 12 months ended December 31, 2014. The higher spend in 2015 as compared to 2014 was driven by the nature and timing of various exploration activities at the La India Project, including drilling programmes, soil sampling programmes and follow up geological mapping and prospecting. Activities in 2015 included the Whittle Optimisation Study, as well as a 1,952 metre drilling programme completed in May.

Cash flows from financing activities in 2014 arose from a private placement offering of Ordinary Shares (see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Outstanding Share Data*”).

#### Analysis of Selected Financial Information

	December 31, 2015 (£)	December 31, 2014 (£)	December 31, 2013 (£)
Revenue	Nil	Nil	Nil
Gross Profit	Nil	Nil	Nil
Loss attributable to owners of the parent	(3,061,486)	(3,257,811)	(2,904,912)
Total comprehensive loss attributable to owners of the parent	(2,218,391)	(2,924,921)	(3,126,097)
Dividends / Distributions	Nil	Nil	Nil
Total Assets	20,743,382	22,657,213	18,266,838
Total non-current liabilities	Nil	Nil	Nil

December 31, , December 31, 2014, December 31, 2013

	December 31, 2015 (£)	December 31, 2014 (£)	December 31, 2013 (£)
	2015		
Weighted average number of shares	40,183,746	40,183,746	37,339,399
Loss attributable to owners of the parent basic and diluted (pence per share)	(7.62)	(8.12)	(7.79)
Total comprehensive loss attributable to owners of the parent basic and diluted (pence per share)	(5.52)	(7.27)	(8.37)

In accordance with International Accounting Standard 33 and as Condor has reported a loss in each year, the share options and warrants outstanding as at the date of the balance sheet are anti-dilutive. Accordingly diluted earnings per share is the same as basic earnings per share.

Analysis of the drivers behind the decrease in loss attributable to owners of the parent, from £(3,257,811) in 2014 to £(3,061,486) in 2015 is set out in the section *“Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Results from Operations”*. The operating loss in each of the years principally comprises on-going general and administration costs. No material one-off items occurred in the periods reported above.

Total comprehensive loss attributable to owners of the parent for the year ended December 31, 2015 of £(2,218,391) was after exchange differences arising on revaluation of foreign assets of £839,395 – this is driven by movements in the year of the United States dollar, the Nicaraguan Cordoba and the Salvadorian Colon relative to the U.K. pound sterling, resulting in unrealised currency translation differences. In the year ended December 31, 2014, the comprehensive income attributable to equity holders in the Company of £(2,924,921) was after differences arising on revaluation of foreign assets of £335,494 – this is also driven by movements in the year of the United States dollar, the Nicaraguan Cordoba and the Salvadorian Colon relative to the U.K. pound sterling, resulting in unrealised currency translation differences. The intangible assets of the Company are held in Nicaragua and El Salvador and are denominated in the currencies of those countries. Total comprehensive income attributable to equity holders in the Company for the year ended December 31, 2013 of £(3,126,097) was after exchange differences arising on translation of foreign operations of £(219,298) - this is also driven by movements in the year of the United States dollar, the Nicaraguan Cordoba and the Salvadorian Colon relative to the U.K. pound sterling, resulting in unrealised currency translation differences.

The decrease in total assets from 2014 to 2015 of £(1,913,831), from £22,657,213 as at December 31, 2014 to £20,743,382 as at December 31, 2015 is principally reflected by a loss of £(3,061,611) for the year ended December 31, 2015 (year ended December 31, 2014: £(3,262,163)), offset by currency translation differences arising of £839,395 and adding back to reserves of share based payments of £319,518.

The increase in total assets from 2013 to 2014 of £4,390,375, from £18,266,838 as at December 31, 2013 to £22,657,213 as at December 31, 2014 is principally reflected by a loss of £(3,262,163) for the year ended December 31, 2014, offset by currency translation differences arising on revaluation of foreign assets of £335,494, net cash flow from financing activities of £6,711,134 after expenses and adding back to reserves of £685,010 due to share-based payments.

#### *Fourth Quarter*

For the three-month period ended December 31, 2015, the Company had total comprehensive income attributable to owners of the parent of £(385,948) and a net loss per share of (0.84) pence, compared to

£(106,221) and a net loss per share of (0.25) pence in the three-month period ended December 31, 2014, a decrease in profit of £(279,727).

The decrease in net income for the three-month period ended December 31, 2015 as compared to the equivalent period in 2014 was driven by variations in G&A costs including charges for non-cash share-based payments, together with unrealised foreign exchange movements, which can result in some volatility in this measure. The intangible assets of the Company are denominated in Nicaraguan Cordobas and Salvadorian Colons.

#### Quarterly Financial Information

Quarter Ended	December 31, 2015 (£)	September 30, 2015 (£)	June 30, 2015 (£)	March 31, 2015 (£)	December 31, 2014 (£)	September 30, 2014 (£)	June 30, 2014 (£)	March 31, 2014 (£)
Revenue	—	—	—	—	—	—	—	—
Profit/(Loss) from continuing operations <sup>(1)</sup>	(1,138,206)	(468,533)	(972,024)	(482,848)	(829,746)	(863,922)	(931,469)	(637,026)
Total comprehensive income attributable to owners of the parent	(385,948)	(467,381)	(882,216)	(482,846)	(106,221)	(863,679)	(1,317,999)	(637,022)
Basic earnings/(loss) pence per share	(2.48)	(1.02)	(2.12)	(1.05)	(1.93)	(2.25)	(2.43)	(1.66)
Total comprehensive income / (loss) pence per share	(0.84)	(1.02)	(1.93)	(1.05)	(0.25)	(2.25)	(3.44)	(1.66)

#### Notes

(1) Disclosed in Consolidated Statement of Comprehensive Income as "Loss for the year".

Profit/(loss) from continuing operations in each of the periods disclosed is primarily driven on an on-going basis by G&A costs. The December quarters in 2014 and 2015 additionally reflect non-cash charges arising in connection with share options and warrants.

Total comprehensive income attributable to owners of the parent also reflects currency translation differences arising on translation of foreign operations and which are reflected in the quarters ending in June and December and resulting in a degree of volatility in this measure.

For information regarding progress of the Company in achieving previously announced milestones, see "Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Discussion of Operations" and "Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Other developments in 2015."

Results from Operations

	12 months ended December 31, 2015 (£)	12 months ended December 31, 2014 (£)
<b>Cash expenditure on Exploration activities</b>	(2,225,448)	(1,350,079)
<b>Net Movement in Intangible Assets</b>		
Expenditure (cash + non-cash)	2,223,078	1,596,927
Disposals	(428,882)	-
Foreign exchange movement	7,560	326,212
Impairment	(34,782)	(37,156)
Net Movement	1,766,974	1,885,983
<b>Analysis of Operating Loss:</b>		
<b>General and Administration Costs</b>		
Wages and salaries	(197,835)	(182,016)
Unwinding/(Charge) for share options granted (non-cash)	(324,205)	(450,273)
Unwinding/(Charge) for warrants granted (non-cash)	(424,195)	(84,839)
Travel/expenses	(100,161)	(137,609)
Exploration costs expensed	(562,286)	(804,851)
Professional fees	(364,833)	(1,372,487)
Legal fees	(789,146)	(402,534)
Fixed asset impairment	(34,782)	(37,156)
Overheads/other	(269,236)	(206,035)
<b>Total General and Administration Costs</b>	(3,066,679)	(3,265,730)
Finance income	5,068	3,567
<b>Loss for the year</b>	(3,061,611)	(3,262,163)
Non-controlling interest	(125)	(4,352)
<b>Loss attributable to owners of the parent</b>	(3,061,486)	(3,257,811)
<b>Currency translation differences</b>	839,395	335,494
<b>Total comprehensive loss</b>	(2,222,216)	(2,926,669)
Non-controlling interest	(3,825)	(1,748)
<b>Total comprehensive loss attributable to owners of the parent</b>	(2,218,391)	(2,924,921)

Cash expenditure on exploration activities comprises direct expenditure on the La India Project. This includes in-country operating, staff and permitting costs, as well as sampling, mapping and drilling programmes and studies, broken down as follows:

	12 months ended December 31, 2015 (£)	12 months ended December 31, 2014 (£)
Payroll	(479,915)	(476,259)
Operating Costs	(84,422)	(67,031)
Permitting	(78,868)	(111,099)
Direct field expenditure (Drilling / Sampling / Studies)	(1,582,242)	(695,690)
<b>Cash expenditure on Exploration activities</b>	<b>(2,225,448)</b>	<b>(1,350,079)</b>

Cash expenditure levels vary according to the timing and nature of these activities, undertaken as the Company advances the La India Project. A summary of the activities carried out in the year and how these relate to the development plans of the project are set out in “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Status, Plans and Expenditures at the La India Project*” and “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Achievement of plans and milestones in 2015*”

For analysis of net movement in intangible assets, see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Analysis of Intangible Assets*”.

The loss for the year of £(3,061,611) in 2015 (2014: £(3,262,163)) was principally driven by G&A costs. These have reduced in the 12 months ended December 31, 2015, from £(3,265,730) in 2014 to £(3,066,679) in 2015. The main drivers of this movement are set out below:

- (Unwinding) / Charge for share options granted resulted in a net non-cash charge in 2015 of £(324,205) (2014: £(450,273)). The estimated fair value of options granted are fully recognised within G&A costs on a pro-rata basis over the vesting period and are calculated using the Black-Scholes pricing model. The variance from year to year is driven by the level and timing of option awards and the assumptions applied in the Black-Scholes pricing model.
- The non-cash charge for warrants granted of £(424,195) in 2015 (2014: £(84,839)) was principally driven by the charge relating to warrants issued in the third and fourth quarters of 2014 in connection with a private placement and calculated in accordance with the Black-Scholes pricing model.
- The reduction in the charge for exploration costs expensed, from £(804,851) in 2014 to £(562,286) in 2015 was primarily driven by completion in 2014 of the PFS. Expenditure on consultant services outside of Nicaragua or El Salvador are generally expensed by the Company.
- The increase in legal fees from £(402,534) in 2014 to £(789,146) in 2015 was in connection with settlement of legal fees in connection with a claim by a former employee of the Company and which was subject to a legal dispute, settled in 2014, with the associated legal fees also settled in the following year. The charge for professional fees in 2014 of £(1,372,487) were primarily driven by the cost of the settlement reached with that former employee.
- Overheads/other principally comprises mainly marketing, property costs, and accountancy and audit costs.

Additional movements affecting total comprehensive loss:

- Currency translation differences of £839,395 in 2015 (2014: £335,494) arose from the relative movements in U.K. pounds sterling in relation to the United States dollar, the Nicaraguan Cordoba and the Salvadorian Colon and which impacted the values recorded in U.K. pounds sterling of the Company's foreign assets and liabilities.

#### *Analysis of Intangible Assets*

	Exploration Costs (£)	Mineral Resources (£)	Licences (£)	Total (£)
<b>Net Book Value</b>				
At January 1, 2014	12,058,190	2,662,938	-	14,721,128
Additions	1,310,793	286,134	-	1,596,927
Impairments	(37,156)	-	-	(37,156)
Exchange rate movements	326,212	-	-	326,212
At December 31, 2014	13,658,039	2,949,072	-	16,607,111
<b>Additions</b>	2,223,078	-	-	2,223,078
<b>Disposals</b>	-	(428,882)	-	(428,882)
<b>Impairments</b>	(34,782)	-	-	(34,782)
<b>Exchange rate movements</b>	7,560	-	-	7,560
<b>Net book amount at December 31, 2015</b>	15,853,895	2,520,190	-	18,374,085

Exploration Costs within intangible assets comprise all costs directly attributable to the exploration of a project area and which are capitalised to that project. Exploration costs are denominated in the functional currency of the country in which the asset is located. The La India Project is located in Nicaragua and is thus denominated in Nicaraguan Cordobas.

Additions to Exploration Costs in 2015 of £2,223,078 included expenditure on the Whittle Optimisation Study, a 1.952 metre drilling programme and structural and geochemistry studies, all at the La India Project.

Mineral Resources, as disclosed in the table above, comprise payments to third parties to acquire interests in existing projects.

Of the total intangible asset net book value of £18,374,085 as at December 31 2015, (December 31, 2014: £16,607,111), £10,694,416 relates to the La India Project (December 31, 2014: £9,251,960).

The impairment in 2015 of £(34,782) and £(37,156) in 2014 related to assets in El Salvador and concerned expenditure in El Salvador in each of those respective years. The value of the Company's intangible assets in El Salvador as at end-2015 amounted to £4,028,756 (December 31, 2014: £4,724,504). The Company's exploration licences in El Salvador were suspended as at December 31, 2015, further to the moratorium on mining activities. The Company received assurances from a number of government officials that it would maintain its concession areas following the outcome of the moratorium process and considered that the most likely outcome of the moratorium would be a resumption in mining activities in El Salvador. Subsequent to December 31, 2015, the Company withdrew from El Salvador (see "Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2016").

The disposal for value of £(428,882) in 2015 related to cancellation of capitalised share option charges. These were in connection with former employees of the Company employed directly on the La India Project and whose share options had lapsed.

#### *Other Information*

#### **Outstanding Share Data**

	2015 Number (000's)	2015 (£)	2014 Number (000's)	2014 (£)
<b>Issued and fully paid</b>				
Ordinary Shares of 20p each				
At January 1	45,807	9,161,463	38,223	7,664,792
Issue of Ordinary Shares	Nil	Nil	7,584	1,496,671
At December 31	45,807	9,161,463	45,807	9,161,463

There were no Ordinary Shares issued in 2015. In October 2014, the Company issued 7,584,002 Ordinary Shares at a price of 90 pence each. 3,561,109 Warrants were issued. The Warrants have an exercise price of 144 pence and a four year life. If exercised in full, the Warrants would raise gross proceeds of £5,127,997. The total raised in 2014 after expenses amounted to £6,711,134 after expenses.

#### *Stock Options and Warrants in the Company*

Total Options outstanding as at December 31, 2015 amounted to 4,937,000 (December 31, 2014: 4,552,100) with an average exercise price of 157 pence (December 31, 2014: 142 pence), and which will be fully vested by June 26, 2017. There is no other share-based compensation paid by the Company.

The Company recognises as an expense the cost of warrants and/or stock based compensation based upon the estimated fair value of new stock options or warrants granted. The fair value of each stock option or warrant is estimated on the date of grant using the Black-Scholes option pricing model and is expensed over the vesting period.

During 2015 no Warrants were issued (2014: 3,561,109 Warrants).

All Warrants previously issued had a maximum life of two and a half years from the date they were issued, other than the Warrants issued in 2014, which have a four year life. As at December 31, 2015 there were 5,019,442 Warrants outstanding. Should all Warrants outstanding as of December 31, 2015 be exercised in full, the Company would receive gross proceeds of £8,336,330.

#### *Off-Balance Sheet Arrangements*

There are no off-balance sheet arrangements.

#### *Liquidity, Capital Resources and Financial Instruments*

The Company is not in commercial production on any of its properties and accordingly it does not generate cash from operations and finances its activities by raising capital through equity issues.

As at December 31, 2015, the Company had £1,105,457 in cash at bank and on deposit (December 31, 2014: £4,761,128).

The Company endeavours to hold all cash and cash equivalents in interest bearing accounts. The Company has not invested in any short-term commercial paper, asset-backed securities or other financial instruments. The Company mitigates risks associated with its cash holdings by reviewing the credit ratings of banks with which it places those holdings. Cash holdings kept in Nicaragua are limited to cover short term needs only.

In management's view the Company has sufficient financial resources to fund currently planned exploration programmes and ongoing operating expenditures over the next 12 months, which are reviewed and adjusted on a regular basis as appropriate and in line with the financial resources of the Company. Future financial commitments are not given to third parties where they would result in undue risk to the financial solvency of the Company going forwards. Payments will be required to maintain the Company's concessions in Nicaragua in good standing and the Company ensures that it holds sufficient financial reserves to meet those payments. Thus the Company only commits to exploration programmes once it already has the required financial resources to do so.

Future working capital requirements of the Company will be driven by the continued exploration and development activities at the La India Project, coupled with G&A costs incurred in managing the Company. The specific exploration and development activities planned for 2016 are dependent on the timing and amount of further funding that the Company is able to secure.

There are no legal or practical restrictions on the repatriation out of Nicaragua of capital and profits.

The Company will continue to be dependent on raising equity capital as required until and unless it reaches the production stage and generates cash flow from operations. To date the Company has been successful in raising funding from investors and believes that it will continue to be able to attract financial capital as it progressively de-risks and advances the La India Project towards the construction and production stages.

#### *Contractual Obligations*

£	<i>Payments Due by Period</i>				
	<i>Total (£)</i>	<i>Less than 1 year (£)</i>	<i>1 – 3 years (£)</i>	<i>4-5 years (£)</i>	<i>Greater than 5 years (£)</i>
Operating leases on offices	16,670	8,335	8,335	-	-

The Company is also obliged to pay surface rights taxes to maintain its concessions in good standing. These are included in the budget plans of the Company.

#### *Transactions with Related Parties*

The balances recorded as at December 31, 2015 and the comparative period in 2014 are as follows and cancel out upon consolidation:

During the year the Company loaned funds to its subsidiaries details of which are set out below. The purpose of these loans, which are unsecured, is to provide for working capital requirements.

	December 31, 2015 (£)	December 31, 2014 (£)
<b>Condor S.A.</b>		
Brought forward loan balance	3,253,314	2,519,823
Additional loans during the period	614,694	715,491
Closing balance	3,868,008	3,235,314
	December 31, 2015 (£)	December 31, 2014 (£)
<b>Minerales Morazan S.A.</b>		
Brought forward loan balance	2,045,674	2,008,136
Additional loans during the period	37,785	37,538
Closing balance	2,083,459	2,045,674
	December 31, 2015 (£)	December 31, 2014 (£)
<b>La India Gold S.A.</b>		
Brought forward loan balance	11,088,863	9,935,630
Additional loans during the period	1,511,694	1,153,233
Closing balance	12,600,557	11,088,863

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

Entity	Related party	December 31, 2015 (£)	December 31, 2014 (£)	Outstanding at year end (£)
Burnbrae Limited	J Mellon	2,000	25,000	-
Axial Associates Limited	M L Child	50,000	50,000	-
	P Flindell	11,538	54,490	3,750
	K Harcourt	13,204	-	-

J Mellon, P Flindell and K Harcourt are Non-Executive Directors of the Company. M L Child is Chairman and Chief Executive Officer. All key management received their remuneration from the subsidiary they work for. The remuneration of key management in the subsidiaries is capitalised within exploration costs.

#### *Critical Accounting Policies and Estimates*

The Company's accounting policies are described in detail in Note 1 of the Company's December 31, 2015 annual consolidated financial statements attached hereto as Schedule "A". The Company considers the following judgments and estimates to be most critical in understanding its financial results:

### Significant accounting judgments and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities at the date of the financial statements and the reported amounts of expenditures during the period reported. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. While actual results could differ materially from these estimates, no specific sources of estimation uncertainty have been identified by management that are believed to have a significant risk of resulting in a material adjustment within the next financial year to the carrying amount of the Company's assets and liabilities as recorded at December 31, 2015.

### Valuation of Intangible Assets

Exploration expenditure comprises all costs which are directly attributable to the exploration of a project area. Licence costs are those incurred acquiring mineral rights and include the entry premiums paid to gain access to areas of interest. Mineral resource costs are those paid to third parties to acquire interests in existing projects.

In accordance with IFRS 6, the Company capitalises as exploration costs within Intangible Assets all exploration and evaluation costs, including field exploration and analysis costs relating to specific properties until those properties are brought into production, at which time they will be amortised on a unit-of-production basis or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge is made.

Intangible Assets are reviewed for impairment to determine if a write down of their carrying amount is required. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration. The Directors of the Company have reviewed the estimated value of each project prepared by management and consider them to be reasonable.

Management has made various estimations regarding the fair value of exploration assets acquired in the absence of NI 43-101 compliant resource data available at acquisition. The fair value of exploration assets acquired has been estimated based on a number of valuation techniques.

Where acquisitions represent transactions between knowledgeable and willing parties on an arm's length basis the exploration assets acquired have been valued on the basis of the consideration transferred. Where acquisitions are not deemed to represent arm's length transactions, management compares them to similar transactions that are on an arm's length basis taking into account key factors such as certainty over the level of defined resource, processing technology and location infrastructure in order to arrive at a fair valuation.

See "*Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Results from operations*" and "*Management's Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Analysis of Intangible Assets*" for further information regarding the valuation of and movements in intangible assets during the reporting period.

### Foreign currencies

The foreign currency movements included in the consolidated financial statements of the Company, arose from the relative movements in U.K. pounds sterling in relation to the United States dollar, the Nicaraguan Cordoba and the Salvadorian Colon. The Company has adopted accounting treatment of foreign

operations upon consolidation following “*International Accounting Standard 21 – The Effects of Changes in Foreign Exchange Rates*” regarding the application of exchange rates at balance sheet dates and/or exchange rates at the date of transaction, as appropriate, in relation to monetary and non-monetary assets and liabilities.

Exploration costs, disclosed as part of Intangible Assets, are denominated in the functional currency of the country in which the asset is located. The La India Project is located in Nicaragua and is thus denominated in Nicaraguan Cordobas. All resulting unrealised exchange differences arising from variations in the exchange rate between the Nicaraguan Cordoba and U.K. pounds sterling are recognised in the profit and loss in “other comprehensive income” and accumulated in equity – see “*Management’s Discussion and Analysis – MD&A For the Twelve Months Ended December 31, 2015 – Results from operations.*”

#### *Changes in accounting policies*

The adoption of IFRS and IFRIC interpretations did not result in any substantial changes to the accounting policies adopted by the Company.

#### *Management’s Report on Internal Controls and Procedures*

##### Disclosure controls and procedures

DCP have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under supervision of the Chief Executive Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company’s DCP and has concluded that they were effective as at December 31, 2015.

##### Internal control over financial reporting

The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

As at December 31, 2015, an evaluation was carried out, under the supervision of the Chief Executive Officer, of the design and operating effectiveness of Condor’s internal controls over financial reporting. Based on this evaluation, the Chief Executive Officer concluded that the internal controls over financial reporting were effective as at December 31, 2015, using the criteria, having taken account of the size and nature of Condor, put forward by the Financial Reporting Council in their revised guidance for directors on internal controls for UK listed companies (issued 2005).

#### *Changes in internal controls over financial reporting*

There have been no changes in the Company’s internal control over financial reporting during the twelve month period ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

## **DESCRIPTION OF SHARE CAPITAL**

The Company is authorised to issue 111,365,382 Ordinary Shares with a nominal value of 20 pence (£0.20) each, of which 61,365,382 Ordinary Shares are currently issued and outstanding.

Holders of Ordinary Shares are entitled to dividends if, as and when declared by the Board; to vote at any meetings of the holders of Ordinary Shares of the Company; and upon liquidation, dissolution or winding

up of the Company, to receive the remaining property and assets of the Company. All of the Ordinary Shares outstanding are fully paid and non-assessable.

Holders of Ordinary Shares are entitled to statutory pre-emption rights upon any issue of new Ordinary Shares in the capital of the Company in accordance with section 561 of the Companies Act. Such rights may be disapplied (either generally or in relation to a specific issue of Ordinary Shares) by special resolution at a general meeting of the shareholders of the Company in accordance with section 571 of the Companies Act.

## OPTIONS TO PURCHASE SECURITIES

### Stock Options Held by Executive Officers, Directors, Employees and Consultants

The following tables summarize the numbers and certain terms of the Options that have been granted to the persons or groups of persons set out below and that are outstanding as at the date of this prospectus. The market value of each Ordinary Shares issuable under the outstanding Options as at the date of this prospectus is £0.40, being the closing price of the Ordinary Shares on AIM on December 20, 2017. The market value of the Ordinary Shares on the date of grant of the Options represents the closing price of the Ordinary Shares on AIM on the last trading day prior to the date of grant.

Held By	Number of Ordinary Shares under Option (#)	Grant Date	Expiry Date	Exercise Price (£)	Market Value of Ordinary Shares under Option on Grant Date (£)
All executive officers and past executive officers of Condor, as a group (two in total)	600,000	July 1, 2013	July 1, 2018	1.00	0.845
	800,000	July 23, 2014	July 23, 2019	1.00	0.86
	615,000	July 7, 2014	July 7, 2020	0.67	0.645
	640,000	September 26, 2016	September 26, 2021	0.80	0.625
	840,000	July 06, 2017	July 06, 2022	0.62	0.54
All directors and past directors of Condor who are not also executive officers, as a group (four in total)	362,500	July 01, 2013	July 01, 2018	1.00	0.845
	450,000	July 23, 2014	July 23, 2019	1.00	0.86
	500,000	July 07, 2015	July 07, 2020	0.67	0.645
	600,000	September 26, 2016	September 26, 2021	0.80	0.625
	600,000	July 06, 2017	July 06, 2022	0.62	0.54
All other employees and past employees of Condor, as a group (36 in total)	177,600	July 01, 2013	July 01, 2018	1.00	0.845
	151,500	July 23, 2014	July 23, 2019	1.00	0.86

Held By	Number of Ordinary Shares under Option (#)	Grant Date	Expiry Date	Exercise Price (£)	Market Value of Ordinary Shares under Option on Grant Date (£)
	140,000	July 07, 2015	July 07, 2020	0.67	0.645
	460,000	September 26, 2016	September 26, 2021	0.80	0.625
	545,000	July 06, 2017	July 06, 2022	0.62	0.54
All consultants of Condor, as a group (one in total)	40,000	September 26, 2016	September 26, 2021	0.80	0.625

### Warrants

The following table summarizes the outstanding Warrants of the Company as at the date of this prospectus. The market value of each Ordinary Shares issuable under the outstanding Warrants as at the date of this prospectus is £0.40, being the closing price of the Ordinary Shares on AIM on December 20, 2017. The market value of the Ordinary Shares on the date of issuance of the Warrants represents the closing price of the Ordinary Shares on AIM on the last trading day prior to the date of issuance.

Held By	Total Number of Warrants for the Purchase of Ordinary Shares (#)	Issue Date	Expiry Date	Exercise Price (£)	Market Value of Ordinary Shares on Issue Date (£)
All executive officers and past executive officers of Condor, as a group (one in total)	200,645	February 28, 2017	February 27, 2019	0.93	0.73
All directors and past directors of Condor who are not also executive officers, as a group (two in total)	346,666	April 14, 2016	April 13, 2018	0.60	0.45
	80,645	February 28, 2017	February 27, 2019	0.93	0.73
Any other holders of Warrants	1,950,000	October 30, 2014	October 30, 2018	1.44	0.95
	1,611,109	September 16, 2014	September 15, 2018	1.44	1.005
	4,291,667	April 14, 2016	April 13, 2018	0.60	0.45
	3,946,074	February 28, 2017	February 27, 2019	0.93	0.73

## PRIOR SALES

The following table sets forth the Ordinary Shares or securities convertible into Ordinary Shares that the Company has issued within the past 12 months:

<b>Date</b>	<b>Type of Security</b>	<b>Number of Securities</b>	<b>Issue or Exercise Price Per Share or Unit (£)</b>
July 6, 2017	Options	1,985,000	0.62
February 20, 2017	Units <sup>(1)</sup>	8,454,733	0.62

### Notes

- (1) Each unit consisted of one Ordinary Share and one-half of one Warrant. Each such Warrant entitles the holder thereof to purchase one Ordinary Share at a price of 93 pence until February 28, 2019.

## TRADING PRICE AND VOLUME

The Ordinary Shares are listed and posted for trading on AIM and trade under the symbol “CNR”. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Ordinary Shares on AIM:

<b>Period</b>	<b>High (£)</b>	<b>Low (£)</b>	<b>Volume</b>
December 2017 (1-20) .....	0.405	0.395	1,535,257
November 2017.....	0.4475	0.38	2,699,994
October 2017 .....	0.495	0.4325	1,731,004
September 2017.....	0.525	0.44	1,667,024
August 2017.....	0.53	0.495	1,308,278
July 2017.....	0.555	0.49	910,616
June 2017 .....	0.635	0.555	1,531,142
May 2017 .....	0.66	0.5525	2,281,147
April 2017.....	0.7025	0.645	2,067,494
March 2017 .....	0.705	0.645	1,807,171
February 2017.....	0.73	0.63	4,642,861
January 2017 .....	0.68	0.495	7,302,883
December 2016.....	0.59	0.45125	1,529,957

## PRINCIPAL SECURITY HOLDERS

To the knowledge of the Company, no person or company owns or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Ordinary Shares.

## DIRECTORS AND EXECUTIVE OFFICERS

The following table provides the name, country of residence, positions held with the Company, number of Ordinary Shares or other securities of the Company beneficially owned or controlled or directed as of the date of this prospectus and principal occupation during the preceding five years of each of the current directors and executive officers of the Company.

Name and Province and Country of Residence	Office Held and Time as Director or Officer	Number and Class of Securities Beneficially Owned or Controlled	Biography
Mark Child, United Kingdom	Chairman and Chief Executive Officer (since July 13, 2011)	Ordinary Shares: 3,962,500 Options: 3,200,000 Warrants: 200,645	<p>Mr. Child was commissioned as an officer in the 2nd King Edward VII's Own Gurkha Rifles and served in the British Army for four years. He joined Condor's Board in May 2006 and became CEO in July 2011. He acquired the concessions that comprise La India Project and has raised the finance and developed the Project into what it is today.</p> <p>Mr. Child has 20 years of equity capital markets experience, as an institutional stockbroker and in corporate finance/private equity, mainly in emerging markets. At board level Mr. Child has been an executive director of Hong Kong listed Regent Pacific Group, an emerging market fund manager and private equity group, which spun off Charlemagne Capital Limited. He has board level experience of AIM listed and private companies.</p>
Jim Mellon, Isle of Man <sup>(1) (2)</sup>	Non-Executive Director (since April 6, 2011)	Ordinary Shares: 3,169,330 Options: 750,000 Warrants: 413,978	<p>Jim Mellon, based in the Isle of Man, is a renowned fund manager. He began his career with GT Management in the U.S. and in Hong Kong and later became the co-founder and managing director of Thornton Management (Asia) Limited, based in Hong Kong. He is co-founder of Regent Pacific Group and Charlemagne Capital Limited, both of which are asset management firms. He is currently chairman of Manx Financial Group Plc (the holding company of a financial services group) and co-chairman of Regent Pacific Group Ltd., and a director of West African Minerals Corporation (an iron ore mining and exploration company), Charlemagne Capital Limited, Burnbrae Group Limited (an asset management firm) and various other investment companies. Mr. Mellon holds a Master's Degree in Philosophy, Politics and Economics from Oxford University.</p>
Roger Davey United Kingdom <sup>(1) (2) (3)</sup>	Non-Executive Director (since December 19, 2011)	Ordinary Shares: 52,500 Options: 750,000 Warrants: 13,333	<p>Roger Davey is a Chartered Mining Engineer with over 40 years' experience in the mining industry covering the feasibility, financing, development and operation of both underground and surface mining operations at senior management and director level. Previous positions include director and General Manager of AngloGold subsidiaries in Argentina and the Senior Mining Engineer at N M Rothschild (London) in the Mining and Metals project finance team. Mr. Davey is a graduate of the Camborne School of Mines, with a Master of Science degree in Mineral Production Management from Imperial College, London University. He is presently also a non-executive director of Orosur Mining, Atalaya Mining, Central Asia Metals and Tharisa plc. He is fluent in Spanish (conversational and commercial).</p>
Peter Flindell Malaysia	Non-Executive Director (since August 28, 2014)	Ordinary Shares: nil Options: 662,500 Warrants: nil	<p>Peter Flindell is a minerals exploration geologist with over 30 years' experience in the mining industry covering the exploration, discovery and feasibility of gold mining operations at senior management level. Previous positions include twelve years with Newmont Mining Company, latterly as the Exploration Manager for the Western Pacific, and eleven years with Avocet Mining as Chief Geologist and Executive Vice President Exploration where he led a team to the discovery of over 11 million ounces gold Mineral Resources. Peter is a graduate of the Australian National University. He is presently also the Managing Director of Signal Delta, a Singapore-based company that focuses on the development of minerals projects and a</p>

Name and Province and Country of Residence	Office Held and Time as Director or Officer	Number and Class of Securities Beneficially Owned or Controlled	Biography
			non-executive director of a minerals exploration drilling company Indodrill Group Holdings.
Kate Harcourt United Kingdom (1) (3)	Non-Executive Director (since March 2, 2015)	Ordinary Shares: nil Options: 350,000 Warrants: nil	Kate Harcourt is a Chartered Environmentalist with over 25 years' experience of the environmental and social aspects of both open pit and underground mining projects around the globe, most recently as an independent advisor. She has worked as part of the Owner's Team for a number of companies and also on behalf of financial institutions, for example carrying out compliance performance monitoring during construction and operations. Kate also worked as a Director of Health, Safety, Environment, Communities and Security for MagIndustries, a natural resource company with assets in Republic of Congo. Between 2010 and 2016, Ms. Harcourt worked for the IFC and other lenders as an independent consultant on a geothermal project in Nicaragua, verifying that environmental and social obligations and commitments were met. Kate has a Master of Science degree from Imperial College in Environmental Technology. She is also a non-executive director at Roxgold Inc.
David Crawford United States	Chief Technical Officer (officer since March 26, 2014)	Ordinary Shares: 15,000 Options: 295,000 Warrants: nil	Dave Crawford is a Mining Engineer/MBA with over 40 years' background in project studies, mine design, economic analysis and resource estimation in multiple commodities and multiple countries. He is a Registered Professional Engineer and a Qualified Person under NI 43-101. Mr. Crawford has worked with Newmont Mining as a Study Director for Mergers and Acquisitions and Value Assurance in gold and copper projects, in-situ uranium projects for Cameco in Kazakhstan, and Principal Mining Engineer with Pincock, Allen and Holt. Mr. Crawford previously held the title of Chief Operating Officer of Condor.
Jeffrey Karoly United Kingdom	Chief Financial Officer (since November 14, 2017)	Ordinary Shares: 27,412 Options: nil Warrants: nil	Jeffrey Karoly is a Chartered Accountant with a degree in Geology from the University of Bristol. He has worked in the mining sector for over 20 years including 11 years in corporate finance roles with Anglo American in 3 continents. Since 2008 he has been Chief Financial Officer of several listed junior resource companies including South American Ferro Metals, listed on the ASX in 2010, AIM & TSX-listed Horizonte Minerals (2010 to 2016) and Altus Strategies, listed on AIM in 2017.

**Notes**

- (1) Member of the Audit Committee
- (2) Member of the Remuneration Committee
- (3) Member of the Risk Committee

As at the date of this prospectus, the directors and executive officers of the Company as a group beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 7,081,830 Ordinary Shares, representing approximately 11.5% of the issued and outstanding Ordinary Shares.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No current or proposed director or officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, been a director, chief executive officer or chief financial officer of any issuer (including the

Company) that, (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days; or (ii) was subject to an order that resulted, after the director, executive officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company ceased to be a director, chief executive officer or chief financial officer of an issuer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days, which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer of the issuer.

Except as disclosed below, no current or proposed director or officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, been a director or executive officer of any company (including the Company) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Jim Mellon was the non-executive chairman of two Isle of Man entities, Rivington Street Holdings Plc (“**Rivington Street**”) and Speymill Plc (“**Speymill**”), that entered into members’ voluntary liquidation in accordance with the laws of the Isle of Man. In the case of Rivington, a holding company, liquidators were appointed on May 29, 2014 and the company was dissolved on October 20, 2017. In the case of Speymill, a property management company, liquidators were appointed on September 23, 2015 and the company dissolved on October 20, 2017.

No current or proposed director or officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or securityholder.

No current or proposed director or officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Circumstances may arise where members of the Board or officers of the Company are directors or officers of companies that are in competition with the interests of the Company. If a Director of the Company is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other directors in accordance with section 177 of the Companies Act. Whether or not an interested Director can count to quorum and vote in respect of the proposed transaction or arrangement with the Company is set out in the articles of association of the Company.

Article 108 of the articles of association of the Company provides that, save as provided in the remainder of the articles, a Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him) is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company and a Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

As at the date of this prospectus, the Company was not aware of any existing or potential material conflicts of interest between the Company and a subsidiary of the Company and a Director or officer of the Company or of a subsidiary of the Company.

### **Director Elections**

The articles of association of the Company provide that at each annual general meeting of shareholders of the Company, one-third of the Company's Directors shall retire from office, provided that:

- If their number is more than three, but not a multiple thereof, then the number nearest to but not exceeding one-third shall retire;
- If their number is two, one of such Directors shall retire; and
- If their number is one, that Director shall retire.

The director(s) to retire by rotation shall be those who have been longest in office since their last appointment or reappointment, and in respect of those so appointed or reappointed on the same day, shall, unless otherwise determined by the Directors, be determined by lot.

See "*Risk Factors – General Risks – Staggered Board*".

When required, the Company intends to apply for exemptions from the TSX requirements relating to director elections.

The Company may by ordinary resolution appoint any person who is willing to be a Director, either to fill a casual vacancy or as an additional director. The Directors may also by ordinary resolution appoint any person who is willing to be a Director, either to fill a casual vacancy or as an additional director; however, at the following annual general meeting of the Company, that director shall retire, but be eligible for election, and shall not retire by rotation or be taken into account in determining the rotation of retirements.

### **EQUITY-BASED COMPENSATION ARRANGEMENTS**

A share option scheme (the "**Option Scheme**") was approved by shareholders of the Company on January 13, 2006. The purpose of the Option Scheme is to provide for the granting of options ("**Options**") to purchase Ordinary Shares to directors, officers, employees and consultants of the Company and the Company's subsidiaries, in accordance with the provisions set out below.

The Option Scheme is available to Executive Directors, Non-Executive Directors and Executives (as such terms are defined in the Option Scheme) of the Company and any of its subsidiaries (whether officers or employees) or consultants who shall be nominated by the Remuneration Committee in its absolute discretion or as delegated by the Remuneration Committee, the Chairman (each such person, a "**Nominated Person**"). The Remuneration Committee or, as applicable, the Chairman may, in their absolute discretion, make the Option Scheme available to persons who are not Executive Directors, Non-Executive Directors or Executives of the Company or any of its subsidiaries. The Option Scheme shall, in all respects, be administered under the direction of the Remuneration Committee which may make such rules for the conduct of the Option Scheme consistent with the terms and conditions therein contained as it deems advisable.

The total number of Ordinary Shares for which Options to subscribe may be granted under the Option Scheme, on any day shall not, when added to the number of Options that have been granted and have not lapsed, exceed such number of Ordinary Shares as represents 15% of the Ordinary Share capital of the Company in issue immediately prior to that day. As at the date of this prospectus, 7,521,600 Options are issued and outstanding under the Option Scheme, and 1,683,207 Options remain available for issuance. The number of Options outstanding under the Option Scheme represents approximately

12.26% of the number of Ordinary Shares issued and outstanding as of the date hereof. See *“Options to Purchase Securities – Options”* for additional information on the Company’s outstanding Options.

The Remuneration Committee may, at any time and from time to time and subject to the approval of the Board, offer to grant Options to Nominated Persons to subscribe at the Exercise Price (as defined below) for Ordinary Shares. Each such offer shall specify the particulars of the grant and shall be subject to acceptance and payment of nominal consideration by the Nominated Person in accordance with such offer. No Options shall be granted to any Nominated Person otherwise than in compliance with the rules of AIM in force from time to time. The **“Exercise Price”** in relation to an Option shall be determined by the Remuneration Committee, but in any case shall not be less than: (i) the Market Price per share of the Ordinary Shares; and (ii) the nominal value for the Ordinary Shares. **“Market Price”** in relation to an Option means the greater of the par value of the Ordinary Shares (20 pence) or the Market Value per share of the Ordinary Shares. The **“Market Value”** is defined in the Option Scheme as the middle market quotation for an Ordinary Share on the last day of trading of the London Stock Exchange immediately preceding the date on which the Option is granted, or such value as may be determined by the Company’s auditors.

The rights of holders of Options shall be deemed personal and shall not be assignable in whole or in part except with the written authorisation of the Remuneration Committee.

No Options shall be exercisable within the first 12 months from the grant date. 50% of the Options can be exercised between 12 months and 24 months of the grant date and 100% of the Options can be exercised 24 months after the grant date. No Option shall be exercisable more than five years after the date upon which it was granted.

No Options shall be exercisable later than 30 days after the holder of the Options ceases to hold the office or employment by virtue of which he or she is eligible to participate in the Option Scheme, except in the case of death, in which event the terms outlined below shall apply, or such period as at the discretion of the Remuneration Committee or the Chairman, as the case may be.

If a holder of an Option dies at a time when an Option is still capable or has been deemed (by the Remuneration Committee) capable of being exercised, his or her legal personal representative or representatives, as the case may be, may exercise the Option in whole or in part within 12 calendar months from the date of death of such Option holder. No Option may be exercised later than 12 calendar months after the date of death of such Option holder and upon the expiration of such 12 calendar month period the Option shall expire to the extent that it has not been exercised. Options which lapse following termination of employment, retirement or death may be made available to future issuances.

If the holder of an Option ceases to hold the office or employment by virtue of which he or she is eligible to participate in the Option Scheme because he or she has retired, because of Health Reasons, or because of Dismissal for Redundancy (as such terms are defined in the Option Scheme), then in such case an Option held by such person which is capable of being exercised must be exercised within 30 days, unless agreed in writing by the Remuneration Committee or the Chairman.

The Company may at any time by resolution of the Board vary, amend or revoke any of the provisions of the Option Scheme in such manner as the Remuneration Committee may consider necessary provided that: (a) the purpose of the Option Scheme shall not be altered; (b) except with the sanction of the Company in general meeting, no alteration shall be made to the provisions of the Option Scheme which would have the effect of altering the definitions of **“Market Value”** and **“Exercise Price”** in the Option Scheme, or of altering certain provisions of the Option Scheme regarding participation eligibility, limitations on issue and participation, grants of Options, determination of the Exercise Price, exercise or vesting periods, events of liquidation and alterations in capital, as well as the provisions relating to the alterations to the Option Scheme; and (c) no such variation, amendment or revocation shall increase the amount payable by any holder of Options or otherwise impose more onerous obligations on any holder of Options in respect of the exercise of an Option that has already been granted.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's philosophy, objectives and processes regarding executive compensation. This disclosure is intended to communicate the compensation that is expected to be provided to the Company's Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and the three other most highly compensated executive officers of the Company, if any, whose individual total compensation will be more than C\$150,000 for any financial year (collectively, the "Named Executive Officers" or "NEOs") and the Directors of the Company. The only Named Executive Officers of the Company are Mr. Mark Child, CEO of the Company, Mr. David Crawford, Chief Technical Officer of the Company and Mr. Jeffrey Karoly, the CFO of the Company.

#### *Compensation Philosophy and Objectives*

The executive compensation programme expected to be adopted by the Company and applied to its executive officers will be designed to attract and retain qualified and experienced executives who will contribute to the success of the Company. The executive compensation programme will attempt to ensure that the compensation of the senior executive officers provides a competitive base compensation package and a strong link between corporate performance and compensation. Executive officers will be motivated through the programme to enhance long-term shareholder value and returns.

#### *Compensation Process and Remuneration Committee*

The Company has established a remuneration committee (the "Remuneration Committee"), whose mandate is to assist the Board of the Company in fulfilling its responsibilities with respect to remuneration. The policy of the Remuneration Committee is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff.

The Remuneration Committee adheres to the Remuneration Committee mandate. Pursuant to the Remuneration Committee mandate, to fulfil its responsibilities and duties, the Remuneration Committee, among other things: (a) reviews and approves corporate goals and objectives relevant to CEO compensation; (b) evaluates the CEO's performance in light of those corporate goals and objectives, and makes recommendations to the Board with respect to the CEO's compensation level based on its evaluation; and (c) reviews the CEO's recommendations to the Remuneration Committee respecting the appointment, compensation and other terms of employment of the CFO, all senior management reporting directly to the CEO and all other officers appointed by the Board and, if advisable, approves and recommends for Board approval, with or without modifications, any such appointment, compensation and other terms of employment.

The members of the Remuneration Committee are Mr. Jim Mellon (Chairman) and Mr. Roger Davey. The Remuneration Committee is required to meet as many times as required to carry out its duties and responsibilities. The Remuneration Committee has met four times since January 2014. The members of the Remuneration Committee are independent Directors and have sufficient experience relevant to their responsibilities. For details in relation to the skills and experience of the members of the Remuneration Committee, please refer to the biography under the heading "Directors and Executive Officers" above.

No consultant or advisor has been retained to assist the Board or the Remuneration Committee in determining compensation for any Directors or executive officers. The Company does not maintain a fixed comparator group, however the Remuneration Committee may from time to time review the compensation levels of a selection of AIM and/or TSX listed resource exploration companies with similar market capitalization.

The remuneration of the Non-Executive Directors is determined by the Board as a whole, who consider it essential, notwithstanding the small size of the Company and the fact that it is not yet revenue earning, to recruit and retain individuals of the highest calibre for that role. Consequently, Condor believes that it is in the interests of shareholders that Non-Executive Directors should be provided with Options in addition to the level of fees considered affordable and competitive.

The Remuneration Committee also administers the Company's Option Scheme. The Remuneration Committee considers market conditions and previous grants when recommending for approval of the Board the grant of Options under the Option Scheme to NEOs and Non-Executive Directors of the Company. See "*Equity-Based Compensation Arrangements*" for additional information on the Company's Option Scheme.

NEOs, directors and senior management of the Company are not permitted to purchase financial instruments (e.g., forward contracts, equity swaps, etc.) that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by a NEO, Director or senior manager.

#### *Risk Management*

The Company expects that the Remuneration Committee will review the practices the Company uses to identify and mitigate compensation policies and practices that could create or incentivize any inappropriate or excessive risk taking by executive officers.

#### **Elements of Compensation**

Components (or compensation elements) that are linked to the Company's compensation and corporate objectives are as follows:

<b>Compensation element</b>	<b>Link to compensation objectives</b>	<b>Link to corporate objectives</b>
Base salary	Attract and retain	Competitive pay ensures access to skilled employees necessary to achieve corporate objectives.
Options	Motivate	Options are offered to align officers' objectives with shareholders of the Company.

#### (a) **Base Salary**

The Company provides a base salary to each NEO as compensation for the performance of the NEO's day-to-day responsibilities. The base salaries for each NEO are reviewed regularly by the Remuneration Committee to ensure that the salary is appropriate for each officer's expertise and performance and to ensure that the salary is in line with market practices.

#### (b) **Share Options/Equity Component**

In addition to each NEO's base salary, the Company provides a form of equity compensation through the issuance of Options under its Option Scheme. Options are intended to motivate NEOs and to align each NEO's incentives with those of shareholders of the Company. Option grants are determined by the Board on the recommendation of the Remuneration Committee. No Option granted under the Option Scheme are exercisable within the first 12 months from the grant date. 50% of the Options can be exercised between 12 month and 24 months of the grant date and the remaining 50% of the Options can be exercise 24 months after the grant date. See "*Equity-Based Compensation Arrangements*" for additional information on the Option Scheme.

## Summary Compensation Table - NEOs

The table below reflects compensation that was paid to the NEOs for the fiscal years ended December 31, 2016, 2015 and 2014.

Name and Principal Position	Year	Fees/ Salary (£)	Share- Based Awards (£)	Option- Based Awards (£)	Non-Equity Incentive Plan Compensation		Pension value (£)	All Other Compensation (£)	Total Compensation (£)
					Annual Incentive Plans (£)	Long- term Incentive Plans (£)			
Mark Child, Chairman, Chief Executive Officer	2016	100,000 <sup>(1)</sup>	nil	304,746 <sup>(2)(3)</sup>	nil	nil	nil	53,318 <sup>(4)</sup>	458,064
	2015	100,000 <sup>(1)</sup>	nil	386,259 <sup>(2)(3)</sup>	nil	nil	nil	50,000 <sup>(4)</sup>	536,259
	2014	100,000 <sup>(1)</sup>	nil	360,401 <sup>(2)(3)</sup>	nil	nil	nil	50,000 <sup>(4)</sup>	510,401
David Crawford, Chief Technical Officer	2016	56,113	nil	47,710 <sup>(3)(5)</sup>	nil	nil	nil	nil	103,283
	2015	97,708	nil	78,164 <sup>(3)(5)</sup>	nil	nil	nil	nil	175,872
	2014	170,205	nil	38,067 <sup>(3)(5)</sup>	nil	nil	nil	nil	208,272

### Notes

- (1) Amounts represent payments to Mr. Child for his role as a Director of the Company pursuant to the Child Agreement (as defined below).
- (2) All option-based awards to Mr. Child are in connection with his role as a Director of the Company.
- (3) The fair value of the Options granted was assigned using the Black-Scholes method with the following the key assumptions and estimates for the 2016 calculation: expected dividend yield of 0%, expected stock price volatility 149.51%, risk free interest rate of 0.23% and expected life of options of 5.0 years. The Company chose this methodology because it provides a meaningful and reasonable estimate of the fair value of stock options and has been consistently applied by the Company for valuing option-based awards.
- (4) Amounts represent payments by the Company to Axial Associates Limited ("**Axial**"), a company owned and controlled by Mr. Child, pursuant to the Axial Agreement (as defined below). See "*Executive Compensation – Description of NEO Agreements*" below.
- (5) Mr. Crawford receives his salary in U.S. dollars, which has been converted into U.K. pounds sterling based on the rate of exchange on the date of payment by the Company. Mr. Crawford receives all compensation, other than Options, from the Company pursuant to the Crawford Agreement (as defined below). See "*Executive Compensation – Description of NEO Agreements*" below. Mr. Crawford receives Options pursuant to the terms of the Option Scheme. See "*Equity-Based Compensation Arrangements*".

From 2014 to November 14, 2017, there was no CFO formally employed by the Company. Instead, Bradshaw Johnson Chartered Accountants was engaged to provide accounting, bookkeeping and administrative services to the Company. In respect of the 2014, 2015 and 2016 financial years, Bradshaw Johnson Chartered Accountants was paid £15,000 in fees per year. In addition, the Company paid Bradshaw Johnson Chartered Accountants £28,420, £28,200 and £27,000 for 2014, 2015 and 2016, respectively, in respect of accounts preparation.

Mr. Jeffrey Karoly was appointed as the CFO of the Company on November 14, 2017. Prior to being appointed as the CFO, Mr. Karoly had been acting as a consultant to the Company. Mr. Karoly is currently engaged by the Company pursuant to consultancy agreement dated June 1, 2017 (the "**Initial Karoly Agreement**"). Under the Initial Karoly Agreement, Mr. Karoly is entitled to a fee of £3,000 per month, up to a maximum fee of £30,000. In addition, upon listing of the Ordinary Shares on the TSX, Mr. Karoly will receive a payment equal to the difference between £30,000 and the total fees received by Mr. Karoly from the Company up to such date. The Initial Karoly Agreement will terminate on February 28, 2018 and is also terminable on 30 days' prior written notice to the other party. The Initial Karoly Agreement is also terminable by the Company upon the occurrence of certain events or conduct by Mr. Karoly, including any breach of the Company's policies or procedures.

Effective upon listing of the Company's Ordinary Shares on the TSX, Mr. Karoly is expected to enter into a revised agreement with the Company. It is expected that Mr. Karoly will receive a salary of £65,000 per annum for 50% of his time and be eligible to receive Option grants. The new agreement is expected to be terminable on three-months' notice.

## Outstanding Option-Based and Share-Based Awards - NEOs

The following table sets forth information with respect to the Options granted under the Option Scheme to the NEOs and that were outstanding as at December 31, 2016.

Name and Principal Position	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (£)	Option Expiration Date	Value of Unexercised In-the-Money Options (£)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (£)	Market or payout value of vested share-based awards not paid out or distributed (£)
Mark Child <sup>(1)</sup> , Chairman, Chief Executive Officer	600,000	1.00	July 1, 2018	Nil	Nil	Nil	Nil
	600,000	1.00	July 23, 2019	Nil	Nil	Nil	Nil
	600,000	0.67	July 7, 2020	Nil	Nil	Nil	Nil
	600,000	0.80	Sept 26, 2021	Nil	Nil	Nil	Nil
	800,000	0.62	July 5, 2022	Nil	Nil	Nil	Nil
David Crawford, Chief Technical Officer	200,000	1.00	July 23, 2019	Nil	Nil	Nil	Nil
	15,000	0.67	July 7, 2020	Nil	Nil	Nil	Nil
	40,000	0.80	Sept 26, 2021	Nil	Nil	Nil	Nil
	40,000	0.62	July 5, 2022	Nil	Nil	Nil	Nil

### Notes

(1) All option-based awards to Mr. Child are in connection with his role as a Director of the Company.

## Incentive Plan Awards – Value Vested or Earned During the Year - NEOs

The following table sets forth information with respect to option-based and share-based awards and for non-equity incentive plan compensation for each NEO during the Company's most recently completed financial year.

Name and Principal Position	Option-based awards Value vested during the year (£)	Share-based awards Value vested during the year (£)	Non-equity incentive plan compensation Value vested during the year (£)
Mark Child, Chairman, Chief Executive Officer	16,500	-	-
David Crawford, Chief Technical Officer	413	-	-

### Narrative Discussion

The Company granted the following Options to its NEOs during the financial year ended December 31, 2016:

<u>NEO</u>	<u>Options</u>
Mark Child	600,000 Options (£0.80 exercise price per Ordinary Share, expiring September 26, 2021)
David Crawford	40,000 Options (\$0.80 exercise price per Ordinary Share, expiring September, 2021)

Of the Options granted to the Company's NEOs during the financial year ended December 31, 2016, 50% of the Options vested on each of the 12 and 24 month anniversaries of the date of grant. See "Equity-Based Compensation Arrangements" for a summary of the key terms of the Company's Option Scheme.

## Director Compensation

The amounts set out in the table below were received by the Non-Executive Directors of the Company for the financial year-ended December 31, 2016. The amount of compensation received by Mr. Child, Chairman and Chief Executive Officer of the Company, for service as a Director is disclosed above under "Summary Compensation Table – NEOs".

Name	Fees Earned (£)	Share-based awards (£)	Option-based awards <sup>(1)</sup> (£)	Non-equity incentive plan compensation (£)	Pension value (£)	All other compensation (£)	Total (£)
Jim Mellon	20,667	nil	90,100	nil	nil	nil	110,767
Roger Davey	26,895	nil	90,100	nil	nil	nil	116,995
Peter Flindell	31,988	nil	90,100	nil	nil	nil	122,088
Kate Harcourt	21,833	nil	34,472	nil	nil	nil	56,305

### Notes

- (1) The fair value at grant date was calculated using the Black-Scholes option pricing model as discussed in note 3 of the "Summary Compensation Table – NEOs" table in this prospectus.

Non-Executive Directors of the Company receive an annual retainer fee and are eligible for Option grants. Non-Executive Directors are also eligible to receive additional remuneration for undertaking any special services on the Company's behalf, other than services ordinarily required by a Non-Executive Director. The Directors of the Company are not compensated for their role on any committee of the Board.

## Director Compensation – Outstanding Option-Based and Share-Based Awards

The following table sets forth information with respect to the option-based awards that have been granted to the Non-Executive Directors of the Company and that were outstanding as of December 31, 2016.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (£)	Option Expiration Date	Value of Unexercised In-the-Money Options (£)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (£)	Market or payout value of vested share-based awards not paid out or distributed (£)
Jim Mellon	150,000	1.00	July 1, 2018	Nil	Nil	Nil	Nil
	150,000	1.00	July 23, 2019	Nil			
	150,000	0.67	Jul 7, 2020	Nil			
	150,000	0.80	Sept 26, 2021	Nil			
	150,000	0.62	July 5, 2022	Nil			
Roger Davey	150,000	1.00	July 1, 2018	Nil	Nil	Nil	Nil
	150,000	1.00	July 23, 2019	Nil			
	150,000	0.67	July 7, 2020	Nil			
	150,000	0.80	Sept 26, 2021	Nil			
	150,000	0.62	July 5, 2022	Nil			
Peter Flindell	62,500	1.60	July 1, 2018	Nil	Nil	Nil	Nil
	150,000	1.00	July 23, 2019	Nil			
	150,000	0.67	Jul 7, 2020	Nil			
	150,000	0.80	Sept 26, 2021	Nil			
	150,000	0.62	July 5, 2022	Nil			

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (£)	Option Expiration Date	Value of Unexercised In-the-Money Options (£)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (£)	Market or payout value of vested share-based awards not paid out or distributed (£)
Kate Harcourt	50,000	0.67	July 7, 2020	Nil	Nil	Nil	Nil
	150,000	0.80	Sept 26, 2021	Nil			
	150,000	0.62	July 5, 2022	Nil			

### Director Compensation – Value Vested or Earned During the Year

The following table sets forth information with respect to option-based and share-based awards and for non-equity incentive plan compensation for each Non-Executive Director during the Company's most recently completed financial year.

Name and Principal Position	Option-based awards Value vested during the year (£)	Share-based awards Value vested during the year (£)	Non-equity incentive plan compensation Value vested during the year (£)
Jim Mellon	4,125	-	-
Roger Davey	4,125	-	-
Peter Flindell	4,125	-	-
Kate Harcourt	1,375	-	-

#### Narrative Discussion

The Company granted the following Options to its Non-Executive Directors during the fiscal year ended December 31, 2016:

<u>Director</u>	<u>Options</u>
Each of Jim Mellon, Roger Davey, Peter Flindell and Kate Harcourt	150,000 Options (£0.80 exercise price per Ordinary Share, expiring September 26, 2021)

Of the Options granted to the Company's Non-Executive Directors during the financial year ended December 31, 2016, 50% of the Options vested on each of the 12 and 24 month anniversaries of the date of grant. See "Equity-Based Compensation Arrangements" for a summary of the key terms of the Company's Option Scheme.

#### Description of NEO Agreements

##### Child Agreement

Condor and Mr. Mark Child, Chief Executive Office and Chairman of the Company, are parties to a letter agreement dated December 19, 2011 (the "Child Agreement"). The Child Agreement provides that Mr. Child shall receive an annual director's fee of £100,000 payable in monthly instalments, which amount will be reviewed at the absolute discretion of the Board.

The Child Agreement may be terminated by either Mr. Child or the Company upon not less than six months' notice to the other party, provided that the Company may pay Mr. Child the applicable amount of Mr. Child's director's fee in lieu of any notice period. However, the Company may terminate Mr. Child's appointment immediately (and without entitlement to notice, pay in lieu of notice or compensation) if Mr. Child:

- (a) is not reappointed as a director of the Company at the next annual meeting of shareholders of the Company, is removed as a director by a resolution passed by shareholders of the Company at an annual meeting, or ceases to be a director pursuant to any provision of the Company's articles of association;
- (b) is found guilty of any dishonesty or other misconduct or commits any serious or persistent breach of any of his obligations to the Company (whether under the Child Agreement or otherwise) or refuses or neglects to comply with any lawful order or direction given to him by the Board; or
- (c) is or becomes incapacitated from efficiently performing his duties for 90 working days in any 12-month period, or becomes of unsound mind.

#### *Axial Consulting Agreement*

The Company, Mr. Child and Axial are parties to a consultancy agreement dated May 24, 2006, as amended by a deed of amendment dated December 19, 2011, and a deed of variation dated September 27, 2016 (as amended, the "**Axial Agreement**"). Pursuant to the Axial Agreement, the Company has engaged Axial to provide the services of Mr. Child, who provides certain services to the Company, including performing the duties normally carried out by the Chief Executive Officer of a company that trades on AIM. Axial is owned and controlled by Mr. Child.

Under the Axial Agreement, the Company pays Axial a fee of £4,166 per month, or such other monthly fee as may from time to time be agreed between the Company and Axial. The Axial Agreement is terminable by either party on six months' written notice or the termination of the Child Agreement, whichever occurs first. In addition, the Axial Agreement is terminable by any party upon written notice to the other parties if:

- (a) any party to the Axial Agreement commits any serious breach or persistent breaches of any of the provisions of the Axial Agreement and, in the case of a breach which is capable of remedy, fails to remedy it after being given 30 days' written notice specifying the breach and requiring it to be remedied;
- (b) Mr. Child becomes incapable, by reason of mental disorder, of managing and administering his property and affairs, and a receiver or any other person is authorized to act on this behalf, or otherwise becomes permanently incapable of providing his services under the Axial Agreement; or
- (c) any party goes into liquidation receivership or administration or Mr. Child becomes bankrupt, applies for a receiving order or has a receiving order made against him, or he or it enters into any voluntary arrangement (within the meaning of the *Insolvency Act 1988* (United Kingdom)) with his or its creditors.

In such case, Axial would be entitled to any monthly fees payable in one lump sum for the period of its notice.

Under the Axial Agreement, Mr. Child shall receive a cash bonus (the "**Bonus**") in the event of a Takeover or Asset Sale (as such terms are defined below). The Bonus will be equal to the Appropriate Percentage of the Takeover Value or Asset Value (as such terms are defined below). The Bonus shall be paid within seven days of the last to occur of: (i) date on which the Takeover becomes unconditional in all respects (or, if implemented by a scheme of arrangement, the date on which such scheme of arrangement is approved by the court) or the Asset Sale is completed in accordance with its terms as appropriate; or (ii) the final agreement or determination of the Takeover Value or Asset Value is achieved. Mr. Child is entitled to the Bonus if the Bonus has accrued prior to or during any notice period given or received by him under the Axial Agreement, but not if the Bonus accrues after expiry of such notice.

For the purposes of the Axial Agreement:

- (a) a “**Takeover**” means an offer for the entire issued or to be issued share capital of the Company made pursuant to the City Code or any other way;
- (b) an “**Asset Sale**” means the completion of the sale of any asset or assets of the Company in a single transaction representing at least 25% of the average market capitalisation of the Company in the four weeks prior to the announcement of such sale;
- (c) in the event of a Takeover, “**Takeover Value**” means: (i) the number of shares of the Company that are subject to the Takeover (including any shares arising from conversion of options, warrants or other securities that are also included in the Takeover); multiplied by (ii) the price paid per share payable pursuant to the Takeover; and
- (d) in the event of an Asset Sale, “**Asset Value**” means the price payable for the asset in question, including indebtedness assumed or repaid by or on behalf of the buyer (or any person connected with it), as well as any other sums payable to the Company or anyone connected with it which may be reasonably considered to form part of the price for the asset.

The Bonus shall be based on a percentage (the “**Appropriate Percentage**”) of the Takeover Value or Asset Value, calculated in accordance with the following mechanism:

<b>Takeover Value or Asset Value</b>	Equivalent to or greater than 100 pence and less than 125 pence per share <sup>(1)</sup>	Equivalent to or greater than 125 pence and less than 150 pence per share <sup>(1)</sup>	Equivalent to or greater than 150 pence per share <sup>(1)</sup>
<b>Appropriate Percentage</b>	1.0%	1.5%	2.0%

**Note**

- (1) Adjusted for any reorganisation of the share capital of the Company.

The following table sets forth the Bonus amounts payable to Mr. Child assuming a Takeover or Asset Sale had occurred on December 31, 2016, and the Takeover Values and Asset Values set forth below. On December 31, 2016, the Company had 52,910,649 Ordinary Shares issued and outstanding.

<b>Takeover Value or Asset Value</b>	Equal to 100 pence per Ordinary Share	Equal to 125 pence per Ordinary Share	Equal to 150 pence per Ordinary Share
<b>Bonus Amount (£)</b>	529,106.49	992,074.67	1,587,319.47

*Crawford Agreement*

The Company and David Crawford, its Chief Technical Officer, are party to a consultancy agreement dated February 13, 2015 (the “**Crawford Agreement**”). Under the Crawford Agreement, Mr. Crawford provides certain services to the Company, including mine engineering and geological services, which he provides to the Company for not less than five days per month, or as otherwise agreed in advance between the parties.

As consideration for providing services to the Company, Mr. Crawford receives U.S.\$5,000 per month, or such other fee as may be agreed to between the parties. The Company also pays Mr. Crawford an

additional U.S.\$1,000 for each day that Mr. Crawford provides services to the Company beyond his minimum commitment of five days per month.

The Crawford Agreement may be terminated by either party on 30 days' written notice. In addition, either party may terminate the Crawford Agreement by giving notice to the other party if:

- (a) either party commits any serious breach or persistent breaches of any of the provisions of the Crawford Agreement and, in the case of a breach which is capable of remedy, fails to remedy it after being given 30 days' written notice specifying the breach and requiring it to be remedied;
- (b) Mr. Crawford breaches certain provisions of the Crawford Agreement that limit who he can be employed by or engage with during the term of the Crawford Agreement;
- (c) Mr. Crawford becomes incapable, by reason of mental disorder, of managing and administering his property and affairs, and a receiver or any other person is authorised to act on his behalf, or otherwise becomes permanently incapable of providing his services under the Crawford Agreement; or
- (d) either party goes into liquidation or administration or Mr. Crawford becomes bankrupt, applies for a receiving order or has a receiving order made against him, or he enters into any voluntary arrangement (within the meaning of the *Insolvency Act 1986* (United Kingdom)) with his creditors.

In such case, Mr. Crawford shall be entitled to the remaining fees payable in one lump sum for the period of his notice.

#### **Termination and Change of Control Benefits**

Other than as described above, there are no agreements, compensation plans, contracts or arrangements whereby an NEO is entitled to receive payments from the Company in the event of the termination of the NEO's employment with the Company.

#### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

At no time since incorporation of the Company has there been any indebtedness, other than routine indebtedness, of any director or officer of the Company or any associate or affiliate of any such director or officer, to the Company or to any other entity which is, or at any time since the beginning of the most recently completed financial period has been, the subject of a guarantee, support agreement, letter of agreement or other similar arrangement or understanding provided by the Company.

#### **STOCK EXCHANGE LISTING**

The Ordinary Shares are listed on the AIM and are cross-traded in the U.S. on the OTCQX. The TSX has conditionally approved the listing of the Ordinary Shares under the symbol "COG". The listing of the Ordinary Shares will be subject to the Company fulfilling all of the listing requirements of the TSX on or before January 2, 2018. The Company cannot provide any assurances as to the price at which the Ordinary Shares will trade. See "*The Company - Listing and Trading of Ordinary Shares on the TSX and Reporting Issuer Status in Canada*".

#### **RISK FACTORS**

*Prospective investors in Ordinary Shares should carefully consider the following risk factors in addition to the other information contained in this prospectus. The risks and uncertainties below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business and operations of the Company and cause the price of the Ordinary Shares to decline. If any of the following risks actually*

*occur, the Company's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Ordinary Shares could decline and holders of the Ordinary Shares may lose all or part of their investment.*

## **Risks Related to the Industry**

### ***Mineral Exploration, Development and Operating Risks***

Mineral exploration is highly speculative in nature, generally involves a high degree of risk and frequently is non-productive. The mineral tenements of the Company are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited or will result in a profitable commercial mining operation.

Resource acquisition, exploration, development, and operation involve significant financial and other risks over an extended period of time, which even a combination of careful evaluation, experience, and knowledge may not eliminate. Significant expenses are required to locate and establish economically viable mineral deposits, to acquire equipment, and to fund construction, exploration and related operations, and few mining properties that are explored are ultimately developed into producing mines.

Success in establishing an economically viable project is the result of a number of factors, including the quantity and quality of minerals discovered, proximity to infrastructure, metal and mineral prices which are highly cyclical, costs and efficiencies of the recovery methods that can be employed, the quality of management, available technical expertise, taxes, royalties, environmental matters, government regulation (including land tenure, land use and import/export regulations) and other factors. Even in the event that mineralisation is discovered on a given property, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change as a result of such factors. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on its invested capital, and no assurance can be given that any exploration program of the Company will result in the establishment or expansion of resources or reserves.

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold and other minerals, including hazards relating to the discharge of pollutants or hazardous chemicals, changes in anticipated grade and tonnage of ore, unusual or unexpected adverse geological or geotechnical formations, unusual or unexpected adverse operating conditions, slope failures, rock bursts, cave-ins, seismic activity, the failure of pit walls, pillars or dams, fire, explosions, and natural phenomena and 'acts of God' such as inclement weather conditions, floods, earthquakes or other conditions, any of which could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, damage to property, environmental damage, unexpected delays, monetary payments and possible legal liability, which could have a material adverse impact upon the Company. In addition, any future mining operations will be subject to the risks inherent in mining, including adverse fluctuations in fuel prices, commodity prices, exchange rates and metal prices, increases in the costs of constructing and operating mining and processing facilities, availability of energy and water supplies, access and transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment, and industrial accidents and labour actions or unrest. The occurrence of any of these risks could materially and adversely affect the development of a project or the operations of a facility, which could have a material adverse impact upon the Company.

### ***Estimation of Mineralisation, Resources and Reserves***

There is a degree of uncertainty attributable to the calculation of mineralisation, resources and reserves and corresponding grades being mined or dedicated to future production. Until reserves or mineralisation are actually mined and processed, the quantity of mineralisation and reserve grades must be considered

estimates only. These estimates depend upon geological interpretation and statistical inference drawn from drilling and sampling analysis, which may prove unreliable. There can be no assurance such estimates will be accurate. In addition, the quantity of reserves and mineralisation may vary depending on commodity prices. Any material change in quantity of reserves, mineralisation, grade or stripping ratio may affect the economic viability of a mine. In addition, there can be no assurance that recoveries from laboratory tests will be duplicated in tests under on-site conditions or during production. The inclusion of mineral resource estimates should not be regarded as a representation that these amounts can be economically exploited and no assurances can be given that such resources estimates will be converted into reserves. Different experts may provide different interpretations of resource estimates.

### ***Environmental, Health and Safety Regulations of the Resource Industry***

Environmental matters in Nicaragua, including those related to mining, fall primarily under the oversight of MARENA. The Company notes a continuing trend toward substantially increased environmental requirements and evolving corporate social responsibility expectations in Nicaragua, including the requirement for more permits, analysis, data gathering, community hearings, and negotiations than have been required in the past for both routine operational needs and for new development projects.

Due to bureaucratic delays, there can be no assurance that all permits which the Company may require for construction of mining facilities and conduct of mining operations, particularly environmental permits, will be obtainable on reasonable terms or timeframes or that compliance with such laws and regulations would not have an adverse effect on the profitability of any mining project that the Company might undertake.

All phases of the Company's operations are subject to environmental regulations in various jurisdictions. If the Company's properties are proven to host economic reserves of metals, mining operations will be subject to national and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment.

Mining operations will be subject to national and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of mining methods and equipment. Various permits from government bodies are required for mining operations to be conducted; no assurance can be given that such permits will be received.

No assurance can be given that environmental standards imposed by national or local authorities will not be changed or that any such changes would not have material adverse effects on the Company's activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company. Additionally, the Company may be subject to liability for pollution or other environmental damage, which it may not be able to insure against.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulation and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

## **Competitive Conditions**

There is aggressive competition within the mineral exploration and mining industry for the discovery and acquisition of properties considered to have commercial potential, and for management and technical personnel. The Company's ability to acquire projects in the future is highly dependent on its ability to operate and develop its current assets and its ability to obtain or generate the necessary financial resources. The Company will compete with other parties in each of these respects, many of which have greater financial resources than the Company. Accordingly, there can be no assurance that any of the Company's future acquisition efforts will be successful, or that it will be able to attract and retain required personnel. Any such failure could have a material adverse impact upon the Company.

## **Risks Related to the Business**

### ***Permitting and Licensing Risks***

In addition to Concessions, the Company will require some or all of the following permits, licences or other regulatory licences/permits to be able to carry out business operations in Nicaragua as it advances the La India Project including, but not limited to: (i) the Environmental Permit; (ii) construction; (iii) electricity; (iv) water; and (v) explosives. In particular, the Environmental Permit is the key permit for the development of the Project, as various other permits are conditional on holding the Environmental Permit. The Company formally submitted an EIA to MARENA to apply for an Environmental Permit in November 2015. See "*Business of the Company*" and "*The Company's Operations in Nicaragua – Environmental Permit*".

There can be no guarantee that the Company will be able to obtain and maintain, at all times, all the necessary licences and permits required to undertake the proposed exploration and development or to place its properties into commercial production and to operate mining facilities thereon. In the event of commercial production, the cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude the economic development of a particular property.

### ***Operational Risks***

The Company has not previously generated revenues from operations and its mineral projects are at an exploration stage. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues. The Company has historically incurred significant losses as it has no sources of revenue (other than interest income), and has significant cash requirements to meet its exploration commitments, administrative overhead and maintain its mineral interests. The Company expects to continue to incur net losses unless or until one or more of its properties enters into commercial production and generates sufficient revenue to fund continuing operations. There can be no assurance that current exploration or development programs will result in the discovery of commercial deposits or, ultimately, in profitable mining operations. See also "*Negative Cash Flow Risk*", "*Liquidity and Financing Risk*" and "*Funding Risk*" below.

### ***Negative Cash Flow***

The Company had negative operating cash flow for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014. The Company anticipates that it will continue to have negative cash flow until such time, if at all, that profitable commercial production is achieved. The Company cannot provide assurance that we will ever achieve profitability. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

### ***Liquidity and Financing Risk***

The Company has no source of operating cash flow and may need to raise additional funding in the future through the sale of equity or debt securities or by optioning or selling its properties. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. No assurance can be given that additional funding will be available for further exploration and development of the Company's properties when required, upon terms acceptable to the Company or at all. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties, or even a loss of property interest, which would have a material adverse impact upon the Company.

### ***Funding Risk***

At the date of this prospectus, the Company has no income producing assets and will generate losses for the foreseeable future. Until it is able to develop a project and generate appropriate cash flow, it is dependent upon being able to obtain future equity or debt funding to support long term exploration. Neither the Company nor any of the Directors of the Company nor any other party can provide any guarantee or assurance that if further funding is required, such funding can be raised on terms favourable to the Company (or at all). Any additional equity funding will dilute existing shareholders. Also, no guarantee or assurance can be given as to when a project can be developed to the stage where it will generate cash flow. As such, a project would be dependent on many factors, for example exploration success, subsequent development, commissioning and operational performance.

### ***A&R NSR Agreement Risks***

As described under the heading "*Material Contracts – A&R NSR Agreement*", under the A&R NSR Agreement, La India SA has granted a number of rights and provided certain covenants regarding its future operations to IRC in respect of the NSR Property (as defined below). These rights and covenants could have an adverse consequence on the Company's business, including: limiting the Company's ability to obtain project financing for the development of the La India Project and limiting the Company's ability to dispose of a Concession forming part of the NSR Property, which would require IRC's consent. Further, the A&R NSR Agreement provides IRC with a right of first refusal over additional royalties granted on the NSR Property. IRC's interests in the A&R NSR Agreement are secured pursuant to the terms of security agreements. Accordingly, if the Company defaults on its obligations under the A&R NSR Agreement, the Company may suffer adverse effects on its operations, business or financial condition.

### ***Exploration Costs***

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realized in practice, which may materially and adversely affect the Company's viability.

### ***Uninsurable Risks***

In the course of exploration, development and production of mineral properties, risks, including, but not limited to, unexpected or unusual geological or operating conditions, natural disasters, inclement weather conditions, pollution, rock bursts, cave-ins, fires, flooding, earthquakes, civil unrest, terrorism and political violence may occur. It is not always possible to fully insure against all risks associated with Condor's operations and Condor may decide not to take out insurance against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Condor.

### ***Conflicts of Interest***

Certain Directors of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in companies, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors may conflict with the interests of the Company. Any Directors of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

### ***Exercise of Statutory Rights and Remedies***

The Company, all of its subsidiaries and substantially all of its assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Company under Canadian securities laws or otherwise.

The Company has subsidiaries incorporated in Nicaragua and El Salvador. All of Condor's directors and officers, including its Chairman and Chief Executive Officer, as well as its Chief Financial Officer, reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of the Company's directors or officers for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted in Nicaragua, El Salvador, the United Kingdom or the United States. Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

### ***Risks Related to Operating In Nicaragua***

#### ***Risks of Operating in Nicaragua***

The La India Project and the Company's other projects are located in Nicaragua, and are subject to the risks of operating in foreign countries, including political and economic considerations such as civil and tribal unrest, war (including in neighbouring countries), terrorist actions, criminal activity, nationalization, invalidation of governmental orders, failure to enforce existing laws, labour disputes, corruption, sovereign risk, political instability, the failure of foreign parties, courts or governments to honour or enforce contractual relations or uphold property rights, changing government regulations with respect to mining (including royalties, environmental requirements, labour, taxation, land tenure, foreign investments, income repatriation and capital recovery), fluctuations in currency exchange and inflation rates, import and export restrictions, challenges to the title to properties or mineral rights in which the Company has interests, problems or delays renewing licenses and permits, opposition to mining from local, environmental or other non-governmental organizations, increased financing costs, instability due to economic under-development, inadequate infrastructure, and the expropriation of property interests, as well as by laws and policies of the United Kingdom affecting foreign trade, investment and taxation.

Furthermore, the Company requires consultants and employees to work in Nicaragua to carry out its planned exploration and development programs. It may be difficult from time to time to find or hire qualified people in the mineral exploration industry who are situated in Nicaragua, or to obtain all of the necessary services or expertise in Nicaragua, or to conduct operations on its projects at reasonable rates.

If qualified people and services or expertise cannot be obtained in Nicaragua, the Company may need to seek and obtain those services from service providers located outside of Nicaragua which could result in delays and higher costs to the Company.

Mineral resource companies face increasing public scrutiny of their activities, and are under pressure to demonstrate that their operations have potential to generate satisfactory returns not only to their shareholders, but also to benefit local governments and the communities surrounding its properties where it operates. The potential consequences of these pressures include reputational damage, lawsuits, increasing social investment obligations and pressure to increase taxes and future royalties payable to local governments and surrounding communities. As a result of these considerations, the Company may incur increased costs and delays in permitting and other operational matters with respect to its property interests in Nicaragua.

Any of the above events could delay or prevent the Company from exploring or developing its properties even if economic quantities of minerals are found, and could have a material adverse impact upon the Company's foreign operations.

In addition, in May 2017, the Company was subject to a demonstration by an anti-mining group called Movimiento Comunal Santa Cruz de la India ("**Movimiento**"). On February 15, 2017, Condor had signed an agreement with an artisanal miners' cooperative to drill on the cooperatives' property. This agreement was the 24<sup>th</sup> agreement signed between the cooperative and Condor since 2011. On February 26, 2017, Movimiento stated that the agreement signed with the cooperative was illegal since the local village was not consulted. On February 27, 2017, individuals from Movimiento entered into the cooperative's private property and destroyed a drilling pad prepared by Condor's employees. Members of Movimiento then announced their intention to steal the drilling rig once it arrived. On May 15, 2017, seven members of Movimiento were notified that Condor had started a legal process for the damages suffered by the Company during the February 27, 2017 incident. On May 27, 2017, Movimiento held a public demonstration to coincide with the first hearing of the legal process. This public demonstration was conducted by friends and family of the seven accused members of Movimiento to support the individuals on their way to the courtroom. Condor estimates that there were 80 or so people participating in the demonstration. Given the village's population of 1,085 inhabitants, Condor does not believe that this indicates general support of these individuals from the community. However, the risk remains that the Company's business and financial condition may be adversely affected by further actions or demonstrations against the Project. On June 23, 2017, Condor reached an out of court agreement with the accused members of Movimiento. No legal document was signed in respect of this agreement, but the accused and Movimiento verbally agreed that they would not block or obstruct a drilling site on private property if Condor had a legal agreement with the landowner.

In August 2017, the Company moved a drill rig to a location within La India open pit, adjacent to the village. An agreement was reached with the landowner to drill. Following this, certain members of Movimiento held a protest that lasted for four days, which involved throwing stones at the Company's drill rig. Police were deployed but there were no arrests and no injuries. The Company has subsequently removed the drill rig from this location.

### ***Government Policy Changes***

The mineral exploration activities undertaken by the Company are subject to laws and regulations governing health and worker safety, employment standards, exports, taxation, waste disposal, management and use of toxic substances and explosives, protection of the environment, mine development and production, protection of endangered and protected species, reclamation, historic and cultural preservation and other matters. Exploration activities may also be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploration and production, price controls, royalties, export controls, currency availability, foreign exchange controls, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, limitations on foreign ownership, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on repatriation of

income and return of capital, limitations on mineral exports, high rates of inflation, increased financing costs, and site safety.

The Company's exploration programs with respect to the Company's projects in Nicaragua will, in general, be subject to approval by the MEM and other governmental agencies. Development of any of the Company's properties will be dependent on the La India Project meeting social and environmental guidelines set by MARENA.

Failure to comply with applicable laws, regulations and permits, even if inadvertent, may result in enforcement actions thereunder, including the forfeiture of claims, orders by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions, which could have a material adverse impact upon the Company. The Company may be required to compensate those claiming to suffer loss or damage by reason of its activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits, which could have a material adverse impact upon the Company.

In addition, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development or future potential production. Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations, and mining and exploration activities of the Company. It is possible that the current system of exploration and mine permitting in Nicaragua may change, resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation.

### **Ownership Risks**

The Company holds its interests in the La India Project through Concessions awarded by MEM. Concessions awarded by MEM provide sub-surface mineral rights only. In order to gain access to the land determined by the Concession, the Concession holder must either separately acquire the surface rights or secure an agreement with the surface rights holder.

The Constitution of Nicaragua vests title in every mineral in its natural state to the State of Nicaragua. The exercise of any mineral right in the form of reconnaissance, exploration or exploitation of any mineral in Nicaragua requires a Concession to be issued by the Government of Nicaragua acting through the MEM. There is no assurance that title to the properties in which the Company has interests will not be challenged. The acquisition of title to mineral exploration properties is a very detailed and time-consuming process. Title to and the area of mineral properties may be disputed. The properties in which the Company has an interest may be subject to prior unregistered agreements or transfers or indigenous land claims and title may be affected by undetected defects. Consequently, the boundaries may be disputed.

There can be no assurance that there are no prior unregistered agreements, claims or defects that may result in the Company's title to the Concessions being challenged. Further, the Company's interests in the Concessions are subject to the risks that counterparties will fail to honour their contractual commitments, that courts will not enforce such contractual obligations and that required governmental approvals will not be obtained. A successful challenge to the precise area and location of the Concessions comprising the La India Project, or the failure of counterparties to honour or of courts to enforce such contractual obligations could result in the Company being unable to operate on its Concessions as anticipated or being unable to enforce its rights with respect to its Concessions which could have a material adverse impact upon the Company.

The Company is also required to acquire surface rights in order to gain access to the land determined by a Concession. As discussed above under "*The Company's Operations in Nicaragua – Surface Rights*", the Company has an active land acquisition program. The Company's plan for the La India Project could be adversely affected by an inability to obtain surface rights, or by challenges, regardless of merit, to existing surface rights agreements.

### ***Artisanal Miners and Community Relations***

The Company's property interests are held in areas of Nicaragua that have historically been mined by artisanal miners. Under the laws of Nicaragua, 1% of any Concession area can be mined by artisanal miners. As the Company further explores and advances the La India Project, it may be required to request the removal of any artisanal miners operating on its properties. There is a risk that such artisanal miners may oppose the Company's operations, which may result in a disruption to any planned development and/or mining and processing operations. In addition, artisanal miners have historically used chemicals that are harmful to the environment to separate the precious metals from the ore. There can be no assurance that the Company will not be subject to environmental liabilities resulting from such operations in the future, which could have a material adverse impact on the Company. In addition, artisanal work practices are often unsafe and accidents and/or incidents may occur on the Company's property, and there is an added reputational risk that third parties may wish to link the activities of the artisanal miners to that of the Company in the event of accidents or incidents, which could have a material adverse impact on the Company.

The goodwill and cooperation from the communities in which the Company operates are also required in order for the Company to operate. State entities such as MEM and MARENA will not approve exploration or production activities without the agreement and acceptance of local communities and stakeholders.

As disclosed in the PFS, it is envisaged that approximately 300 dwellings are required to be relocated as part of the development of 800 hectares of the La India Project's mine site infrastructure. The extraction of minerals from the open pit at the La India Project requires the relocation of these dwellings over the life of the mine. The Nicaraguan Government will require the inhabitants of the dwellings to agree to the terms of the resettlement as part of the permitting process.

The Company's negotiation of the terms of resettlement with the inhabitants of the dwellings is subject to various risks, including risks related to community opposition to such resettlement. If the Company is delayed in negotiating the final terms of resettlement, the Company's receipt of the Environmental Permit will be delayed. If the Company is unable to reach agreements with such inhabitants at any point, the Company expects that it will pursue an underground option or a smaller open pit for the Project. If the Company is delayed or unable to negotiate the terms of resettlement with the inhabitants, the business and financial condition of the Company may be materially affected.

### ***Difficulty in Enforcement of Judgements***

All of the subsidiaries of the Company and the majority of its assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Company under Canadian securities laws or otherwise.

### **General Risks**

#### ***Staggered Board***

The provisions of the Company's articles of association provide for a staggered Board, with one-third of the Directors retiring from office at each annual general meeting of shareholders. The Company intends to apply for exemptions from the TSX requirements relating to director elections. See "*Directors and Executive Officers - Director Elections*". The existence of a staggered Board can make it more difficult for shareholders to replace or remove incumbent members of the Board. As such, these provisions could also limit the price that investors might be willing to pay in the future for the Company's Ordinary Shares, thereby depressing the market price of the Ordinary Shares. In addition, because the Board is responsible for appointing the members of Condor's senior management team, these provisions may

frustrate or prevent any attempts by the Company's shareholders to replace or remove its current management by making it more difficult for shareholders to replace members of the Board.

### ***Market Conditions***

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as: general economic outlook; introduction of tax reform or other new legislation; interest rates and inflation rates; changes in investor sentiment toward particular market sectors; the demand for, and supply of, capital; and terrorism or other hostilities. The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. The Company does not warrant the future performance of the Company or any return on an investment in the Company.

### ***Stress in the Global Economy***

Reduction in credit, combined with reduced economic activity and the fluctuations in the U.K. pound sterling may adversely affect businesses and industries that purchase commodities, affecting commodity prices in more significant and unpredictable ways than the normal risks associated with commodity prices. The availability of services such as drilling contractors and geological service companies and/or the terms on which these services are provided may be adversely affected by the economic impact on the service providers. The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Company is dependent upon the capital markets to raise financing. Any of these events, or any other events causing turmoil in world financial markets, may have a material adverse effect on the Company's business, operating results and financial condition.

### ***Current Global Financial Condition***

Current global financial conditions have been subject to increased volatility. As such, the Company is subject to counterparty risk and liquidity. The Company is exposed to various counterparty risks including, but not limited to financial institutions that hold the Company's cash, and through companies that have payables to the Company. The Company is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Ordinary Shares could be adversely affected.

### ***Exchange Rate and Currency Risks***

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Company does not hedge this exposure. The Company manages its foreign exchange risk by constantly reviewing its exposure and ensuring that there are appropriate cash balances in order to meet its commitments.

Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in U.S.\$\$. The Company's costs are incurred in Nicaraguan Cordobas, U.S. dollars and U.K. pounds sterling.

### ***Commodity Prices***

The price of the Ordinary Shares, and the Company's profitability, financial results and exploration activities may in the future be significantly adversely affected by declines in the price of precious metals.

Precious metal prices fluctuate on a daily basis and are affected by a number of factors beyond the control of the Company, including the U.S. dollar and other foreign currency exchange rates, central bank and financial institution lending and sales, producer hedging activities, global and regional supply and demand, production costs, confidence in the global monetary system, expectations of the future rate of inflation, the availability and attractiveness of alternative investment vehicles, interest rates, terrorism and war, and other global or regional political or economic events or conditions.

The price of gold has fluctuated widely in recent years, and future trends cannot be predicted with any degree of certainty. In addition to adversely affecting the Company's financial condition and exploration and development activities, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project, as well as have an impact on the perceptions of investors with respect to gold equities, and therefore, the ability of the Company to raise capital. A sustained, significant decline in the price of gold could also cause development of any properties in which the Company may hold an interest from time to time to be impracticable. Future production from the Company's future properties, if any, will be dependent upon, among other things, the price of gold being adequate to make these properties economic. There can be no assurance that the market price of gold will remain at current levels, that such price will increase or that market prices will not fall.

### ***Reliance on Key Personnel***

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

### ***Dilution Risk***

Condor has outstanding Options and Warrants, as detailed in the most recent financial statements for the year ended December 31, 2016 and elsewhere in this prospectus. Should these securities be exercised or converted (as applicable), the holders have the right to acquire additional Ordinary Shares, in accordance with the terms of such securities. During the life of these securities, the holders have the opportunity to profit from a rise in the market price of the Condor shares, possibly resulting in the dilution of existing securities.

### ***Payment of Dividends***

The Company has never paid dividends and does not expect to do so in the foreseeable future. The Company has no history of earnings and as such the Company has not paid dividends on its Ordinary Shares since incorporation and does not expect to do so in the foreseeable future. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including operating results, financial condition and anticipated cash needs.

## **ESCROWED SECURITIES**

As at the date hereof, the Company does not have any securities in escrow or that are subject to a contractual restriction on transfer.

## **LEGAL PROCEEDINGS**

Except as disclosed under "*Material Contracts – A&R NSR Agreement*" and "*Risk Factors – Risks Related to Operating in Nicaragua – Risks of Operating in Nicaragua*", to the Company's knowledge, there are no legal proceedings or regulatory actions material to the Company to which it is a party, or has been a party to, or of which any of its property is the subject matter of, or was the subject matter of, since the beginning of the financial year ended December 31, 2016, and no such proceedings or actions are known by the Company to be contemplated.

## REGULATORY ACTIONS

For the period beginning on the date of incorporation of the Company until the date of this prospectus, there were (i) no penalties or sanctions imposed against the Company or by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements the Company entered into before a court relating to a securities legislation or with a securities regulatory authority.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is not aware of any material interest, direct or indirect, of any director or officer of the Company, any person beneficially owning, directly or indirectly, more than 10% of the Company's voting securities, or any associate or affiliate of such person in any transaction within the last three years or in any proposed transaction which in either case has materially affected or will materially affect the Company or its subsidiaries, other than as disclosed in this prospectus.

## AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are Crowe Clark Whitehill LLP, St. Bride's House, 10 Salisbury Square, London EC4Y 8EH, United Kingdom.

The transfer agent and registrar for the Ordinary Shares of the Company in the United Kingdom is Computershare Investor Services plc, which is located at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, United Kingdom.

The transfer agent and registrar for the Ordinary Shares of the Company in Canada is Computershare (Canada) and the Company's Ordinary Shares will be transferable at the offices of Computershare (Canada) in Toronto.

Information on moving Ordinary Shares from the Company's UK share register to the Canadian register, and vice versa, shall be available on the Company's website.

## MATERIAL CONTRACTS

The only material contract entered into by the Company or any of its subsidiaries since December 31, 2015, or on or prior to December 31, 2015 if still in effect, other than contracts in the ordinary course of business, is the A&R NSR Agreement.

A copy of the A&R NSR Agreement has been filed with the Canadian securities regulatory authorities and is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Set out below are the particulars of the A&R NSR Agreement.

### A&R NSR Agreement

The Company's subsidiary, La India Gold S.A. ("**La India SA**"), and International Royalty Company ("**IRC**"), a subsidiary of Royal Gold, Inc., are parties to an amended and restated net smelter return royalty dated effective September 21, 2016 (the "**A&R NSR Agreement**"). Under the A&R NSR Agreement, La India SA and IRC agreed to amend and restate the terms and conditions of an existing royalty agreement that had been under dispute in Canada and Nicaragua. As a result, La India SA confirmed that it had granted a 3% NSR in favour IRC on the NSR Property, as calculated in accordance with the A&R NSR Agreement. Under the A&R NSR Agreement, La India SA also granted a number of rights and provided certain covenants regarding its future operations to IRC, as further described below.

La India SA has granted IRC a right of first refusal over any new royalty or other participation rights in respect of any minerals or profits from the NSR Property, other than as may be required to be granted to a governmental authority in Nicaragua. In addition, if La India SA is entitled to acquire from a third party any royalty or other participation in respect of minerals or profits from the NSR Property (a “**Third Party Royalty**”) and La India SA does not intend to acquire such Third Party Royalty, La India SA shall, subject to confidentiality or other legal requirements, (i) notify IRC of all such Third Party Royalties and, (ii) at IRC’s request within 10 days of such notification, assign to IRC its right to acquire such Third Party Royalty.

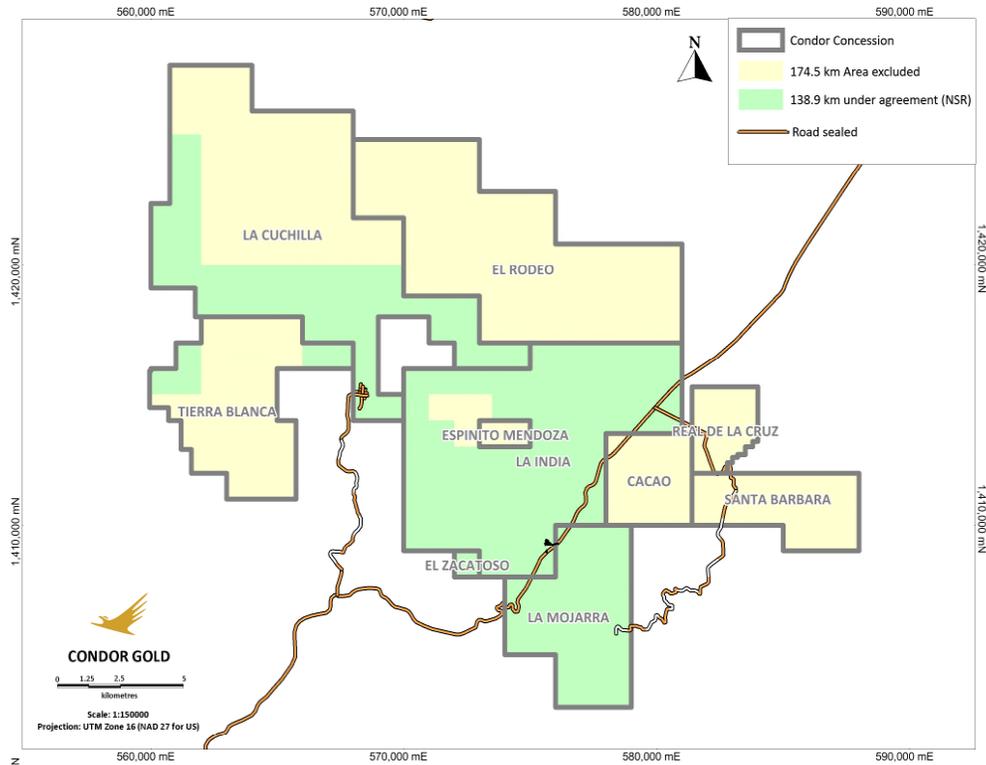
La India SA has also agreed with IRC to do all things and make all payments necessary or appropriate to maintain the right, title and interest of La India SA and IRC in the NSR Property and to maintain the NSR Property in good standing. Further, La India SA has agreed to not abandon or surrender or allow to lapse or expire any part of any remaining mining claims or leases relating to or comprising the NSR Property without the prior consent of IRC, such consent to not be unreasonably withheld.

La India SA has agreed with IRC to not sell or transfer, or permit any encumbrance, other than permitted encumbrances, to exist on any or all of the NSR Property, the minerals from the NSR Property, the receivables derived from the sale or other disposition of such minerals, or the income of La India SA, without the prior consent of IRC. La India SA retains all decision making with respect to the conduct of operations on the NSR Property, including all decisions with respect to the sale or other disposition of minerals, provided it acts reasonably and in accordance with good mining and engineering practice in the circumstance. Although La India SA is prohibited from encumbering the NSR Property, the definition of permitted encumbrances in the A&R NSR Agreement includes, among others, any encumbrances in, to or over the NSR Property to any project lenders as security for the payment or performance of any project financing, provided that such project lenders enter into an inter-creditor agreement with IRC on such customary terms and conditions as IRC may reasonably require. Accordingly, the Company does not currently expect that the A&R NSR Agreement will materially impact any project financing related to the La India Project.

Finally, La India SA and IRC have also entered into security agreements to protect IRC’s interests in the A&R NSR Agreement. The security was created by means of two public deeds dated December 7, 2016, between IRC and La India SA, which were registered at the General Department of Mines of the Ministry of Energy and Mines in Nicaragua. In addition, mortgages were registered with the Public Registry in Nicaragua and annotations of the mortgages were made for each of the Company’s individual Concessions comprising the NSR Property. These security interests will remain valid and effective during such Concessions’ term and will continue in the event that such Concessions’ term is extended.

The A&R NSR Agreement was entered into in conjunction with an Assignment, Assumption, Novation and Consent Agreement among the Company, La India SA, IRC, B2Gold and a subsidiary of B2Gold, Triton Minera S.A. (the “**Settlement Agreement**”). This Settlement Agreement was entered into to settle an ongoing dispute between B2Gold and Condor regarding the 3% NSR, as discussed above. Under the Settlement Agreement, La India SA agreed to assume the 3% NSR in favour of IRC within Concessions covering certain portions of the La India Project (the “**NSR Property**”). In addition, the parties agreed to certain covenants to not sue and a number of mutual releases were granted.

Four concessions totalling 96 km<sup>2</sup> and acquired by the Company prior to September 2010 were excluded from the 3% NSR under the A&R NSR Agreement, while a total of 138.9 km<sup>2</sup> of the La India Project is within in the NSR Property. Consequently approximately 90% of the Company’s current Indicated and Inferred Resources on La India Project are subject to a 3% NSR under the A&R NSR Agreement, with 174.5 km<sup>2</sup> of the La India Project (totaling 313.4 km<sup>2</sup>) excluded. The map below provides an overview of the NSR Property.



In connection with the A&R NSR Agreement and the Settlement Agreement, the Company exchanged certain land surface rights covering approximately 3,508 hectares with B2Gold in return for the Company's 20% shareholding in Cerro Quiroz S.A.. Cerro Quiroz S.A. owns the Cerro Quiroz Concession adjacent to La Libertad Concession, on which a subsidiary of B2Gold operates the Libertad mine.

## EXPERTS

The Technical Report was prepared by or under the supervision of Tim Lucks, Principal Consultant (Geology & Project Management), Gabor Bacsfalusi, Principal Consultant (Mining), Benjamin Parsons, Principal Consultant (Resource Geology), each of SRK, and Neil Lincoln (Process Plan Design) of Lycopodium, each of whom is a qualified person pursuant to NI 43-101. Copies of the Technical Report are available electronically on SEDAR at [www.sedar.com](http://www.sedar.com). See "Technical Information".

The above persons, SRK and Lycopodium held no securities of the Company or of any associate or affiliate of the Company when they prepared the Technical Report, or following the preparation of the Technical Report, and did not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of the Technical Report.

None of the above persons, nor SRK nor Lycopodium, nor any director, officers or employees of SRK or Lycopodium, are currently or are expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

To the best of the Company's knowledge, after reasonable inquiry, as of the date of this prospectus, none of SRK, Lycopodium or Crowe Clark Whitehill LLP (nor their partners, associates, directors and executive officers) beneficially own, directly or indirectly, any of the outstanding Ordinary Shares.

Certain scientific and technical information contained in this prospectus has been prepared by or under the supervision of David Crawford, the Chief Technical Officer of the Company, and Mr. Peter Flindell, a Non-Executive Director of the Company, each of whom is a “qualified person” for the purposes of NI 43-101. Mr. Crawford holds 15,000 Ordinary Shares, representing approximately 0.02% of the outstanding Ordinary Shares, and 295,000 Options. Mr. Flindell holds no Ordinary Shares and 662,500 Options.

Crowe Clark Whitehill LLP has provided its written consent to the use of its audit reports attached to this prospectus as Schedule “A”, and as a result, notwithstanding the restriction on use disclosure in its audit reports, will be considered an “expert” under Section 138.3 of the *Securities Act* (Ontario).

### **INDEPENDENT ACCOUNTANTS**

Crowe Clark Whitehill LLP is the Company’s auditor and such firm has issued a statutory audit opinion in accordance with in accordance with UK company law with respect to the consolidated financial statements for the periods ended December 31, 2016, 2015 and 2014, attached hereto as Schedule “A”. Crowe Clark Whitehill LLP is registered with CPAB and has advised the Company that they are independent of the Company within the meaning of the Ethical Standard for Auditors issued by the Financial Reporting Council in the United Kingdom.

### **AUDIT COMMITTEE INFORMATION**

#### **Audit Committee Terms of Reference**

The Audit Committee Terms of Reference are attached hereto as Schedule “D”.

#### **Composition of the Audit Committee**

The audit committee (the “**Audit Committee**”) is comprised of Jim Mellon (Chairman), Roger Davey and Kate Harcourt. The following chart sets out the Company’s assessment of the independence, financial literacy and relevant educational background and experience supporting such financial literacy of each member of the Audit Committee.

<b>Name, Province and Country of Residence</b>	<b>Independent</b>	<b>Financially Literate</b>	<b>Relevant Education and Experience</b>
Jim Mellon	Yes	Yes	Employment history in the financial services sector
Roger Davey	Yes	Yes	Management positions held in the mining and banking sectors
Kate Harcourt	Yes	Yes	Previous experience on behalf of financial institutions

#### **Pre-Approval of Non-Audit Services**

The Company has adopted requirements with respect to the pre-approval of non-audit services to be provided by Crowe Clark Whitehill LLP as set forth in the Audit Committee Terms of Reference. The Audit Committee shall approve in advance any retainer of Crowe Clark Whitehill LLP to perform any non-audit service to the Company that it deems advisable in accordance with applicable laws and stock exchange rules. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee; however, the decision of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

## Auditor Services Fees

The following table outlines the fees billed to the Company by Crowe Clark Whitehill LLP, the Company's external auditors, for each of the Company's last two fiscal years, categorised by audit fees, audit-related fees, tax fees, and all other fees and includes a description of the nature of services comprising such non-audit fees:

	2015	2016
Audit	£20,000	£20,000
Audit-Related	£ nil	£ nil
Tax	£ nil	£ nil
All Other	£ nil	£ nil
Total	£20,000	£20,000

## CORPORATE GOVERNANCE DISCLOSURE

NI 58-101 requires reporting issuers to disclose their corporate governance practices with reference to a series of guidelines for effective corporate governance (the "**Corporate Governance Guidelines**") set forth in National Policy 58-201 – *Corporate Governance Guidelines*.

See Schedule "C" to this prospectus which contains a description of the Company's corporate governance practices.

## PURCHASERS' STATUTORY RIGHTS

Canadian securities legislation requires that the following language appear in this prospectus:

Securities legislation in the Province of Ontario provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or damages if this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation in the Province of Ontario. The purchaser should refer to any applicable provisions of the securities legislation in the Province of Ontario for the particulars of these rights or consult with a legal advisor

However, in light of the fact that this prospectus is being filed to allow the Company to become a reporting issuer in Ontario, and not in connection with an offering of securities, the Company believes that the remedies described in the foregoing paragraph are not applicable to the transactions described in this prospectus.

## GLOSSARY

In this prospectus, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set forth below:

"**AIM**" means the Alternative Investment Market, as operated by the London Stock Exchange;

"**ALS**" has the meaning ascribed to such term under the heading "*The La India Project – Data Verification – Check Assaying*";

"**Appropriate Percentage**" has the meaning ascribed to such term under the heading "*Executive Compensation – Description of NEO Agreements – Axial Consulting Agreement*";

"**A&R NSR Agreement**" has the meaning ascribed to such term under the heading "*Material Contracts – A&R NSR Agreement*";

“**ASM**” has the meaning ascribed to such term under the heading “*The La India Project – Environmental Studies, Permitting and Social or Community Impact*”;

“**Asset Sale**” has the meaning ascribed to such term under the heading “*Executive Compensation – Description of NEO Agreements – Axial Consulting Agreement*”;

“**Asset Value**” has the meaning ascribed to such term under the heading “*Executive Compensation – Description of NEO Agreements – Axial Consulting Agreement*”;

“**Audit Committee**” means audit committee of the Board;

“**Axial**” has the meaning ascribed to such term under the heading “*Executive Compensation – Summary Compensation Table - NEOs*”;

“**Axial Agreement**” has the meaning ascribed to such term under the heading “*Executive Compensation – Description of NEO Agreements – Axial Consulting Agreement*”;

“**B2Gold**” has the meaning ascribed to such term under the heading “*Business of the Company – Developments during the year ended December 31, 2016*”;

“**BFS**” has the meaning ascribed to such term under the heading “*Prospectus Summary – The Company – Business Plan for the Properties*”;

“**Board**” means the board of directors of the Company;

“**Bonus**” has the meaning ascribed to such term under the heading “*Executive Compensation – Description of NEO Agreements – Axial Consulting Agreement*”;

“**BSI**” means BSI-Inspectorate;

“**BSI Managua**” has the meaning ascribed to such term under the heading “*The La India Project – Sample Preparation, Analysis and Security – Condor Approach – Sample Preparation and Analysis*”;

“**CCP**” has the meaning ascribed to such term under the heading “*The La India Project – Environmental Studies, Permitting and Social or Community Impact*”;

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**Chairman**” means the chairman of the Company;

“**Child Agreement**” has the meaning ascribed to such term under the heading “*Executive Compensation – Description of NEO Agreements – Child Agreement*”;

“**CIL**” has the meaning ascribed to such term under the heading “*The La India Project – Mineral Processing and Metallurgical Testing*”;

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum;

“**CIM Definition Standards**” has the meaning ascribed to such term under the heading “*Technical Information – CIM Definition Standards*”;

“**CIP**” has the meaning ascribed to such term under the heading “*The La India Project – Mineral Processing and Metallurgical Testing*”;

“**City Code**” means *The City Code on Takeovers and Mergers issued and administered by the Panel on Takeovers and Mergers* as recognised in the Companies Act;

“**Companies Act**” means the *Companies Act 2006* (United Kingdom);

“**Company**” or “**Condor Gold**” or “**Condor**” means Condor Gold plc, a Company incorporated under the Companies Act, and, unless otherwise stated or the context otherwise requires, references to the Company mean Condor Gold plc and its subsidiaries on a consolidated basis;

“**Computershare (Canada)**” means Computershare Investor Services Inc. at its principal office located at 100 University Ave., 8th Floor, Toronto, Ontario, M5J 2Y1;

**“Concession”** means a legally binding title awarded by MEM. A Concession is valid for 25 years and confers upon holders exclusive rights of exploitation, exploration and the establishment of facilities for collection and processing of minerals found in the area granted;

**“CPAB”** means the Canadian Public Accountability Board;

**“Crawford Agreement”** has the meaning ascribed to such term under the heading *“Executive Compensation – Description of NEO Agreements – Crawford Agreement”*;

**“CRM”** has the meaning ascribed to such term under the heading *“The La India Project – Data Verification – QAQC for the Company’s 2013 Submissions to BSI Laboratories”*;

**“DCP”** has the meaning ascribed to such term under the heading *“Management’s Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Management’s Report on Internal Controls and Procedures – Disclosure controls and procedures”*;

**“Director”** means a director of the Company;

**“EIA”** has the meaning ascribed to such term under the heading *“Business of the Company – Developments subsequent to December 31, 2016”*;

**“ENIMINAS”** has the meaning ascribed to such term under the heading *“The Mining Industry in Nicaragua – Regulatory Framework: Key Legislation and Permits – Law 953 – Incorporation of ENIMINAS”*;

**“Environmental Permit”** or **“EP”** means an environmental permit to extract issued by the Government of Nicaragua and that is required to conduct mining activities in Nicaragua;

**“ESAP”** has the meaning ascribed to such term under the heading *“Business of the Company – Environmental and Social Policies – IFC Performance Standards”*;

**“Exercise Price”** has the meaning ascribed to such term under the heading *“Equity-Based Compensation Arrangements”*;

**“Feasibility Study”** has the meaning ascribed to such term in the CIM Definition Standards;

**“February 2017 Placement”** has the meaning ascribed to such term under the heading *“Management’s Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Other developments in the three and nine months ended September 30, 2017”*;

**“G&A”** has the meaning ascribed to such term under the heading *“Management’s Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Summary of Financial and Operating Performance – Summary of Overall Financial Performance”*;

**“Glencairn”** has the meaning ascribed to such term under the heading *“The La India Project – History of Exploration”*;

**“Gold-Ore”** has the meaning ascribed to such term under the heading *“The La India Project – History of Exploration – 2004-2005”*;

**“HFO”** has the meaning ascribed to such term under the heading *“The La India Project – Project Infrastructure – Plant Site and Associated Infrastructure – Power Supply”*;

**“Holding Pond”** has the meaning ascribed to such term under the heading *“The La India Project – Hydrology and Hydrogeology”*;

**“ICFR”** has the meaning ascribed to such term under the heading *“Management’s Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Management’s Report on Internal Controls and Procedures – Internal control over financial reporting”*;

**“IFC”** means the International Financial Corporation, a division of the World Bank Group;

**“IFC Nomination Right”** has the meaning ascribed to such term under the heading *“Business of the Company – Developments during the year ended December 31, 2014”*;

**“IFC Performance Standards”** has the meaning ascribed to such term under the heading *“Business of the Company – Environmental and Social Policies – IFC Performance Standards”*;

**“IFC Pro Rata Right”** has the meaning ascribed to such term under the heading *“Business of the Company – Developments during the year ended December 31, 2014”*;

**“IFC Subscription Agreement”** has the meaning ascribed to such term under the heading *“Business of the Company – Developments during the year ended December 31, 2016”*;

**“IFRIC”** means the IFRS Interpretations Committee;

**“IFRS”** means International Financial Reporting Standards issued by the International Accounting Standards Board;

**“INF”** has the meaning ascribed to such term under the heading *“The La India Project – Data Verification – Hangingwall Vein Reinterpretations”*;

**“Initial Karoly Agreement”** has the meaning ascribed to such term under the heading *“Executive Compensation – Summary Compensation Table - NEOs”*;

**“INMINE”** has the meaning ascribed to such term under the heading *“The La India Project – History of Exploration”*;

**“Inspectorate”** has the meaning ascribed to such term under the heading *“The La India Project – Mineral Processing and Metallurgical Testing”*;

**“IRC”** has the meaning ascribed to such term under the heading *“Material Contracts – A&R NSR Agreement”*;

**“IRR”** means internal rate of return;

**“La India-ESP”** has the meaning ascribed to such term under the heading *“The La India Project – History of Exploration”*;

**“La India Open Pit”** has the meaning ascribed to such term under the heading *“Management’s Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Company Overview and Discussion of Operations – Company Overview”*;

**“La India Project”** or **“Project”** means the ten contiguous and adjacent concessions that total 313 km<sup>2</sup> held by wholly owned subsidiaries of the Company and located in northeastern Nicaragua;

**“La India SA”** has the meaning ascribed to such term under the heading *“Material Contracts – A&R NSR Agreement”*;

**“Law 344”** has the meaning ascribed to such term in the heading *“The Mining Industry in Nicaragua – Regulatory Framework: Key Legislation and Permits – Law 344 for the Promotion of Foreign Investments Promotion Law (“Law 344”)*”;

**“Law 387”** has the meaning ascribed to such term in the heading *“The Mining Industry in Nicaragua – Regulatory Framework: Key Legislation and Permits – Special Law for the Exploration and Exploitation of Mines (Law 387) and its bylaws in Decree 119-2001 (“Law 387”)*”;

**“LOM”** has the meaning ascribed to such term under the heading *“The La India Project – Recovery Methods – Mineral Processing”*;

**“Lubbe”** has the meaning ascribed to such term under the heading *“The La India Project – Exploration – Geophysical Study”*;

**“Lycopodium”** has the meaning ascribed to such term under the heading *“Technical Information”*;

**“MARENA”** has the meaning ascribed to such term under the heading *“Business of the Company – Developments subsequent to December 31, 2016”*;

**“Market Price”** has the meaning ascribed to such term under the heading *“Equity-Based Compensation Arrangements”*;

**“Market Value”** has the meaning ascribed to such term under the heading *“Equity-Based Compensation Arrangements”*;

**“MD&A”** has the meaning ascribed to such term under the heading *“Management’s Discussion and Analysis”*;

**“MEM”** has the meaning ascribed to such term in the heading *“The Mining Industry in Nicaragua – Regulatory Framework: Key Legislation and Permits – Special Law for the Exploration and Exploitation of Mines (Law 387) and its bylaws in Decree 119-2001 (“Law 387”)*;

**“Mestiza”** has the meaning ascribed to such term under the heading *“Business of the Company – Developments subsequent to December 31, 2016”*;

**“Mining Contractor”** has the meaning ascribed to such term under the heading *“The La India Project – Mining – Mining Equipment and Operations”*;

**“Ministerial Approval”** has the meaning ascribed to such term under the heading *“The Company’s Operations in Nicaragua – Overview”*;

**“Named Executive Officers”** or **“NEOs”** has the meaning ascribed to such term under the heading *“Executive Compensation – Compensation Discussion and Analysis – Introduction”*;

**“Net Smelter Return”** is the net revenue that the owner of a mining property receives from the sale of the mine’s metal/non-metal products less transportation and refining costs;

**“NSR”** refers to the fraction of Net Smelter Return that a mine operator is obligated to pay to the owner of the royalty agreement;

**“Newmont Mining”** has the meaning ascribed to such term under the heading *“The La India Project – History of Exploration – 2000-2001”*;

**“NI 43-101”** means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, as amended from time to time;

**“NI 52-110”** means National Instrument 52-110 – *Audit Committees*, as amended from time to time;

**“NI 58-101”** means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as amended from time to time;

**“Nominated Person”** has the meaning ascribed to such term under the heading *“Equity-Based Compensation Arrangements”*;

**“Non-Executive Director”** means a non-executive director of the Company;

**“NPV5”** has the meaning ascribed to such term under the heading *“Management’s Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Company Overview and Discussion of Operations – Company Overview”*;

**“NSR Property”** has the meaning ascribed to such term under the heading *“Material Contracts – A&R NSR Agreement”*;

**“Occidente”** has the meaning ascribed to such term under the heading *“The La India Project – History of Exploration”*;

**“Option”** has the meaning ascribed to such term under the heading *“Equity-Based Compensation Arrangements”*;

**“Option Agreements”** has the meaning ascribed to such term under the heading *“Management’s Discussion and Analysis – MD&A for the Twelve Months Ended December 31, 2016 – Company Overview and Discussion of Operations – Company Overview”*;

**“Option Scheme”** has the meaning ascribed to such term under the heading *“Equity-Based Compensation Arrangements”*;

**“Ordinary Shares”** means the ordinary shares of Condor Gold;

**“OSC”** means the Ontario Securities Commission;

**“OTCQX”** means the OTCQX Best Market;

“**PFS**” means Pre-Feasibility Study;

“**Pre-Feasibility Study**” has the meaning ascribed to such term in the CIM Definition Standards;

“**QAQC**” means Quality Assurance and Quality Control;

“**QEMSCAN**” has the meaning ascribed to such term under the heading “*The La India Project – Geological Setting and Mineralisation – Mineralisation Types – Mineralisation*”;

“**qualified person**” means a person who is a “qualified person” for the purposes of NI 43-101;

“**RC**” means reverse circulation;

“**Remuneration Committee**” means the Remuneration Committee of the Board;

“**Reserved Areas**” has the meaning ascribed to such term under the heading “*The Mining Industry in Nicaragua – Regulatory Framework: Key Legislation and Permits – Law 953 – Incorporation of ENIMINAS*”;

“**Risk Committee**” means the Risk Committee of the Board;

“**Rivington Street**” has the meaning ascribed to such term under the heading “*Directors and Executive Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”;

“**ROM**” has the meaning ascribed to such term under the heading “*The La India Project – Recovery Methods – Mineral Processing*”;

“**SAG**” has the meaning ascribed to such term under the heading “*The La India Project – Recovery Methods – Mineral Processing*”;

“**scout drilling**” has the meaning ascribed to such term under the heading “*Management’s Discussion and Analysis – MD&A for the Three and Nine Months Ended September 30, 2017 – Company Overview and Discussion of Operations – Discussion of Operations*”;

“**SEC**” means the Securities and Exchange Commission;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**Settlement Agreement**” has the meaning ascribed to such term under the heading “*Material Contracts – A&R NSR Agreement*”;

“**Speymill**” has the meaning ascribed to such term under the heading “*Directors and Executive Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”;

“**SRK**” has the meaning ascribed to such term under the heading “*Technical Information*”;

“**State**” has the meaning ascribed to such term under the heading “*The Mining Industry in Nicaragua – Monetary Framework*”;

“**Takeover**” has the meaning ascribed to such term under the heading “*Executive Compensation – Description of NEO Agreements – Axial Consulting Agreement*”;

“**Takeover Value**” has the meaning ascribed to such term under the heading “*Executive Compensation – Description of NEO Agreements – Axial Consulting Agreement*”;

“**Technical Report**” means the report titled “*Technical Report on the La India Gold Project, Nicaragua, December 2014*” dated November 13, 2017 with an effective date of December 21, 2014, which was prepared in accordance with NI 43-101;

“**Third Party Royalty**” has the meaning ascribed to such term under the heading “*Material Contracts – A&R NSR Agreements*”;

“**Terra Blanca**” has the meaning ascribed to such term under the heading “*Business of the Company – Developments during the year ended December 31, 2015*”;

“**Triton**” has the meaning ascribed to such term under the heading “*The La India Project – History of Exploration*”;

“**TSF**” has the meaning ascribed to such term under the heading “*The La India Project – Recovery Methods – Mineral Processing*”;

“**TSX**” means the Toronto Stock Exchange;

“**TVX**” has the meaning ascribed to such term under the heading “*The La India Project – History of Exploration – 1996-1998*”;

“**U.S.**” means the United States of America;

“**USc**” means United States cents;

“**VLP**” has the meaning ascribed to such term under the heading “*The La India Project –Exploration – Underground Sampling*”;

“**Warrant**” means a warrant to purchase an Ordinary Share;

“**Whittle Consulting**” has the meaning ascribed to such term under the heading “*Technical Information – United Kingdom Disclosure*”;

“**Whittle Optimisation Study**” has the meaning ascribed to such term under the heading “*Technical Information – United Kingdom Disclosure*”; and

“**WRD**” has the meaning ascribed to such term under the heading “*The La India Project – Mining – Mine Layout*”.

**SCHEDULE "A"**  
**AUDITED FINANCIAL STATEMENTS OF THE COMPANY**  
(See Attached)

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF**  
**CONDOR GOLD PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

We have audited the financial statements of Condor Gold Plc for the year ended 31 December 2016 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statements, the Consolidated 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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.

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

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF**  
**CONDOR GOLD PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. 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.

Leo Malkin (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: 18 May 2017

Note: The maintenance and integrity of the Condor Gold Plc website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and accordingly the auditor accepts 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 GOLD PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	Year Ended 31.12.16 £	Year Ended 31.12.15 £
Administrative expenses		(3,618,877)	(3,066,679)
Impairment of El Salvador assets	10	(4,065,086)	-
Operating loss	6	<u>(7,683,963)</u>	<u>(3,066,679)</u>
Finance income	5	1,732	5,068
Loss before income tax		<u>(7,682,231)</u>	<u>(3,061,611)</u>
Income tax expense	7	-	-
<b>Loss for the year</b>		<b><u>(7,682,231)</u></b>	<b><u>(3,061,611)</u></b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation differences		918,254	839,395
<b>Other comprehensive (loss) / income for the year</b>		<b><u>918,254</u></b>	<b><u>839,395</u></b>
<b>Total comprehensive loss for the year</b>		<b><u>(6,763,977)</u></b>	<b><u>(2,222,216)</u></b>
<b>Loss attributable to:</b>			
Non-controlling interest		(513)	(125)
Owners of the parent		<u>(7,681,718)</u>	<u>(3,061,486)</u>
		<b><u>(7,682,231)</u></b>	<b><u>(3,061,611)</u></b>
<b>Total comprehensive loss attributable to:</b>			
Non-controlling interest		(1,692)	(3,825)
Owners of the parent		<u>(6,762,285)</u>	<u>(2,218,391)</u>
		<b><u>(6,763,977)</u></b>	<b><u>(2,222,216)</u></b>
<b>Loss per share expressed in pence per share:</b>			
Basic and diluted (in pence)	9	<u>14.52</u>	<u>7.62</u>

The notes in pages A-10 to A-31 form an integral part of these financial statements

**CONDOR GOLD PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Notes	31.12.16 £	31.12.15 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	234,390	318,513
Intangible assets	12	15,924,194	18,374,085
		<u>16,158,584</u>	<u>18,692,598</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	545,251	945,327
Cash and cash equivalents		<u>583,610</u>	<u>1,105,457</u>
		<u>1,128,861</u>	<u>2,050,784</u>
<b>TOTAL ASSETS</b>		<b><u>17,287,445</u></b>	<b><u>20,743,382</u></b>
 <b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	<u>351,551</u>	<u>559,984</u>
<b>TOTAL LIABILITIES</b>		<b><u>351,551</u></b>	<b><u>559,984</u></b>
<b>NET CURRENT ASSETS</b>		<u>777,310</u>	<u>1,490,800</u>
<b>NET ASSETS</b>		<b><u>16,935,894</u></b>	<b><u>20,183,398</u></b>
 <b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Called up share capital	17	10,582,129	9,161,463
Share premium		28,875,061	27,442,728
Legal reserves		-	71
Exchange difference reserve		632,526	1,549,601
Retained earnings		<u>(23,075,118)</u>	<u>(17,893,453)</u>
		<b><u>17,014,598</u></b>	<b><u>20,260,410</u></b>
Non-controlling interest		<u>(78,704)</u>	<u>(77,012)</u>
		<b><u>16,935,894</u></b>	<b><u>20,183,398</u></b>

The financial statements were approved and authorised for issue by the Board of directors on 18 May 2017 and were signed on its behalf by:



M L Child - Chairman  
**Company No: 05587987**

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2016**

	Share Capital	Share premium	Legal reserve	Exchange difference reserve	Retained earnings	Total	Non Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£
At 1 January 2015	9,161,463	27,442,728	71	706,506	(15,151,485)	22,159,283	(73,187)	22,086,096
Comprehensive income:								
Loss for the year	-	-	-	-	(3,061,486)	(3,061,486)	(125)	(3,061,611)
Other comprehensive income:								
Currency translation differences	-	-	-	843,095	-	843,095	(3,700)	839,395
<b>Total comprehensive income</b>	<b>9,161,463</b>	<b>27,442,728</b>	<b>71</b>	<b>1,549,601</b>	<b>(18,212,971)</b>	<b>19,940,892</b>	<b>(77,012)</b>	<b>19,863,880</b>
New shares issued	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	319,518	319,518	-	319,518
<b>At 31 December 2015</b>	<b>9,161,463</b>	<b>27,442,728</b>	<b>71</b>	<b>1,549,601</b>	<b>(17,893,453)</b>	<b>20,260,410</b>	<b>(77,012)</b>	<b>20,183,398</b>
Comprehensive income:								
Loss for the year	-	-	-	-	(7,681,718)	(7,681,718)	(513)	(7,682,230)
Other comprehensive income:								
Currency translation differences	-	-	-	(917,075)	-	(917,075)	(1,179)	(918,254)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(917,075)</b>	<b>(7,681,718)</b>	<b>(8,598,793)</b>	<b>(1,692)</b>	<b>(8,600,484)</b>
Adjustment	-	-	(71)	-	-	(71)	-	(71)
New shares issued	1,420,666	1,432,333	-	-	-	2,852,999	-	2,852,999
Share based payment	-	-	-	-	2,500,053	2,500,053	-	2,500,053
<b>At 31 December 2016</b>	<b>10,582,129</b>	<b>28,875,061</b>	<b>-</b>	<b>632,526</b>	<b>(23,075,118)</b>	<b>17,014,598</b>	<b>(78,704)</b>	<b>16,935,894</b>

Share premium reserve represented 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.

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

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Notes	31.12.16 £	31.12.15 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	2,667	1,305
Investments	13	565,355	3,516,852
Other receivables	14	18,594,762	18,552,024
		<u>19,162,784</u>	<u>22,070,181</u>
<b>CURRENT ASSETS</b>			
Other receivables	15	31,378	33,267
Cash and cash equivalents		<u>543,198</u>	<u>1,083,086</u>
		574,576	1,116,353
<b>TOTAL ASSETS</b>		<b><u>19,737,360</u></b>	<b><u>23,186,534</u></b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	<u>186,232</u>	<u>479,014</u>
<b>TOTAL LIABILITIES</b>		<b><u>186,232</u></b>	<b><u>479,014</u></b>
<b>NET CURRENT ASSETS</b>		<u>388,344</u>	<u>637,339</u>
<b>NET ASSETS</b>		<b><u>19,551,128</u></b>	<b><u>22,707,520</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	17	10,582,129	9,161,463
Share premium		28,875,061	27,442,728
Retained earnings		<u>(19,906,062)</u>	<u>(13,896,671)</u>
<b>TOTAL EQUITY</b>		<b><u>19,551,128</u></b>	<b><u>22,707,520</u></b>

The loss for the financial year dealt with in the financial statement of the parent company was £8,509,435 (2015: £2,268,465).

The financial statements were approved and authorised for issue by the Board of directors on 18 May 2017 and were signed on its behalf by:



M L Child - Chairman  
Company No: 05587987

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2016**

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
At 1 January 2015	9,161,463	27,442,728	(11,947,725)	24,656,466
Comprehensive income: Loss for the period	-	-	(2,268,464)	(2,268,464)
Total comprehensive income	<u>9,161,463</u>	<u>27,442,728</u>	<u>(14,216,189)</u>	<u>22,388,002</u>
New shares issued	-	-	-	-
Share based payment	-	-	319,518	319,518
At 31 December 2015	<u>9,161,463</u>	<u>27,442,728</u>	<u>(13,896,671)</u>	<u>22,707,520</u>
Comprehensive income: Loss for the period	-	-	(8,509,435)	(8,509,435)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(8,509,435)</u>	<u>(8,509,435)</u>
New shares issued	1,420,666	1,432,333	-	2,852,999
Share based payment	-	-	2,500,044	2,500,044
At 31 December 2016	<u>10,582,129</u>	<u>28,875,061</u>	<u>(19,906,062)</u>	<u>19,551,128</u>

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.

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

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	31.12.16	31.12.15
	£	£
<b>Cash flows from operating activities</b>		
Loss before tax	(7,682,231)	(3,061,611)
Share based payment	2,500,053	748,400
Depreciation charges	47,897	56,933
Impairment charge of intangible fixed assets	33,975	37,158
Finance income	(1,732)	(5,068)
Write off of El Salvador	4,063,136	-
	<u>(1,038,902)</u>	<u>(2,224,188)</u>
Decrease in trade and other receivables	392,942	22,089
Decrease in trade and other payables	(206,772)	(11,133)
	<u></u>	<u></u>
Net cash absorbed in operating activities	<u>(852,732)</u>	<u>(2,213,232)</u>
<b>Cash flows from investing activities</b>		
Purchase/disposal of tangible fixed assets	32,593	(53,611)
Purchase of intangible fixed assets	(1,892,692)	(2,225,448)
Interest received	1,732	5,068
	<u></u>	<u></u>
Net cash absorbed in investing activities	<u>(1,858,367)</u>	<u>(2,273,991)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from share issue	<u>2,852,999</u>	<u>-</u>
Net cash from financing activities	<u>2,852,999</u>	<u>-</u>
Increase / (Decrease) in cash and cash equivalents	<u>141,900</u>	<u>(4,487,223)</u>
Cash and cash equivalents at beginning of year	1,105,457	4,761,128
Exchange (loss)/gains in cash and bank	(663,747)	831,552
	<u></u>	<u></u>
Cash and cash equivalents at end of year	<u>583,610</u>	<u>1,105,457</u>

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Year Ended 31.12.16 £	Year Ended 31.12.15 £
<b>Cash flows from operating activities</b>		
Loss before tax	(8,509,435)	(2,268,464)
Share based payment	2,377,414	748,400
Depreciation charges	1,542	1,751
Finance income	(1,722)	(5,059)
Write off of El Salvador	3,211,018	-
	<u>(2,921,183)</u>	<u>(1,523,372)</u>
Increase / (decrease) in trade and other receivables	(39,689)	(2,144,112)
Decrease / (increase) in trade and other payables	(293,941)	(4,001)
	<u>(3,254,813)</u>	<u>(3,671,485)</u>
<b>Cash flows from investing activities</b>		
Interest received	1,722	5,059
Purchase of tangible fixed assets	(2,905)	-
Purchase of fixed asset investments	(136,891)	-
	<u>(138,074)</u>	<u>5,059</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	2,852,999	-
	<u>2,852,999</u>	<u>-</u>
(Decrease) in cash and cash equivalents	<u>(539,888)</u>	<u>(3,666,426)</u>
Cash and cash equivalents at beginning of year	1,083,086	4,749,512
	<u>543,198</u>	<u>1,083,086</u>

The notes in pages A-10 to A-31 form an integral part of these financial statements

## **CONDOR GOLD PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. ACCOUNTING POLICIES**

##### **General information**

These consolidated financial statements are for Condor Gold 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 Origin Two, 106 High Street, Crawley, West Sussex, England, RH10 1BF. The nature of the Group's operation is described in the Directors' report. For the subsidiaries, the registered offices are: Condor S.A.; Reparto San Juan, Gimnasio Hercules 1 c al Sur 2 arriba, Apartamentos Isolsa #2, Managua Nicaragua 14002, and La India Gold S.A; La Cruz de La India, Centro de Salud 50 vrs al Sur, Municipio de Santa Rosa del Peñon, Departamento de Leon. Minerales Morazan S.A. De C.V. is in the process of closing.

##### **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 (sterling - £) 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. 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. On the basis of those cash flow projections, the directors consider that the Company is unlikely to require additional financial resources in the twelve month period from the date of approval of these financial statements to enable the Company to undertake its planned programme of exploration activity and to meet its commitments. The directors are confident that should predictions change and the Company requires further financing that they will be able to raise the required funds and/or manage/reduce the level of expenditure and therefore consider the going concern basis to be appropriate.

The financial statements have been rounded to the nearest pound.

##### **Interpretations and amendments to published standards effective in 2016**

The adoption of 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.

##### **Standards, amendments and interpretations to published standards not yet effective**

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that any will have a material impact on the future results of the Group.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. ACCOUNTING POLICIES - continued

##### **Basis of consolidation**

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

Entities that the group has significant influence over but are not subsidiaries or joint ventures, are accounted for as associates. The results and assets and liabilities of the associates 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.

##### **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 its 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.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. ACCOUNTING POLICIES – continued

##### **Financial instruments - continued**

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.

##### **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 deductible 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 deductible 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it 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.

## **CONDOR GOLD PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. ACCOUNTING POLICIES - continued**

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

Exploration expenditure comprises all costs which are directly attributable to the exploration of a project area.

Licences costs are those acquiring mineral rights and the entry premiums paid to gain access to areas of interest.

Mineral resources costs are those 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.

##### **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.

##### **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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. ACCOUNTING POLICIES - continued**

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

**a) Impairment of intangible assets, investment in, and long term loan to subsidiaries**

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

Determining whether the intangible assets and/or investments and/or intercompany loan are impaired requires an estimation of the value in use of the cash generating units to which the intangible assets belong. 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.

**b) Share based payments**

The Group has made awards of options on its unissued 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 going concern, price volatility, future dividend yields, expected life of the options and interest rates. These assumptions are described in more detail in note 18.

**c) Going Concern**

The Group reviews its going concern status, via comparisons to budgets, cash flow forecasts, and access to further financing. At the balance sheet date the group had £583,610 of cash, and since the period end date the Company raised £5.242m. The Company believes that this is more than adequate to fund the next 12 months activities. 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 believe that they would be able to scale back ongoing costs and continue operating to preserve cash until further funding is obtained if this were to be required. The Group's financial statements have been prepared on a going concern basis. The Group's financial statements do not reflect any adjustments as would be required if they were prepared on any other basis.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. REVENUE AND SEGMENTAL REPORTING**

The Group's operating segments have been determined based on geographical areas.

The Group's operations are located in UK and Nicaragua. The Group undertakes only one business activity as described in the Director's Report. During the year the Group did have operations in El Salvador, but these ceased by the year end, and the Company was in the process of winding up its operations in El Salvador.

**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 2016 are as follows:

	<b>UK</b> <b>£</b>	<b>El Salvador</b> <b>£</b>	<b>Nicaragua</b> <b>£</b>	<b>Consolidation</b> <b>£</b>
<b>RESULTS</b>				
Operating loss	3,172,514	39,114	407,249	3,618,877
Interest income	1,722	10	-	1,732
Write off of El Salvador	(2,127,626)	(1,937,460)	-	(4,065,086)
Income tax expense	-	-	-	-
<b>Included in operating loss</b>				
Impairment of intangibles	-	33,974	-	33,974
Depreciation	1,542	-	-	1,542

The Group's results by reportable segment for the year ended 31 December 2015 are as follows:

	<b>UK</b> <b>£</b>	<b>El Salvador</b> <b>£</b>	<b>Nicaragua</b> <b>£</b>	<b>Consolidation</b> <b>£</b>
<b>RESULTS</b>				
Operating loss	2,273,524	1,260	757,113	3,066,679
Interest income	5,059	9	-	5,068
Income tax expense	-	-	-	-
<b>Included in operating loss</b>				
Impairment of intangibles	-	34,782	-	34,782
Depreciation	1,752	-	-	1,752

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**3. REVENUE AND SEGMENTAL REPORTING - continued**

**Assets - 2016**

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

	<b>UK £</b>	<b>El Salvador £</b>	<b>Nicaragua £</b>	<b>Consolidation £</b>
<b>ASSETS</b>				
Total assets	1,141,438	-	16,146,007	17,287,445
<b>LIABILITIES</b>				
Total liabilities	186,232	-	165,319	351,551

The group had intercompany debt owed to the UK at 31 December 2016 split segmentally as follows:

Due from El Salvador	£NIL
Due from Nicaragua	£18,594,762

**Assets - 2015**

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

	<b>UK £</b>	<b>El Salvador £</b>	<b>Nicaragua £</b>	<b>Consolidation £</b>
<b>ASSETS</b>				
Total assets	3,637,848	1,822,107	15,283,427	20,743,382
<b>LIABILITIES</b>				
Total liabilities	479,014	467	80,503	559,984

The Group had intercompany debt owed to the UK at 31 December 2015 split segmentally as follows:

Due from El Salvador	£2,083,459
Due from Nicaragua	£16,468,565

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4. STAFF COSTS**

	31.12.16	31.12.15
	£	£
Wages and salaries	3,199,316	3,364,613
Social security costs	<u>216,808</u>	<u>180,608</u>
	<u>3,416,124</u>	<u>3,545,222</u>

Staff costs included within additions to exploration costs during the year were £3,211,930 (2015: £2,520,619).

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

	Group		Company	
	2016	2015	2016	2015
Directors	5	5	3	3
Employees	<u>45</u>	<u>45</u>	<u>1</u>	<u>1</u>
	<u>50</u>	<u>50</u>	<u>4</u>	<u>4</u>

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

Short Term Employee Benefits:

	Salary Payments		Related Party Payments *		Total	
	2016	2015	2016	2015	2016	2015
	£	£	£	£	£	£
M L Child	100,000	100,000	53,318	50,000	153,318	150,000
K Harcourt	21,833	10,500	-	12,375	21,833	22,875
J Mellon	-	-	20,667	25,000	20,667	25,000
R Davey	26,895	32,900	-	-	26,895	32,900
P Flindell	-	-	31,988	46,950	31,988	46,950
Total	<u>148,728</u>	<u>143,400</u>	<u>105,973</u>	<u>134,325</u>	<u>254,701</u>	<u>277,725</u>

\* Refer to note 19 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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4. STAFF COSTS - continued**

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 2016	Granted during the year	Exercised in the year	Lapsed in the year	As at 31 December 2016
<b>DIRECTORS</b>							
M L Child	180	15 Apr 2016	762,500	-	-	(762,500)	-
	100	24 June 2017	250,000	-	-	-	250,000
	100	1 July 2018	600,000	-	-	-	600,000
	100	23 July 2019	600,000	-	-	-	600,000
	67	7 July 2020	600,000	-	-	-	600,000
J Mellon	80	26 Sept 2021	-	600,000	-	-	600,000
	180	15 Apr 2016	250,000	-	-	(250,000)	-
	100	24 June 2017	100,000	-	-	-	100,000
	100	1 July 2018	150,000	-	-	-	150,000
	100	23 July 2019	150,000	-	-	-	150,000
R Davey	67	7 Jul 2020	150,000	-	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000
	180	5 Jan 2017	100,000	-	-	-	100,000
	100	24 June 2017	100,000	-	-	-	100,000
	100	1 July 2018	150,000	-	-	-	150,000
P Flindell	100	23 July 2019	150,000	-	-	-	150,000
	67	7 Jul 2020	150,000	-	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000
	160	30 June 2018	62,500	-	-	-	62,500
	100	23 July 2019	150,000	-	-	-	150,000
K Harcourt	67	7 Jul 2020	50,000	-	-	-	50,000
	80	26 Sept 2021	-	150,000	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000

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 2016 was 51.50p (2015: 21.75p).

The market price during the year ranged from 17p to 88p (2015: 20p to 76p).

Directors held 491,110 warrants as at 31 December 2016 (2015: 86,111), to subscribe for ordinary shares of the company. No warrants held by the directors expired during the year.

**5. FINANCE INCOME**

	31.12.16	31.12.15
	£	£
Deposit account interest	<u>1,732</u>	<u>5,068</u>

**6. LOSS BEFORE TAX**

The loss before tax is stated after charging:

	31.12.16	31.12.15
	£	£
Depreciation – owned assets	1,542	1,752
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	20,000	20,000
Foreign exchange differences	55,481	5,428
Impairment of El Salvador assets (See note 12)	4,872,513	34,782
Rent – operating leases	8,238	6,945

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**7. TAXATION**

<b>Analysis of the tax charge</b>	31.12.16 £	31.12.15 £
Current tax: Tax	-	-
Total tax charge in income statement	-	-

**Reconciliation of the tax charge**

	31.12.16 £	31.12.15 £
Loss before tax	<u>(8,509,435)</u>	<u>(2,268,464)</u>
Loss before tax multiplied by standard rate of Corporation tax in the UK of 20% (2015: 20%)	(1,701,887)	(453,693)
Effects of: Non-taxation income/(non-deductible expenses) Deferred tax not provided	617 1,701,270	(12,887) 466,580
Differences in overseas taxation rates	-	-
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 £3,062,140 (2015: £2,427,709).

**8. LOSS OF PARENT COMPANY**

As permitted by Section 408 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 £8,509,435 (2015: £2,268,464).

**9. 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:

	31.12.16 £	31.12.15 £
<b>Basic earnings per share</b>		
Loss for the year	7,682,231	3,061,611
Weighted average number of shares	52,910,649	40,183,746
Loss per share (in pence)	<u>(14.52)</u>	<u>(7.62)</u>

**Diluted earnings per share**

In accordance with IAS 33 and as the Group has reported a loss for the year, the share options and warrants as detailed in note 18 are anti-dilutive. Accordingly, diluted earnings per share is the same as basic earnings per share.

**CONDOR GOLD PLC**

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**10. IMPAIRMENT OF EL SALVADOR ASSETS**

The group has made the significant decision to impair all assets held by the El Salvador subsidiary, Minerales Morazan S.A. De C.V. The total impairment loss amounts to £4,065,086.

The details of the impairment are per the table below;

<b>Group</b>	<b>31.12.16</b>	<b>Company</b>	<b>31.12.16</b>
	<b>£</b>		<b>£</b>
Exploration costs	(1,843,372)	Inter company	(2,127,626)
Mineral resources	(2,214,356)	Investments	(3,205,617)
Other	<u>(7,359)</u>	Other	<u>(5,401)</u>
	<u>(4,065,086)</u>		<u>(5,338,644)</u>

The group is in the process of winding up its El Salvadorian operations following the GoES decision to approve a law to ban metallic mining, and all related activities in April 2017.

The background for the decision is as follows:

- In late 2007 the Company's exploration licences in El Salvador were suspended as a result of the moratorium on mining activities, they were not revoked, and had not expired.
- The Company historically received assurances from a number of relevant government officials that it will maintain its concession areas following the outcome of the moratorium process.
- Exploration for and evaluation of mineral resources in the El Salvador project areas historically showed excellent potential through additional drilling. The gold resource of 747,000 oz had the potential to double to 1.5m oz and the silver resource had the potential to increase from 22.4m oz to over 50m oz, which would be a large commercial reserve.
- Gold and silver prices had continued to increase significantly since the El Salvador projects was last drilled.
- Another company with 1.7m oz reserves in El Salvador announced details of an independent valuation of its assets in excess of \$300 million in 2012.
- Pacific Rim Mining (in El Salvador) was purchased for circa US \$12m or US \$7 per total resource ounce gold equivalent in 2012.
- In 2009 Pacific Rim Mining (in El Salvador) took GoES to the international centre for settlement of investment disputes, in an effort to end the ongoing moratorium.
- In October 2016, the international centre for settlement of investment disputes ruled in favour of GoES, to in effect allow a ban on metallic mining.
- In April 2017, the GoES approved a law to ban metallic mining, and all related activities.

**CONDOR GOLD PLC**

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**11. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	Improvements to rental property £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Computer equipment & software £	Totals £
<b>Cost or valuation:</b>						
At 1 January 2015	175,506	100,198	32,462	119,934	62,252	490,352
Additions	17,773	47,544	1,152	3,915	2,050	72,434
Disposals	-	-	(816)	(14,188)	(3,819)	(18,823)
Exchange difference	11,833	6,285	1,204	8,156	1,824	29,302
At 31 December 2015	<u>205,112</u>	<u>154,027</u>	<u>34,002</u>	<u>117,817</u>	<u>62,307</u>	<u>573,265</u>
Additions	1,454	3,922	775	-	11,422	17,573
Disposals	-	(663)	(2,868)	-	(3,010)	(6,541)
Exchange difference	(2,348)	225	1,621	(1,348)	2,296	446
At 31 December 2016	<u>204,218</u>	<u>157,511</u>	<u>33,530</u>	<u>116,469</u>	<u>73,015</u>	<u>584,743</u>
<b>Accumulated depreciation and impairment:</b>						
At 1 January 2015	(8,818)	(27,185)	(22,049)	(61,743)	(48,998)	(168,793)
Charge for period	(19,546)	(26,268)	(3,633)	(17,193)	(6,096)	(72,736)
Exchange difference	(12,425)	(6,545)	(621)	5,773	595	(13,223)
At 31 December 2015	<u>(40,789)</u>	<u>(59,998)</u>	<u>(26,303)</u>	<u>(73,163)</u>	<u>(54,499)</u>	<u>(254,752)</u>
Charge for period	(33,964)	(28,139)	(5,173)	(22,125)	(8,266)	(97,667)
Disposals	-	429	2,869	-	2,848	6,146
Exchange difference	464	(1,302)	(1,704)	837	(2,375)	(4,080)
At 31 December 2016	<u>(74,289)</u>	<u>(89,010)</u>	<u>(30,311)</u>	<u>(94,451)</u>	<u>(62,292)</u>	<u>(350,353)</u>
<b>Net Book Value:</b>						
At 31 December 2015	<u>164,323</u>	<u>94,029</u>	<u>7,699</u>	<u>44,654</u>	<u>7,808</u>	<u>318,513</u>
At 31 December 2016	<u>129,929</u>	<u>68,501</u>	<u>3,219</u>	<u>22,018</u>	<u>10,723</u>	<u>234,390</u>

The current year depreciation charge for the subsidiaries of £96,125 (2015: £70,985) is included within the addition to exploration costs in the year.

**CONDOR GOLD PLC**

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**11. PROPERTY, PLANT AND EQUIPMENT – continued**

<b>Company</b>	Fixtures & fittings £	Computer Equipment £	Totals £
<b>Cost:</b>			
At 1 January 2015	2,601	15,443	18,044
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 January 2016	2,601	15,443	18,044
Additions	121	2,784	2,905
	<hr/>	<hr/>	<hr/>
At 31 December 2016	<u>2,722</u>	<u>18,227</u>	<u>20,949</u>
<b>Depreciation:</b>			
At 1 January 2015	(1,417)	(13,571)	(14,988)
Charge for the year	(651)	(1,101)	(1,752)
	<hr/>	<hr/>	<hr/>
At 1 January 2016	(2,068)	(14,672)	(16,740)
Charge for the year	(527)	(1,015)	(1,542)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	<u>(2,595)</u>	<u>(15,687)</u>	<u>(18,282)</u>
<b>Net Book Value:</b>			
At 31 December 2015	<hr/> <u>533</u>	<hr/> <u>771</u>	<hr/> <u>1,304</u>
<b>Net book Value:</b>			
At 31 December 2016	<hr/> <u>127</u>	<hr/> <u>2,540</u>	<hr/> <u>2,667</u>

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. INTANGIBLE ASSETS**

	Exploration costs £	Mineral resources £	Licences £	Total £
<b>Group</b>				
<b>Cost or valuation:</b>				
At 1 January 2015	15,587,370	3,612,582	472,036	19,671,988
Additions	2,223,078	-	-	2,223,078
Disposals	-	(428,882)	-	(428,882)
Exchange difference	<u>7,560</u>	<u>-</u>	<u>-</u>	<u>7,560</u>
At 31 December 2015	17,818,008	3,183,700	472,036	21,473,744
Additions	1,633,171	259,521	-	1,892,692
Disposals	-	-	-	-
Exchange difference	<u>(250,881)</u>	<u>-</u>	<u>-</u>	<u>(250,881)</u>
At 31 December 2016	<u>19,200,298</u>	<u>3,443,221</u>	<u>472,036</u>	<u>23,115,555</u>
<b>Accumulated depreciation and impairment:</b>				
At 1 January 2015	(1,929,331)	(663,510)	(472,036)	(3,064,877)
Impairment for year	<u>(34,782)</u>	<u>-</u>	<u>-</u>	<u>(34,782)</u>
At 31 December 2015	<u>(1,964,113)</u>	<u>(663,510)</u>	<u>(472,036)</u>	<u>(3,099,659)</u>
Impairment for year	<u>(1,877,346)</u>	<u>(2,214,356)</u>	<u>-</u>	<u>(4,091,702)</u>
At 31 December 2016	<u>(3,841,459)</u>	<u>(2,877,866)</u>	<u>(472,036)</u>	<u>(7,191,361)</u>
<b>Net Book Value:</b>				
At 31 December 2015	<u>15,853,895</u>	<u>2,520,190</u>	<u>-</u>	<u>18,374,085</u>
At 31 December 2016	<u>15,358,839</u>	<u>565,355</u>	<u>-</u>	<u>15,924,194</u>

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.

During the year the company conducted an impairment review of its El Salvadorian assets, please see note 10 for further information.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 12. INTANGIBLE ASSETS (CONTINUED)

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

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

The Company has conducted an impairment review of its El Salvadorian assets. In arriving at its assessment as to whether an impairment review is required in relation to its El Salvador assets, which amounted to £4,057,728 (2015: £4,028,756) at the balance sheet date, the company has made a decision to impair all assets. An overview of the decision is set out in note 10 to the accounts.

In arriving at its assessment as to whether an impairment review is required in relation to its Nicaragua assets, which amounted to £15,924,194 (2015: £14,345,337) 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;
- Results from exploration for evaluation of mineral resources to date lead the directors to believe that the projects can be developed into significant commercial reserves;
- 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.
- Sensitivity analyses have been performed to the key assumptions listed above which would not result in an impairment to these assets.
- The La India Concession was added to Condor's portfolio in late 2010 through a concession swap with Canadian miner B2Gold, following a Letter Agreement signed on 31 August 2010 between Condor and B2Gold. The current 68.5 sq km La India Concession was originally part of a much larger, 353.0 sq km El Limon –La India Concession, which in 1994 granted a 3% Net Smelter Royalty ("NSR") to Repadre Capital Corporation. Due to new mining laws, effective in August 2001, much of the El Limon-La India Concession was relinquished to the Government and became available for re-grant. Condor has received legal opinion from its lawyers in Nicaragua that the 3% NSR is invalid under Nicaraguan law. B2Gold provided Condor with a copy of a royalty agreement some 2 years after the concession swap. A hearing was held in Vancouver, Canada in May 2015 regarding the on-going dispute between B2Gold Corporation, Royal Gold Inc and Condor Gold plc over the NSR on the 65km of La India Concession. The judge's ruling at the Vancouver hearing was received in September 2015. To quote the Judge: "In conclusion, I declare that La India Gold S.A. holds La India Concession subject to the royalty originally made between Minera de Occidente S.A. (now Triton, owned by B2Gold) as payor and Repadre Capital Corporation (now Royal Gold) as the present holder. The La India Concession, to the extent that it corresponds on the ground with the original concession subject of the royalty agreement, is, by clause 2.7 of the letter agreement, subject to the obligations of the royalty agreement." Condor has taken legal advice in Canada, Nicaragua and the UK on the implementation and enforceability of a Canadian ruling on a Nicaraguan incorporated company and has appealed the ruling.
- The Company published an updated 43-101 on its website on the 21<sup>st</sup> December 2014, this includes a PFS on La India Project which has demonstrated a robust, economically viable base case on La India open pit with a post-tax IRR of 22% assuming a US\$1,250 gold price. Maiden Probable Mineral Reserves are 6.9Mt at 3.0g/t for 675,000 oz gold. A 0.8Mtpa plant produces average annual production of 79,300 oz gold over 7 years with lower quartile all-in-sustaining cash costs ("AISC") of US\$690 per oz gold. A high-grade 3g/t gold open pit mineral reserve has resulted in a relatively small 2,300tpd plant with resultant low upfront capital cost of US\$110 million including contingency.
- In January 2016 the Company announced the findings of a Whittle Consulting Enterprise Optimisation Study analysing the Net Present Value for four production scenarios; [Note to Reader: The results of the Whittle Optimization Study (as defined in the prospectus to which these financial statements are attached) have been redacted.]

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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**13. INVESTMENTS**

<b>Company</b>	Equity in subsidiary undertakings £	Capital contribution £	Total £
<b>Cost:</b>			
1 January 2015	3,617,983	991,261	4,609,244
Disposal relating to share based payment 31 December 2015	(428,882)	-	(428,882)
	3,189,101	991,261	4,180,362
 Addition relating to share based payment	 254,120	 -	 254,120
At 31 December 2016	3,443,221	991,261	4,434,482
<b>Provision for impairment:</b>			
Charge at 1 January 2015	(663,510)	-	(663,510)
At 31 December 2015	(663,510)	-	(663,510)
Charge for the year	(2,214,356)	(991,261)	(3,205,617)
At 31 December 2016	(2,877,866)	(991,261)	(3,869,127)
<b>Net Book Value:</b>			
At 31 December 2015	2,525,591	991,261	3,516,852
At 31 December 2016	565,355	-	565,355

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 12.

The capital contribution relating to share based payments relates to 264,000 share options granted by the Company to employees of a subsidiary undertaking in the Group during a previous year. Refer to note 18 for further details of 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	(781,914)	(1,710)
Condor S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,318,560)	(63,406)
La India Gold S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,613,208)	(343,842)

**CONDOR GOLD PLC**

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**14. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	31.12.16	31.12.15	31.12.16	31.12.15
	£	£	£	£
Current:				
Other receivables	498,363	911,858	9,167	4,919
Prepayments	46,888	33,469	22,211	28,348
	<u>545,251</u>	<u>945,327</u>	<u>31,378</u>	<u>33,267</u>
Non-current:				
Amounts owed by Group undertakings	-	-	22,378,401	20,208,037
Provision	<u>-</u>	<u>-</u>	<u>(3,783,639)</u>	<u>(1,656,013)</u>
	<u>-</u>	<u>-</u>	<u>18,594,762</u>	<u>18,552,024</u>
	<u>545,251</u>	<u>945,327</u>	<u>18,626,140</u>	<u>18,585,291</u>

In assessing whether an impairment is required for the carrying value of the amounts owed by Group undertakings to the Company, reference has been made to the underlying intangible assets discussed in note 12.

**15. FINANCIAL INSTRUMENTS**

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

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

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

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

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

**15.1 Financial instruments by category**

	Group		Company	
	31.12.16	31.12.15	31.12.16	31.12.15
	£	£	£	£
<b>Assets as per balance sheet</b>				
Loans and receivables:				
Other receivables	545,251	945,327	31,378	33,267
Cash and cash equivalents	<u>583,610</u>	<u>1,105,457</u>	<u>543,198</u>	<u>1,083,086</u>
Total	<u>1,128,861</u>	<u>2,050,784</u>	<u>574,576</u>	<u>1,116,353</u>

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**15. FINANCIAL INSTRUMENTS – continued**

	Group		Company	
	31.12.16	31.12.15	31.12.16	31.12.15
	£	£	£	£
<b>Liabilities as per balance sheet</b>				
Loans and receivables:				
Trade and other payables	125,988	280,522	114,169	294,105
Accrued expenses	<u>225,563</u>	<u>279,462</u>	<u>72,063</u>	<u>184,909</u>
Total	<u>351,551</u>	<u>559,984</u>	<u>186,232</u>	<u>479,014</u>

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

**15.2 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, predominantly US Dollar, Canadian Dollar and Nicaraguan Cordoba. 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	
	2016	2015	2016	2015
USD	0.7405	0.6540	0.8127	0.6745
1				
NIO 1	0.0255	0.0239	0.0279	0.0238

A decrease of 1% in the relative strength of sterling (GBP) to US dollars (USD) would result in an increased realised foreign exchange losses of £9,182 (2015: £5,040).

The Nicaraguan Cordoba (NIO) is set on a crawling peg to the US Dollar, with a fixed 5% devaluation per annum. Therefore the Directors do not currently consider any change in the relative strength of the Cordoba to be a risk to the Company. Should NIO break away from its crawling peg to the USD, the Directors will review this risk.

(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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. FINANCIAL INSTRUMENTS – continued**

(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 set out within the Strategic Report on pages 7 – 9.

At 31 December 2015 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	31.12.16		31.12.15	
	£	Weighted average interest rate	£	Weighted average interest rate
Financial assets:				
GBP – cash and cash equivalents	543,198	0.20%	1,083,086	0.20%
USD – cash and cash equivalents	-	0.00%	685	0.00%
NIO – cash and cash equivalents	<u>40,412</u>	0.00%	<u>21,686</u>	0.00%
Total	<u>583,610</u>		<u>1,105,457</u>	

A decrease of 1% on the interest rates offered by the bank will result in a decrease in interest receivable of £5,432 (2015: £5,068).

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

**16. TRADE AND OTHER PAYABLES**

	Group		Company	
	31.12.16	31.12.15	31.12.16	31.12.15
	£	£	£	£
Current:				
Trade payables	-	(46,856)	-	(22,588)
Social security and other taxes	19,465	18,124	8,517	7,439
Other payables	106,524	309,254	105,651	309,254
Accrued expenses	225,562	279,462	72,064	184,909
	<u>351,551</u>	<u>559,984</u>	<u>186,232</u>	<u>479,014</u>
Total	<u>351,551</u>	<u>559,984</u>	<u>186,232</u>	<u>479,014</u>

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 directors do not consider that is a material risk to the Group.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**17. CALLED UP SHARE CAPITAL AND SHARE PREMIUM**

	Number of shares (thousands)	Ordinary shares £	Share premium £	Total £
At 31 December 2015	45,807	9,161,463	27,442,728	36,604,191
Proceeds from shares issued	-	-	-	-
At 31 December 2015	<u>45,807</u>	<u>9,161,463</u>	<u>27,442,728</u>	<u>36,604,191</u>
Proceeds from shares issued	7,103	1,420,666	1,432,333	2,852,999
At 31 December 2016	<u>52,910</u>	<u>10,582,129</u>	<u>28,875,061</u>	<u>39,457,190</u>

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

**18. 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 2015 were as follows:

Date of Grant	1 January 2015 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2015	Date from which options are first exercisable	Lapse date
10/09/2009	50,000	-	-	(50,000)	-	11/09/2010	10/09/2014
31/12/2010	50,000	-	-	(50,000)	-	01/11/2011	31/12/2015
15/04/2011	717,400	-	-	(247,400)	470,000	16/04/2014	15/04/2016
15/08/2011	43,500	-	-	(43,500)	-	16/07/2012	18/08/2016
10/10/2011	20,000	-	-	(20,000)	-	16/07/2012	10/10/2016
20/12/2012	757,700	-	-	(211,300)	546,400	21/12/2013	20/12/2017
01/07/2013	1,400,000	-	-	(259,900)	1,140,100	01/07/2014	30/06/2018
23/07/2014	1,513,500	-	-	(100,000)	1,413,500	24/07/2015	22/07/2019
07/07/2015	-	1,429,000	-	(62,000)	1,367,000	07/07/2015	06/07/2020
	<u>4,552,100</u>	<u>1,429,000</u>	-	<u>(1,044,100)</u>	<u>4,937,000</u>		

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS - continued**

Details of the share options outstanding during 2016 were as follows:

Date of Grant	1 January 2016 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2016	Date from which options are first exercisable	Lapse date
15/04/2011	470,000	-	-	(470,000)	-	16/04/2014	15/04/2016
20/12/2012	546,400	-	-	7,500	553,900	21/12/2013	20/12/2017
01/07/2013	1,140,100	-	-	-	1,140,100	01/07/2014	30/06/2018
23/07/2014	1,413,500	-	-	(12,000)	1,401,500	24/07/2015	22/07/2019
07/07/2015	1,367,000	-	-	(12,000)	1,355,000	07/07/2016	06/07/2020
26/06/2016	-	1,740,000	-	-	1,740,000	26/06/2017	26/06/2021
	4,937,000	1,740,000	-	(486,500)	6,190,500		

During the year 462,500 share options expired (2015: 340,000) and 24,000 were forfeited (2015: 704,100).

The weighted average exercise price per share is 89p (2015: 157p) and the average contractual life is 5 years (2015: 5 years).

The estimated fair value of the options and warrants granted in 2016 was £2,360,311 (2015: £773,891) 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:

	2016	2015
Share price	63p	61p
Exercise price	80p	67p
Expected volatility	149.51%	147.26%
Expected life (yrs.)	5	5
Risk free rate	0.230%	0.820%
Expected dividend yield	-	-

A movement from the share option reserve of £2,500,053 (2015: £319,518) 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 4 years (2015: 4 years).

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**18. EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS - continued**

b) Warrants

During the year the Company did not issue any warrants to its consultants for services provided (2015: NIL). During the year 4,696,666 warrants were issued as part of share subscriptions (2015: NIL).

The warrants all previously issued had a maximum life of two and a half years from the date they were issued, other than the 2014 warrants which have a 4 year life and the 2016 warrants which have a 2 year life. Should all warrants be exercised in full, the Company would receive £7,910,997.

The estimated fair value of the warrants granted in 2016 was £1,389,000 (2015: £NIL).

This fair value has been calculated using the Black-Scholes option pricing model as detailed above.

**19. RELATED PARTY TRANSACTIONS**

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

Company	Related party	31.12.16 £	31.12.15 £	Outstanding at year end £
Burnbrae Limited	J Mellon	20,667	2,000	-
Axial Associates Limited	M L Child	53,312	50,000	-
	P Flindell	31,988	11,538	2,458
	K Harcourt	-	13,204	-

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 loaned funds to its subsidiaries details of which are set out below:

	31.12.16 £	31.12.15 £
<b>Condor S.A.</b>		
Brought forward loan balance	3,868,008	3,253,314
Additional loans during the period	871,745	614,694
Closing balance	<u>4,739,753</u>	<u>3,868,008</u>
	31.12.16 £	31.12.15 £
<b>Minerales Morazan S.A.</b>		
Brought forward loan balance	2,083,459	2,045,674
Additional loans during the period	44,167	37,785
Loan write off	(2,127,626)	
Closing balance	<u>-</u>	<u>2,083,459</u>
	31.12.16 £	31.12.15 £
<b>La India Gold S.A.</b>		
Brought forward loan balance	12,600,557	11,088,863
Additional loans during the period	1,254,452	1,511,694
Closing balance	<u>13,855,009</u>	<u>12,600,557</u>

**20. OPERATING LEASES**

The Group has an operating lease for rent. The total value of minimum lease payments is £16,670 (2015: £16,670), and the amount due within one year is £8,335 (2015: £8,335).

**21. CONTROLLING PARTY**

There is no ultimate controlling party.

**22. POST BALANCE SHEET EVENTS**

After the year end a placement was completed with proceeds amounting to £5.242m, issuing 8,454,733 shares and 4,227,364 warrants with an exercise price of 93 pence, two year life and exercise consideration of £3.93m, should they all be exercised.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF**  
**CONDOR GOLD PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

We have audited the financial statements of Condor Gold Plc for the year ended 31 December 2015 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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, 11, 12 and 13 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 AUDITOR TO THE MEMBERS OF**  
**CONDOR GOLD PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

In our opinion the information given in the Strategic Report and 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.

Leo Malkin (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: 26 May 2016

Note: The maintenance and integrity of the Condor Gold Plc website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and accordingly the auditor accepts 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 GOLD PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	Year Ended 31.12.15 £	Year Ended 31.12.14 £
Administrative expenses		(3,066,679)	(3,265,730)
Operating loss	6	(3,066,679)	(3,265,730)
Finance income	5	5,068	3,567
Loss before income tax		(3,061,611)	(3,262,163)
Income tax expense	7	-	-
<b>Loss for the year</b>		<b>(3,061,611)</b>	<b>(3,262,163)</b>
 <b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation differences		839,395	335,494
<b>Other comprehensive (loss) / income for the year</b>		<b>839,395</b>	<b>335,494</b>
 <b>Total comprehensive loss for the year</b>		 <b>(2,222,216)</b>	 <b>(2,926,669)</b>
 <b>Loss attributable to:</b>			
Non-controlling interest		(125)	(4,352)
Owners of the parent		(3,061,486)	(3,257,811)
		<b>(3,061,611)</b>	<b>(3,262,163)</b>
 <b>Total comprehensive loss attributable to:</b>			
Non-controlling interest		(3,825)	(1,748)
Owners of the parent		(2,218,391)	(2,924,921)
		<b>(2,222,216)</b>	<b>(2,926,669)</b>
 <b>Loss per share expressed in pence per share:</b>			
Basic and diluted (in pence)	9	7.62	8.12

The notes in pages A-41 to A-62 form an integral part of these financial statements

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Notes	31.12.15 £	31.12.14 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	318,513	321,558
Intangible assets	11	18,374,085	16,607,111
		18,692,598	16,928,669
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	945,327	967,416
Cash and cash equivalents		1,105,457	4,761,128
		2,050,784	5,728,544
<b>TOTAL ASSETS</b>		<b>20,743,382</b>	<b>22,657,213</b>
 <b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	559,984	571,117
<b>TOTAL LIABILITIES</b>		<b>559,984</b>	<b>571,117</b>
<b>NET CURRENT ASSETS</b>		1,490,800	5,157,427
<b>NET ASSETS</b>		<b>20,183,398</b>	<b>22,086,096</b>
 <b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	9,161,463	9,161,463
Share premium		27,442,728	27,442,728
Legal reserves		71	71
Exchange difference reserve		1,549,871	710,476
Share options reserve		3,556,198	3,236,680
Retained earnings		(21,526,933)	(18,465,322)
		<b>20,183,398</b>	<b>22,086,096</b>
 <b>TOTAL EQUITY ATTRIBUTABLE TO:</b>			
Non-controlling interest		(77,012)	(73,187)
Owners of the parent		20,260,410	22,159,283
		<b>20,183,398</b>	<b>22,086,096</b>

The financial statements were approved and authorised for issue by the Board of directors on 26 May 2016 and were signed on its behalf by:

M L Child - Chairman  
Company No: 05587987

The notes in pages A-41 to A-62 form an integral part of these financial statements

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2015**

	Share Capital	Share premium	Legal reserve	Exchange difference reserve	Share option reserve	Retained earnings	Total	Non Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£	£
At 1 January 2014	7,664,792	22,228,265	71	371,053	2,551,670	(15,130,353)	17,685,498	(68,877)	17,616,621
Comprehensive income:									
Loss for the year	-	-	-	-	-	(3,257,812)	(3,257,812)	(4,351)	(3,262,163)
Other comprehensive income:									
Currency translation differences	-	-	-	335,453	-	-	335,453	41	335,494
<b>Total comprehensive income</b>	<b>7,664,792</b>	<b>22,228,265</b>	<b>71</b>	<b>706,506</b>	<b>2,551,670</b>	<b>(18,388,165)</b>	<b>14,763,139</b>	<b>(73,187)</b>	<b>14,689,952</b>
New shares issued	1,496,671	5,214,463	-	-	-	-	6,711,134	-	6,711,134
Share based payment	-	-	-	-	685,010	-	685,010	-	685,010
<b>At 31 December 2014</b>	<b>9,161,463</b>	<b>27,442,728</b>	<b>71</b>	<b>706,506</b>	<b>3,236,680</b>	<b>(18,388,165)</b>	<b>22,159,283</b>	<b>(73,187)</b>	<b>22,086,096</b>
Comprehensive income:									
Loss for the year	-	-	-	-	-	(3,061,486)	(3,061,486)	(125)	(3,061,611)
Other comprehensive income:									
Currency translation differences	-	-	-	843,095	-	-	843,095	(3,700)	839,395
<b>Total comprehensive income</b>	<b>9,161,463</b>	<b>27,442,728</b>	<b>71</b>	<b>1,549,601</b>	<b>3,236,680</b>	<b>(21,449,651)</b>	<b>19,940,892</b>	<b>(77,012)</b>	<b>19,863,880</b>
New shares issued	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	319,518	-	319,518	-	319,518
<b>At 31 December 2015</b>	<b>9,161,463</b>	<b>27,442,728</b>	<b>71</b>	<b>1,549,601</b>	<b>3,556,198</b>	<b>(21,449,651)</b>	<b>20,260,410</b>	<b>(77,012)</b>	<b>20,183,398</b>

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.

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Notes	31.12.15	31.12.14
		£	£
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,305	3,056
Investments	12	3,516,852	3,945,734
Other receivables	13	18,552,024	16,369,851
		<u>22,070,181</u>	<u>20,318,641</u>
<b>CURRENT ASSETS</b>			
Other receivables	13	33,267	71,408
Cash and cash equivalents		<u>1,083,086</u>	<u>4,749,512</u>
		1,116,353	4,820,920
<b>TOTAL ASSETS</b>		<b><u>23,186,534</u></b>	<b><u>25,139,561</u></b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<u>479,014</u>	<u>483,095</u>
<b>TOTAL LIABILITIES</b>		<b><u>479,014</u></b>	<b><u>483,095</u></b>
<b>NET CURRENT ASSETS</b>		<u>637,339</u>	<u>4,337,825</u>
<b>NET ASSETS</b>		<b><u>22,707,520</u></b>	<b><u>24,656,466</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	9,161,463	9,161,463
Share premium		27,442,728	27,442,728
Share options reserve		3,556,198	3,236,680
Retained earnings		<u>(17,452,869)</u>	<u>(15,184,405)</u>
<b>TOTAL EQUITY</b>		<b><u>22,707,520</u></b>	<b><u>24,656,466</u></b>

The financial statements were approved and authorised for issue by the Board of directors on 26 May 2016 and were signed on its behalf by:



M L Child  
Chairman

Company No: 05587987

The notes in pages A-41 to A-62 form an integral part of these financial statements

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2015**

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total £
At 1 January 2014	7,664,792	22,228,265	2,551,670	(12,727,064)	19,717,663
Comprehensive income: Loss for the period	-	-	-	(2,457,341)	(2,457,341)
Total comprehensive income	7,664,792	22,228,265	2,551,670	(15,184,405)	17,260,322
New shares issued	1,496,671	5,214,463	-	-	6,711,134
Share based payment	-	-	685,010	-	685,010
At 31 December 2014	9,161,463	27,442,728	3,236,680	(15,184,405)	24,656,466
Comprehensive income: Loss for the period	-	-	-	(2,268,464)	(2,268,464)
Total comprehensive income	9,161,463	27,442,728	3,236,680	(17,452,869)	22,388,002
New shares issued	-	-	-	-	-
Share based payment	-	-	319,518	-	319,518
At 31 December 2015	9,161,463	27,442,728	3,556,198	(17,452,869)	(22,707,520)

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 GOLD PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	31.12.15	31.12.14
	£	£
<b>Cash flows from operating activities</b>		
Loss before tax	(3,061,611)	(3,262,163)
Share based payment	748,400	685,010
Depreciation charges	56,933	10,643
Impairment charge of intangible fixed assets	37,158	37,156
Finance income	(5,068)	(3,567)
	<u>(2,224,188)</u>	<u>(2,532,921)</u>
Decrease/(increase) in trade and other receivables	22,089	11,299
Increase/(decrease) in trade and other payables	(11,133)	(79,100)
	<u>(2,213,232)</u>	<u>(2,600,722)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(53,611)	(31,544)
Purchase of intangible fixed assets	(2,225,448)	(1,350,079)
Interest received	5,068	3,567
	<u>(2,273,991)</u>	<u>(1,378,056)</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	6,711,134
	<u>-</u>	<u>6,711,134</u>
Net cash from financing activities	-	6,711,134
(Decrease) / increase in cash and cash equivalents	<u>(4,487,223)</u>	<u>2,732,356</u>
Cash and cash equivalents at beginning of year	4,761,128	2,268,470
Exchange gains cash and bank	831,552	(239,698)
	<u>1,105,457</u>	<u>4,761,128</u>
Cash and cash equivalents at end of year	<u>1,105,457</u>	<u>4,761,128</u>

The notes in pages A-41 to A-62 form an integral part of these financial statements

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Year Ended 31.12.15 £	Year Ended 31.12.14 £
<b>Cash flows from operating activities</b>		
Loss before tax	(2,268,464)	(2,457,341)
Share based payment	748,400	164,139
Depreciation charges	1,751	1,853
Finance income	(5,059)	(3,538)
	<u>(1,523,372)</u>	<u>(2,294,887)</u>
Increase / (decrease) in trade and other receivables	(2,144,112)	(1,804,277)
Decrease / (increase) in trade and other payables	(4,001)	(97,778)
	<u>(3,671,485)</u>	<u>(4,196,942)</u>
<b>Cash flows from investing activities</b>		
Interest received	5,059	3,538
Purchase of tangible fixed assets	-	(707)
	<u>5,059</u>	<u>2,831</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	6,711,134
	<u>-</u>	<u>6,711,134</u>
Net cash from financing activities	-	6,711,134
(Decrease) / increase in cash and cash equivalents	<u>(3,666,426)</u>	<u>2,517,023</u>
Cash and cash equivalents at beginning of year	4,749,512	2,232,489
Cash and cash equivalents at end of year	<u>1,083,086</u>	<u>4,749,512</u>

The notes in pages A-41 to A-62 form an integral part of these financial statements

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### **1. ACCOUNTING POLICIES**

##### **General information**

These consolidated financial statements are for Condor Gold 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 Croft Chambers, 11 Bancroft, Hitchin, Herts, SG5 1JQ. 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 (sterling) ("£") 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. 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. On the basis of those cash flow projections, the directors consider that the Company is unlikely to require additional financial resources in the twelve month period from the date of approval of these financial statements to enable the Company to undertake its planned programme of exploration activity and to meet its commitments. The directors are confident that should predictions change and the Company requires further financing that they will be able to raise the required funds and/or manage the level of expenditure and therefore consider the going concern basis to be appropriate.

The financial statements have been rounded to the nearest pound.

##### **Interpretations and amendments to published standards effective in 2015**

The adoption of 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.

##### **Standards, amendments and interpretations to published standards not yet effective**

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that any will have a material impact on the future results of the Group.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### **1. ACCOUNTING POLICIES - continued**

##### **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 over but are not subsidiaries or joint ventures, are accounted for as associates. The results and assets and liabilities of the associates 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.

##### **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 its 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.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### **1. ACCOUNTING POLICIES – continued**

##### **Financial instruments - continued**

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.

##### **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 deductible 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 deductible 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it 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.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### **1. ACCOUNTING POLICIES - continued**

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

Exploration expenditure comprises all costs which are directly attributable to the exploration of a project area.

Licences costs are those acquiring mineral rights and, the entry premiums paid to gain access to areas of interest.

Mineral resources costs are those 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.

##### **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.

##### **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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**1. ACCOUNTING POLICIES - continued**

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

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

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

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

In particular, the present moratorium on processing applications for mineral exploration and extraction in El Salvador gives rise to a critical judgement in preparing the financial statements. The factors considered by the Board in arriving at its judgement in relation to El Salvador are set out in note 11, 12 and 13.

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, and the board remain hopeful that the moratorium in El Salvador will be lifted and that the Company's significant assets in El Salvador will once again be able to be further utilised.

**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 going concern, price volatility, future dividend yields, expected life of the options and interest rates. These assumptions are described in more detail in note 17.

**c) Going Concern**

The Group reviews its going concern status, via comparisons to budgets, cash flow forecasts, and access to further financing. At the balance sheet date the group had £1,105,457 of cash, and since the period end date the Company raised £2.578m. Further to the £2.578m fundraise, a further £0.24m has been raised since the period end date due to the exercising of a non-dilute clause contained in a shareholder's agreement. The Company believes that this is more than adequate to fund the next 12 months activities. The Group's financial statements have been prepared on a going concern basis. The Group's financial statements do not reflect any adjustments as would be required if they were prepared on any other basis.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**2. REVENUE AND SEGMENTAL REPORTING**

The Group's operating segments have been determined based on geographical areas.

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

**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 2015 are as follows:

	<b>UK</b> <b>£</b>	<b>El Salvador</b> <b>£</b>	<b>Nicaragua</b> <b>£</b>	<b>Consolidation</b> <b>£</b>
<b>RESULTS</b>				
Operating loss	2,273,524	1,260	757,113	3,066,679
Interest income	5,059	9	-	5,068
Income tax expense	-	-	-	-
<b>Included in operating loss</b>				
Impairment of intangibles	-	34,782	-	34,782
Depreciation	1,752	-	-	1,752

The Group's results by reportable segment for the year ended 31 December 2014 are as follows:

	<b>UK</b> <b>£</b>	<b>El Salvador</b> <b>£</b>	<b>Nicaragua</b> <b>£</b>	<b>Consolidation</b> <b>£</b>
<b>RESULTS</b>				
Operating loss	2,460,879	43,545	761,306	3,265,730
Interest income	3,538	29	-	3,567
Income tax expense	-	-	-	-
<b>Included in operating loss</b>				
Impairment of intangibles	-	37,158	-	37,158
Depreciation	1,853	-	8,790	10,643

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**3. REVENUE AND SEGMENTAL REPORTING - continued**

**Assets - 2015**

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

	<b>UK £</b>	<b>El Salvador £</b>	<b>Nicaragua £</b>	<b>Consolidation £</b>
<b>ASSETS</b>				
Total assets	<u>3,637,848</u>	<u>1,822,107</u>	<u>15,283,427</u>	<u>20,743,382</u>
<b>LIABILITIES</b>				
Total liabilities	<u>479,014</u>	<u>467</u>	<u>80,503</u>	<u>559,984</u>

The group had intercompany debt owed to the UK at 31 December 2015 split segmentally as follows:

Due from El Salvador	£2,699,080
Due from Nicaragua	£18,560,983

**Assets - 2014**

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

	<b>UK £</b>	<b>El Salvador £</b>	<b>Nicaragua £</b>	<b>Consolidation £</b>
<b>ASSETS</b>				
Total assets	<u>4,823,976</u>	<u>4,724,504</u>	<u>13,108,733</u>	<u>22,657,213</u>
<b>LIABILITIES</b>				
Total liabilities	<u>483,095</u>	<u>562</u>	<u>87,460</u>	<u>571,117</u>

The Group had intercompany debt owed to the UK at 31 December 2014 split segmentally as follows:

Due from El Salvador	£2,045,674
Due from Nicaragua	£14,324,177

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**4. STAFF COSTS**

	31.12.15	31.12.14
	£	£
Wages and salaries	3,364,613	2,163,922
Social security costs	180,608	138,505
	3,545,222	2,302,427

Staff costs included within additions to exploration costs during the year were £2,520,619 (2014: £2,080,548).

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

	Group		Company	
	2015	2014	2015	2014
Directors	5	4	3	4
Employees	45	85	1	2
	49	89	4	6

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

Short Term Employee Benefits:

	Salary Payments		Related Party Payments *		Total	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
M L Child	100,000	100,000	50,000	50,000	150,000	150,000
K Harcourt	10,500	-	12,375	-	22,875	-
J Mellon	-	-	25,000	25,000	25,000	25,000
R Davey	32,900	30,000	-	-	32,900	30,000
P Flindell	-	-	46,950	54,490	46,950	54,490
Total	143,400	130,000	134,325	129,490	277,725	259,490

\* 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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**4. STAFF COSTS - continued**

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 2015	Granted during the year	Exercised in the year	Lapsed in the year	As at 31 December 2015
<b>DIRECTORS</b>							
M L Child	180	15 Apr 2016	250,000	-	-	(250,000)	-
	100	27 Jun 2017	250,000	-	-	-	250,000
	100	30 Jun 2018	600,000	-	-	-	600,000
	100	23 Jul 2019	600,000	-	-	-	600,000
	100	7 Jul 2020	-	600,000	-	-	600,000
J Mellon	180	15 Apr 2016	250,000	-	-	-	250,000
	100	27 Jun 2017	100,000	-	-	-	100,000
	100	30 June 2018	150,000	-	-	-	150,000
	100	23 July 2018	150,000	-	-	-	150,000
	100	7 Jul 2020	-	150,000	-	-	150,000
R Davey	100	23 July 2019	150,000	-	-	-	150,000
	180	15 Apr 2016	100,000	-	-	-	100,000
	100	27 Jun 2017	100,000	-	-	-	100,000
	100	30 June 2018	150,000	-	-	-	150,000
	100	7 Jul 2020	-	150,000	-	-	150,000
P Flindell	160	3 October 2018	62,500	-	-	-	62,500
	100	24 July 2019	150,000	-	-	-	150,000
	100	7 Jul 2020	-	150,000	-	-	150,000
K Harcourt	100	7 Jul 2020	-	50,000	-	-	50,000

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 2015 was 21.75p (2014: 67.5p).

The market price during the year ranged from 20p to 76p (2014: 55p to 118p).

No directors had any interests in warrants to subscribe for ordinary shares of the company during the year.

**5. FINANCE INCOME**

	31.12.15	31.12.14
	£	£
Deposit account interest	<u>5,068</u>	<u>3,567</u>

**6. LOSS BEFORE TAX**

The loss before tax is stated after charging:

	31.12.15	31.12.14
	£	£
Depreciation – owned assets	1,752	1,853
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	20,000	21,000
Foreign exchange differences	5,428	26,434
Impairment of intangible assets (See note 11)	34,782	37,156
Rent – operating leases	6,945	6,945

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**7. TAXATION**

<b>Analysis of the tax charge</b>	31.12.15	31.12.14
	£	£
Current tax:		
Tax	-	-
	<hr/>	<hr/>
Total tax charge in income statement	<hr/>	<hr/>

**Reconciliation of the tax charge**

	31.12.15	31.12.14
	£	£
Loss before tax	<u>(2,268,464)</u>	<u>(3,262,163)</u>
Loss before tax multiplied by standard rate of Corporation tax in the UK of 20% (2014: 20%)	(453,693)	(652,433)
Effects of:		
Non-taxation income/(non-deductible expenses)	(12,887)	(15,318)
Deferred tax not provided	466,580	667,751
Differences in overseas taxation rates	<hr/>	<hr/>
	-	-
Total tax charge in income statement	<hr/>	<hr/>

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 £2,427,709 (2014: £1,976,594).

**8. LOSS OF PARENT COMPANY**

As permitted by Section 408 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 £2,268,465 (2014: £2,457,341).

**9. 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:

	31.12.15	31.12.14
	£	£
<b>Basic earnings per share</b>		
Loss for the year	3,061,611	3,262,163
Weighted average number of shares	40,183,746	40,183,746
Loss per share (in pence)	<hr/>	<hr/>

**Diluted earnings per share**

In accordance with IAS 33 and as the Group has reported a loss for the year, the share options and warrants as detailed in note 17 are anti-dilutive. Accordingly, diluted earnings per share is the same as basic earnings per share.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**10. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	Improvements to rental property £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Computer equipment & software £	Totals £
<b>Cost or valuation:</b>						
At 1 January 2014	166,806	101,389	31,341	126,598	57,438	483,572
Additions	17,598	4,196	2,632	65	7,057	31,548
Exchange difference	(8,898)	(5,387)	(1,511)	(6,729)	(2,243)	(24,768)
At 31 December 2014	175,506	100,198	32,462	119,934	62,252	490,352
Additions	17,773	47,544	1,152	3,915	2,050	72,434
Disposals	-	-	(816)	(14,188)	(3,819)	(18,823)
Exchange difference	11,833	6,285	1,204	8,156	1,824	29,302
At 31 December 2015	205,112	154,027	34,002	117,817	62,307	573,265
<b>Accumulated depreciation and impairment:</b>						
At 1 January 2014	(20,869)	(29,776)	(22,451)	(63,425)	(48,526)	(185,047)
Charge for period	4,483	(4,344)	(1,510)	(6,414)	(2,858)	(10,643)
Exchange difference	7,568	6,935	1,912	8,096	2,386	26,897
At 31 December 2014	(8,818)	(27,185)	(22,049)	(61,743)	(48,998)	(168,793)
Charge for period	(19,546)	(26,268)	(3,633)	(17,193)	(6,096)	(72,736)
Exchange difference	(12,425)	(6,545)	(621)	5,773	595	(13,223)
At 31 December 2015	(40,789)	(59,998)	(26,303)	(73,163)	(54,499)	(254,752)
<b>Net Book Value:</b>						
At 31 December 2014	166,688	73,013	10,413	58,191	13,253	321,558
At 31 December 2015	164,323	94,029	7,699	44,654	7,808	318,513

The current year depreciation charge for the subsidiaries of £70,985 (2014: £8,543) is included within the addition to exploration costs in the year.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**10. PROPERTY, PLANT AND EQUIPMENT – continued**

<b>Company</b>	Fixtures & fittings £	Computer Equipment £	Totals £
<b>Cost:</b>			
At 1 January 2014	2,601	14,736	17,337
Additions	-	707	707
	-----	-----	-----
At 1 January 2015	2,601	15,443	18,044
Additions	-	-	-
	-----	-----	-----
At 31 December 2015	2,601	15,443	18,044
	-----	-----	-----
<b>Depreciation:</b>			
At 1 January 2014	(767)	(12,368)	(13,135)
Charge for the year	(650)	(1,203)	(1,853)
	-----	-----	-----
At 1 January 2015	(1,417)	(13,571)	(14,988)
Charge for the year	(651)	(1,101)	(1,752)
	-----	-----	-----
At 31 December 2015	(2,068)	(14,672)	(16,740)
	-----	-----	-----
<b>Net Book Value:</b>			
At 31 December 2014	1,184	1,872	3,056
	-----	-----	-----
<b>Net book Value:</b>			
At 31 December 2015	533	771	1,304
	-----	-----	-----

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**11. INTANGIBLE ASSETS**

<b>Group</b>	Exploration costs £	Mineral resources £	Licences £	Total £
<b>Cost or valuation:</b>				
At 1 January 2014	13,950,365	3,326,448	472,036	17,748,849
Additions	1,310,793	286,134	-	1,596,927
Exchange difference	326,212	-	-	326,212
At 31 December 2014	<u>15,587,370</u>	<u>3,612,582</u>	<u>472,036</u>	<u>19,671,988</u>
Additions	2,223,078	-	-	2,223,078
Disposals	-	(428,882)	-	(428,882)
Exchange difference	7,560	-	-	7,560
At 31 December 2015	<u>17,818,008</u>	<u>3,183,700</u>	<u>472,036</u>	<u>21,473,744</u>
<b>Accumulated depreciation and impairment:</b>				
At 1 January 2014	(1,892,175)	(663,510)	(472,036)	(3,027,721)
Impairment for year	(37,156)	-	-	(37,156)
At 31 December 2014	<u>(1,929,331)</u>	<u>(663,510)</u>	<u>(472,036)</u>	<u>(3,064,877)</u>
Impairment for year	(34,782)	-	-	(34,782)
At 31 December 2015	<u>(1,964,113)</u>	<u>(663,510)</u>	<u>(472,036)</u>	<u>(3,099,659)</u>
<b>Net Book Value:</b>				
At 31 December 2014	<u>13,658,039</u>	<u>2,949,072</u>	<u>-</u>	<u>16,607,111</u>
At 31 December 2015	<u>15,853,895</u>	<u>2,520,190</u>	<u>-</u>	<u>18,374,085</u>

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.

The Company continues to review its position in El Salvador, in 2015 the Company has had several meetings with officials, and continues to keep local representation in the country.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### 11. 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 £4,028,756 (2014: £4,724,504) at the balance sheet date, the following were considered in the context of the ongoing moratorium in that country;

- 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.
- 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.
- 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.
- Gold and silver prices have increased significantly since the El Salvador projects were last drilled.
- Condor remains committed to continuing its exploration and evaluation activities in the El Salvador project areas
- Another company with 1.7m oz reserves in El Salvador recently announced details of an independent valuation of its assets in excess of \$300 million.
- The directors consider the most likely outcome of the present moratorium will be a resumption of mining activities in El Salvador.
- The purchase of Pacific Rim Mining (in El Salvador) for circa US \$12m or US \$7 per total resource ounce gold equivalent.

In arriving at its assessment as to whether an impairment review is required in relation to its Nicaragua assets, which amounted to £14,345,337 (2014: £13,108,733) 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;
- Results from exploration for evaluation of mineral resources to date lead the directors to believe that the projects can be developed into significant commercial reserves;
- 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.
- Sensitivity analyses have been performed to the key assumptions listed above which would not result in an impairment to these assets.
- The La India Concession was added to Condor's portfolio in late 2010 through a concession swap with Canadian miner B2Gold, following a Letter Agreement signed on 31 August 2010 between Condor and B2Gold. The current 68.5 sq km La India Concession was originally part of a much larger, 353.0 sq km El Limon –La India Concession, which in 1994 granted a 3% Net Smelter Royalty ("NSR") to Repadre Capital Corporation. Due to new mining laws, effective in August 2001, much of the El Limon-La India Concession was relinquished to the Government and became available for re-grant. Condor has received legal opinion from its lawyers in Nicaragua that the 3% NSR is invalid under Nicaraguan law. B2Gold provided Condor with a copy of a royalty agreement some 2 years after the concession swap. A hearing was held in Vancouver, Canada in May 2015 regarding the on-going dispute between B2Gold Corporation, Royal Gold Inc and Condor Gold plc over the NSR on the 65km<sup>2</sup> of La India Concession. The judge's ruling at the Vancouver hearing was received in September 2015. To quote the Judge: "In conclusion, I declare that La India Gold S.A. holds La India Concession subject to the royalty originally made between Minera de Occidente S.A. (now Triton, owned by B2Gold) as payor and Repadre Capital Corporation (now Royal Gold) as the present holder. The La India Concession, to the extent that it corresponds on the ground with the original concession subject of the royalty agreement, is, by clause 2.7 of the letter agreement, subject to the obligations of the royalty agreement." Condor has taken legal advice in Canada, Nicaragua and the UK on the implementation and enforceability of a Canadian ruling on a Nicaraguan incorporated company and has appealed the ruling.
- The Company published an updated 43-101 on its website on the 21st December 2014, this includes a PFS on La India Project which has demonstrated a robust, economically viable base case on La India open pit with a post-tax IRR of 22% assuming a US\$1,250 gold price. Maiden Probable Mineral Reserves are 6.9Mt at 3.0g/t for 675,000 oz gold. A 0.8Mtpa plant produces average annual production of 79,300 oz gold over 7 years with lower quartile all-in-sustaining cash costs ("AISC") of US\$690 per oz gold. A high-grade 3g/t gold open pit mineral reserve has resulted in a relatively small 2,300tpd plant with resultant low upfront capital cost of US\$110 million including contingency.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**11. INTANGIBLE ASSETS (CONTINUED)**

- In January 2016 the Company announced the findings of a Whittle Consulting Enterprise Optimisation Study analysing the Net Present Value for four production scenarios; [Note to Reader: The results of the Whittle Optimization Study (as defined in the prospectus to which these financial statements are attached) have been redacted].

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.

**12. INVESTMENTS**

Company	Equity in subsidiary undertakings £	Capital contribution £	Total £
<b>Cost:</b>			
1 January 2014	3,332,026	756,347	4,088,373
Capital contribution relating to share based payment	285,957	234,914	520,871
31 December 2014	3,617,983	991,261	4,609,244
Disposal relating to share based payment	(428,882)	-	(428,882)
At 31 December 2015	3,189,101	991,261	4,180,362
<b>Provision for impairment:</b>			
Charge at 1 January 2014	(663,510)	-	(663,510)
At 31 December 2014 and December 2015	(663,510)	-	(663,510)
<b>Net Book Value:</b>			
At 31 December 2014	2,954,473	991,261	3,945,734
At 31 December 2015	2,525,591	991,261	3,516,852

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 11.

The capital contribution relating to share based payments relates to 264,000 share options granted by the Company to employees of a subsidiary undertaking in the Group during the previous year. Refer to note 17 for further details of 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	(768,867)	(1,251)
Condor S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,195,273)	(138,580)
La India Gold S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,013,388)	(618,533)
Cerro Quirioz Gold S.A.	Nicaragua	20	Ordinary	Gold and silver exploration	-	-

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**13. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	31.12.15	31.12.14	31.12.15	31.12.14
	£	£	£	£
Current:				
Other receivables	911,858	897,919	4,919	23,242
Prepayments	33,469	69,497	28,348	48,166
	<u>945,327</u>	<u>967,416</u>	<u>33,267</u>	<u>71,408</u>
Non-current:				
Amounts owed by Group undertakings	-	-	20,208,037	18,025,864
Provision	-	-	<u>(1,656,013)</u>	<u>(1,656,013)</u>
	<u>-</u>	<u>-</u>	<u>18,552,024</u>	<u>16,369,851</u>
	<u>945,327</u>	<u>967,416</u>	<u>18,585,291</u>	<u>16,441,259</u>

In assessing whether an impairment is required for the carrying value of the amounts owed by Group undertakings to the Company, reference has been made to the underlying intangible assets discussed in note 11.

**14. FINANCIAL INSTRUMENTS**

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

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

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

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

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

**14.1 Financial instruments by category**

	Group		Company	
	31.12.15	31.12.14	31.12.15	31.12.14
	£	£	£	£
<b>Assets as per balance sheet</b>				
Loans and receivables:				
Other receivables	945,327	967,416	33,267	71,408
Cash and cash equivalents	<u>1,105,457</u>	<u>4,761,128</u>	<u>1,083,086</u>	<u>4,749,512</u>
Total	<u>2,050,784</u>	<u>5,728,544</u>	<u>1,116,353</u>	<u>4,820,920</u>

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**14. FINANCIAL INSTRUMENTS – continued**

	Group		Company	
	31.12.15	31.12.14	31.12.15	31.12.14
	£	£	£	£
<b>Liabilities as per balance sheet</b>				
Loans and receivables:				
Trade and other payables	280,522	315,772	294,105	304,864
Accrued expenses	<u>279,462</u>	<u>255,345</u>	<u>184,909</u>	<u>178,231</u>
<b>Total</b>	<u><u>559,984</u></u>	<u><u>571,117</u></u>	<u><u>479,014</u></u>	<u><u>483,095</u></u>

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

**14.2 Financial risk management objectives and policies**

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

(a) Foreign currency exchange risks

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

At 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	
	2015	2014	2015	2014
USD	0.6540	0.6072	0.6745	0.6437
1				
NIO 1	0.0239	0.0231	0.0238	0.0240

A decrease of 1% in the relative strength of sterling (GBP) to US dollars (USD) would result in an increased realised foreign exchange losses of £5,040 (2014: £4,409).

The Nicaraguan Cordoba (NIO) is set on a crawling peg to the US Dollar, with a fixed 5% devaluation per annum. Therefore the Directors do not currently consider any change in the relative strength of the Cordoba to be a risk to the Company. Should NIO break away from its crawling peg to the USD, the Directors will review this risk.

(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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**14. FINANCIAL INSTRUMENTS – continued**

(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 set out within the Strategic Report on pages 6 – 8.

At 31 December 2015 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	31.12.15		31.12.14	
	£	Weighted average interest rate	£	Weighted average interest rate
Financial assets:				
GBP – cash and cash equivalents	1,083,086	0.20%	4,749,512	0.20%
USD – cash and cash equivalents	685	0.00%	1,249	0.00%
NIO – cash and cash equivalents	<u>21,686</u>	0.00%	<u>10,367</u>	0.00%
Total	<u>1,105,457</u>		<u>4,761,128</u>	

A decrease of 1% on the interest rates offered by the bank will result in a decrease in interest receivable of £5,068 (2014: £3,567).

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

**15. TRADE AND OTHER PAYABLES**

	Group		Company	
	31.12.15 £	31.12.14 £	31.12.15 £	31.12.14 £
Current:				
Trade payables	(46,856)	(12,527)	(22,588)	(12,269)
Social security and other taxes	18,124	18,664	7,439	7,499
Other payables	309,254	309,635	309,254	309,634
Accrued expenses	279,462	255,345	184,909	178,231
	<u>559,984</u>	<u>571,117</u>	<u>479,014</u>	<u>483,095</u>
Total	<u>559,984</u>	<u>571,117</u>	<u>479,014</u>	<u>483,095</u>

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 directors do not consider that is a material risk to the Group.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**16. CALLED UP SHARE CAPITAL AND SHARE PREMIUM**

	Number of shares (thousands)	Ordinary shares £	Share premium £	Total £
At 31 December 2014	38,223	7,664,792	22,228,265	29,893,057
Proceeds from shares issued	7,584	1,496,671	5,214,463	6,711,134
At 31 December 2014	<u>45,807</u>	<u>9,161,463</u>	<u>27,442,728</u>	<u>36,604,191</u>
Proceeds from shares issued	-	-	-	-
At 31 December 2015	<u>45,807</u>	<u>9,161,463</u>	<u>27,442,728</u>	<u>36,604,191</u>

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

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

a) Share Options

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

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

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

Details of the share options outstanding during 2014 were as follows:

Date of Grant	1 January 2014 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2014	Date from which options are first exercisable	Lapse date
10/09/2009	50,000	-	-	-	50,000	11/09/2010	10/09/2014**
31/12/2010	50,000	-	-	-	50,000	01/11/2011	31/12/2015
15/04/2011	717,400	-	-	-	717,400	16/04/2014	15/04/2016
15/08/2011	43,500	-	-	-	43,500	16/07/2012	18/08/2016
10/10/2011	20,000	-	-	-	20,000	16/07/2012	10/10/2016
20/12/2012	847,000	-	-	(89,300)	757,700	21/12/2013	20/12/2017
01/07/2013	1,412,500	-	-	(12,500)	1,400,000	01/07/2014	30/06/2018
23/07/2014	-	1,530,500	-	(17,000)	1,513,500	24/07/2015	22/07/2019
	<u>3,140,400</u>	<u>1,530,500</u>	-	<u>(118,800)</u>	<u>4,552,100</u>		

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

Details of the share options outstanding during 2015 were as follows:

Date of Grant	1 January 2015 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2015	Date from which options are first exercisable	Lapse date
10/09/2009	50,000	-	-	(50,000)	-	11/09/2010	10/09/2014
31/12/2010	50,000	-	-	(50,000)	-	01/11/2011	31/12/2015
15/04/2011	717,400	-	-	(247,400)	470,000	16/04/2014	15/04/2016
15/08/2011	43,500	-	-	(43,500)	-	16/07/2012	18/08/2016
10/10/2011	20,000	-	-	(20,000)	-	16/07/2012	10/10/2016
20/12/2012	757,700	-	-	(211,300)	546,400	21/12/2013	20/12/2017
01/07/2013	1,400,000	-	-	(259,900)	1,140,100	01/07/2014	30/06/2018
23/07/2014	1,513,500	-	-	(100,000)	1,413,500	24/07/2015	22/07/2019
07/07/2015	-	1,429,000	-	(62,000)	1,367,000	07/07/2015	06/07/2020
	4,552,100	1,429,000	-	(1,044,100)	4,937,000		

During the year 340,000 share options expired (2014: 37,500) and 704,100 were forfeited (2014: 81,300).

The weighted average exercise price per share is 157p (2014: 142p) and the average contractual life is 5 years (2014: 5 years).

The estimated fair value of the options and warrants granted in 2015 was £773,891 (2014: £1,152,275) 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:

	2015	2014
Share price	61p	86p
Exercise price	67p	100p
Expected volatility	147.26%	144.38%
Expected life (yrs.)	5	5
Risk free rate	0.820%	1.370%
Expected dividend yield	-	-

A movement from the share option reserve of £319,518 (2014: £685,010) 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 4 years (2014: 3 years).

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

b) Warrants

During the year the Company did not issue any warrants to its consultants for services provided (2014: NIL). No warrants were issued as part of share subscriptions during the year (2014: 1,950,000).

The warrants all previously issued had a maximum life of two and a half years from the date they were issued, other than the 2014 warrants which have a 4 year life.

The estimated fair value of the warrants granted in 2015 was £NIL (2014: £1,357,423).

This fair value has been calculated using the Black-Scholes option pricing model as detailed above.

**18. RELATED PARTY TRANSACTIONS**

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

Company	Related party	31.12.15 £	31.12.14 £	Outstanding at year end £
Burnbrae Limited	J Mellon	2,000	25,000	-
Axial Associates Limited	M L Child	50,000	50,000	-
	P Flindell	11,538	54,490	3,750
	K Harcourt	13,204	-	-

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 loaned funds to its subsidiaries details of which are set out below:

	31.12.15	31.12.14
<b>Condor S.A.</b>	£	£
Brought forward loan balance	3,253,314	2,519,823
Additional loans during the period	614,694	715,491
Closing balance	<u>3,868,008</u>	<u>3,235,314</u>
	31.12.15	31.12.14
<b>Minerales Morazan S.A.</b>	£	£
Brought forward loan balance	2,045,674	2,008,136
Additional loans during the period	37,785	37,538
Closing balance	<u>2,083,459</u>	<u>2,045,674</u>
	31.12.15	31.12.14
<b>La India Gold S.A.</b>	£	£
Brought forward loan balance	11,088,863	9,935,630
Additional loans during the period	1,511,694	1,153,233
Closing balance	<u>12,600,557</u>	<u>11,088,863</u>

**19. OPERATING LEASES**

The Group has an operating lease for rent. The total value of minimum lease payments is £16,670 (2014: £16,670), and the amount due within one year is £8,335 (2014: £8,335).

**20. CONTROLLING PARTY**

There is no ultimate controlling party.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**21. POST BALANCE SHEET EVENTS**

After the year end a placement was completed with proceeds amounting to £2.6m, issuing 6,445,000 shares and 4,296,667 warrants with an exercise price of 60 pence, two year life and exercise consideration of £2.58m, should they all be exercised.

**22. CONTINGENT LIABILITIES**

A previous claim made by an ex-employee (Mr P O'Hare) was settled during the period. A payment has been made to settle with the ex-employee, being £550,000, and an initial payment of £250,000 towards legal costs. However, the legal costs are yet to be agreed and Condor are currently working to agree the legal costs via mediation.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF**  
**CONDOR GOLD PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

We have audited the financial statements of Condor Gold Plc for the year ended 31 December 2014 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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, 11, 12 and 13 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 AUDITOR TO THE**  
**MEMBERS OF CONDOR GOLD PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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

In our opinion the information given in the Strategic Report and 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.

Leo Malkin (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: 26 May 2015

Note: The maintenance and integrity of the Condor Gold Plc website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and accordingly the auditor accepts 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 GOLD PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	Year Ended 31.12.14 £	Year Ended 31.12.13 £
Administrative expenses		(3,265,730)	(2,917,034)
Operating loss	6	<u>(3,265,730)</u>	<u>(2,917,034)</u>
Finance income	5	<u>3,567</u>	<u>8,367</u>
Loss before income tax		<u>(3,262,163)</u>	<u>(2,908,667)</u>
Income tax expense	7	-	-
<b>Loss for the year</b>		<b><u>(3,262,163)</u></b>	<b><u>(2,908,667)</u></b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation differences		335,494	(219,298)
<b>Other comprehensive (loss) / income for the year</b>		<b><u>335,494</u></b>	<b><u>(219,298)</u></b>
<b>Total comprehensive loss for the year</b>		<b><u>(2,926,669)</u></b>	<b><u>(3,127,965)</u></b>
<b>Loss attributable to:</b>			
Non-controlling interest		(4,352)	(3,755)
Owners of the parent		<u>(3,257,811)</u>	<u>(2,904,912)</u>
		<b><u>(3,262,163)</u></b>	<b><u>(2,908,667)</u></b>
<b>Total comprehensive loss attributable to:</b>			
Non-controlling interest		(1,748)	(1,868)
Owners of the parent		<u>(2,924,921)</u>	<u>(3,126,097)</u>
		<b><u>(2,926,669)</u></b>	<b><u>(3,127,965)</u></b>
<b>Loss per share expressed in pence per share:</b>			
Basic and diluted (in pence)	9	<u>8.12</u>	<u>7.79</u>

The notes in pages A-72 to A-93 form an integral part of these financial statements

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

	Notes	31.12.14 £	31.12.13 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	321,558	298,525
Intangible assets	11	16,607,111	14,721,128
		<u>16,928,669</u>	<u>15,019,653</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	967,416	978,715
Cash and cash equivalents		<u>4,761,128</u>	<u>2,268,470</u>
		<u>5,728,544</u>	<u>3,247,185</u>
<b>TOTAL ASSETS</b>		<b><u>22,657,213</u></b>	<b><u>18,266,838</u></b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<u>571,117</u>	<u>650,217</u>
<b>TOTAL LIABILITIES</b>		<b><u>571,117</u></b>	<b><u>650,217</u></b>
<b>NET CURRENT ASSETS</b>		<u>5,157,427</u>	<u>2,596,968</u>
<b>NET ASSETS</b>		<b><u>22,086,096</u></b>	<b><u>17,616,621</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	9,161,463	7,664,792
Share premium		27,442,728	22,228,265
Legal reserves		71	71
Exchange difference reserve		710,476	374,982
Share options reserve		3,236,680	2,551,670
Retained earnings		(18,465,322)	(15,203,159)
		<u>22,086,096</u>	<u>17,616,621</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO:</b>			
Non-controlling interest		(73,187)	(68,877)
Owners of the parent		<u>22,159,283</u>	<u>17,685,498</u>
		<b><u>22,086,096</u></b>	<b><u>17,616,621</u></b>

The financial statement were approved and authorised for issue by the Board of directors on 26 May 2015 and were signed on its behalf by:



M L Child - Chairman  
Company No: 05587987

The notes in pages A-72 to A-93 form an integral part of these financial statements

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2014**

	Share Capital	Share premium	Legal reserve	Exchange difference reserve	Share option reserve	Retained earnings	Total	Non Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£	£
At 1 January 2013	6,679,826	15,928,571	71	591,700	1,873,151	(12,225,441)	12,847,878	(66,471)	12,781,407
Comprehensive income:									
Loss for the year	-	-	-	-	-	(2,904,912)	(2,904,912)	(3,755)	(2,908,667)
Other comprehensive income:									
Currency translation differences	-	-	-	(220,647)	-	-	(220,647)	1,349	(219,298)
<b>Total comprehensive income</b>	<b>6,679,826</b>	<b>15,928,571</b>	<b>71</b>	<b>371,053</b>	<b>1,873,151</b>	<b>(15,130,353)</b>	<b>9,722,319</b>	<b>(68,877)</b>	<b>9,653,442</b>
New shares issued	984,966	6,299,694	-	-	-	-	7,284,660	-	7,284,660
Share based payment	-	-	-	-	678,519	-	678,519	-	678,519
<b>At 31 December 2013</b>	<b>7,664,792</b>	<b>22,228,265</b>	<b>71</b>	<b>371,053</b>	<b>2,551,670</b>	<b>(15,130,353)</b>	<b>17,685,498</b>	<b>(68,877)</b>	<b>17,616,621</b>
Comprehensive income:									
Loss for the year	-	-	-	-	-	(3,257,812)	(3,257,812)	(4,351)	(3,262,163)
Other comprehensive income:									
Currency translation differences	-	-	-	335,453	-	-	335,453	41	335,494
<b>Total comprehensive income</b>	<b>7,664,792</b>	<b>22,228,265</b>	<b>71</b>	<b>706,506</b>	<b>2,551,670</b>	<b>(18,388,165)</b>	<b>14,763,139</b>	<b>(73,187)</b>	<b>14,689,952</b>
New shares issued	1,496,671	5,214,463	-	-	-	-	6,711,134	-	6,711,134
Share based payment	-	-	-	-	685,010	-	685,010	-	685,010
<b>At 31 December 2014</b>	<b>9,161,463</b>	<b>27,442,728</b>	<b>71</b>	<b>706,506</b>	<b>3,236,680</b>	<b>(18,388,165)</b>	<b>22,159,283</b>	<b>(73,187)</b>	<b>22,086,096</b>

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.

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

	Notes	31.12.14 £	31.12.13 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	3,056	4,202
Investments	12	3,945,734	3,424,863
Other receivables	13	16,369,851	14,463,589
		<u>20,318,641</u>	<u>17,892,654</u>
<b>CURRENT ASSETS</b>			
Other receivables	13	71,408	173,393
Cash and cash equivalents		<u>4,749,512</u>	<u>2,232,489</u>
		4,820,920	2,405,882
<b>TOTAL ASSETS</b>		<b><u>25,139,561</u></b>	<b><u>20,298,536</u></b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<u>483,095</u>	<u>580,873</u>
<b>TOTAL LIABILITIES</b>		<b><u>483,095</u></b>	<b><u>580,873</u></b>
<b>NET CURRENT ASSETS</b>		<u>4,337,825</u>	<u>1,825,009</u>
<b>NET ASSETS</b>		<b><u>24,656,466</u></b>	<b><u>19,717,663</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	9,161,463	7,664,792
Share premium		27,442,728	22,228,265
Share options reserve		3,236,680	2,551,670
Retained earnings		<u>(15,184,405)</u>	<u>(12,727,064)</u>
<b>TOTAL EQUITY</b>		<b><u>24,656,466</u></b>	<b><u>19,717,663</u></b>

The financial statements were approved and authorised for issue by the Board of directors on 26 May 2015 and were signed on its behalf by:



M L Child  
Chairman

**Company No: 05587987**

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2014**

	Share capital	Share premium	Share option reserve	Retained earnings	Total
	£	£	£	£	£
At 1 January 2013	6,679,826	15,928,571	1,873,151	(10,404,635)	14,076,913
Comprehensive income:					
Loss for the period	-	-	-	(2,322,429)	(2,322,429)
Total comprehensive income	6,679,826	15,928,571	1,873,151	(12,727,064)	11,754,484
New shares issued	984,966	6,299,694	-	-	7,284,660
Share based payment	-	-	678,519	-	678,519
At 31 December 2013	7,664,792	22,228,265	2,551,670	(12,727,064)	19,717,663
Comprehensive income:					
Loss for the period	-	-	-	(2,457,341)	(2,457,341)
Total comprehensive income	7,664,792	22,228,265	2,551,670	(15,184,405)	17,260,322
New shares issued	1,496,671	5,214,463	-	-	6,711,134
Share based payment	-	-	685,010	-	685,010
At 31 December 2014	9,161,463	27,442,728	3,236,680	(15,184,405)	24,656,466

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.

The notes in pages A-72 to A-93 form an integral part of these financial statements

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	31.12.14	31.12.13
	£	£
<b>Cash flows from operating activities</b>		
Loss before tax	(3,262,163)	(2,908,667)
Share based payment	685,010	678,519
Depreciation charges	10,643	53,988
Impairment charge of intangible fixed assets	37,156	33,517
Finance income	(3,567)	(8,367)
	<u>(2,532,921)</u>	<u>(2,151,010)</u>
Decrease/(increase) in trade and other receivables	11,299	(458,164)
Increase/(decrease) in trade and other payables	(79,100)	(49,071)
	<u>(2,600,722)</u>	<u>(2,658,245)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(31,544)	(132,868)
Purchase of intangible fixed assets	(1,350,079)	(5,233,589)
Interest received	3,567	8,367
	<u>(1,378,056)</u>	<u>(5,358,090)</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	<u>6,711,134</u>	<u>7,284,660</u>
	<u>6,711,134</u>	<u>7,284,660</u>
(Decrease) / increase in cash and cash equivalents	<u>2,732,356</u>	<u>(731,675)</u>
Cash and cash equivalents at beginning of year	2,268,470	2,481,503
Exchange gains cash and bank	(239,698)	518,642
	<u>4,761,128</u>	<u>2,268,470</u>

The notes in pages A-72 to A-93 form an integral part of these financial statements

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Year Ended 31.12.14 £	Year Ended 31.12.13 £
<b>Cash flows from operating activities</b>		
Loss before tax	(2,457,341)	(2,322,430)
Share based payment	164,139	459,676
Depreciation charges	1,853	1,492
Finance income	(3,538)	(8,352)
	<u>(2,294,887)</u>	<u>(1,869,614)</u>
Increase / (decrease) in trade and other receivables	(1,804,277)	(5,836,014)
Decrease / (increase) in trade and other payables	(97,778)	191,688
	<u>(4,196,942)</u>	<u>(7,513,940)</u>
<b>Cash flows from investing activities</b>		
Interest received	3,538	8,352
Purchase of tangible fixed assets	(707)	(2,179)
	<u>2,831</u>	<u>6,173</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	6,711,134	7,284,660
	<u>6,711,134</u>	<u>7,284,660</u>
(Decrease) / increase in cash and cash equivalents	<u>2,517,023</u>	<u>(223,107)</u>
Cash and cash equivalents at beginning of year	2,232,489	2,455,596
	<u>4,749,512</u>	<u>2,232,489</u>

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. ACCOUNTING

##### **POLICIES General information**

These consolidated financial statements are for Condor Gold 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. 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. On the basis of those cash flow projections, the directors consider that the Company is unlikely to require additional financial resources in the twelve month period from the date of approval of these financial statements to enable the Company to undertake its planned programme of exploration activity and to meet its commitments. The directors are confident that should predictions change and the Company requires further financing that they will be able to raise the required funds and/or manage the level of expenditure and therefore consider the going concern basis to be appropriate.

The financial statements have been rounded to the nearest pound.

##### **Interpretations and amendments to published standards effective in 2014**

The following are the new IFRS and IFRIC interpretations and amendments to published standards effective in 2014 that are relevant to the Group:

- IAS 19 Amendment – Employee Benefits
- IAS 12 Amendments - Deferred tax: Recovery of Underlying Assets
- IFRS 7 and IAS 32 Offsetting financial assets and financial liabilities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IFRS 10 Consolidated Financial Statements

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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**1. ACCOUNTING POLICIES - continued**

**Standards, amendments and interpretations to published standards not yet effective**

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that any will have a material impact on the future results of the Group.

**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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**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 its 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.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 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 deductible 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 deductible 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it 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 all costs which are directly attributable to the exploration of a project area.

Licences costs are those acquiring mineral rights and, the entry premiums paid to gain access to areas of interest.

Mineral resources costs are those 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.

## CONDOR GOLD PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 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.

##### **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 11, 12 and 13.

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, and the board remain hopeful that the moratorium in El Salvador will be lifted and that the Company's significant assets in El Salvador will once again be able to be further utilised.

##### **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 going concern, price volatility, future dividend yields, expected life of the options and interest rates. These assumptions are described in more detail in note 17.

##### **c) Going Concern**

The Group reviews its going concern status, via comparisons to budgets, cash flow forecasts, and access to further financing. At the balance sheet date the group had £4,761,128 of cash, and is currently not projecting to require a further cash injection within the next 12 months. The Group's financial statements have been prepared on a going concern basis. The Group's financial statements do not reflect any adjustments as would be required if they were prepared on any other basis.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. REVENUE AND SEGMENTAL REPORTING**

The Group's operating segments have been determined based on geographical areas.

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

**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 2014 are as follows:

	<b>UK</b> <b>£</b>	<b>El Salvador</b> <b>£</b>	<b>Nicaragua</b> <b>£</b>	<b>Consolidation</b> <b>£</b>
<b>RESULTS</b>				
Operating loss	2,460,879	43,545	761,306	3,265,730
Interest income	3,538	29	-	3,567
Income tax expense	-	-	-	-
<b>Included in operating loss</b>				
Impairment of intangibles	-	37,158	-	37,158
Depreciation	1,853	-	8,790	10,643

The Group's results by reportable segment for the year ended 31 December 2013 are as follows:

	<b>UK</b> <b>£</b>	<b>El Salvador</b> <b>£</b>	<b>Nicaragua</b> <b>£</b>	<b>Consolidation</b> <b>£</b>
<b>RESULTS</b>				
Operating (profit)/loss	2,330,782	37,565	548,687	2,917,034
Interest income	8,352	15	-	8,367
Income tax expense	-	-	-	-
<b>Included in operating loss</b>				
Impairment of intangibles	-	33,517	-	33,517
Depreciation	1,492	-	52,496	53,988

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. REVENUE AND SEGMENTAL REPORTING - continued**

**Assets - 2014**

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

	<b>UK £</b>	<b>El Salvador £</b>	<b>Nicaragua £</b>	<b>Consolidation £</b>
<b>ASSETS</b>				
Total assets	4,823,976	4,724,504	13,108,733	22,657,213
<b>LIABILITIES</b>				
Total liabilities	483,095	562	87,460	571,117

The group had intercompany debt owed to the UK at 31 December 2014 split segmentally as follows: Due from El Salvador £2,045,674  
Due from Nicaragua £14,324,177

**Assets - 2013**

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

	<b>UK £</b>	<b>El Salvador £</b>	<b>Nicaragua £</b>	<b>Consolidation £</b>
<b>ASSETS</b>				
Total assets	2,410,084	4,305,420	11,551,334	18,266,838
<b>LIABILITIES</b>				
Total liabilities	580,873	1,074	68,270	650,217

The Group had intercompany debt owed to the UK at 31 December 2013 split segmentally as follows:  
Due from El Salvador £2,008,136  
Due from Nicaragua £12,455,453

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**4. STAFF COSTS**

	31.12.14	31.12.13
	£	£
Wages and salaries	2,163,922	1,450,170
Social security costs	<u>138,505</u>	<u>76,545</u>
	<u>2,302,427</u>	<u>1,526,715</u>

Staff costs included within additions to exploration costs during the year were £2,080,548 (2013: £1,285,889).

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

	Group		Company	
	2014	2013	2014	2013
Directors	4	3	4	3
Employees	<u>85</u>	<u>83</u>	<u>2</u>	<u>1</u>
	<u>89</u>	<u>86</u>	<u>6</u>	<u>4</u>

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

Short Term Employee Benefits:	Salary Payments		Related Party Payments *		Total	
	2014	2013	2014	2013	2014	2013
	£	£	£	£	£	£
M L Child	100,000	100,000	50,000	55,000	150,000	155,000
J Mellon	-	-	25,000	16,000	25,000	16,000
R Davey	30,000	31,000	-	-	30,000	31,000
P Flindell	-	-	54,490	-	54,490	-
Total	<u>125,000</u>	<u>131,000</u>	<u>129,490</u>	<u>71,000</u>	<u>254,490</u>	<u>202,000</u>

\* 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.

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**4. STAFF COSTS - continued**

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 2014	Granted during the year	Exercised in the year	Lapsed in the year	As at 31 December 2014
<b>DIRECTORS</b>							
M L Child	100	23 July 2018	-	600,000	-	-	600,000
	180	15 Apr 2016	250,000	-	-	-	250,000
	100	27 Jun 2017	250,000	-	-	-	250,000
J Mellon	100	30 June 2018	600,000	-	-	-	600,000
	180	15 Apr 2016	250,000	-	-	-	250,000
	100	27 Jun 2017	100,000	-	-	-	100,000
	100	30 June 2018	150,000	-	-	-	150,000
R Davey	100	23 July 2018	-	150,000	-	-	150,000
	100	23 July 2018	-	150,000	-	-	150,000
	180	10 Jan 2012	100,000	-	-	-	100,000
	100	27 Jun 2017	100,000	-	-	-	100,000
P Flindell	100	30 June 2018	150,000	-	-	-	150,000
	160	3 October 2018	62,500	-	-	-	62,500
	100	24 July 2019	-	150,000	-	-	150,000

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 2014 was 67.5p (2013: 67.5p).

The market price during the year ranged from 55p to 118p (2013: 67.5p to 172.5p).

No directors had any interests in warrants to subscribe for ordinary shares of the company during the year.

**5. FINANCE INCOME**

	31.12.14	31.12.13
	£	£
Deposit account interest	<u>3,567</u>	<u>8,367</u>

**6. LOSS BEFORE TAX**

The loss before tax is stated after charging:

	31.12.14	31.12.13
	£	£
Depreciation – owned assets	1,853	1,492
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	21,000	21,000
Foreign exchange differences	26,434	142,427
Impairment of intangible assets (See note 11)	37,158	33,517
Rent – operating leases	6,945	7,177
	<u>93,390</u>	<u>205,613</u>

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**7. TAXATION**

<b>Analysis of the tax charge</b>	31.12.14	31.12.13
	£	£
Current tax:		
Tax	-	-
Total tax charge in income statement	<u>-</u>	<u>-</u>

**Reconciliation of the tax charge**

	31.12.14	31.12.13
	£	£
Loss before tax	<u>(3,262,163)</u>	<u>(2,908,667)</u>
Loss before tax multiplied by standard rate of Corporation tax in the UK of 20% (2013: 20%)	(652,433)	(581,733)
Effects of:		
Non-taxation income/(non-deductible expenses)	(15,318)	(10,350)
Deferred tax not provided	667,751	592,083
Differences in overseas taxation rates	-	-
Total tax charge in income statement	<u>-</u>	<u>-</u>

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 £3.5 million (2013 £2.9 million).

**8. LOSS OF PARENT COMPANY**

As permitted by Section 408 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 £2,457,341 (2013: £2,322,430).

**9. 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:

	31.12.14	31.12.13
	£	£
<b>Basic earnings per share</b>		
Loss for the year	3,262,163	2,908,667
Weighted average number of shares	40,183,746	37,337,399
Loss per share (in pence)	<u>(8.12)</u>	<u>(7.79)</u>
<b>Diluted earnings per share</b>		

In accordance with IAS 33 and as the Group has reported a loss for the year, the share options and warrants as detailed in note 17 are anti-dilutive. Accordingly, diluted earnings per share is the same as basic earnings per share.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. PROPERTY, PLANT AND EQUIPMENT**

	Improvements to rental property £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Computer equipment & software £	Totals £
<b>Group</b>						
<b>Cost or valuation:</b>						
At 1 January 2013	116,023	67,759	31,133	103,650	49,443	368,008
Additions	57,449	36,897	1,189	28,200	9,133	132,868
Exchange difference	(6,666)	(3,267)	(981)	(5,252)	(1,138)	(17,304)
At 31 December 2013	166,806	101,389	31,341	126,598	57,438	483,572
Additions	17,598	4,196	2,632	65	7,057	31,548
Exchange difference	(8,898)	(5,387)	(1,511)	(6,729)	(2,243)	(24,768)
At 31 December 2014	175,506	100,198	32,462	119,934	62,252	490,352
<b>Accumulated depreciation and impairment:</b>						
At 1 January 2013	(11,602)	(15,566)	(20,250)	(48,770)	(43,653)	(139,841)
Charge for period	(14,321)	(14,478)	(2,681)	(16,753)	(5,755)	(53,988)
Exchange difference	5,054	268	480	2,098	882	8,782
At 31 December 2013	(20,869)	(29,776)	(22,451)	(63,425)	(48,526)	(185,047)
Charge for period	4,483	(4,344)	(1,510)	(6,414)	(2,858)	(10,643)
Exchange difference	7,568	6,935	1,912	8,096	2,386	26,897
At 31 December 2014	(8,818)	(27,185)	(22,049)	(61,743)	(48,998)	(168,793)
<b>Net Book Value:</b>						
At 31 December 2013	145,937	71,613	8,890	63,173	8,912	298,525
At 31 December 2014	166,688	73,013	10,413	58,191	13,253	321,558

The current year depreciation charge for the subsidiaries of £8,543 (2013: £52,496) is included within the addition to exploration costs in the year.

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**10. PROPERTY, PLANT AND EQUIPMENT – continued**

<b>Company</b>	Fixtures & fittings £	Computer Equipment £	Totals £
<b>Cost:</b>			
At 1 January 2014	2,601	14,736	17,337
Additions	-	707	707
At 31 December 2014	<u>2,601</u>	<u>15,443</u>	<u>18,044</u>
<b>Depreciation:</b>			
At 1 January 2013	(139)	(11,504)	(11,643)
Charge for the year	(628)	(864)	(1,492)
At 1 January 2014	(767)	(12,368)	(13,135)
Charge for the year	(650)	(1,203)	(1,853)
At 31 December 2014	<u>(1,417)</u>	<u>(13,571)</u>	<u>(14,988)</u>
<b>Net Book Value:</b>			
At 31 December 2013	<u>1,834</u>	<u>2,368</u>	<u>4,202</u>
<b>Net book Value:</b>			
At 31 December 2014	<u>1,184</u>	<u>1,872</u>	<u>3,056</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**11. INTANGIBLE ASSETS**

	Exploration costs £	Mineral resources £	Licences £	Total £
<b>Group</b>				
<b>Cost or valuation:</b>				
At 1 January 2013	9,446,196	3,326,448	472,036	13,244,680
Additions	5,253,947	-	-	5,253,947
Exchange difference	<u>(749,778)</u>	<u>-</u>	<u>-</u>	<u>(749,778)</u>
At 31 December 2013	13,950,365	3,326,448	472,036	17,748,849
Additions	1,310,793	286,134	-	1,596,927
Exchange difference	<u>326,212</u>	<u>-</u>	<u>-</u>	<u>326,214</u>
At 31 December 2014	<u>15,587,370</u>	<u>3,612,582</u>	<u>472,036</u>	<u>19,671,988</u>
<b>Accumulated depreciation and impairment:</b>				
At 1 January 2013	(1,858,660)	(663,510)	(472,036)	(2,994,206)
Impairment for year	<u>(33,515)</u>	<u>-</u>	<u>-</u>	<u>(33,515)</u>
At 31 December 2013	<u>(1,892,175)</u>	<u>(663,510)</u>	<u>(472,036)</u>	<u>(3,027,721)</u>
Impairment for year	<u>(37,156)</u>	<u>-</u>	<u>-</u>	<u>(37,156)</u>
At 31 December 2014	<u>(1,929,331)</u>	<u>(663,510)</u>	<u>(472,036)</u>	<u>(3,064,877)</u>
<b>Net Book Value:</b>				
At 31 December 2013	<u>12,058,190</u>	<u>2,662,938</u>	<u>-</u>	<u>14,721,128</u>
At 31 December 2014	<u>13,658,039</u>	<u>2,949,072</u>	<u>-</u>	<u>16,607,111</u>

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.

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**11. 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 £4,724,504 (2013: £4,305,420) at the balance sheet date, the following were considered in the context of the ongoing moratorium in that country;

- 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.
- 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.
- 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.
- Gold and silver prices have increased significantly since the El Salvador projects were last drilled.
- Condor remains committed to continuing its exploration and evaluation activities in the El Salvador project areas
- Another company with 1.7m oz reserves in El Salvador recently announced details of an independent valuation of its assets in excess of \$300 million.
- The directors consider the most likely outcome of the present moratorium will be a resumption of mining activities in El Salvador
- The purchase of Pacific Rim Mining (in El Salvador) for circa US \$12m or US \$7 per total resource ounce gold equivalent.

In arriving at its assessment as to whether an impairment review is required in relation to its Nicaragua assets, which amounted to £13,108,733 (2013: £11,551,334) 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;
- 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;
- 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.
- Sensitivity analyses have been performed to the key assumptions listed above which would not result in an impairment to these assets.
- The La India Concession was added to Condor's portfolio in late 2010 through a concession swap with Canadian miner B2Gold, following a Letter Agreement signed on 31 August 2010 between Condor and B2Gold. The current 68.5 sq km La India Concession was originally part of a much larger, 353.0 sq km El Limon –La India Concession, which in 1994 granted a 3% Net Smelter Royalty ("NSR") to Repadre Capital Corporation. Due to new mining laws, effective in August 2001, much of the El Limon-La India Concession was relinquished to the Government and became available for re-grant. Condor has received legal opinion from its lawyers in Nicaragua that the 3% NSR is invalid under Nicaraguan law. B2Gold provided Condor with a copy of a royalty agreement some 2 years after the concession swap. The NSR is current the subject of a dispute between B2Gold and Condor. More detail can be found in the Mineral Resource Estimate for La India Project using the National Instrument 43-101 standard of disclosure in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards produced by SRK.
- The Company published an updated 43-101 on its website on the 21<sup>st</sup> December 2014, this includes a PFS on La India Project which has demonstrated a robust, economically viable base case on La India open pit with a post-tax IRR of 22% assuming a US\$1,250 gold price. Maiden Probable Mineral Reserves are 6.9Mt at 3.0g/t for 675,000 oz gold. A 0.8Mtpa plant produces average annual production of 79,300 oz gold over 7 years with lower quartile all-in- sustaining cash costs ("AISC") of US\$690 per oz gold. A high-grade 3g/t gold open pit mineral reserve has resulted in a relatively small 2,300tpd plant with resultant low upfront capital cost of US\$110 million including contingency.

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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**12. INVESTMENTS**

<b>Company</b>	Equity in subsidiary undertakings £	Capital contribution £	Total £
<b>Cost:</b>			
1 January 2013	3,332,026	537,504	3,869,530
Capital contribution relating to share based payment	-	218,843	218,843
	<u>3,332,026</u>	<u>756,347</u>	<u>4,088,373</u>
31 December 2013			
Capital contribution relating to share based payment	285,957	234,914	520,871
	<u>3,617,983</u>	<u>991,261</u>	<u>4,609,244</u>
At 31 December 2014			
<b>Provision for impairment:</b>			
Charge at 1 January 2013	(663,510)	-	(663,510)
	<u>(663,510)</u>	<u>-</u>	<u>(663,510)</u>
At 31 December 2013 and December 2014			
<b>Net Book Value:</b>			
At 31 December 2013	2,668,516	756,347	3,424,863
	<u>2,954,473</u>	<u>991,261</u>	<u>3,945,734</u>
At 31 December 2014			

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 11.

The capital contribution relating to share based payments relates to 264,000 share options granted by the Company to employees of a subsidiary undertaking in the Group during the year, and a further 496,000 from the prior year. Refer to note 17 for further details of 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	(731,871)	(43,516)
Condor S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,199,508)	(267,604)
La India Gold S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,016,988)	(493,702)
Cerro Quiroz Gold S.A.	Nicaragua	20	Ordinary	Gold and silver exploration	-	-

During the prior 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.

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**13. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	31.12.14 £	31.12.13 £	31.12.14 £	31.12.13 £
Current:				
Other receivables	897,919	951,033	23,242	146,054
Prepayments	69,497	27,682	48,166	27,339
	<u>967,416</u>	<u>978,715</u>	<u>71,408</u>	<u>173,393</u>
Non-current:				
Amounts owed by Group undertakings	-	-	18,025,864	16,119,602
Provision	<u>-</u>	<u>-</u>	<u>(1,656,013)</u>	<u>(1,656,013)</u>
	<u>-</u>	<u>-</u>	<u>16,369,851</u>	<u>14,463,589</u>
	<u>967,416</u>	<u>978,715</u>	<u>16,441,259</u>	<u>14,636,982</u>

In assessing whether an impairment is required for the carrying value of the amounts owed by Group undertakings to the Company, reference has been made to the underlying intangible assets discussed in note 11.

**14. FINANCIAL INSTRUMENTS**

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

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

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

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

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

**14.1 Financial instruments by category**

	Group		Company	
	31.12.14 £	31.12.13 £	31.12.14 £	31.12.13 £
<b>Assets as per balance sheet</b>				
Loans and receivables:				
Other receivables	967,416	978,715	71,408	173,393
Cash and cash equivalents	<u>4,761,128</u>	<u>2,268,470</u>	<u>4,749,512</u>	<u>2,232,489</u>
Total	<u>5,728,544</u>	<u>3,247,185</u>	<u>4,820,920</u>	<u>2,405,882</u>

**CONDOR GOLD PLC**

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**14. FINANCIAL INSTRUMENTS – continued**

	Group		Company	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
<b>Liabilities as per balance sheet</b>				
Loans and receivables:				
Trade and other payables	316,287	355,142	304,864	337,727
Accrued expenses	<u>254,830</u>	<u>295,075</u>	<u>178,231</u>	<u>243,146</u>
Total	<u>571,117</u>	<u>650,217</u>	<u>483,095</u>	<u>580,873</u>

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

**14.2 Financial risk management objectives and policies**

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

(a) Foreign currency exchange risks

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

At 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	
	2014	2013	2014	2013
USD 1	0.6072	0.6397	0.6437	0.6064
NIO 1	0.0231	0.0264	0.0240	0.0236

A decrease of 1% in the relative strength of sterling (GBP) to US dollars (USD) would result in an increased realised foreign exchange losses of £4,409 (2013: £6,718).

The Nicaraguan Cordoba (NIO) is set on a crawling peg to the US Dollar, with a fixed 5% devaluation per annum. Therefore the Directors do not currently consider any change in the relative strength of the Cordoba to be a risk to the Company. Should NIO break away from its crawling peg to the USD, the Directors will review this risk.

(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.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**14. FINANCIAL INSTRUMENTS – continued**

(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 set out within the Strategic Report on pages 6 – 8.

At 31 December 2014 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	31.12.14		31.12.13	
	£	Weighted average interest rate	£	Weighted average interest rate
Financial assets:				
GBP – cash and cash equivalents	4,749,512	0.20%	2,232,489	0.20%
USD – cash and cash equivalents	1,249	0.00%	11,682	0.00%
NIO – cash and cash equivalents	<u>10,367</u>	0.00%	<u>24,299</u>	0.00%
Total	<u>4,761,128</u>		<u>2,268,470</u>	

A decrease of 1% on the interest rates offered by the bank will result in a decrease in interest receivable of £3,567 (2013: £8,367).

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

**15. TRADE AND OTHER PAYABLES**

	Group		Company	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
Current:				
Trade payables	1,857	24,388	2,115	22,241
Social security and other taxes	18,664	20,685	7,499	5,941
Other payables	310,150	310,069	309,634	309,545
Accrued expenses	240,446	295,075	163,847	243,146
	<u>571,117</u>	<u>650,217</u>	<u>483,095</u>	<u>580,873</u>
Total	<u>571,117</u>	<u>650,217</u>	<u>483,095</u>	<u>580,873</u>

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 directors do not consider that is a material risk to the Group.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**16. CALLED UP SHARE CAPITAL AND SHARE PREMIUM**

	Number of shares (thousands)	Ordinary shares £	Share premium £	Total £
At 31 December 2012	33,399	6,679,826	15,928,571	22,608,397
Proceeds from shares issued	4,824	984,966	6,299,694	7,248,660
At 31 December 2013	<u>38,223</u>	<u>7,664,792</u>	<u>22,228,265</u>	<u>29,893,057</u>
Proceeds from shares issued	7,584	1,496,671	5,214,463	6,711,134
At 31 December 2014	<u>45,807</u>	<u>9,161,463</u>	<u>27,442,728</u>	<u>36,604,191</u>

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

During the year the Company issued 7,297,866 ordinary shares of 20p at a price of 90p each, and 286,136 ordinary shares of 20p at a price of 100p each.

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

a) Share Options

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

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

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

Details of the share options outstanding during 2013 were as follows:

Date of Grant	1 January 2013 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2013	Date from which options are first exercisable	Lapse date
23/12/2008	455,000	-	(455,000)	-	-	24/12/2010	23/12/2013
10/09/2009	52,500	-	(2,500)	-	50,000	11/09/2010	10/09/2014
31/12/2010	50,000	-	-	-	50,000	01/11/2011	31/12/2015
15/04/2011	820,800	28,600	-	(132,000)	717,400	16/04/2012	15/04/2016
15/08/2011	62,500	-	-	(19,000)	43,500	16/07/2012	18/08/2016
10/10/2011	20,000	-	-	-	20,000	11/10/2012	10/10/2016
20/12/2012	847,000	-	-	-	847,000	21/12/2013	20/12/2017
01/07/2013	-	1,412,500	-	-	1,412,500	01/07/2014	30/06/2018
	<u>2,307,800</u>	<u>1,441,100</u>	<u>(457,500)</u>	<u>(151,000)</u>	<u>3,140,400</u>		

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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

Details of the share options outstanding during 2014 were as follows:

Date of Grant	1 January 2014 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2014	Date from which options are first exercisable	Lapse date
10/09/2009	50,000	-	-	-	50,000	11/09/2010	10/09/2014**
31/12/2010	50,000	-	-	-	50,000	01/11/2011	31/12/2015
15/04/2011	717,400	-	-	-	717,400	16/04/2014	15/04/2016
15/08//2011	43,500	-	-	-	43,500	16/07/2012	18/08/2016
10/10/2011	20,000	-	-	-	20,000	16/07/2012	10/10/2016
20/12/2012	847,000	-	-	(89,300)	757,700	21/12/2013	20/12/2017
01/07/2013	1,412,500	-	-	(12,500)	1,400,000	01/07/2014	30/06/2018
23/07/2014	-	1,530,500	-	(17,000)	1,513,500	24/07/2015	22/07/2019
	3,140,400	1,530,500	-	(118,800)	4,552,100		

\*\* These options were scheduled to expire during this year. The employees had started but not completed the exercise process. As such at the balance sheet date the options had neither expired or been fully exercised.

During the year 37,500 share options expired (2013: nil).

The weighted average exercise price per share is 142p (2013: 96p) and the average contractual life is 5 years (2013: 5 years).

The estimated fair value of the options and warrants granted in 2014 was £1,152,275 (2013: £962,538) 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:

	2014	2013
Share price	86p	67.5p
Exercise price	100p	100p
Expected volatility	144.38%	54.87%
Expected life (yrs.)	5	5
Risk free rate	1.370%	1.920%
Expected dividend yield	-	-

A movement from the share option reserve of £685,010 (2013: £678,519) 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 3 years (2013: 3 years).

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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

b) Warrants

During the year the Company did not issue any warrants to its consultants for services provided (2013: 1,458,333). 3,561,111 warrants were issued as part of share subscriptions during the year (2013: nil).

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

The warrants issued in 2014 have a maximum life of 4 years from the date they were issued.

The estimated fair value of the warrants granted in 2014 was £nil (2013: £475,414).

This fair value has been calculated using the Black-Scholes option pricing model as detailed above.

**18. RELATED PARTY TRANSACTIONS**

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

<u>Company</u>	<u>Related party</u>	<u>31.12.14</u>	<u>31.12.13</u>	<u>Outstanding at</u>
		<u>£</u>	<u>£</u>	<u>year end</u>
				<u>£</u>
Burnbrae Limited	J Mellon	25,000	16,000	-
Axial Associates Limited	M L Child	50,000	55,000	-
	P Flindell	54,490	-	3,750

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.

At the balance sheet date the Company was owed £80 (2013: £134,715) by Mr M Child in relation to payroll taxes arising on the exercise of share options paid on Mr M Child's behalf shortly before the year end. This balance was repaid by Mr M Child subsequent to the year end.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**18. RELATED PARTY TRANSACTIONS - continued**

During the year the Company loaned funds to its subsidiaries details of which are set out below:

	31.12.14	31.12.13
<b>Condor S.A.</b>	£	£
Brought forward loan balance	2,519,823	1,844,770
Additional loans during the period	<u>715,491</u>	<u>675,053</u>
Closing balance	<u>3,235,314</u>	<u>2,519,823</u>
<b>Minerales Morazan S.A.</b>	£	£
Brought forward loan balance	2,008,136	1,968,595
Additional loans during the period	<u>37,538</u>	<u>39,541</u>
Closing balance	<u>2,045,674</u>	<u>2,008,136</u>
<b>La India Gold S.A.</b>	£	£
Brought forward loan balance	9,935,630	4,950,294
Additional loans during the period	<u>1,153,233</u>	<u>4,985,336</u>
Closing balance	<u>11,088,863</u>	<u>9,935,630</u>

**19. OPERATING LEASES**

The Group has an operating lease for rent. The total value of minimum lease payments is £16,670 (2013: 25,005), and the amount due within one year is £8,335 (2013: £8,335).

**20. CONTROLLING PARTY**

There is no ultimate controlling party.

**21. CONTINGENT LIABILITY**

The Company a contingent liability in relation to a claim from an ex-consultant of the Company. The Company is vigorously defending this claim and made an interim payment during the year of £90,000. Current internal expectations of additional costs are in the region of £500,000.

**22. POST BALANCE SHEET EVENTS**

The Company concluded a long running legal claim brought against the Company by Mr Peter O' Hare who was previously the Company's Field and Logistics manager. This claim has been detailed previously in both Condor's 2013 and 2012 audited annual report and accounts. Mr O' Hare commenced litigation against the Company for an injury he sustained in 2011. Condor made an interim payment of £90,000 relating to the case in October 2014 and in April 2015 paid a further £460,000 in full and final settlement. The payment of associated legal fees is currently being discussed.

**SCHEDULE "B"**  
**INTERIM FINANCIAL STATEMENTS OF THE COMPANY**  
(See Attached)

Company number: 05587987

**CONDOR GOLD PLC**  
**Interim Accounts**  
**For the Three and Nine Months Ended 30 September 2017**

**CONDOR GOLD PLC**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND NINE MONTHS TO 30 SEPTEMBER 2017**

		Nine months to 30.09.17 unaudited £	Nine months to 30.09.16 unaudited £	Three months to 30.09.17 unaudited £	Three months to 30.09.16 unaudited £
Revenue		-	-	-	-
Administrative expenses		(3,883,952)	(3,929,201)	(538,473)	(630,993)
Operating loss	Note 3	<u>(3,883,952)</u>	<u>(3,929,201)</u>	<u>(538,473)</u>	<u>(630,993)</u>
Finance income		-	1,361	-	-
Loss before income tax		<u>(3,883,952)</u>	<u>(3,927,840)</u>	<u>(538,473)</u>	<u>(630,993)</u>
Income tax expense	Note 4	-	-	-	-
<b>Loss for the period</b>		<b><u>(3,883,952)</u></b>	<b><u>(3,927,840)</u></b>	<b><u>(538,473)</u></b>	<b><u>(630,993)</u></b>
<b>Other comprehensive income/(loss):</b>					
Currency translation differences		735,189	2,479,955	(786,028)	458,705
<b>Other comprehensive income/(loss) for the period</b>		<b><u>735,189</u></b>	<b><u>2,479,955</u></b>	<b><u>(786,028)</u></b>	<b><u>458,705</u></b>
<b>Total comprehensive loss for the period</b>		<b><u>(3,148,763)</u></b>	<b><u>(1,447,885)</u></b>	<b><u>(1,324,501)</u></b>	<b><u>(172,288)</u></b>
<b>Loss attributable to:</b>					
Non-controlling interest		-	(683)	-	(297)
Owners of the parent		<u>(3,883,952)</u>	<u>(3,927,157)</u>	<u>(538,473)</u>	<u>(630,696)</u>
		<b><u>(3,883,952)</u></b>	<b><u>(3,927,840)</u></b>	<b><u>(538,473)</u></b>	<b><u>(630,993)</u></b>
<b>Total comprehensive loss attributable to:</b>					
Non-controlling interest		(6,946)	(11,019)	2,809	(2,091)
Owners of the parent		<u>(3,141,817)</u>	<u>(1,436,866)</u>	<u>(1,327,310)</u>	<u>(170,197)</u>
		<b><u>(3,148,763)</u></b>	<b><u>(1,447,885)</u></b>	<b><u>(1,324,501)</u></b>	<b><u>(172,288)</u></b>
<b>Loss per share expressed in pence per share:</b>					
Basic and diluted (in pence)	Note 7	<u>(6.52)</u>	<u>(7.81)</u>	<u>(0.88)</u>	<u>(1.19)</u>

**CONDOR GOLD PLC**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2017**

	30.09.17 unaudited £	31.12.16 audited £	30.09.16 unaudited £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	275,766	234,390	325,729
Intangible assets	18,355,741	15,924,194	20,822,675
	<u>18,631,507</u>	<u>16,158,584</u>	<u>21,148,404</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	580,942	545,251	1,118,815
Cash and cash equivalents	2,020,493	583,610	1,629,392
	<u>2,601,435</u>	<u>1,128,861</u>	<u>2,748,207</u>
<b>TOTAL ASSETS</b>	<b><u>21,232,942</u></b>	<b><u>17,287,445</u></b>	<b><u>23,896,611</u></b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	354,019	351,551	115,535
<b>TOTAL LIABILITIES</b>	<b><u>354,019</u></b>	<b><u>351,551</u></b>	<b><u>115,535</u></b>
<b>NET CURRENT ASSETS</b>	<b><u>2,247,416</u></b>	<b><u>777,310</u></b>	<b><u>2,632,672</u></b>
<b>NET ASSETS</b>	<b><u>20,878,923</u></b>	<b><u>16,935,894</u></b>	<b><u>23,781,076</u></b>
<b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Called up share capital	Note 8 12,273,076	10,582,129	10,582,129
Share premium	32,426,047	28,875,061	28,875,061
Legal reserves	-	-	71
Exchange difference reserve	1,374,661	632,526	4,039,892
Retained earnings	(25,109,211)	(23,075,118)	(19,628,045)
	<u>20,964,573</u>	<u>17,014,598</u>	<u>23,869,108</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO:</b>			
Non-controlling interest	(85,650)	(78,704)	(88,032)
	<u>20,878,923</u>	<u>16,935,894</u>	<u>23,781,076</u>

**CONDOR GOLD PLC**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 30 SEPTEMBER 2017**

	Share capital	Share premium	Legal reserve	Exchange difference reserve	Retained earnings	Total	Non controlling interest	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2016	9,161,463	27,442,728	71	1,549,601	(17,893,453)	20,260,410	(77,012)	20,183,398
Comprehensive income:								
Loss for the period	-	-	-	-	(3,927,157)	(3,927,157)	(683)	(3,927,840)
Other comprehensive income:								
Currency translation differences	-	-	-	2,490,291	-	2,490,291	(10,336)	2,479,955
Total comprehensive income	-	-	-	2,490,291	(3,927,157)	(1,436,866)	(11,019)	(1,447,885)
New shares issued	1,420,666	1,432,333	-	-	-	2,852,999	-	2,852,999
Share based payment	-	-	-	-	2,192,565	2,192,565	-	2,192,565
At 30 September 2016	10,582,129	28,875,061	71	4,039,892	(19,628,045)	23,869,108	(88,032)	23,781,076
At 1 January 2017	10,582,129	28,875,061	-	632,526	(23,075,118)	17,014,598	(78,704)	16,935,894
Comprehensive income:								
Loss for the period	-	-	-	-	(3,883,952)	(3,883,952)	-	(3,883,952)
Other comprehensive income:								
Currency translation differences	-	-	-	742,135	-	742,135	(6,946)	735,189
Total comprehensive income	-	-	-	742,135	(3,883,952)	(3,141,817)	(6,946)	(3,148,763)
New shares issued	1,690,947	3,550,986	-	-	-	5,241,933	-	5,241,933
Share based payment	-	-	-	-	1,849,859	1,849,859	-	1,849,859
At 30 September 2017	12,273,076	32,426,047	-	1,374,661	(25,109,211)	20,964,573	(85,650)	20,878,923

**CONDOR GOLD PLC**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**AS AT 30 SEPTEMBER 2017**

	Nine months to 30.09.17 unaudited £	Nine months to 30.09.16 unaudited £
<b>Cash flows from operating activities</b>		
Loss before tax	(3,883,952)	(3,927,840)
Share based payment	1,849,859	2,192,563
Depreciation charges	75,601	25,460
Impairment charge of intangible fixed assets	-	18,045
Finance income	-	(1,361)
	<u>(1,958,492)</u>	<u>(1,693,133)</u>
(Increase) in trade and other receivables	(35,691)	(173,488)
Increase/(decrease) in trade and other payables	2,468	(444,449)
	<u>(1,991,715)</u>	<u>(2,311,070)</u>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(2,506,191)	(1,353,553)
Purchase of tangible fixed assets	(118,216)	(12,528)
Interest received	-	1,361
	<u>(2,624,407)</u>	<u>(1,364,720)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from share issue	5,241,933	2,853,000
	<u>5,241,933</u>	<u>2,853,000</u>
Net cash generated in financing activities	<u>5,241,933</u>	<u>2,853,000</u>
Increase / (decrease) in cash and cash equivalents	625,811	(822,790)
Cash and cash equivalents at beginning of period	583,610	1,105,457
Exchange losses on cash and bank	811,073	1,346,725
	<u>2,020,493</u>	<u>1,629,392</u>
Cash and cash equivalents at end of period	<u>2,020,493</u>	<u>1,629,392</u>

## **CONDOR GOLD PLC**

### **NOTES TO THE CONDENSED FINANCIAL STATEMENTS** **FOR THE NINE MONTHS TO 30 SEPTEMBER 2017**

#### **1. COMPLIANCE WITH ACCOUNTING STANDARDS**

##### **Basis of preparation**

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and as adopted by the EU. The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and as adopted by the EU. This condensed set of financial statements has been prepared applying the accounting policies and presentation that are to be applied in the preparation of the group's consolidated financial statements for the year. IFRS is subject to ongoing review and endorsement by the EU or possible amendment by interpretative guidance and the issuance of new standards by the IASB. The statutory accounts for the year ended 31 December 2016, which have been filed with the Registrar of Companies. The auditors reported on those accounts; their Audit Report was unqualified and did not contain a statement under either Section 237(2) or Section 237(3) of the Companies Act 2006.

These condensed financial statements are unaudited and does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The condensed financial statements for the three and nine months ended 30 September 2017 was approved by the Directors on 20 December 2017.

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 comparative period presented is that of the three and nine months ended 30 September 2016.

The Directors are of the opinion that due to the nature of the Group's activities and the events during that period these are the most appropriate comparatives for the current period. Copies of these financial statements are available on the Company's website.

#### **2. ACCOUNTING POLICIES**

The interim financial information for the months ended 30 September 2017 has been prepared on the basis of the accounting policies set out in the most recently published financial statements for the Group for the year ended 31 December 2016, which are available on the Company's website [www.condorgoldplc.com](http://www.condorgoldplc.com), as the Company does not anticipate the addition of new standards to the Group's results for the year ended 31 December 2017 which would materially impact the results.

#### **3. REVENUE AND SEGMENTAL REPORTING**

The Group has not generated any revenue during the period. The Group's operations are located in England, El Salvador and Nicaragua.

The following is an analysis of the carrying amount of segment assets, and additions to plant and equipment, analysed by geographical area in which the assets are located.

**CONDOR GOLD PLC**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS TO 30 SEPTEMBER 2017**

**3. REVENUE AND SEGMENTAL REPORTING - continued**

The Group's results by reportable segment for the nine month period ended 30 September 2017 are as follows:

	<b>UK</b> <b>Nine months</b> <b>to 30.09.2017</b> <b>£</b>	<b>El Salvador</b> <b>Nine months</b> <b>to 30.09.2017</b> <b>£</b>	<b>Nicaragua</b> <b>Nine months</b> <b>to 30.09.2017</b> <b>£</b>	<b>Consolidation</b> <b>Nine months</b> <b>to 30.09.2017</b> <b>£</b>
<b>RESULTS</b>				
Operating (loss)	(3,167,647)	-	(716,305)	(3,883,952)

The Group's results by reportable segment for the three month period ended 30 September 2017 are as follows:

	<b>UK</b> <b>Three months</b> <b>to 30.09.2017</b> <b>£</b>	<b>El Salvador</b> <b>Three months</b> <b>to 30.09.2017</b> <b>£</b>	<b>Nicaragua</b> <b>Three months</b> <b>to 30.09.2017</b> <b>£</b>	<b>Consolidation</b> <b>Three months</b> <b>to 30.09.2017</b> <b>£</b>
<b>RESULTS</b>				
Operating (loss)	(528,310)	-	(10,163)	(538,473)

**Assets**

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses.

	<b>UK</b> <b>30.09.2017</b> <b>£</b>	<b>El Salvador</b> <b>30.09.2017</b> <b>£</b>	<b>Nicaragua</b> <b>30.09.2017</b> <b>£</b>	<b>Consolidation</b> <b>30.09.2017</b> <b>£</b>
<b>ASSETS</b>				
Total assets	<u>2,512,069</u>	<u>-</u>	<u>18,720,873</u>	<u>21,232,942</u>

	<b>UK</b> <b>30.09.2017</b> <b>£</b>	<b>El Salvador</b> <b>30.09.2017</b> <b>£</b>	<b>Nicaragua</b> <b>30.09.2017</b> <b>£</b>	<b>Consolidation</b> <b>30.09.2017</b> <b>£</b>
<b>LIABILITIES</b>				
Total liabilities	<u>(138,853)</u>	<u>-</u>	<u>(215,166)</u>	<u>(354,019)</u>

**CONDOR GOLD PLC**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS TO 30 SEPTEMBER 2017**

**3. REVENUE AND SEGMENTAL REPORTING - continued**

The Group's results by reportable segment for the nine month period ended 30 September 2016 are as follows:

	<b>UK</b>	<b>El Salvador</b>	<b>Nicaragua</b>	<b>Consolidation</b>
	<b>Nine months</b>	<b>Nine months</b>	<b>Nine months</b>	<b>Nine months</b>
	<b>to 30.09.2016</b>	<b>to 30.09.2016</b>	<b>to 30.09.2016</b>	<b>to 30.09.2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>RESULTS</b>				
Operating (loss)	(3,000,776)	(56,703)	(871,722)	(3,929,201)
Interest income	1,347	14	-	1,361

The Group's results by reportable segment for the three month period ended 30 September 2016 are as follows:

	<b>UK</b>	<b>El Salvador</b>	<b>Nicaragua</b>	<b>Consolidation</b>
	<b>Three months</b>	<b>Three months</b>	<b>Three months</b>	<b>Three months</b>
	<b>to 30.09.2016</b>	<b>to 30.09.2016</b>	<b>to 30.09.2016</b>	<b>to 30.09.2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>RESULTS</b>				
Operating (loss)	(627,354)	-	(3,639)	(630,993)

**Assets**

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses.

	<b>UK</b>	<b>El Salvador</b>	<b>Nicaragua</b>	<b>Consolidation</b>
	<b>30.09.2016</b>	<b>30.09.2016</b>	<b>30.09.2016</b>	<b>30.09.2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>ASSETS</b>				
Total assets	4,280,916	-	19,615,695	23,896,611
	<b>UK</b>	<b>El Salvador</b>	<b>Nicaragua</b>	<b>Consolidation</b>
	<b>30.09.2016</b>	<b>30.09.2016</b>	<b>30.09.2016</b>	<b>30.09.2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>LIABILITIES</b>				
Total liabilities	(3,487)	-	(112,048)	(115,535)

**4. TAXATION**

There is no current tax charge for the period. The accounts do not include a deferred tax asset in respect of carry forward unused tax losses as the Directors are unable to assess that there will be probable future taxable profits available against which the unused tax losses can be utilised.

**CONDOR GOLD PLC**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS TO 30 SEPTEMBER 2017**

**5. INTANGIBLE FIXED ASSETS**

During the nine months ended 30 September 2017, the Group acquired intangible assets with a cost of £2,506,091 (nine months ended 30 September 2016: £ 1,353,553).

During the three months ended 30 September 2017, the Group acquired intangible assets with a cost of £899,565 (three months ended 30 September 2016: £ 484,442).

**6. EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS**

The estimated fair value of the options and warrants granted was;

	Nine months to 30.09.17 unaudited £	Nine months to 30.09.16 unaudited £	Three months to 30.09.17 unaudited £	Three Months to 30.09.16 unaudited £
Warrants and options charge	(1,849,859)	(2,192,565)	(194,171)	(64,654)

The fair value 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 latest inputs into the model were as follows:

	2017	2016
Share price	63p	63p
Exercise price	93p	80p
Expected volatility	39.9%	149.5%
Expected life (yrs.)	2	5
Risk free rate	0.23%	0.23%
Expected dividend yield	-	-

**7. EARNINGS 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:

	Nine months to 30.09.17	Nine months to 30.09.16
<b>Basic EPS</b>		
(Loss) for the period	(3,883,952)	(3,927,157)
Weighted average number of shares	59,531,450	50,310,588
(Loss) per share (in pence)	<u>(6.52)</u>	<u>(7.81)</u>

**CONDOR GOLD PLC**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS TO 30 SEPTEMBER 2017**

	Three months to 30.09.17	Three months to 30.09.16
<b>Basic EPS</b>		
(Loss) for the period	(538,473)	(630,696)
Weighted average number of shares	61,365,682	52,858,726
Loss per share (in pence)	<u>(0.88)</u>	<u>(1.19)</u>

In accordance with IAS 33, as the Group has reported a loss for the period, diluted earnings per share are not included.

**8. CALLED-UP SHARE CAPITAL**

	30.09.17 £	30.09.16 £
<b>Allotted and fully paid</b>		
Ordinary shares 61,365,380 of 20p each (30.09.16: 52,910,647 of 20p each)	<u>12,273,076</u>	<u>10,582,129</u>

On 20 February 2017, 8,454,733 ordinary shares were issued at a price of 62p per share.

**9. RELATED PARTY TRANSACTIONS**

During the reporting period the Company received consultancy advice from the following related parties:

Company	Related party	Nine months to 30.09.2017 £	Nine months to 30.09.2016 £	Three months to 30.09.2017 £	Three months to 30.09.2016 £
Axial Associates Limited	Mark Child	33,333	37,500	8,333	12,500
Burnbrae Limited	Jim Mellon	16,667	18,748	4,167	6,250
	Peter Flindell	38,627	28,322	9,833	7,753

No amounts were outstanding at the period end date (30 September 2016: £NIL).

**10. SEASONALITY OF THE GROUP'S BUSINESS OPERATIONS**

There are no seasonal factors which affect the trade of any company in the Group.

## SCHEDULE "C" CORPORATE GOVERNANCE DISCLOSURE

Set out below is a description of the Company's corporate governance practices.

GUIDELINES	COMMENTARY								
1. Directors									
(a) Disclose the identity of Directors who are independent.	Mr. Jim Mellon, Mr. Roger Davey, Mr. Peter Flindell and Ms. Kate Harcourt								
(b) Disclose the identity of Directors who are not independent, and describe the basis for that determination.	Mr. Mark Child, the Chairman and Chief Executive Officer of the Company, is not independent within the meaning of NI 52-110.								
(c) Disclose whether or not a majority of Directors are independent. If a majority of Directors are not independent, describe what the board of directors (the "Board") does to facilitate its exercise of independent judgement in carrying out its responsibilities.	Four of the five directors are independent within the meaning of NI 52-110 and accordingly, independent directors constitute a majority of directors of the Board.								
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Name of Director</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Name of Other Reporting Issuer(s)</u></th> </tr> </thead> <tbody> <tr> <td>Mr. Roger Davey:</td> <td>Orosur Mining Atalaya Mining Plc Central Asia Metals Plc Tharisa Plc</td> </tr> <tr> <td>Ms. Kate Harcourt:</td> <td>Roxgold Inc.</td> </tr> <tr> <td>Mr. Jim Mellon</td> <td>Regent Pacific Group Ltd. West African Minerals Corporation Manx Financial Group Plc SalvaRx Group Plc Port Erin Biopharma Investments Limited Portage Biotech Inc. Fast Forward Innovations Limited Speymill Deutsche Immobilien Company Plc</td> </tr> </tbody> </table>	<u>Name of Director</u>	<u>Name of Other Reporting Issuer(s)</u>	Mr. Roger Davey:	Orosur Mining Atalaya Mining Plc Central Asia Metals Plc Tharisa Plc	Ms. Kate Harcourt:	Roxgold Inc.	Mr. Jim Mellon	Regent Pacific Group Ltd. West African Minerals Corporation Manx Financial Group Plc SalvaRx Group Plc Port Erin Biopharma Investments Limited Portage Biotech Inc. Fast Forward Innovations Limited Speymill Deutsche Immobilien Company Plc
<u>Name of Director</u>	<u>Name of Other Reporting Issuer(s)</u>								
Mr. Roger Davey:	Orosur Mining Atalaya Mining Plc Central Asia Metals Plc Tharisa Plc								
Ms. Kate Harcourt:	Roxgold Inc.								
Mr. Jim Mellon	Regent Pacific Group Ltd. West African Minerals Corporation Manx Financial Group Plc SalvaRx Group Plc Port Erin Biopharma Investments Limited Portage Biotech Inc. Fast Forward Innovations Limited Speymill Deutsche Immobilien Company Plc								
(e) Disclose whether or not the independent Directors hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance. If the independent Directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent Directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent Directors.	The Board does not hold regularly scheduled meetings at which non-independent directors and management are not in attendance but may do so whenever they see fit. The Board has functioned and is of the view that it can continue to function independently of management. Board committees, in particular, the Remuneration Committee and the Audit Committee, do meet from time to time without members of management present. In addition, the independent Directors are otherwise in direct contact with each other on an ad hoc basis.								
(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent Directors.	Mr. Mark Child, the Chairman of the Board, is not an independent Director. The Board has appointed Mr. Jim Mellon, an independent Director, as Lead Director. The Lead Director is responsible for providing leadership to enhance the effectiveness and independence of the Board. The role of the Lead Director is to act as effective leader of the Board and to ensure that the Board's agenda will enable it to successfully carry out its duties.								

**GUIDELINES**

(g) Disclose the attendance record of each Directors for all board meetings held since the beginning of the issuer's most recently completed financial year.

2. **Board Mandate** – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.

3. **Position Descriptions**

(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the Board delineates the role and responsibilities of each such position.

(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.

4. **Orientation and Continuing Education**

(a) Briefly describe what measures the Board takes to orient new Directors regarding (i) the role of the Board, its committees and its Directors, and (ii) the nature and operation of the issuer's business.

(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its Directors. If the Board does not provide continuing education, describe how the Board ensures that its Directors maintain the skill and knowledge necessary to meet their obligations as Directors.

**COMMENTARY**

	<u>Eligible to attend</u>	<u>Attended</u>
Mr. Mark Child:	8	8
Mr. Jim Mellon:	8	3
Mr. Roger Davey:	8	7
Mr. Peter Flindell:	8	6
Ms. Kate Harcourt:	8	7

The Board has adopted a written mandate, the text of which is attached as Schedule "E".

The Board has not developed written position descriptions for the Chairman of the Board and chair of each Board committee. The Board does not expressly delineate the roles and responsibilities of these positions and relies upon the provisions of the articles of association of the Company and the statutory and common law to define such roles and responsibilities. Given the size of the Company, the Board does not feel that it is necessary at this time to formalize such position descriptions, as it is currently the Board's view that the general mandates of committees on which such directors may sit are sufficient to delineate the role and responsibilities of the chair of each committee. Additional guidance is provided through reference to industry norms, past practice and discussions between the Board and the applicable director to delineate the role of such person. The chair of each Board committee is required to ensure the committee meets regularly and performs the duties as set forth in the committee mandate, and reports to the Board on the activities of the committee. The Chairman is principally responsible for overseeing the operations and affairs of the Board.

The Board and the CEO have not developed a written position description for the CEO. The Board meets annually to set objectives for the CEO, along with delineating the roles and responsibilities of the CEO. The Board reviews and approves the objectives of the CEO and evaluates the CEO's performance in connection with these objectives. The Board will also determine whether the roles and responsibilities of the CEO correspond with achieving these objectives. The Board believes that the CEO has the responsibility for all of the functions and operations of the Company on a day-to-day basis.

While the Company does not have formal orientation and training programs, new Board members are provided with: (i) information respecting the functioning of the Board and its committees; (ii) access to recent, publicly filed documents of the Company; and (iii) access to management.

Board members are encouraged to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

Trips to where the Company's operations are located are arranged for Directors from time to time so they have an opportunity to meet operational management and site personnel.

Directors are encouraged to participate in appropriate professional and personal development activities, courses and programs. As well, presentations are made to the Board from time to time to keep them informed of changes within the Company and in regulatory and industry requirements and standards.

## GUIDELINES

## COMMENTARY

### 5. Ethical Business Conduct

- (a) Disclose whether or not the Board has adopted a written code for the Directors, officers and employees. If the Board has adopted a written code:

The Board has not adopted a written code of conduct for the Directors, officers and employees of Condor.

However, the Board has found that the fiduciary duties placed on individual directors pursuant to corporate legislation and the common law, and the conflict of interest provisions under corporate legislation which restricts an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of Condor.

Further, although Condor is not required to comply fully with the principles of corporate governance as set out in the UK Corporate Governance Code (the "Code"), the Board recognises the value of the Code and applies the policies of the Code in so far as is practical and appropriate.

- (i) disclose how a person or company may obtain a copy of the code;

N/A

- (ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and

N/A

- (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

N/A

- (b) Describe any steps the Board takes to ensure Directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.

The Directors are instructed to declare any conflicts of interest in matters to be acted on by the Board, to ensure that such conflicts are handled in an appropriate manner, and to disclose any contracts or arrangements with the Company in which the Director has an interest. Any director expressing a conflict of interest in a matter to be considered by the Board is asked to leave the meeting for the duration of the discussion related to the matter at hand, and to abstain from voting with respect to such matter. The relevant director does not receive any segment of Board papers or other documents in which there is a reference to such matter.

- (c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.

The Risk Committee is responsible for assisting the Board in connection with the compliance by the Company and its Directors, executives and employees with all applicable laws, regulations and policies adopted by the Company.

### 6. Nominations of Directors

- (a) Describe the process by which the Board identifies new candidates for board nomination.

The Board does not currently have a formal nominating committee. Rather the Board as a whole is responsible for identifying and recommending candidates for the Board. The Board reviews and makes determinations with respect to: (i) the size and composition of the Board; (ii) the organization and responsibilities of the appropriate committees of the Board; (iii) the evaluation process for the Board and committees of the Board and the Chairman of the Board and such committees; and (iv) creating a desirable balance of expertise and qualifications among members of the Board. Pursuant to the IFC Subscription Agreement, the Company has also granted to the IFC the IFC Appointment Right. For more information, see "*Business of the Company – Developments during the year ended December 31, 2014*".

## GUIDELINES

(b) Disclose whether or not the Board has a nominating committee composed entirely of independent Directors. If the Board does not have a nominating committee composed entirely of independent Directors, describe what steps the Board takes to encourage an objective nomination process.

(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

### 7. Compensation

(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.

(b) Disclose whether or not the Board has a compensation committee composed entirely of independent Directors. If the Board does not have a compensation committee composed entirely of independent Directors, describe what steps the Board takes to ensure an objective process for determining such compensation.

(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

8. **Other Board Committees** – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

## COMMENTARY

The Board does not currently have a formal nominating committee.

The Board does not take any formal steps to ensure that objectivity in the nomination process. In the nomination process, the Board assesses its current composition and requirements going forward in light of the stage of the Company and the skills required to ensure proper oversight of the Company and its operations. In addition, four out of five members (80%) of the Board are independent Directors, which facilitates an objective nomination process.

N/A

The Board with the assistance of the Remuneration Committee, is responsible for approving compensation objectives and the specific compensation programs for policies and practices of the Company. For more information, see "*Executive Compensation*".

The members of the Remuneration Committee are Mr. Jim Mellon (Chairman) and Mr. Roger Davey. The Remuneration Committee is therefore composed entirely of independent Directors.

The duties and responsibilities of the Remuneration Committee are as follows: (a) review and approve corporate goals and objectives relevant to CEO compensation; (b) evaluate the CEO's performance in light of those corporate goals and objectives, and make recommendations to the Board with respect to the CEO's compensation level based on its evaluation; (c) review the CEO's recommendations to the Committee respecting the appointment, compensation and other terms of employment of the Chief Financial Officer, all senior management reporting directly to the CEO and all other officers appointed by the Board and, if advisable, approve and recommend for Board approval, with or without modifications, any such appointment, compensation and other terms of employment; (d) review executive compensation disclosure before the issuer publicly discloses this information; (e) submit a report to the Board on human resources matters at least annually; (f) prepare an annual report for inclusion in the Company's management information circular to shareholders respecting the process undertaken by the Committee in its review and preparing a recommendation in respect of CEO compensation; and (g) review and assess the adequacy of this Mandate at least annually to ensure compliance with any rules or regulations promulgated by any regulatory body, and recommend to the Board for its approval any modifications to this Mandate as it considers advisable.

Other than the Audit and Remuneration Committees, the Company has a Risk Committee, comprising Mr. Roger Davey (Chairman) and Ms. Kate Harcourt. The Risk Committee's primary responsibilities are to identify and review the risks that the Company faces and to review the safeguards in place to mitigate those risks. The Risk Committee aims to meet at least once in each year.

## **GUIDELINES**

9. **Assessments** – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual Directors are performing effectively.
10. **Director Term Limits and Other Mechanisms of Board Renewal** – Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.
11. **Policies Regarding the Representation of Women on the Board** –
  - (a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.
  - (b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions, (ii) the measures taken to ensure that the policy has been effectively implemented, (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and (iv) whether and, if so, how the Board or its nominating committee measures the effectiveness of the policy.
12. **Consideration of the Representation of Women in the Director Identification and Selection Process** – Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. If the issuer does not consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board, disclose the issuer's reasons for not doing so.

## **COMMENTARY**

The Board monitors the adequacy of information given to Directors, communication between the Board and management and the strategic direction and processes of the Board on a regular basis in order to satisfy itself that the Board, committees and individual directors are performing effectively.

The Company believes that imposing term limits on Directors would be unduly restrictive and not in the best interests of the Company, and could become an arbitrary mechanism for removing directors which could result in valuable and experienced directors being forced to leave the Board solely because of length of service. Therefore, the Company has decided not to adopt specific term limits for the directors on its Board.

Diversity is an important part of the Company's culture and its operations. Consequently, the Company seeks to recruit and invest in the best available talent and it is committed to increasing the representation of women throughout its workforce. However, the Company has not adopted a written policy relating to the identification and nomination of women Directors or regarding the number of women in executive positions because it does not believe that a written policy is the best way to achieve the Company's diversity or business objectives.

N/A

The Board has historically recognized the valuable contributions made to Board deliberations and management by people of different gender, experience and background. Board member selection is made as per the criteria described in this prospectus (see Item 6 – *Nomination of Directors* above). However, the Board is mindful of the benefit of diversity in the Company's leadership positions and the need to maximize the effectiveness of the Board and management in their decision making abilities. Accordingly, in searches for new directors or officers, the Board considers the level of female representation and diversity within its leadership ranks and this is just one of several factors used in its search process

**GUIDELINES****COMMENTARY****13. Consideration Given to the Representation of Women in Executive Officer Appointments –**

Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.

See Item 12.

**14. Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions –**

(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.

(b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.

The Company has not adopted a target regarding the representation of women on the Board. The Company believes that candidates should be selected from the widest possible group of qualified individuals, and, accordingly, the level of representation of women may be considered but is not a major factor in identifying and appointing individuals to the Board, and adopting such a target may unduly restrict its ability to select the most appropriate candidates for Board positions.

(c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.

Due to the limited number of employees of the Company, the Company has not adopted a target regarding women in executive officer positions.

(d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) the target, and (ii) the annual and cumulative progress of the issuer in achieving the target.

N/A

**15. Number of Women on the Board and in Executive Officer Positions –**

(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.

One (20%) member of the Board is a woman.

(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.

None of the executive officers of the Company are women.

**SCHEDULE "D"**  
**AUDIT COMMITTEE CHARTER**

**CONDOR RESOURCES PLC ("the Company")**

**(company number 05587987)**

**AUDIT COMMITTEE TERMS OF REFERENCE**

Terms of Reference for the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of the Company constituted pursuant to the Company's Articles of Association by a Resolution of the Board passed on November 2, 2017.

**1. MEMBERSHIP**

- 1.1 Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least 3 members.
- 1.2 Each member of the Committee must be independent. "**Independent**" shall have the meaning, as the context requires, given to it in both the UK Corporate Governance Code and National Instrument 52-110 – *Audit Committees*, as they may be amended from time to time.
- 1.3 At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, other directors and any relevant senior member of staff may be invited to attend all or part of any meeting as and when appropriate.
- 1.5 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.6 Where possible the Committee Chairman and members of the Committee should rotate on a regular basis.
- 1.7 The Board shall appoint the Committee Chairman who shall be a member of the Committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

**2. SECRETARY**

- 2.1 The Company Secretary shall act as the Secretary of the Committee.

**3. QUORUM AND VOTING**

- 3.1 The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3.2 In the event of an equality of votes the Committee Chairman shall have a second or casting vote.

#### **4. FREQUENCY OF MEETINGS**

4.1 The Committee shall meet at least once a year at an appropriate time in the reporting and audit cycle and otherwise as required. Meetings may be held by telephone.

#### **5. NOTICE OF MEETINGS**

5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

#### **6. MINUTES OF MEETINGS**

6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

#### **7. ANNUAL GENERAL MEETING**

7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

#### **8. DUTIES**

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Company and its subsidiaries as a whole (collectively, the "**Group**"), as appropriate.

##### **8.1 Financial Reporting**

8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim financial statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

8.1.2 The Committee shall review the audited annual financial statements and the auditor's report thereon, the interim financial statements and, in both cases, the related management's discussion and analysis of the Company's financial condition and results

of operation (“**MD&A**”). After completion of its review, the Committee shall approve and recommend for Board approval the annual or interim financial statements, as the case may be, and the related MD&A. MD&A’s shall be produced by the Company provided that they are required under regulatory disclosure obligations.

8.1.3 The Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Company, press releases disclosing, or based upon, financial results of the Company, and any other material financial disclosure, including financial guidance provided to analysts or rating agencies, or otherwise publicly disseminated.

8.1.4 The Committee shall be satisfied as to the adequacy of procedures in place for the review of the Company’s public disclosure of financial information extracted or derived from annual or quarterly financial statements and periodically assess the adequacy of such procedures.

8.1.5 The Committee shall review and challenge where necessary:-

8.1.5.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;

8.1.5.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.5.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.5.4 the clarity of disclosure in the Company’s financial reports and the context in which statements are made; and

8.1.5.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

## 8.2 **Internal Controls and Risk Management Systems**

The Committee shall:-

8.2.1 keep under review the effectiveness of the Company’s internal controls and risk management systems; and

8.2.2 review and approve the statements to be included in the Company’s continuous disclosure documents concerning internal controls and risk management.

## 8.3 **Whistleblowing**

The Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it shall direct the Committee Chairman to engage outside advisors, as necessary or appropriate, to

investigate the matter and shall work with management and the general counsel to reach a satisfactory conclusion.

#### 8.4 **Internal Audit**

The Committee shall consider annually whether there is a need for an internal audit function and make a recommendation to the Board and, where there is no internal audit function, the reasons for its absence shall be explained in the relevant sections of the Company's continuous disclosure documents as required by applicable laws and stock exchange rules.

#### 8.5 **External Audit**

The Committee shall:

8.5.1 be responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report or performing other audit, review or attest services or any other related work;

8.5.2 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor (and so that if the Board does not accept the Committee's recommendation, the Company's Annual Report or Annual Information Form should include a statement from the Committee explaining its recommendation and set out reasons why the Board has taken a different position). The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

8.5.3 oversee the relationship with the external auditor, including (but not limited to):

8.5.3.1 approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an effective audit to be conducted;

8.5.3.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

8.5.3.3 assessing annually and before the auditors issue their report on the annual financial statements, the auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

8.5.3.4 obtaining written confirmation from the auditors that they are objective and independent within the meaning of the auditor's rules of professional conduct;

8.5.3.5 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);

8.5.3.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and

- 8.5.3.7 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process;
  - 8.5.4 liaise regularly with the external auditor, including at the planning stage of the audit as appropriate. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
  - 8.5.5 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - 8.5.6 review the report prepared by the auditors in respect of each of the interim financial statements of the Company;
  - 8.5.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:-
    - 8.5.7.1 a discussion of any major issues which arose during the audit,
    - 8.5.7.2 any accounting and audit judgements, and
    - 8.5.7.3 levels of errors identified during the audit.
- The Committee shall also review the effectiveness of the audit process.
- 8.5.8 review any representation letter(s) requested by the external auditor before they are signed by management;
  - 8.5.9 review the management letter and management's response to the auditor's findings and recommendations;
  - 8.5.10 approve in advance any retainer of the auditor to perform any non-audit service to the Company that it deems advisable in accordance with applicable laws and stock exchange rules. The Committee may delegate pre-approval authority to a member of the Committee. The decision of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting;
  - 8.5.11 review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company; and
  - 8.5.12 resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.
- 8.6 **Reporting Responsibilities**
- 8.6.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
  - 8.6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
  - 8.6.3 The Committee shall compile, review and approve any Committee disclosure to be included in the Company's continuous disclosure documents.

**8.7 Other Matters**

The Committee shall:-

- 8.7.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 8.7.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.7.3 give due consideration to laws and regulations, have regard to the provisions of the Combined Code and the requirements of the AIM Rules and the TSX Company Manual as appropriate;
- 8.7.4 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 8.7.5 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**9. AUTHORITY**

The Committee is authorised:-

- 9.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 9.2 the Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any advisors employed by the Committee at the cost of the Company without obtaining Board approval, based on its sole judgment and discretion. The Committee has the authority to communicate directly with the internal and external auditors of the Company; and
- 9.3 to call any employee to be questioned at a meeting of the Committee as and when required.

**SCHEDULE "E"**  
**BOARD OF DIRECTORS MANDATE**

**CONDOR GOLD PLC**  
**(company number 05587987)**  
**Board of Directors Mandate**

As of November 2, 2017

**1. Purpose**

The members of the Board of Directors (the "**Board**") are responsible for setting the strategic direction and policies of Condor Gold Plc ("**Condor**" or the "**Company**") and to oversee the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board, directly and through its committees and the chairman of the Board (the "**Chairman**") shall provide direction to senior management, generally through the Chief Executive Officer, to promote the success of the Company.

**2. Duties and Responsibilities**

The Board shall have the specific duties and responsibilities outlined below.

***Strategic Planning***

(a) *Strategic Plans*

At least annually, the Board shall review and, if advisable, approve the Company's strategic planning process and the Company's strategic plan. In discharging this responsibility, the Board shall review the plan in light of management's assessment of emerging trends, the competitive environment, the opportunities for the business of the Company, risk issues, and significant business practices and products.

(b) *Business and Capital Plans*

At least annually, the Board shall review and, if advisable, approve the Company's annual business and capital plans as well as policies and processes generated by management relating to the authorisation of major investments and significant allocation of capital.

(c) *Monitoring*

At least annually, the Board shall review management's implementation of the Company's strategic, business and capital plans. The Board shall review and, if advisable, approve any material amendments to, or variances from, these plans.

***Risk Management***

(d) *General*

At least annually, the Board shall, with the assistance of the Risk Committee, review reports provided by management of principal risks associated with Condor's business and operations, review the implementation by management of appropriate systems to manage these risks, and review reports by management relating to the operation of, and any material deficiencies in, these systems.

(e) *Verification of Controls*

The Board shall verify that internal, financial, non-financial and business control and management information systems have been established by management.

### ***Human Resource Management***

(f) *General*

At least annually, the Board shall review a report of the Remuneration Committee concerning the Company's approach to human resource management and executive compensation.

(g) *Succession Review*

At least annually, the Board shall review the succession plans of the Company for the Chairman, Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such persons.

(h) *Integrity of Senior Management*

The Board shall, to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers of the Company and that the Chief Executive Officer and other senior officers strive to create a culture of integrity throughout the Company.

### ***Corporate Governance***

(i) *General*

At least annually, the Board shall review the Company's approach to corporate governance.

(j) *Director Independence*

At least annually, the Board shall review the Board's ability to act independently from management in fulfilling its duties.

(k) *Ethics Reporting*

The Board shall take due regard of the principles of good governance set out in the *UK Corporate Governance Code* (the "**Code**") and shall exercise judgment in applying and monitoring compliance with the Code to such extent as it deems appropriate and practicable for the Company in light of the Company's size, stage of development and resources.

(l) *Board of Directors Mandate Review*

At least annually, the Board shall review and assess the adequacy of its Mandate to ensure compliance with any rules or regulations promulgated by any regulatory body and approve any modifications to this Mandate as considered advisable.

### ***Communications***

(m) *General*

The Board, in consultation with management, shall oversee and review the Company's public disclosure to ensure that communications with the public are timely, factual, accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements. The Board shall adopt appropriate procedures designed to permit the Board to receive feedback from shareholders on material issues.

(n) *Shareholders*

The Company endeavors to keep its shareholders informed of its progress through an annual report, annual information form, quarterly interim reports and periodic press releases. Directors and management meet with the Company's shareholders at the annual meeting and are available to respond to questions at that time.

### **3. Composition**

#### ***General***

The composition and organization of the Board, including: the number, qualifications and remuneration of directors; the number of Board meetings; quorum requirements; meeting procedures and notices of meetings, are required by applicable corporate and securities laws, applicable stock exchange rules and the Memorandum and Articles of Association of the Company, subject to any exemptions or relief that may be granted from such requirements.

Each director must have an understanding of the Company's principal operational and financial objectives, plans and strategies, and financial position and performance. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors that experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the Chairman.

#### ***Independence***

A majority of the Board must be independent. "**Independent**" shall have the meaning, as the context requires, given to it in both the Code and National Policy 58-201 - *Corporate Governance Guidelines*, as they may be amended from time to time.

#### ***Chairman of the Board***

The Chairman of the Board shall be an independent director, unless the Board determines that it is inappropriate to require the Chairman to be independent. If the Board determines that it would be inappropriate to require the Chairman of the Board to be independent, then the independent directors shall select from among their number a director who will act as "**Lead Director**" and who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chairman, or if applicable, the Lead Director, shall act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.

### **4. Committees of the Board**

The Board has established the following committees: the Remuneration Committee, the Audit Committee, and the Risk Committee. Subject to applicable law, the Board may establish other Board committees or merge or dispose of any Board committee.

#### ***Committee Mandates***

The Board has approved mandates for each Board committee and shall approve mandates for each new Board committee. At least annually, each mandate shall be reviewed by the Board and the Board shall consider and, if advisable, approve any amendments.

#### ***Delegation to Committees***

The Board has delegated to the applicable committee those duties and responsibilities set out in each Board committee's mandate.

### ***Consideration of Committee Recommendations***

As required by applicable law, by applicable committee Mandate or as the Board may consider advisable, the Board shall consider for approval the specific matters delegated for review to Board committees.

### ***Board/Committee Communication***

To facilitate communication between the Board and each Board committee, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee's meeting.

## **5. Meetings**

The Board will meet at least once in each quarter, with additional meetings held as deemed advisable. The Chairman is primarily responsible for the agenda and for supervising the conduct of the meeting. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Meetings of the Board shall be conducted in accordance with the Company's Articles of Association.

### ***Secretary and Minutes***

The Secretary of the Company, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Secretary and subsequently presented to the Board for approval.

### ***Meetings Without Management***

The independent members of the Board shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present.

### ***Directors' Responsibilities***

Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. Directors will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.

### ***Access to Management and Outside Advisors***

The Board shall have unrestricted access to management and employees of the Company. The Board shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the Company. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

### ***Service on Other Boards and Audit Committee***

Directors may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chairman in advance of accepting an invitation to serve on the board of another public company.

**6. Director development and evaluation**

Each new director shall participate in the Company's initial orientation program, which shall comprise briefings from the Chief Executive with regard to the Company and include a visit to the Company's offices and project sites.

**7. No Rights Created**

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Memorandum and Articles of Association, it is not intended to establish any legally binding obligations.

**CERTIFICATE OF THE COMPANY**

DATED: December 21, 2017

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of the province of Ontario.

(Signed) "*Mark Child*"  
Mark Child, Chairman and Chief Executive Officer

(Signed) "*Jeffrey Karoly*"  
Jeffrey Karoly, Chief Financial Officer

**On Behalf of the Board of Directors**

(Signed) "*Jim Mellon*"  
Jim Mellon, Director

(Signed) "*Roger Owen Davey*"  
Roger Owen Davey, Director