WHIreland®
CORPORATE & INSTITUTIONAL BROKING

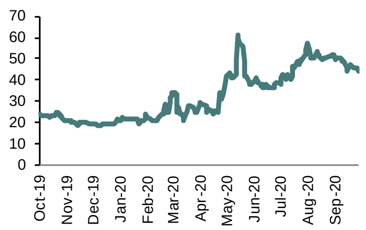
05 November 2020

CORPORATE

Share Price **45p**

Reuters/BBG	CNR.L / CNR LN
Index	FTSE AIM
Sector	Mining
Market Cap	£38m
Shares in Issue	118m
NAV	27p

Performance	**Condor**	**Sector**
1 month:	-15.8	5.9
3 months:	11.2	39.8
12 months:	80.6	61.9
High/Low	62 / 18	



Source: © 2020, S&P Global Market Intelligence

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Condor Gold

Condor Ready to Soar

Condor is seeking to develop the La India gold mine in Nicaragua. The deposit is a series of high-grade epithermal deposits developed along faults. The outlined resources, and defined open pit reserves, remain open along strike and depth and we are struck by the district-scale potential in the licence. Condor has a permitted reserve that can be mined by open pit and has defined an underground resource underneath three of the open pits; we expect further resources to be added to the inventory once drilling resumes. Condor is well managed with cash to finalise its economic studies. We see options for Condor in developing the project which we believe is scalable; high-grade starter pits delivering ore to a new plant or trucking to an existing plant in Nicaragua, followed by expansion and then underground mining. We expect the La India project to be a long-life, substantial mine, producing >100koz gold per year. We see an initial fair value in Condor at 130p based on a DCF analysis (NPV_{10}) of Condor mining and processing its own ore which is fully supported by the market value of other companies operating in Nicaragua.

An investment in Condor provides investors with:

- **A scalable project**. A substantial resource of 1.1Moz gold in Measured and Indicated Status has been identified mainly in the La India, Mestiza and America deposits. A further 1.2Moz is in Inferred status; half of which is in the La India underground resource.
- **Significant upside** The district at La India is not yet full defined and given its understanding on the controls of the mineralisation already discovered Condor has outlined areas of significant interest to expand resources further.
- **Optionality**. A series of small high-grade open pits have been permitted which in our opinion gives the company options: 1) Its own 1kt/d plant; 2) a 1kt/d open pit mine supplying toll mill ore to another plant in Nicaragua or; 3) a full scale 3.5kt/d project. We expect the mine to eventually be processing 3.5kt/d, but the route taken to get there by the option of toll milling to establish a mining footprint and which is a low capital cost route to first production is compelling if it can be accomplished.
- **Grade**. The deposits at La India are high grade. While grade is not the main determinant in the success or financial returns of a project, it is a key differentiator for junior miners in our opinion; it allows the company to right size the capital equipment and reduce the equity and debt required for construction.
- **Simplicity**. Epithermal deposit mineralogy and processing is well understood. The PFS flow sheet is simple with high recoveries of gold in excess of 91%.
- **Low risk.** In our opinion operating in Nicaragua is low risk given the foreign-owned, peer companies already operating or developing in country. In terms of gold price we see risk on the upside – Covid and geopolitical issues are not going to improve in the short-term in our opinion.

We see fair value in Condor at 130p/sh from a DCF analysis (10% discount rate) for a base case open pit option for 8 years with a risked upside case to process the underground resource. With a high IRR and a strong cash flow at forecast gold prices, together with the obvious district potential we see the La India project as a long-life project and the first step in establishing the district potential. We are convinced that La India will be a company maker for Condor.

Figure 1: The La India vein traced at surface

Source: Condor Gold

Investment Case

Simple story of a high grade gold deposit with significant district resource potential

Condor Gold is planning a new mine in Nicaragua. The high grade La India project has permitted open pits, with significant resource expansion potential. Options include a potential early route to cash flow via high-grade starter pits and toll milling at another mine. The district potential at La India is large in our opinion and, once established, we see Condor adding to its resource inventory to allow for mine life extension or mine scale expansion. We see value appreciation as Condor moves through the stages of construction, commissioning and resource expansion.

We see fair value in Condor Gold at 130p/sh

Simple Story Mining projects can sometimes be difficult to differentiate. However, in our opinion, investors in Condor gain exposure to a simple story with a high-grade, permitted open pit project to produce gold. Low capital costs and a low operating cost in the current gold price environment provide for significant cash generation, a quick payback and high returns. On top of this, the whole district is still open for further exploration discoveries to extend mine life and/or expand production scale.

High-grade open pit project

Mineralisation is high-grade. Grade is not the most important determinant in the financial success of project, but for junior mining companies is certainly an important factor. In terms of right-sizing capital equipment, grade allows for juniors to benefit from a lower capital expenditure which helps in the magnitude of debt and equity required and the potential to keep dilution to a minimum in the final capital raise. For Condor, the open pits are high-grade against global comparables from around the world. This also gives Condor options in our opinion for a smaller-scale start-up,

Epithermal deposits generally occur in clusters.

Mineral deposit style is a benefit. The low sulphidation epithermal vein style mineralisation at Condor's La India project is a benefit in our opinion. These veins are usually laterally extensive, often high-grade and can be polymetallic. Significantly, they don't usually occur as a single deposit. If the structures are laterally extensive and provide a conduit for the hydrothermal fluids in one place then there is a good chance for repeat deposits. The structural geological model for La India Gold District is complex and indicates several dilational openings, providing drill ready targets.

Full scale of the district is unknown – considerable potential to expand known resources and find new ones

Depth and strike potential offers significant upside All the individual deposits identified are open along strike and along depth and additional drilling once in production should enable a significant increase in resources available in our opinion. We point also to the potential district scale exploration in the local area which has not yet been sufficiently tested. Condor has high hopes for the Cacao area (Figure 11) which appears to be along a transfer structure between the two main shears (Andrea and la India). This is a zone where mineralisation may be buried below later volcanic rocks and is a key target for drill testing.

Drilling has scratched the surface and the underground potential is alrge in our opinion

Our model does not yet fully include the obvious underground potential There is a defined underground Mineral Resource of 1.27Mt at a grade of 5.8 g/t gold, for 238,000 oz gold in the Indicated category and 5.47Mt at a grade of 5.1 g/t gold, for 889,000 oz gold in the Inferred category, which is open down dip in all areas. Simply drilling beneath the existing 1.1Moz underground resource should materially expand the resource.

The grade of this resource at >5g/t gold is impressive, and the zones of mineralisation are open at depth. We expect there to be other underground resources in the area – perhaps some blind zones as well without any surface expression. The gold endowment of the whole district could be considerable – especially given the total resource (already mined plus resources) of the other geologically comparable gold districts in Nicaragua.

Simple open pit mining

Simple open pit mining and processing. Simple open pit mining with gold amenable to standard processing techniques is a benefit. High recoveries have been shown from metallurgical test work.

Options for development - scale up and capital reductions

Optionality for Condor on development progress While Condor has a plan to build its own 3.5kt/d mill, there is an option to consider a quicker route to cash flow; small, high-grade starter pits at La India supplying the Libertad mill (Calibre Mining) which is currently underutilised. The benefits of this approach on initial capital expenditure, early generation of cash flow, establishing infrastructure at La India and demonstration of concept cannot be under estimated by this simple approach. Alternatively, Condor could reduce initial capex by building a smaller 1kt/d mill, using the high grade pits and expand the plant capacity out of cashflow.

Open pits are permitted

Already permitted Condor has permits for production (including environmental permits) over its first three open pits at la India, America and Mestiza. Nicaragua has a good mining code with low royalty and tax rates (3% and 30% respectively) and with Mako Mining Corp. building the San Albino project in northern Nicaragua we see little official impediment to Condor making it through to production.

Several successful gold mines in Nicaragua already

Nicaragua knows mining There are already significant operations in Nicaragua There are 3 operating mining areas in Nicaragua and one new one in construction. All are operated by foreign companies: two Canadian Companies (Calibre Mining TSX:CXB and Mako Mining TSXV:MKO) and one Colombian company (Mineros BCV:MINEROS). The operations have been in production for many years and there is history of stability and trouble-free operation at the mines. The benefits of mining are well known and understood in country and the foreign-earnings potential from another gold mine would be of benefit for the country.

Strong gold price environment

Timing couldn't be better After several years of struggling, gold prices have had a steady rise in prices to recent historic highs over $2,000/oz, with current prices only just off this level. There is considerable interest in the gold mining industry as a way for investors to gain exposure to capital growth and for income from the progressive dividends we expect from the sector. Condor is at the nascent stage of its journey from developer to producer but with a firm plan to bring La India stands to benefit from strong gold prices and sector attention.

Figure 2: Composite quartz vein (El Rodeo, La India)

Figure 3: Bladed calcite pseudomorphs (Real de Cruz, La India)

Source: Condor Gold

Valuation

Our fair value for Condor Gold is 130p

We see fair value in Condor at 130p/sh.

Valuation approach

Valuation is on a SOTP basis – DCF for a base case open pit with an upside additional underground resource

We value Condor on a Sum-Of-The-Parts (SOTP) basis approach as laid out in Table 1:

- A risked DCF analysis (NPV_{10}) for the La India project from the PFS and PEAs modified by our own estimates and after discussion with Condor. The La India project has options and we have chosen to model our forecast cash flow on a new build plant at a rate of 1.4Mt/a with a high-grade open pit option.
- We expect mining to move underground and have shown another scenario whereby mill capacity is increased slightly to process 400kt/yr of underground resource at a grade of 5.5g/t using two thirds of the Indicated and Inferred underground resource (Table 6). We show the incremental cash flow achieved for this second scenario in our valuation in Table 1 (NPV_{10} of Base Case Open Pit scenario minus the NPV_{10} of the Open pit and Underground scenario). Both these scenarios are risked for stage.
- A district scale increase in resources. In our opinion the whole district has significant potential for other discoveries. SRK has already put the additional down-dip and along strike potential at a further 1Moz. We take this as a minimum additional ounces that can be added to the project and multiply it by the average EV/Total gold ounce from its AIM peers of $39/oz. We expect further resources over and above this level but for now have risked this district scale potential at 30%.
- A contribution from the other projects held by Condor in Nicaragua.
- We then add in a contribution for Net Cash and take off an allowance for corporate costs over the next 3 years.

Table 1: Condor Valuation (US$m*)

Valuation Approach		Valuation US$m	Valuation £m***	Owned	Risk * (NAV inc.)	Valuation GBp/sh**
La India – Base Case Open Pit	DCF_{10}	272.8	209.9	100%	70%	104.9
La India – OP + Underground @	DCF_{10}	90.2	69.4	100%	30%	14.9
District scale potential	#	35.1	27.0	100%	30%	5.8
Other Nicaragua Exploration	#	2.0	1.5	100%	100%	1.1
Net Cash #	Jun-20	9.8	7.5			5.4
Condor Corporate Cost	DCF_{10} 3 years	(3.7)	(2.9)			(2.0)
						130.0

Source: WH Ireland Research.
** Subjective risk for stage and degree of confidence in economic inputs*
** Share divisor of 140m shares - 117.9m shares in issues plus 11.9m options plus 14.2m warrants (all in the money)
***WHI est FX US$:£ = 1.3:1 # WHI est September 2020
@ calculated as the incremental diff in NPV between our "OP + UG" and "OP" models (Tables 3 and 4)

Table 2: WH Ireland Gold Price forecast

	2019A	2020	2021	2022	2023	2024	2025	Long Term
Forecast	$1,392	$1,795	$1,950	$1,850	$1,750	$1,650	$1,500	$1,450

Source: WH Ireland research

Sensitivity to model inputs

La India is a robust project

The La India project is most sensitive to the gold price as shown in Figures 4 and 5, with our base case gold price forecast show in Table 2. Over our forecast mine life cash flow (2022 – 2029) the gold price has a weighted average price of $1,660/oz. If the gold price were to be 20% higher over the period (at ~$2,000/oz) our base case forecast ($273m) would rise to an NPV_{10} of $389m. Conversely, a fall of 20% to $1,330/oz would reduce our base case NPV_{10} to $157m. As such, we believe that the project is robust and we see little possibility of the gold price falling to these low levels again as described in our Investment Case.

Relatively insensitive to operating and capital cost and most sensitive to gold price

The project is relatively insensitive to input capital and operating costs. We expect Condor to try and reduce capital cost as much as possible and there may be some second hand mill equipment that will improve the economics.

Figure 4: Sensitivity – Change in NPV_{10}

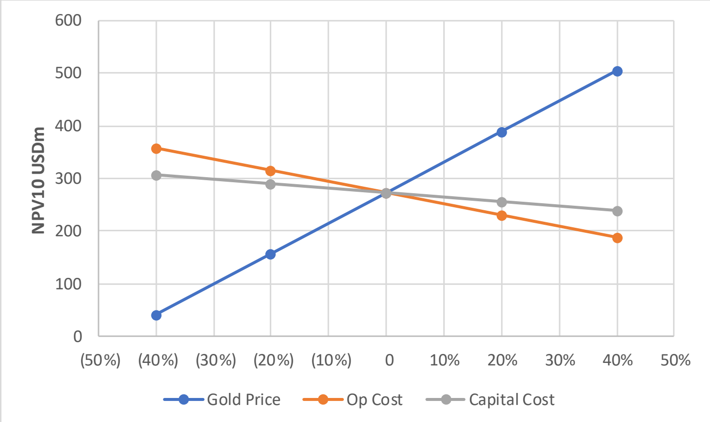
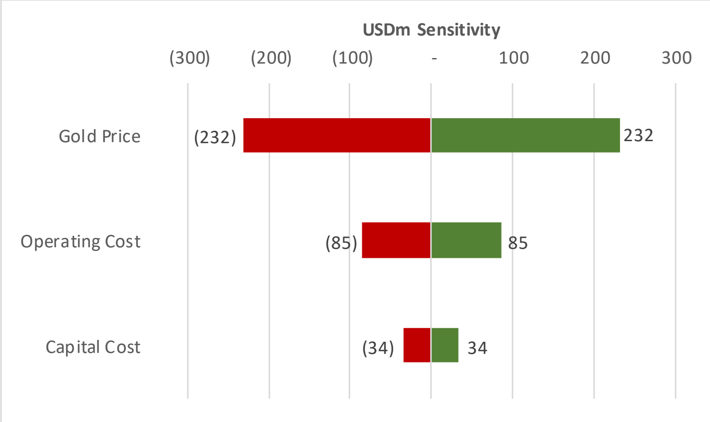


Figure 5: Sensitivity – Change in Base Case NPV_{10} (40% variable change)



Source: WH Ireland Research

….. and discount rate

Of course one of the biggest sensitivities is to discount rate and using the one most appropriate for the project. We use a discount rate analysis of 10% in all our models and show the range from 5% to 15%. As the cash flow tables below (Tables 3 and 4) show, using a 5% discount rate on our base case open pit scenario increases the NPV to $349m (from the NPV_{10} $273m we use in our valuation in Table 2).

Condor is listed on the TSX as well as AIM and with the understanding of the benefits of operating in Nicaragua better appreciated in Canada, because of other Canadian-listed Nicaraguan gold producers, a 5% discount rate might be more appropriate.

If we did use a 5% discount rate, all other inputs being the same, our fair value in Condor would rise from 130p to 170p.

WH Ireland Model Cost Inputs Base Case Open Pit only

Assuming only an open pit at this stage – Strip ratio of 10:1. High-grading at the start.

Mill throughput 1.4Mt/yr (3kt/day)

Recovery – 91% gold and 70% silver.

Prices in line with WHI forecast for gold : silver set at a price using a ratio of 65:1 to gold.

Refining and freight charges of $5/oz

Mine site costs of ~$55/t ore processed (mine $2.5/t material, process $20/t ore, G&A fixed cost of $6m/yr.

$110m initial capital spend. Funded 60% debt. Paid back over 3 year's straight line declining balance. Interest at 8%.

$3m annual sustaining capital

Royalty of 6%

Tax rate of 30%

IRR of 91%

NPV_{10} $273m

La India Cash Flow Base Case - Open Pit production only

Table 3: DCF for the La India Project Open Pit only (USD, Real 2020$)

		2021	2022	2023	2024	2025	2026	2029
Open Pit Ore Mined	kt		500	1400	1400	1400	1400	500
Underground Ore	kt		-	-	-	-	-	-
Waste Mined	kt		6500	18200	19600	19600	19600	4000
Stripping Ratio	#		13.0	13.0	14.0	14.0	14.0	8.0
Grade Au	g/t		4.3	4.3	4.3	3.2	3.0	2.0
Grade Ag	g/t		6.4	6.4	6.4	4.8	4.5	2.9
Ore Processed	kt		500	1400	1400	1400	1400	500
Au recovery	%		91	91	91	91	91	91
Ag recovery	%		70	70	70	70	70	70
Au	koz		60	169	169	127	119	28
Ag	koz		70	195	195	146	137	32
Gold Price	$/oz	1950	1850	1750	1650	1500	1450	1450
Silver Price	$/oz	30	28	27	25	23	22	22
Net Revenue	**$M**		**113.2**	**299.8**	**282.6**	**193.0**	**174.8**	**40.8**
Mine Site Cost	$M		(30.3)	(77.7)	(81.3)	(74.0)	(74.0)	(25.1)
Royalties	$M		(6.8)	(18.0)	(17.0)	(11.6)	(10.5)	(2.4)
EBITDA	**$M**		**76.1**	**204.1**	**184.4**	**107.3**	**90.3**	**13.2**
depreciation	$M		(6.9)	(19.4)	(19.4)	(19.4)	(19.4)	(6.9)
EBIT	**$M**		**69.3**	**184.8**	**165.0**	**88.0**	**70.9**	**6.4**
interest	$M		-	(5.3)	(3.5)	(1.8)	-	-
tax	$M		(20.8)	(55.4)	(49.5)	(26.4)	(21.3)	(1.9)
Net Profit after Tax	**$M**		**48.5**	**124.1**	**112.0**	**59.8**	**49.6**	**4.5**
Add back Depreciation	$M		6.9	19.4	19.4	19.4	19.4	6.9
Sustaining Capital	$M		(1.0)	(3.0)	(3.0)	(3.0)	(3.0)	(1.0)
Expansion Capital	$M	(80.0)	(30.0)	-	-	-	-	-
POST-TAX CASHFLOW	**$M**	**(80.0)**	**24.3**	**140.4**	**128.3**	**76.2**	**66.0**	**10.3**

NPV	**5%**	**$349m**
NPV	**10%**	**$273m**
NPV	**15%**	**$215m**

Source: WH Ireland Research. NOTE GAP IN YEARS

The La India Base Case project is a high-return model – especially given the high grading at the start of the proposed project life. It delivers high profit margins and a quick payback of just over 2 years.

Cash Costs in the early years of our model are ~$550/oz which produce healthy margins against our gold price forecast over the period. Later in the mine life, cost rise to ~$900/oz as the grade falls but still it maintains a good operating profit margin against our long-term gold price forecast of $1,450/oz. All-In-Sustaining-Costs (AISC) are only ~$40/oz higher in our model.

As an open pit and underground mine (Table 4) we forecast an additional production of 46koz/yr from the underground mine rising to 63koz/yr when the open pit closes. Cash operating costs and AISC are comparable in our model to the project as an open pit. However, as Table 4 clearly shows, an additional underground option adds considerable value to the La India operation.

La India Cash Flow - Open Pit and Underground production

WH Ireland Model Cost Inputs
Open Pit plus underground

Assuming open pit for 8 years with Underground mine beginning in year 5 for 9 years. Open Pit Strip ratio of 10:1. High-grading at the start in the open pit. Underground grade– assumed 5.5g/t gold

Mill throughput 1.4Mt/yr (3kt/day). Underground capacity rising to 1.2kt/d once open pit mine closes.

Recovery – 91% gold and 70% silver.

Prices in line with WHI forecast for gold : silver set at a price using a ratio of 65:1 to gold.

Refining and freight charges of $5/oz

Mine site costs: mine $2.5/t material, underground mine $50/t, process $20/tore, G&A fixed cost of $6m/yr.

$110m initial capital spend. Further underground capital cost of $30m. Initial capex funded 60% debt. Paid back over 3 year's straight line declining balance. Interest at 8%. Underground capital from cash flow

$3m annual sustaining capital

Royalty of 6%

Tax rate of 30%

NPV$_{10}$ $378m

Table 4: DCF for the La India Project Open Pit plus Underground (USD, Real 2020$)

		2021	2022	2023	2024	2025	2030	2033
Open Pit Ore Mined	kt		500	1400	1400	1400	-	-
Underground Ore	kt		-	-	-	300	400	400
Waste Mined	kt		5000	15400	16800	14000	-	-
Stripping Ratio	#		10.0	11.0	12.0	10.0	-	-
Grade Au	g/t		4.3	4.3	4.3	3.6	5.5	5.5
Grade Ag	g/t		6.4	6.4	6.4	5.4	8.3	8.3
Ore Processed	kt		500	1400	1400	1700	400	400
Au recovery	%		91	91	91	91	91	91
Ag recovery	%		70	70	70	70	70	70
Au	koz		60	169	169	174	62	62
Ag	koz		70	195	195	200	72	72
Gold Price	$/oz	1950	1850	1750	1650	1500	1450	1450
Silver Price	$/oz	30	28	27	25	23	22	22
Net Revenue	**$M**		**113.2**	**299.8**	**282.6**	**264.0**	**91.6**	**91.6**
Mine Site Cost	$M		(30.3)	(77.7)	(81.3)	(95.0)	(36.0)	(36.0)
Royalties	$M		(6.8)	(18.0)	(17.0)	(15.8)	(5.5)	(5.5)
EBITDA	**$M**		**76.1**	**204.1**	**184.4**	**153.1**	**50.1**	**50.1**
depreciation	$M		(6.9)	(19.4)	(19.4)	(22.3)	(6.9)	(6.9)
EBIT	**$M**		**69.3**	**184.8**	**165.0**	**130.8**	**43.2**	**43.2**
interest	$M		-	(5.3)	(3.5)	(1.8)	-	-
tax	$M		(20.8)	(55.4)	(49.5)	(39.3)	(13.0)	(13.0)
Net Profit after Tax	**$M**		**48.5**	**124.1**	**112.0**	**89.8**	**30.3**	**30.3**
Add back Depreciation	$M		6.9	19.4	19.4	22.3	6.9	6.9
Sustaining Capital	$M		(1.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Expansion Capital	$M	(80.0)	(30.0)	-	(30.0)	-	-	-
POST-TAX CASHFLOW	**$M**	**(80.0)**	**24.3**	**140.4**	**98.3**	**109.1**	**34.1**	**34.1**

NPV	**5%**	**$512m**
NPV	**10%**	**$378m**
NPV	**15%**	**$285m**

Source: WH Ireland Research. NOTE GAP IN YEARS

Other project development options

In an attempt to generate early cash flow, Condor is considering the potential of high-grade starter pits delivering ore to the plant at La Libertad (~250 kms away). This option has many advantages, not least a low initial capital expenditure, early generation of cash flow and credibility, establishing infrastructure and a footprint at La India and demonstration of concept; the value of which cannot be under estimated.

A PEA by Calibre Mining has examined the potential of trucking ore from its El Limon mine and Pavon project a similar distance (250-300kms) to the La Libertad mill shows costs of trucking in the order of $20/t with processing costs (for its own ore) of $16/t.

At conservative cost forecasts a toll milling arrangement for La India – to establish a mining footprint – would generate considerable cash flow.

If Condor were to pursue a tolling option we would expect production in the order of ~40koz/yr gold from 300kt/yr of open pit ore grading 4.5g/t gold. Assuming payment for a 90% recovery of the gold, a contractor mining cost of $4/t material, La India Site costs of $2m/yr, trucking costs of $20/t and a toll processing cost of $25/t we would expect La India to generate a net profit after tax for the operation of ~$25m/yr – for only a small capital outlay.

Further drivers for Condor

There are further drivers for Condor:

Whilst the project as proposed is a high-return project in our model(s) we see further upsides. In no particular order:

Resource extensions

- Open pit extensions will provide the opportunity for expansion or extension in mine life. Capital constraints over the past few years have meant that Condor has not yet been able to do justice to the potential we (and the company) see in the defined resources.

Processing lower-grade stockpiles

- Lower-grade stockpiles might present an opportunity for heap leaching to utilise material already mined to produce additional gold units at a low incremental cost

Further district greenfield discoveries

- Wider district level discoveries will also, in our opinion, expand resources. Epithermal deposits never occur in isolation; the obvious mineralised structures have provided a conduit for the ore-forming hydrothermal fluids and there are several, large structures in the licences which have not yet been fully tested. We would expect there to be additional gold-bearing veins and that these would have the potential to have further resources of gold. Once the capital has been sunk in an area to build a plant and associated infrastructure it is a simple economic decision on whether or not to truck additional resources from any outlying, nearby satellite orebodies.

Revaluation as Condor goes through the development to production stages

- While we base our current valuation on Condor around a DCF; once in production the market will value Condor on different measures based around financial multiples of P/E, EV/EBITDA and/or P/CFlow. As Table 5 clearly shows for a list of London and Nicaraguan-focussed Peers a company producing in excess of 100koz/yr could expect to be valued in excess of $200m – a metric also demonstrated by the value of the Nicaraguan Peers (Table 5)

We firmly view the La India project as scalable and extendable and that it will be the company maker for Condor.

Peer Group Analysis

We could place Condor in any number of Peer Groups; Central and South American Peers, Canadian-listed Peers, London-listed peers etc. For the purpose of the analysis here we choose London-listed AIM Gold developers and producers and a look at the companies also operating in Nicaragua.

Once Condor has some clarity on its financing and the likely production capacity (own mill or toll milling high-grade starter pits) we should see some of the latent value flow through to the share price and the market capitalisation.

Operating in Nicaragua is no barrier to investors and we are struck by the high-grade open pits operating in country with grade being a definite advantage we see in Condor.

Table 5: Comparable company financial and ratio metrics (US dollar)

	Share Price c/sh	Shares Out m	Market Cap $m	Ent Value $m	Rev $m	EBITDA $m	EPS c/sh	Last 12 Months EV/EBITDA #	P/E #	P/CF #	DPS c/sh	Yield %
Condor Gold Plc	**54**	**117.9**	**64.0**	**54.1**	**NA**	**-2.1**	**-1.6**	**NM**	**NM**	**NA**	**NA**	**-**
AIM Gold Miners												
Highland Gold Mining Limited	392	364	1425	1724	415	203	46.3	8.0	8.0	9.6	11.5	2.9
Caledonia Mining	1690	12	210	214	85	39	195.0	5.4	8.7	8.8	28.8	1.7
Hummingbird Resources PLC	47	357	168	239	182	73	7.8	2.7	5.7	3.0	-	-
Anglo Asian Mining PLC	146	114	167	140	95	47	18.6	2.8	7.5	4.6	9.0	6.1
Trans-Siberian Gold plc	127	87	111	120	63	25	5.0	4.6	24.2	5.3	10.3	8.1
Pan African Resources PLC	26	1928	507	587	274	84	2.3	6.5	10.8	4.1	0.8	3.2
Shanta Gold Limited	21	1043	220	227	132	44	(0.3)	4.6	NM	1.4	-	-
Serabi Gold plc	109	59	64	55	60	19	10.3	2.8	10.0	5.3	-	-
								4.7	**10.7**	**5.3**		
Other London -listed Gold Producers												
Polymetal International plc	2309	472	10896	12719	2440	1266	147.6	9.5	14.8	12.5	82.0	3.6
AngloGold Ashanti Limited	2419	417	10083	11836	3906	1544	146.8	6.1	15.3	7.7	11.0	0.5
Centamin plc	171	1155	1978	1654	813	439	12.3	3.6	13.2	5.1	6.0	3.5
Petropavlovsk PLC	35	3956	1378	1956	742	255	0.8	9.0	43.5	14.4	-	-
								7.0	**21.7**	**9.9**		
Nicaragua producers/developers												
Calibre Mining Corp.	172	331	569	543	135	31	3.4	17.0	48.8	21.3	-	-
Mako Mining Corp.	27	656	175	190	13	(16)	(2.6)	NM	NM	-	-	-
Mineros S.A.	96	262	252	293	441	132	19.4	2.1	5.1	3.2	4.6	4.8
								9.6	**26.9**	**12.2**		

Source: WH Ireland research / Capital IQ. Values as at October 5th 2020 – All financial metrics in US$ terms *inc. unrealized FX gain following revaluation

Gold Miners on the AIM market are valued on average at a P/E of ~10x with a P/CF of ~5x and with an EV/EBITDA also at ~5x. With the La India project generating significant cash flows and profits (Table 5) once in full production the value uplift from today's market capitalisation of just over £49m (US$64m) is evident.

This is supported by the market value of Mako Mining – which is commissioning at its San Albino mine – with a market capitalization of US$175m. The San Albino mine is expected to produce ~40koz gold a year compared with the >100koz expected from La India in our Base Case.

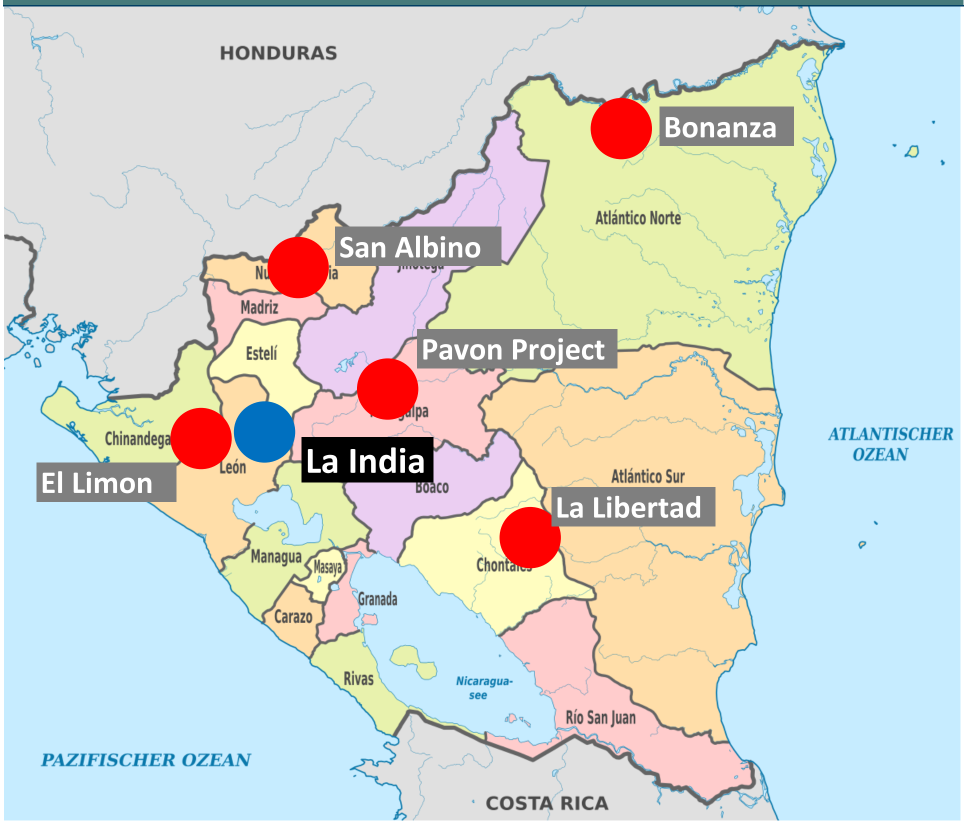
Nicaragua Gold Peers

Calibre Mining (TSX:CXB) bought it's Nicaraguan Assets from B2 Gold in October 2019. It spent $100m (total consideration in shares and cash) for the El Limon and La Libertad mining complexes. This worked out to be ~$40/oz for the 1.1Moz Measured and Indicated Resources plus the 1.5Moz in Inferred Resource. The mill capacity for la Libertad and El Limon is 2.7Mt/yr capable of producing 150-160koz gold/yr. The La Libertad plant is currently operating at perhaps half its capacity due to ore constraints and Calibre has a plan to truck ore from El Limon, and a new project at Pavon, to fully utilize La Libertad. This is the opportunity that Condor is examining to see if it could also send parcels of high-grade ore from starter pits at la India for toll milling; low initial capital expenditure for Condor and additional mill feed (and a profit) for Calibre.

Mako Mining (TSXV:MKO) is constructing the San Albino mine to produce ~40koz gold/yr at low operating costs of <$400/oz. First gold is expected in January 2021. San Albino will be one of the highest-grade open pit mines in the world when it is in production.

Mineros (BVC:MINEROS) operates the 100koz gold/yr Bonanza mine. Resources of over 6Mt grading 4g/t gold from a series of open pit and underground mines, together with material from artisanal miners, are processed through the HEMCO mill. Cash Costs are in the region of $950/oz. Roughly 2/3 of the gold is from artisanal sources.

Figure 6: Location of Gold Producing mines in Nicaragua



Source: WH Ireland Research

These are modern operations producing significant quantities of gold from, generally, high-grade ore and generating significant cash flows for their operators.

Key Risks and Other Considerations

Investing in Condor does carry certain risks – many in common with similar companies and a similar stage in their evolution –we highlight the most significant risks as we see them below.

We see a low risk going forward in the gold price

Commodity Risk – Condor will operate mostly in the gold price market which is currently strong and with improving fundamentals. An unstable geopolitical outlook, global barriers and threats to trade with a sovereign response to the COVID-19 pandemic by fiscal stimulus via monetary easing - all of which point to a robust outlook. We have been surprised this year in the strength of the gold price response and have had to move our forecasts several times this year already. Our current forecasts are in Table 2. We see the current crisis resetting the gold price and do not see the price falling to the lows in the last cycle at ~ $1,000/oz. We see the price as a low risk for Condor especially as all of the previous modelling demonstrating the economic viability of the project was carried out at prices well below current levels.

Operating in Nicaragua carries with a low to moderate risk

Sovereign Risk– Investing in Nicaragua carries some risk. That said, the mining industry is of growing importance in Nicaragua and we expect Condor to be provided every assistance by all levels of government. Other foreign-listed companies operate in Nicaragua with no issues and we see no reason why Condor should not also benefit from the same levels of cooperation.

Operating risk in line with peers

Operating Risk – Condor will operate in the same mining sector that others operate in. We point to the other successful operations in Nicaragua. In addition, Condor will also be a single mine company which carries additional risks. However, we think that the operation proposed by Condor is simple and achievable which reduces the risks in our opinion.

Project execution risk in line with peers

Project Execution Risk – All projects carry execution risk, but we see no more risk for Condor than with other projects. We point to the successful construction of a new mine this year in Nicaragua – Mako's San Albino project – to show that mines can be built in modern Nicaragua.

Much of the La India project is permitted already

Permitting Risk – Operating permits for the open pit resources have been received and Condor remains in good standing for the remaining permits. The fact that new open pit gold mines in Nicaragua are in construction and several large mines are operated (and have operated) in the past suggests that permitting risk is low

As with all Junior developers capital market risk is seen as the biggest risk

Capital market Risk – a current major issue faced by the junior mining sector is access to capital. Condor Gold will need capital to complete the plan for development at la India. However, Condor Gold may have options as it has a strong investor base and an experienced management team. There may be offtake or equipment manufacturer funding available which reduces the equity required from existing shareholders.

Condor Gold

Condor Gold was listed on the AIM market in London in 2006 (AIM:CNR) and is now also listed on the TSX in Canada (TSX:COG). The company is engaged in development of gold projects in Nicaragua. Its principal project is the La India project, though it also has other exploration properties in country: Rio Luna and Estrella.

La India

Location

La India in the northwest of Nicaragua in the municipalities of Santa Rosa del Peñon and El Jicaral approximately 70 km due north of the capital city of Managua (130km by paved road).

Table 7.

Source: WH Ireland Research, Condor Gold,

History

The district has seen gold mining before and records show some large-scale gold mining at the La India deposit between 1936 and 1956, by Compania Minera La India and Noranda Mines of Canada. Production estimates are 575koz gold from 1.73 Mt grading 10.5g/t Au.

The mine worked up to a dozen narrow high-grade veins using traditional back-stoping . Mining was concentrated on two veins; La India vein where a 1200 m strike length was mined to a depth of up to 200 m below surface and the America-Constancia vein where a 2200 m strike length was mined to 250 m below surface. Mine development at these locations and at the smaller satellite workings was incomplete, and in some cases had not advanced beyond exploratory stope development, when mining was halted in 1956

Ownership

All the projects are 100% owned by Condor Gold

Geology

The La India deposit is a series of high-grade, low-sulphidation epithermal gold-silver mineralised veins hosted by Tertiary intermediate to felsic volcanic rocks. Over 17 km of gold mineralised quartz-carbonate veins have been identified. The veins strike between a northerly, north-easterly and easterly direction reflecting a formation defined by the stresses of the north-eastward directed subduction of the Pacific Tectonic Plate beneath the Nicaraguan landmass.

The veins are low-sulphidation gold-silver epithermal veins with epithermal textures such as banding, brecciation, vugs and bladed textures recognised, locally reworked by faulting along the vein-hosting structure to produce brecciated quartz vein and fault gouge clay. The gold is un-evenly distributed along the strike length of the vein as wide high grade shoots separated by narrower, lower grade veins, with the gold hosted by quartz veins. Three principal vein sets have been explored to date; the La India, America and Mestiza vein sets all located within a 6km by 3km area. At La India wide zones of gold mineralisation have been recognised where stacked quartz veins and quartz breccia form high-grade zones up to 25m wide. The high grade shoots typically extend for 100m to 300m along strike and the intervening low-grade zones appear to typically extend between 50m and 150m along strike.

Two major structures appear to control mineralisation (Figure 11) – the La India and Andrea Corridors with at least one important transfer structure identified between them (called “The Link”).

Resources

Drilling has been extensive on the la India property and a significant resource has been outlined (Table 6). These are to resources are to the NI 43-101 standard.

Table 6. Resources at the La India Project (all Veins – NI-43-101) – SRK Jan 2019

Resource Status	Type	Mt	Au g/t	Ag g/t	Au koz	Ag koz
Indicated	Open Pit	8.6	3.3	5.6	902	1,535
	Underground	1.3	5.8	8.5	238	345
	Sub Total Indicated	**9.9**	**3.6**	**5.9**	**1,140**	**1,880**
Inferred	Open Pit	3.0	3.0	6.0	290	1,880
	Underground	3.7	5.1	9.6	609	860
	Other *	1.8	5.0		280	
	Sub-Total Inferred	**8.5**	**4.3**	**8.2**	**1,179**	**1,201**

Source: WH Ireland Research, Condor Gold,
Open Pit and Underground (OP cut off 1g/t, UG cut off 2g/t. resource updated using a $1,500/oz gold price
* Not updated as part of the Jan 2019 SRK resource update.

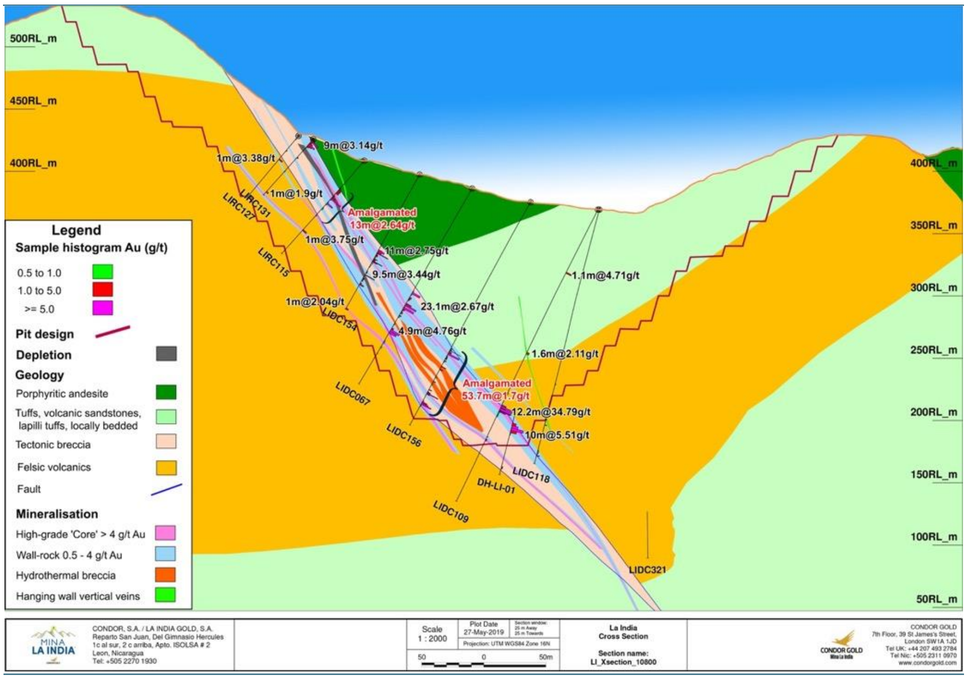
Table 7: Open Pit Reserves (La India permitted) at the La India Project

Open Pit	Mt	Au g/t	Au koz
La India	7.3	2.8	656
Mestiza	0.6	5.8	111
America	0.6	3.8	80
Total	**8.5**	**3.1**	**847**

Source: WH Ireland Research, Condor Gold, Mineral reserves have been calculated for three open pits (Figure 9): Mestiza, America and, the most important, La India. The P&P reserves (fully permitted open pits) shown in Table 7.

There are of course the underground resources to consider once the open pits have been mined, plus extensions of open pit resources not yet included. This is shown in Table 8, along with the additional areas for which only a minor amount of geological investigation has been undertaken; resource expansion could be significant at the La India Project.

Figure 8: La India Open Pit Geology



Source: WH Ireland Research, Condor Gold,

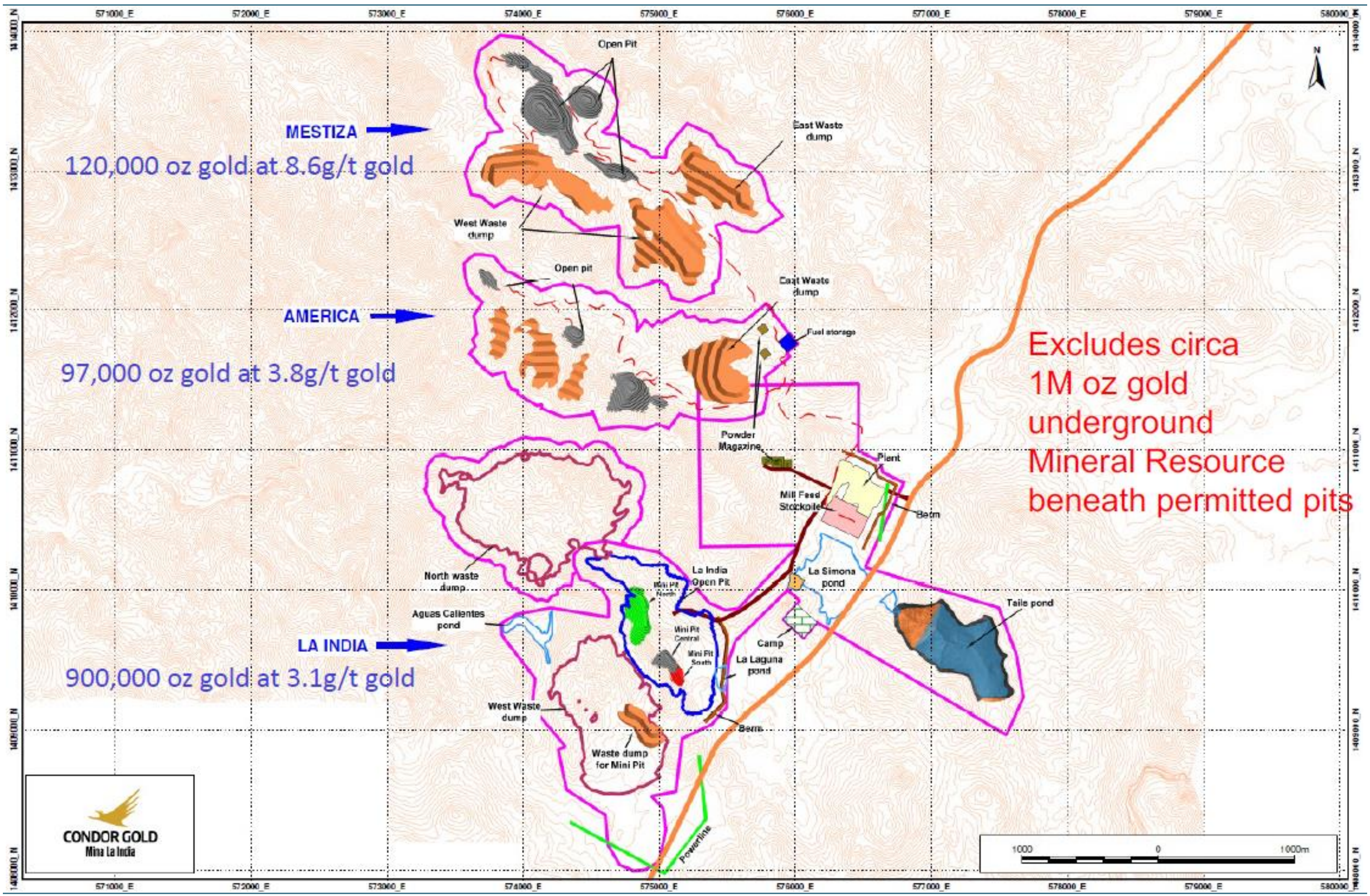
Table 8: Resources expansion potential

Open Pit	Current Resource koz	Target Resource koz
La India	1,300	1,600
Mestiza	333	630
America	479	780
Total	**2,112**	**3,010**
Cacao	58	-
Central Breccia	56	-
San Lucas	59	-
Tatascame	34	-

Source: WH Ireland Research, Condor Gold,

The resource expansion potential is shown in Figures 10 and 11. Figure 8 shows that the gold-bearing vein structure are open at depth, whilst Figure 11 shows the soil geochemistry following the structures exposed and the strike length that still has to be explored in the area. The area has established over 1Moz of high-grade resources and has barely touched the potential of the district in our opinion.

Figure 9: Permitted open pits at the La India project.



Source: WH Ireland Research, Condor Gold,

Infrastructure

La India lies close to a major paved road in the Pan American highway and a power line runs northeast-southwest through the Project area. A hydroelectric dam is located just beyond the eastern edge of the Project area, less than 10 km from the main deposits.

Proposed Pre-Feasibility Study development plan

Condor carried out a PFS in 2014 which provided for a 800kt/yr plant fed from the La India open pit with a (with a Stripping Ratio of 13.6:1) to produce 74koz gold/yr from 6.9Mt ore grading 3g/t gold. Capital Costs were estimated at $110m (inc. contingencies) with operating costs of $657/oz and an AISC of $690/oz.

Metallurgical test work has shown that cyanide leaching (CIP or CIL) is the preferred process route for La India with gold recoveries of 91% and silver recoveries of 70%. The PFS used a CIL circuit: Crushing ROM with a primary jaw crusher, followed by a single stage SAG mill in closed circuit with cyclones to achieve the target P_{80} target size of 75µm. Leaching of the ground ore in a CIL circuit with 1 leach tank and 6 adsorption tanks before gold absorbtion onto activated carbon. Elution from the loaded carbon before electrowinning and smelting to produce doré at site.

Figure 10: Depth extension potential of the La India Vein

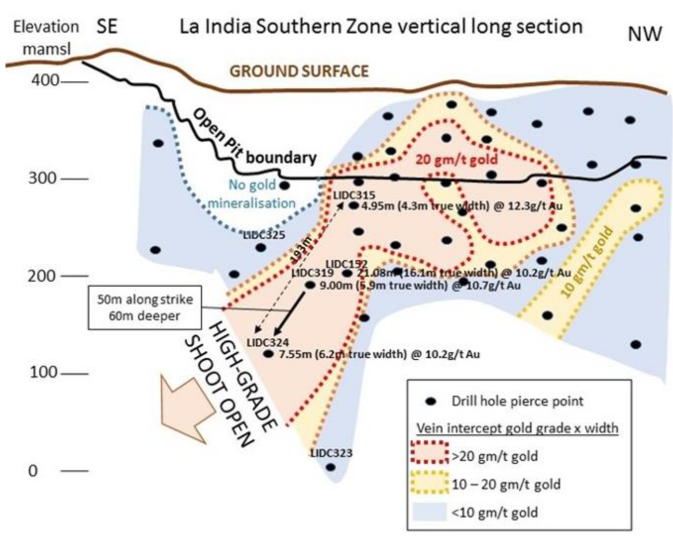
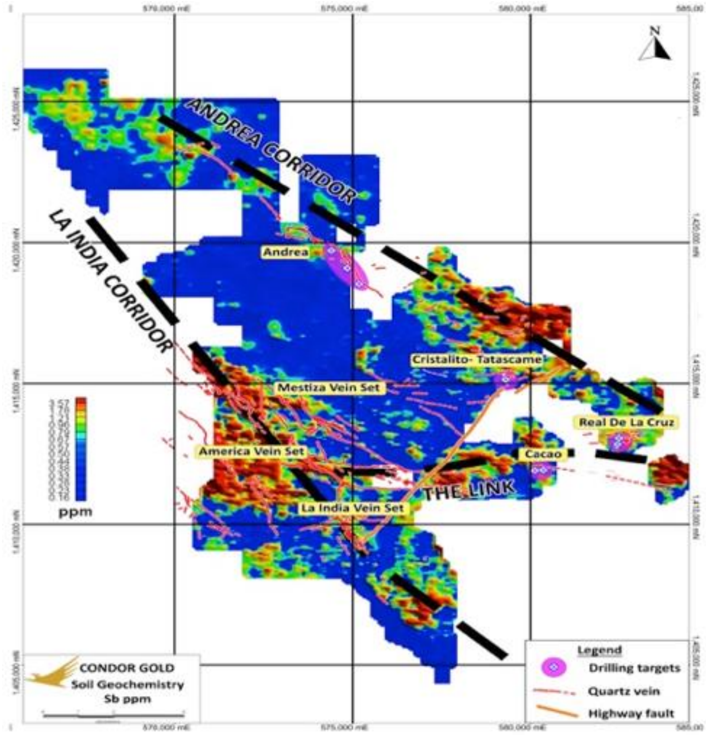


Figure 11: Strike potential away from the known resources



Source: WH Ireland Research, Condor Gold,

Recent potential development plans

The current approach is for the development of a 3.5kt/d processing plant producing 120koz gold/yr. Permitted resources at La India allow for a 7 year mine life at this rate. After commissioning Condor plans to aggressively drill in the area and begin reserve definition of the underground resource. The district, in our opinion, is highly prospective and if exploration is successful then there would be the potential to expand the operation.

In the first instance Condor is also examining the possibility of mining in high-grade starter pits and trucking the ore to La Libertad plant which is owned by Calibre Mining. This low capital approach would establish La India as a producing asset as well as generating cash flow for the bigger build on site.

Estrella

The Estrella Concession, covers an area of 18km² over the historic Estrella Gold Mine, located approximately 20km southwest of Siuna in the northeast of the country. At Estrella an east-west trending mineralised structure containing at least three parallel epithermal veins within a width of 15-20m has been defined along a 400m strike length.

The historic Estrella Gold Mine exploited at least 250m of this strike length at its western end where the structure crosses a low ridge and valley and runs part way up the crest of a ridge; Loma Estrella Ridge. The mine was reportedly destroyed in 1935 during civil unrest.

Rio Luna

Rio Luna is an advanced exploration project where the previous explorer First Point Minerals of Canada report spending over US$1.8 million between 2004 and 2008 on regional soil and rock chip sampling, and follow-up trenching and diamond core drilling.

The Concession covers an area of 43km² in the Central Highlands of Nicaragua with epithermal veins, hosted by a Tertiary-aged volcanic sequence of andesite flows intercalated with subordinate basalt. 18km of epithermal quartz veining has been defined in three distinct northwest-southeast trending gold vein sets. Seven principal prospects were identified, five of which were drill-tested over several phases of drilling between 2004 and 2006, with a total of fifty-eight diamond drill holes completed for a total of 6,250m drilled. In November 2011 Condor announced that independent geologists SRK Consulting (UK) Ltd had estimated a JORC compliant Inferred Mineral Resource of 65 kt at 3.5 g/t gold for 80,000 oz gold and 28 kt at 56 g/t silver for 500,000 oz silver.

Nicaragua

Nicaragua was first settled as a Spanish colony from Panama in the early 16th century with Independence declared in 1821 with the country an independent republic from 1838. In 1978 a short-lived civil war brought a civic-military coalition, spearheaded by the Marxist Sandinista guerrillas led by Daniel Ortega. Nicaraguan aid to leftist rebels in El Salvador prompted the US to sponsor anti-Sandinista contra guerrillas through much of the 1980s which led to much unrest. After losing free and fair elections in 1990, 1996, and 2001, former Sandinista President Daniel Ortega was elected president in 2006, 2011, and most recently in 2016. Nearly all elections since 2008 have been marred by widespread irregularities. The failure of an anti-government protest movement in 2018 has led to the president gaining control over many of the branches of government and bringing relative peace to the country.

Figure 12: Nicaragua Location

Figure 13: Nicaragua

Source: WH Ireland Research, CIA

Nicaragua, is the poorest country in Central America (CIA Factbook) and the second poorest in the Western Hemisphere, and has widespread underemployment and poverty. With low GDP growth (4.5% in 2017). Textiles and agriculture combined account for nearly 50% of Nicaragua's exports. Beef, coffee, and gold are Nicaragua’s top three export commodities.

Gold Market Outlook

The gold price has had a strong 18 months, with historically-high prices of over $2,000/oz over the course of 2020 (Figure 14).

In our opinion the robust gold price environment has been due to several factors: geopolitical concerns, trade disputes and a general economic slowdown exacerbated by the global COVID-19 pandemic. To counter the negative effects of the Covid-19 lock downs and disruption to normal trading there has also been a sovereign response with the effective printing of trillions of dollars of “new” money by many countries. This new money will only ever have an inflationary effect which will filter down to the price of real assets – like gold.

Our gold price forecast is set out in Table 9. We really see our forecast as a conservative forecast and see the risk on the upside with any new development in trade or pandemic crisis feeding through to the gold price,

Table 9: WH Ireland Gold Price forecast

	2019A	2020F	2021F	2022F	2023F	2024F	2025F	Long Term
Gold Price	$1,392	$1,795	$1,950	$1,850	$1,750	$1,650	$1,500	$1,450

Source: WH Ireland research

Figure 14: Gold Price

Source: WH Ireland Research,

Shareholders

Table 10. Condor Gold Shareholders (25 September 2020)

	Shares (m)	Percent holding (%)
Jim Mellon	18.7	15.9
Nicaragua Milling Company Ltd	8.2	6.9
Ross Beaty	6.8	5.8
Oracle Investments Ltd	5.0	4.2
Mark Child	4.2	3.6
>3% shareholders	**42.9**	**36.4**
Total *	**117.9**	**100**

Source: WH Ireland Research, Condor Gold (25/09/2020_

There were 117.910803m shares in issue at 25/09/2020

There are 11.9m share options

There are 14.2m warrants: 2.4m warrants (exercise price of 31p. Expiry date 7 February 2021), 3.2m warrants (exercise price 25p. Expiry date 15 July 2022) and 8.6m warrants (exercise price 40p. Expiry date 28 May 2023)

Condor Team

Board Members

Mark Child – **Chairman and CEO** – Mr. Child was commissioned as an officer in the 2nd King Edward VII's Own Gurkha Rifles and served in the British Army for 4 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.

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..

Jim Mellon – **Non-Executive Director** – Jim Mellon, based in the Isle of Man, is a renowned fund manager. He began his career with GT Management in the US 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. He is currently chairman of Manx Financial Group Plc and co-chairman of Regent Pacific Group Ltd and Emerging Metals Limited, a director of Charlemagne Capital Limited, Burnbrae Group Limited and various other investment companies. Mr Mellon holds a Master's Degree in Philosophy, Politics and Economics from Oxford University.

Andrew Cheatle – **Non-Executive Director** – Mr. Andrew Mark Cheatle (P.Geo. FGS, MBA) is a seasoned CEO and director within the mining industry. As a professional geoscientist and graduate of the Royal School of Mines, Imperial College, London, his 30-plus-year international career has encompassed both the senior and junior mining sectors. Based in Toronto and London (UK), he is a sought-after advisor to the minerals industry, specialising in technical assessments, corporate development, and investments globally with a recent focus on Africa for Allied Gold Corp. His roles have included Executive Director (CEO) of the Prospectors and Developers Association of Canada (PDAC). Prior to this he was President/Chief Executive Officer and Director at Unigold Inc., a TSX-V listed gold development company where he oversaw the delivery of the company's initial mineral resource of two million ounces of gold at its flagship property in the Dominican Republic. The project was successfully partnered with the International Finance Corporation (the "IFC"). Mr. Cheatle's career has also included the roles of CEO and Director for a group of companies within a private merchant bank; Principal Geologist at AMEC plc; Chief Geologist at Goldcorp Inc./Placer Dome Inc.; and Mineral Resource Manager with Anglo American Corporation.

Kate Harcourt – **Non-Executive Director** – Kate Harcourt is a Chartered Environmentalist with twenty five years' experience of the environmental and social aspects of both open pit and underground mining projects around the globe. Kate has been nominated by the IFC to the Board following their 8.5% shareholding in the Company. 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 has worked as a Director of Health, Safety, Environment, Communities and Security for MagIndustries, a natural resource company with assets in Republic of Congo. She has worked for the IFC on a geothermal project in Nicaragua since 2010. Kate has a Master of Science degree from Imperial College in Environmental Technology.

Ian Stalker – **Non-Executive Director** – Ian Stalker is a senior international mining executive with over 45 years of experience in resource development. He has directed over twelve major gold, base metal, uranium and industrial minerals projects at various phases, from initial exploration drilling to start-up. Mr Stalker was Chief Executive Officer of Brazilian Gold Corporation, a TSX-V-listed company from 2011 until its sale to Brazil Resources in 2013. From 2009 to 2011 he was CEO and later a Non-Executive Director of Berkeley Resources Ltd, an ASX and AIM-quoted company with its main asset being a uranium development project in Spain and from 2008-10, Chairman and CEO at Niger Uranim Ltd. He was CEO of UraMin Inc. from 2005 until its acquisition by Areva S.A. in 2007 for US$2.5 billion. Prior to joining UraMin, between 2001 and 2004, Mr Stalker was Vice President at Gold Fields Ltd, the fourth largest gold producer in the world at the time. Since 2014 Mr Stalker has been CEO (2014 -2017) and subsequently a Director (currently Non-Executive) of TSX-V-listed K92 Mining Inc, a gold and copper producer operating in Papua New Guinea. Mr Stalker was also CEO of LSC (Lithium) a TSX-V-listed Company from 2017 to March 2019 when it was sold to Pluspetrol (Argentina).

Key Management

Jeffrey Karoly – **Chief Financial Officer** – Jeffrey has a degree in Geology from the University of Bristol and is a Chartered Accountant with over 20 years' experience in the mining industry. He started his career at Coopers & Lybrand and between 1997/ 2007 was with Minorco (Anglo American) in a variety of finance and corporate finance functions in the UK, Brazil, South Africa and France. From 2008 to 2010 he was the Chief Financial Officer of South American Ferro Metals, a private company that acquired, explored and developed an iron ore property in Brazil and which in 2010 listed on the ASX. From 2010 to 2016 he was the Chief Financial officer and Company Secretary of AIM and TSX listed Horizonte Minerals Plc (AIM/TSX: HZM). He listed Altus Strategies plc on AIM in 2017 (AIM: ALS) and is also CFO of Rupert Resources (TSX-V: RUP). He speaks Hungarian, French and Portuguese.

Dave Crawford – **Chief Technical Officer** – Dave Crawford is a Mining Engineer / MBA with 43 years background in project studies, mine design, economic analysis and resource estimation spanning 43 years in multiple commodities and multiple countries. He is a Registered Professional Engineer and a Qualified Person under CNI 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 in Kazakhstan, and Principal Mining Engineer with Pincock, Allen and Holt.

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As at the quarter ending 31 October 2020 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate	Percentage %
Corporate	58	96.7	58	100.0
Buy	0	0.0	0	0.0
Speculative Buy	0	0.0	0	0.0
Outperform	2	3.3	0	0.0
Market Perform	0	0.0	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
Total	**60**	**100.0**	**58**	**100.0**

Valuation and Risks

For details relating to valuation and risks for subject issuers, please refer to the comments contained herein or in previously published research reports or sector notes.

Time and date of recommendation and financial instruments in the recommendation

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A draft of this research report has been shown to the company following which factual amendments have been made.

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Company/Issuer Disclosures

Company Name	Table of interest number	12-month recommendation history	Date
Condor Gold (CNR)	4	Corporate	05/11/2020

http://research.whirelandplc.com/research/regulatory.asp

Companies Mentioned

Company Name	Recommendation	Price	Price Date/Time
Calibre Mining Corp.	N/A	CAD 2.1	02/11/2020 16:30
Mako Mining Corp.	N/A	CAD 0.36	02/11/2020 16:30
Mineros S.A.	N/A	COP 3600	02/11/2020 16:30

Headline	Date
Condor ready to soar	05/11/2020

Recommendation	From	To	Analyst
Corporate	05/11/2020	present	CA

Current Analyst (CA), Previous Analyst (PA)

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