Company number: 05587987

# CONDOR GOLD PLC
# Report and Accounts
# Year ended 31 December 2014

**CONDOR GOLD PLC**

**CONTENTS OF THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

## HIGHLIGHTS
## FOR THE YEAR ENDED 31 DECEMBER 2014

- Maiden open pit Probable Mineral Reserve of 6.9Mt ore at 3.0g/t gold and 5.3g/t silver for a total of 675k oz gold and 1,185k oz silver defined on La India Vein Set.

- Pre-Feasibility Study on mining La India open pit mineral reserve supports a 0.8Mtpa processing plant to produce 614,000 oz gold over a 9 year mine life at an average annual gold production of 79,300 oz per annum for the first 7 years.

- Preliminary Economic Assessment of open pit mining at La India, America and Central Breccia supports a 1.2Mtpa processing plant and increased annual production to 96,800 oz gold per annum for a total production of 774,000 oz gold over an 8 year mine life.

- Preliminary Economic Assessment of open pit mining at La India, America and Central Breccia and underground mining only on La India and America supports a 1.6Mtpa processing for 137,500 oz gold production per annum.

- Mineral Resource on La India Project currently stands at 2.32M oz gold at 4.0g/t including an open pit resource of 1.08M oz at 3.5g/t gold located within a 2km radius.

- Wide mineralised zones discovered at surface over the San Lucas Resource with trench results of 6m at 7.65g/t and 16.15m at 2.20g/t gold.
- 2,646m trenching at Real de la Cruz demonstrated:
    - Wide zone of low-grade stockwork gold mineralisation along a 1,100m strike length including a core zone of 200m strike length by 40m to 65m width averaging circa 1g/t gold,
    - A quartz breccia grading at 16.4g/t gold over a true width of 4m exposed in an artisanal pit wall demonstrates potential for high-grade structures that may improve the bulk average grade of the prospect.
- Areas with the potential for the discovery of concealed sub-surface gold mineralisation have been identified through a regional assessment of geophysical, satellite-derived topographic, geological mapping and regional geochemical data.
- Completion of a £6.41m fundraise in September and October at 90p per share (including £3.51m from the IFC) to fund ongoing exploration and project advancement studies.

### POST PERIOD HIGHLIGHTS

- 1,952m of a drilling completed out of a programme of up 4,000m. Drill intercept of 7.55m at 10.2g/t gold outside the main pit demonstrates the resource remains open to the south.

- 60 sq km regional soil survey well advanced with preliminary targets for hidden deep-seated gold mineralisation identified.

- Appointment of Ms Kate Harcourt as a Non-Executive Director, bringing a range of expertise covering the mining industry, IFC Performance Standards and HSECS matters to the Board.

**CONDOR GOLD PLC**

**CHAIRMAN'S STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

Dear Shareholder,

I am pleased to announce Condor Gold PLC's ("Condor" or "the Company" or "the Group", www.condorgold.com) annual report for the 12 month financial year to 31st December 2014. During the year the Company continued its exploration, focusing on the economic feasibility of exploiting the flagship La India Project in Nicaragua. An NI 43-101 technical report detailing a Pre-Feasibility Study ("PFS") and two Preliminary Economic Assessments ("PEAs") was posted on Condor's website on 21st December 2014. SRK Consulting (UK) Ltd ("SRK") completed all studies for the PFS and two PEAs on La India Project except the design for the processing plant, which was completed by Lycopodium Minerals Canada Ltd. ("Lycopodium").

The PFS on La India Project 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.

The two PEAs highlight the flexibility, scalability and economic upside of La India Project. The first PEA includes existing open pit PFS reserves as well as open pit mineral resource extensions. This PEA envisions a 1.2Mtpa plant and increases average annual production to 96,800 oz gold for 8 years, while retaining the low AISC at US$685 per oz and upfront capital costs remain low at US$127 million including contingency. The post-tax IRR improves to 25%.

The second PEA includes the extensions to the high-grade open pit resources and adds-in existing underground resources on La India and America veins. A 1.6Mtpa plant further enhances the economics and increases average annual production to 137,500 oz gold for the initial 8 years, with an IRR of 24%. The AISC remains low at US$697 per oz gold with up front capital costs of US$169 million including contingency. In all cases, it is estimated that production can be enhanced by 10,000 oz gold per annum by centrally processing artisanal miner ore; the economic and production benefits are excluded from these studies.

All-in-sustaining cash costs of under US$700 per oz gold in each of the 3 studies highlights the attractiveness of La India Project against the backdrop of a weak gold price. The IRR improves significantly in the event that the life of mine is extended beyond the life used in the PFS and two PEAs. This is highly likely given that circa 700,000 oz gold mineral resources are excluded from both PFS and PEA studies and an additional 18 combined kilometres of veining has been identified by trenching and soil sampling outside the mineral resource areas. The helicopter borne geophysics survey indicates the potential of a significant gold field well beyond the PFS and PEA studies.

Condor will continue to demonstrate the economic and production upside of La India Project through optimisation of technical and commercial elements of the PFS and PEAs. Of equal importance is our strategy of selectively proving the exploration upside with additional drilling and geochemistry programs. In our professional opinion, La India Project hosts both extensions to known deposits as well as the potential to host a much larger gold mineralized system.

The PFS and PEA studies have identified a number of opportunities, which have the potential to improve the economics of the project, and will be investigated further as part of the on-going studies. These include:

- Further optimization of the mine plans and ore scheduling to improve NPV and lower operating costs.
- The Company's intention to process artisanal miners' ore through the main plant in each scenario. In the Company's opinion an additional 10,000 oz gold per annum of very high grade ore could be added to each of the above scenarios, benefiting both the artisanal miners and the Company.
- Fuel prices are based on US$100 per barrel of oil (WTI Basis). A re-pricing to current market prices should see the project IRR increase by 3%.
- Potential cost savings through the use of local contractors for construction and routine operating costs.
- Lower power costs through the installation of an HFO (Heavy Fuel Oil) power plant and the examination of alternatives to grid power.
- Cost savings via firm agreements with local vendors.
- Optimization of the position and materials handling facilities of the processing plant to reduce operating and capital costs.

As part of the PFS work program Condor undertook to build on the recommendations of the SRK 2013 Mineral Resource Estimate ("2013 MRE"). Notably, the Condor geological team focused work on the reinterpretation of a series of hanging-wall features (previously described as vertical features) that were classified as Inferred in the 2013 MRE. The aim of the study was to re-examine the classification and potentially upgrade this material through increased confidence in the modelled orientation and continuity of the structures to Indicated so that it could be considered in the PFS. A reinterpretation of hanging-wall (wireframe) models was completed by the Company based on geological mapping, re-logging of diamond drill-core, identification of mineralization styles and definition of angle to core for major structures. SRK used this additional information to update the geological model and classification boundaries for the hanging-wall features and released an updated Mineral Resource Estimate ("MRE") in September 2014 in support of the PFS and two PEAs.

The current mineral resource estimate on the project area is CIM-compliant. The Indicated Mineral Resource is 9.6Mt at 3.5g/t gold for 1,083,000 oz gold and the Inferred Mineral Resource is 8.5Mt at 4.5g/t for 1,231,000 oz gold. This includes **total open pit mineral resources of 10.9Mt at 3.0g/t for 1.06M oz gold**, including 862,000 oz in the Indicated category with the balance Inferred, constrained by a Lerchs-Grossman open pit shell.

The optimised in-pit resource has been reported using a 0.5g/t cut-off and is contained within three close-spaced pits: La India Open Pit containing 904,000 oz gold at 3.1g/t (including 832,000 indicated), the America Open Pit containing 97,000 oz gold at 3.8g/t (including 30,000 oz indicated) and the Central Breccia Open Pit containing 56,000 oz gold at 1.9g/t. An underground mineral resource of 3.4Mt at 5.4g/t for 588,000 oz gold which falls outside of the Lerchs-Grossman pit shells on La India and America has been estimated using a higher cut-off of 2.0g/t over 1m width to reflect the higher costs of underground mining. **La India open pit reserve is 6.9Mt of ore at 3.0g/t gold for 675,000 oz gold** reported above a 0.75g/t cut off.

The key technical, operational and financial parameters of the PFS and PEA scenarios assuming a gold price of US$1,250/oz and a silver price of US$20/oz are summarised in the following table:

| Parameter | Unit | PFS | PEA Scenario A | PEA Scenario B |
|---|---|---|---|---|
| Mill Feed | Mt | 6.9 | 9.5 | 13.0 |
| Gold Average Head Grade | g/t | 3.0 | 2.8 | 3.2 |
| Waste Mined | Mt | 94.5 | 118.2 | 118.2 |
| Strip ratio open pit | Waste:ore | 13.6 | 12.4 | 12.4 |
| Contained gold | koz | 675 | 850 | 1,338 |
| Contained silver | koz | 1,185 | 1,376 | 1,965 |
| Average gold recovery | % | 91 | 91 | 92 |
| Annual production years 1-8 | oz gold | 74,000 | 96,800 | 137,500 |
| Annual production years 1-8 | oz silver | 99,200 | 120,300 | 153,300 |
| Upfront capital cost | US$ million | 110 | 127 | 169 |
| Undiscounted payback (years) | Production year | <4 | <4 | <4 |
| Operating cash costs | US$/oz | 657 | 648 | 651 |
| All-in sustaining costs | US$/oz | 690 | 685 | 697 |

Infrastructure and Capital Costs for the PFS and PEAs are summarized below:

| Capital Costs (US$ million) | PFS | PEA Scenario A | PEA Scenario B |
|---|---|---|---|
| Processing Plant[1] | 48.1 | 61.3 | 72.8 |
| Infrastructure | 9.8 | 10.4 | 10.4 |
| Mining pre-production costs | 18.7 | 16.8 | 16.8 |
| Mining support operations/equipment[2] | 8.1 | 8.2 | 30.8 |
| Tailing Storage Facility | 6.0 | 7.6 | 11.0 |
| Land Acquisition | 7.0 | 8.0 | 8.0 |
| Owners Costs | 4.6 | 4.6 | 4.6 |
| **Upfront Capital Costs** | **102.2** | **117.0** | **154.5** |
| Contingency[3] | 7.6 | 10.2 | 14.2 |
| Total Pre-Production Capital Costs | **109.9** | **127.2** | **168.7** |

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

| Category | Units | PFS | PEA Scenario A | PEA Scenario B |
|---|---|---|---|---|
| Mining o/p | (US$/t ore mined) | 32.13 | 30.61 | 30.79 |
| Mining u/g | (US$/t ore mined) | n/a | n/a | 61.01 |
| Processing | (US$/t mill feed) | 20.56 | 18.52 | 18.58 |
| Refinery | (US$/t mill feed) | 0.35 | 0.27 | 0.30 |
| G&A | (US$/t mill feed) | 5.46 | 3.80 | 3.88 |

The PFS mine plan has a stripping ratio of 13.6 :1 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 US$2.35/t sits within the overall range of costs of US$1.66/t to US$4.05/t (with a median of US$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 2.5m.

The table below provides the operating cash costs and All-In Sustaining Cash Costs as defined by the World Gold Council US$ per oz gold produced.

| Category (US$/oz gold) | PFS | PEA Scenario A | PEA Scenario B |
|---|---|---|---|
| Mining[1] | 361 | 373 | 412 |
| Processing | 232 | 227 | 197 |
| G&A | 63 | 48 | 41 |
| **Operating Cash Costs** | **657** | **648** | **651** |
| Freight and refining | 4 | 3 | 3 |
| Royalties | 38 | 38 | 38 |
| Sustaining Capital | 17 | 20 | 27 |
| By-Product Credits (silver) | (26) | (24) | (22) |
| **All-in Sustaining Cash Costs** | **690** | **685** | **697** |

1. excludes the pre-production stripping costs.

## CHAIRMAN'S STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2014

Condor has completed 16 baseline studies and collected sufficient data to produce an Environmental Social Impact Assessment ("EIA") to complete the PFS and PEAs, including but not limited to: hydrology and hydrogeology studies, fauna and flora studies, land use, agriculture and soil characterization survey, meteorological studies, air quality studies, geomorphology studies, environmental legacy, environmental and social vulnerability and risks, a population census, artisanal miner survey and stakeholder engagement plan. The majority of these studies are ongoing as the project progresses to a Definitive Feasibility Study.

Condor continued with exploration activity on La India Project to demonstrate the upside potential and completed 58 trenches for 4,409m, 30 underground channel samples for 106.9m and collected 218 rock chip samples on 6 prospects. The stand out result was from the Real De la Cruz concession where 2,646m trenching delineated a broad zone of near surface gold mineralization at over 0.5g/t over an area 500m long by 60m wide. The best trench intercept was 63.6m at 1.01g/t gold whereas a quartz breccia in an artisanal miner pit returned 4m true width at 16.4g/t gold. Condor is currently waiting a drilling permit for this concession.

In El Salvador, Condor's mineral resource of 747,000 oz gold and 22.38 million oz silver or 1,120,000 oz gold equivalent at 2.6g/t remained unchanged during the period due to the moratorium on all exploration and mining in El Salvador.

The moratorium on metallic mining in the Republic of El Salvador ("El Salvador") has now been in place for just over 8 years. In November 2013, OceanaGold Corporation completed the purchase of Pacific Rim Mining for circa US$12m or US$7 per total resource ounce gold equivalent.

We continue to carefully monitor developments in El Salvador in relation to the present moratorium. Although there is a clear risk that the El Salvador exploration licences and related intangible assets may become impaired should the outcome of the Government's consideration be a decision to pass a law prohibiting metallic mining, the Board has concluded, particularly in light of the US$315m damages being claimed by Pacific Rim, and the takeover of Pacific Rim by OceanaGold, that they are not currently impaired. However, in the circumstances, the Board continues its policy of writing down all further expenditure in relation to the El Salvador projects to the profit and loss account. The El Salvador assets carrying value included within this report total £4.7m.

Turning to the financial results for the year 2014, the operating loss was £3,265,730 (2013:£2,917,034). Additionally, the Company raised £6,400,000 (2013: £7,284,660) through a private placements. The Company made foreign exchange profit of £335,494 (2013: losses of £219,298). The increase of cash and cash equivalents was £2,492,658 (2013: decrease of £731,673). The net cash balance at 31st December 2014 was £4,761,128.

The strategy for 2015 is to demonstrate the significant exploration upside of La India Project though a drilling programme and a large soil sampling programme, while de-risking the project by applying for permits, acquiring and securing surface rights that are key for developing a commercial mine, and advancing social and environmental studies. Condor has applied for an EIA permit from the Ministry of Environment for the open pit scenario that envisages circa 100,000 oz gold production per annum for 8 years from the base case La India open pit reserve and two satellite pits. A terms of reference for the EIA has been received. The EIA is the key permit for mining in Nicaragua.

A 4,000m drilling programme commenced in February to show the upside of the project, of which 1,952m has been completed at the time of writing. A drill intercept of 7.55m at 10.3g/t gold 100m outside the La India open pit shell to the south is a timely reminder that this high grade reserve/resource remains open to the south. A 11 sq. km. soil sampling programme extending 5km to the south of La India Open pit has generated 7 soil anomalies which require further work, 2 of which are already considered attractive drill targets. An additional 50 sq km of soil sampling is planned on 6 new target areas. Overall, shareholders can remain confident that the next large commercial mine in Nicaragua will be at La India Project.

## REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Group's financial performance for the year was in line with Directors' expectations. The Group loss after taxation for the year to 31 December 2014 amounted to £3,262,163 (2013: £2,908,667). No dividends were paid during the year.

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

## KEY PERFORMANCE INDICATORS

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

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

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

However, a qualitative summary of performance in the period in the Chairman's Statement and the Operations Report and Project Overview is an effective way of measuring the key performance of the Company.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

**PRINCIPAL RISKS AND UNCERTAINTIES - Continued**

During the past few years to date considerable progress was made in El Salvador:

- In March 2010, the Government of El Salvador ('GoES') placed a tender for an independent 'Strategic Environment Study on the Metallic Mining Sector in El Salvador' ('EAE') to inform the GoES how to conduct mining in a safe, secure and environmentally friendly manner.
- In September 2010 the Ministry of Economy ('MINEC') and the Ministry of Foreign Affairs announced that Tau Consultora Ambiental of Spain (the 'Tau Group') (www.taugroup.com) had been awarded the contract for SES.
- In December 2010, GoES finalised the appointment of a Supervisory Committee to assist GoES on the interpretation of the Tau Group's EAE.
- In September 2011, the Tau Group completed the EAE and submitted it to GoES, a copy is available on the internet.
- In May 2012, Condor's Chairman met with the Director of the Department for Regulating Hydrocarbons and Mines at his office in the Ministry of the Economy in San Salvador.
- 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.
- In March 2013 Pacific Rim announced an independent valuation of its 1.7m oz reserves in El Salvador being worth over $300m. Pacific Rim is currently engaged in legal proceedings with GoES over the ongoing moratorium, and currently claiming $315m in damages.
- In November 2013, OceanaGold Corporation completed the purchase of Pacific Rim Mining for circa US$12m or US$7 per total resource ounce gold equivalent.

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

**GOING CONCERN**

The operations of the Group are currently financed from funds which the Company has raised from shareholders. The Group has not yet earned revenues and is still in the exploration phase of its business. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding will be required from time to time to finance the Company's activities. The Directors prepare and monitor cash flow projections based on different funding scenarios and make assumptions about the availability of additional finance in the future.

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

**FINANCIAL RISK MANAGEMENT**

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

**1. Credit risk**

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

The Group and the Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The credit risk on trade and other receivables is limited to the Group's receivable of £967,416. The exposure of the Group and the Company to credit risk arises from default of its counterparty, with maximum exposure equal to the carrying amount of cash and cash equivalents in the Group's Statement of Financial Position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

The Group does not hold any collateral as security

**FINANCIAL RISK MANAGEMENT – continued**

**2. Liquidity risk**

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

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

**3. Market risks**

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

(i) Pricing and risks

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

(ii) Interest rate cash flow risk

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

(iii) Foreign exchange risk

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

**4. Capital risk management**

The Group manages its capital to ensure that entities within the Group will be able to continue individually as going concerns, while maximising the return to Shareholders through the optimisation of debt and equity balances. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the Consolidated Statement of Changes in Equity.

**ON BEHALF OF THE BOARD:**

Mark Child

M L Child
Chairman

Date: 26 May 2015

**PROJECT OVERVIEW**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**CURRENT CONCESSION HOLDINGS**

***Nicaragua Projects***

| Project | Concession | Ownership | Expiry Date | Area (km²) |
|---|---|---|---|---|
| La India Project | La India | 100% Owned | January 2027 | 68.50 |
| | Espinito Mendoza | 100% Owned | November 2026 | 2.00 |
| | Cacao | 100% Owned | January 2032 | 11.90 |
| | Santa Barbara | 100% Owned | April 2034 | 16.20 |
| | Real de la Cruz | 100% Owned | January 2035 | 7.66 |
| | Rodeo | 100% Owned | January 2035 | 60.40 |
| | La Mojarra | 100% Owned | June 2029 | 27.00 |
| | HEMCO-SRP-NS (to be renamed La Cuchilla) | 100% Owned | August 2035 | 86.39 |
| | ***Subtotal*** | | | ***280.05*** |
| Boaco | Rio Luna | 100% Owned | June 2035 | 43.00 |
| RAAN | Estrella | 100% Owned | April 2035 | 18.00 |
| Nueva Segovia | Potrerillos | 100% Owned | December 2031 | 12.00 |
| La Libertad-Santo Domingo District | Cerro Quiroz | 20% Owned | April 2035 | 22.50 |
| **TOTAL** | | | | **375.55** |

*All concessions in Nicaragua are combined exploration and exploitation concessions.*

***El Salvador Projects***

| Project | Concession | Ownership | Expiry Date* | Area (km²) |
|---|---|---|---|---|
| La Calera | La Calera | 100% Owned | under moratorium | 42.00 |
| El Pescadito | El Pescadito | 100% Owned | under moratorium | 50.00 |
| | Carolina | 100% Owned | under moratorium | 40.50 |
| | El Gigante | 100% Owned | under moratorium | 42.50 |
| **TOTAL** | | | | **175.00** |

*All exploration and mining licences in El Salvador are currently under El Salvador’s moratorium on mining and exploration activity. Condor owns 90% interest in El Salvador (remaining 10% gifted to the Condor Resources El Salvador Charitable Foundation).

**PROJECT OVERVIEW**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

## CURRENT GLOBAL CIM/JORC CODE MINERAL RESOURCE

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

| | Tonnes (kt) | Gold Grade (g/t) | Gold Contained (koz) | Silver Grade (g/t) | Silver Contained (koz) | Gold Equivalent Grade (g/t) | Gold Equivalent Contained (koz) | Gold Equivalent Attributable Contained (koz) | CIM/JORC Category |
|---|---|---|---|---|---|---|---|---|---|
| ***Nicaragua Projects (100% Condor owned)*** | | | | | | | | | |
| La India | 9,600 | 3.5 | 1,076 | 6 | 1,780 | 3.6 | 1,103 | 1,103 | Indicated |
| Project | 8,800 | 4.4 | 1,252 | 7 | 900 | 4.5 | 1,265 | 1,265 | Inferred |
| ***Total*** | ***18,400*** | ***3.9*** | ***2,328*** | ***6*** | ***2,680*** | ***4.0*** | ***2,368*** | ***2,368*** | ***Ind + Inf*** |
| Rio Luna | 694 | 3.5 | 80 | 56 | 500 | 4.4 | 86 | 86 | Inferred |
| ***Total*** | ***19,100*** | ***3.9*** | ***2,407*** | *7* | *3,182* | ***4.0*** | ***2,454*** | ***2,454*** | ***Ind+Inf*** |
| ***El Salvador Projects (90% Condor owned)*** | | | | | | | | | |
| Pescadito | 7,100 | 1.9 | 434 | 97 | 22,100 | 3.4 | 764 | 688 | Inferred |
| La Calera | 6,000 | 1.6 | 313 | - | - | 1.6 | 317 | 285 | Inferred |
| ***Total*** | ***13,100*** | ***1.8*** | ***747*** | ***53*** | ***22,380*** | ***2.6*** | ***1,081*** | ***964*** | ***Inferred*** |
| **Grand Total** | **32,200** | **3.0** | **3,154** | **34** | **25,553** | **3.5** | **3,535** | **3,427** | **Inferred** |

*Note that tonnage is rounded to nearest 10,000t, gold grade is rounded to nearest 0.1g/t, silver and gold equivalent grade to nearest 1g/t, contained gold and gold equivalent to nearest 1,000oz and contained silver to nearest 10,000oz. Gold equivalent is calculated using silver:gold ratio of 67:1. Attributable gold is calculated as 90% interest in El Salvador licences (remaining 10% gifted to the Condor Resources El Salvador Charitable Foundation).*

## CURRENT LA INDIA PROJECT CIM CODE MINERAL RESOURCE

Summary of La India Project Mineral Resource Estimate per Vein Set.

| **SRK MINERAL RESOURCE STATEMENT SPLIT PER VEINSET as of 7 November 2013** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | gold | | | silver | |
| Category | Area Name | Vein Name | Cut-Off | Tonnes (kt) | Au Grade (g/t) | Au (Koz) | Ag Grade (g/t) | Ag (Koz) |
| Indicated | Subtotal Areas | La India veinset | 0.5g/t (OP) | 8,402 | 3.10 | 838 | 5.5 | 1,475 |
| | | | 2.0 g/t (UG) | 610 | 5.01 | 98 | 11.0 | 216 |
| | | America veinset | 0.5g/t (OP) | 226 | 8.41 | 61 | 5.3 | 38 |
| | | | 2.0 g/t (UG) | 358 | 6.83 | 79 | 4.4 | 51 |
| Inferred | Subtotal Areas | La India veinset | 0.5g/t (OP) | 1,063 | 2.41 | 82 | 4.1 | 139 |
| | | | 2.0 g/t (UG) | 1,174 | 5.60 | 212 | 11.4 | 403 |
| | | | 1.5 g/t | 470 | 4.70 | 71 | | |
| | | America veinset | 0.5g/t (OP) | 957 | 3.22 | 99 | 5.8 | 178 |
| | | | 2.0 g/t (UG) | 839 | 4.79 | 129 | 6.6 | 179 |
| | | | 1.5 g/t | 751 | 4.80 | 116 | | |
| | | Mestiza veinset | 1.5 g/t | 1,490 | 7.00 | 333 | | |
| | | Central Breccia | 0.5g/t (OP) | 939 | 1.88 | 57 | | |
| | | Other veins | 1.5 g/t | 1,120 | 4.20 | 151 | | |

**CURRENT GLOBAL CIM/JORC CODE MINERAL RESOURCE CONT**

Summary of La India Project Mineral Resource Estimate by cut-off grade.

| SRK MINERAL RESOURCE STATEMENT as of 7 November 2013 (4),(5),(6) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | gold | | | silver | |
| Category | Area Name | Vein Name | Cut-Off | Tonnes (kt) | Au (g/t) | Au (Koz) | Ag Grade (g/t) | Ag (Koz) |
| Indicated | Grand total | All vein | 0.5g/t (OP) | 8,629 | 3.2 | 899 | 5.5 | 1513 |
| | | | 2.0 g/t (UG) | 968 | 5.7 | 177 | 8.6 | 267 |
| | | Subtotal Indicated | | 9,597 | 3.5 | 1,076 | 5.8 | 1781 |
| Inferred | Grand total | All veins | 0.5g/t (OP) | 2,959 | 2.5 | 238 | 4.9 (7) | 317(7) |
| | | | 2.0 g/t (UG) | 2,014 | 5.3 | 341 | 9.0 (7) | 582(7) |
| | | | 1.5 g/t (3) | 3,831 | 5.4 | 671 | | |
| | | Subtotal Inferred | | 8,803 | 4.4 | 1,250 | 6.9 (7) | 899 (7) |

(1) The 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 USD1500 per ounce of gold with no adjustments. Prices are based on experience gained from other SRK Projects. Metallurgical recovery assumptions of 93% for gold, based on assumptions provided by the Company Marginal costs of USD16.4/t for processing, USD3.8/t G&A and USD2.2/t for mining, slope angles defined by the Company Geotechnical study which range from angle 40 - 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 1.0m. Cut-off grades are based on a price of USD1500 per ounce of gold and gold recoveries of 93 percent for resources, costs of USD16.4/t for processing, USD10.0/t G&A and USD50.0/t for mining, without considering revenues from other metals.
(3) Mineral resources as previously quoted by SRK (22 December 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 Ore 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 (December 2005) 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) Inferred Silver Mineral Resource Grades based on a sum total of 2,020 Kt for Indicated and 2,010 Kt for Inferred.
(8) The resource figures stated are both gross and net to the Company.

## NICARAGUA –OPERATIONS REPORT

### Pre-Feasibility Study and Two Preliminary Economic Assessments Completed

The completion of the test-work and analytical efforts spanning 2013 and 2014 represents the most complete assessment of the requirements and economic benefits of the La India project compiled to date, incorporating geological analysis, resource estimation, geotechnical, geochemical, hydrogeology, hydrology, environmental and metallurgical analysis. The extensive analytical basis developed in the PFS has been extrapolated into the nearby deposits, and extends that knowledge to the known upside potential of Central Breccia and America in the preliminary economic assessments developed in tandem with the PFS.

In addition to the robust economics, the PFS demonstrated that there are no insurmountable obstacles to development following extensive design and engineering, thus materially reducing the risk profile.

- The resource model has been updated to reflect the most recent geological interpretations
- Geotechnical analysis of the rock mass within the pit has been completed and incorporated into the mine designs
- As a result of the Spring 2014 pump test, our understanding of subsurface hydrology has substantially improved. This knowledge has allowed Condor to develop an effective dewatering plan, with favourable impacts on the pit slopes and mine design
- Our improved mine designs have now incorporated fully designed pits and push-backs, permitting detailed mine forecasts, calculation of haulage profiles and mine waste storage.
- The more detailed mine designs have allowed us to reach out to experienced mining contractors for improved understanding of mine operating costs
- The completion of the processing plant designs have resulted in greatly improved operating cost assessments and a better understanding of the factors effecting those costs.

The combination of these elements has evolved into a comprehensive understanding of both land and environmental requirements for the project that will culminate in the initiation of environmental permitting in early 2015. Perhaps more importantly, the improved data has revealed a number of technical opportunities to improve project economics, including:

- Optimization of cutoff grades by period to maximize up-front production and reduce schedule risk.
- Integration of improved stockpile management
- Improved selection of phase design opportunities
- Additional options for surface water management
- Optimization of grind-throughput and recovery
- Optimization of mill capacity options and power utilization

Additionally, there are numerous opportunities for commercial optimization as well. Condor anticipates that better contract terms can be negotiated with the various vendors as development and operations become imminent.

The NI 43-101 compliant technical report (available on the Condor website) summarizes the information contained within the detailed PFS study. Highlights from the Technical Report follow.

### Background

Condor commissioned the PFS and PEA studies to illustrate both the well-known and understood ‘core’ assets (the PFS) and the upside potential assets (via the two PEA studies), while remaining within the regulatory guidance set out within NI 43-101.

The PFS is based on the exploitation of the La India open pit only via a contract mining operation with a life of mine of 9 years and a processing capacity of 0.8 million tonnes per annum (“Mtpa”) through a conventional carbon-in-leach (“CIL”) plant. Average production is expected to be 79,300 oz gold per annum over the 7 years of maximum production as part of a 9 year LOM, at an average 3.0 g/t Au head grade.

The PEA scenarios are presented to show the upside potential from the existing Mineral Resources. There are two PEA scenarios. The first scenario covers the La India open pit (extended to include Inferred Mineral Resources) and two feeder pits at the America and Central Breccia deposits, with a LOM of 8 years and a processing capacity of 1.2 Mtpa. Average production is expected to be 96,800 oz gold per annum over the LOM. The second scenario also includes the underground mining of the La India and America deposits. Average annual production in this scenario is expected to be 137,500 oz gold for the first 8 years LOM processing 1.6 Mtpa of material, after which mill feed is solely supplied by the underground mines for another 4 years at a reduced rate.

It should be noted that the PEA scenarios are preliminary in nature and include Inferred Mineral Resources that are considered too uncertain geologically to have the economic considerations applied to them that would enable them to be categorised as Mineral Reserves. There is no certainty that the PEA scenarios will be realised.

**Overview of PFS and PEAs**

A PFS level open pit mining study has been completed on the La India Project by SRK Consulting (UK) Ltd ("SRK"). Specifically, SRK took responsibility for the following: Geology and Mineral Resources, Open Pit Geotechnics, Hydrology and Hydrogeology, Mining and Ore Reserves, Metallurgical Testing, Geochemistry and Acid Rock Drainage Metal Leaching, Waste Management, Infrastructure, Financial Modelling, Environment and Social management. In addition to the SRK studies, Lycopodium Minerals Canada Ltd ("Lycopodium") completed the plant processing design for 0.8 Mtpa single stage SAG comminution and conventional Carbon in Leach ("CIL") circuit.

In order to present the potential upside to the project, two additional study options have been considered to a Preliminary Economic Assessment ("PEA") level of study to determine potential economic viability of material not considered in the PFS. This study has evaluated two scenarios, which are considered outside the scope of the PFS:

- Scenario A
    - La India open pit mineral extraction.
    - America open pit mineral extraction.
    - Central Breccia Zone ("CBZ") open pit mineral extraction.
    - Plant production rate of 1.2 Mtpa.
    - 96,800 oz gold per annum for first 8 years.
- Scenario B
    - La India open pit and underground mineral extraction.
    - America open pit and underground mineral extraction.
    - CBZ open pit mineral extraction.
    - Plant production rate of 1.6Mtpa.
    - 137,500 oz gold per annum for first 8 years.

**Mineral Resource Update**

As part of the PFS work program Condor undertook to build on the recommendations of the SRK 2013 Mineral Resource Estimate ("2013 MRE"). Notably, the Condor geological team focused work on the reinterpretation of a series of hanging-wall features (previously described as vertical features) that were classified as Inferred in the 2013 MRE. The aim of the study was to re-examine the classification and potentially upgrade this material through increased confidence in the modelled orientation and continuity of the structures to Indicated so that it could be considered in the PFS. Reinterpretation of hanging-wall (wireframe) models was completed by the Company based on:

- Geological mapping;
- Re-logging of diamond drill-core;
- Identification of mineralization styles; and
- Definition of angle to core for major structures.

The resource estimate employed in the La India PFS is based upon methodology previous SRK models. A more detailed description is available in the 43-101 Technical report. Key features of the model are:

- Resources constrained by mineralized zones interpreted from core
- Variogram ranges are defined between 55 and 110m with multiple structures
- Ordinary kriging with statistically derived top cuts used for grade estimation
- 50 meter nominal drill spacing is the basis for categorization as Indicated Mineral Resource
- Void depletion to reflect historical production of 575K ounces from all sources (LI, America and San Lucas)

SRK has reviewed the processes employed by the Company and considers the additional verification work completed to be appropriate in terms of maximising the confidence in the geological interpretation from the core available. Accordingly, SRK has used this additional information to update the geological model and classification boundaries for the hanging-wall features and released an updated Mineral Resource estimate in support of the PFS and two PEAs, as provided in the table below:

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

| Category | Area Name | Vein Name | Cut-Off | Tonnes (kt) | Au Grade (g/t) | Au (koz) | Ag Grade (g/t) | Ag (koz) |
|---|---|---|---|---|---|---|---|---|
| Indicated Mineral Resources | La India veinset | La India/ California(1) | 0.5 g/t (OP) | 8,267 | 3.1 | 832 | 5.5 | 1,462 |
| | | La India/ California(2) | 2.0 g/t (UG) | 706 | 4.9 | 111 | 10.6 | 240 |
| | America veinset | America Mine(1) | 0.5 g/t (OP) | 114 | 8.1 | 30 | 4.9 | 18 |
| | | America Mine(2) | 2.0 g/t (UG) | 470 | 7.3 | 110 | 4.7 | 71 |
| Inferred Mineral Resources | La India veinset | La India/ California(1) | 0.5 g/t (OP) | 895 | 2.4 | 70 | 4.3 | 122 |
| | | Teresa(3) | 0.5 g/t (OP) | 4 | 6.6 | 1 | | |
| | | La India/ California(2) | 2.0 g/t (UG) | 1,107 | 5.1 | 182 | 11.3 | 401 |
| | | Teresa(2) | 2.0 g/t (UG) | 82 | 11.0 | 29 | | |
| | | Arizona(3) | 1.5 g/t | 430 | 4.2 | 58 | | |
| | | Agua Caliente(3) | 1.5 g/t | 40 | 9.0 | 13 | | |
| | America veinset | America Mine(1) | 0.5 g/t (OP) | 677 | 3.1 | 67 | 5.5 | 120 |
| | | America Mine(2) | 2.0 g/t (UG) | 1,008 | 4.8 | 156 | 6.8 | 221 |
| | | Guapinol(3) | 1.5 g/t | 751 | 4.8 | 116 | | |
| | Mestiza veinset | Tatiana(3) | 1.5 g/t | 1,080 | 6.7 | 230 | | |
| | | Buenos Aires(3) | 1.5 g/t | 210 | 8.0 | 53 | | |
| | | Espenito(3) | 1.5 g/t | 200 | 7.7 | 50 | | |
| | Central Breccia | Central Breccia(1) | 0.5 g/t (OP) | 922 | 1.9 | 56 | | |
| | San Lucas | San Lucas(3) | 1.5 g/t | 330 | 5.6 | 59 | | |
| | Cristalito-Tatascame | Cristalito-Tatascame(3) | 1.5 g/t | 200 | 5.3 | 34 | | |
| | El Cacao | El Cacao(3) | 1.5 g/t | 590 | 3.0 | 58 | | |

(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 US$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 US$19.2/t for processing, US$5.63/t G&A and US$2.47/t for mining, slope angles defined by the 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 1.0m. Cut-off grades are based on a price of US$1,500 per ounce of gold and gold recoveries of 91 percent for resources, costs of US$19.0/t for processing, US$10.0/t G&A and US$50.0/t for mining, without considering revenues from other metals.
(3) Mineral resources as previously quoted by SRK (22 December 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 Ore 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.

**Mineral Reserve Statement**

The Mineral Reserve Estimate is based on the Mineral Resource estimate dated 30 September 2014. The Mineral Reserves are based on Indicated Mineral Resources that have been assessed to be technically and economically viable through a PFS-level study. Note that inferred mineralization is less well understood and may not be included within a reserve estimate.
The Mineral Reserve Estimate supports an open pit operation with an average annual throughput of 0.8 Mtpa at an average grade of 3.0 g/t gold. Production averages 79,300 oz gold per annum over the 7 years of maximum production as part of a 9 year LOM. All Mineral Reserves are located within 250 m of surface and are extractable by open pit mining methods. The mineralisation remains open at depth and to the south.

The Mineral Reserve Estimate is shown in the following table:

*SRK CIM Compliant Mineral Reserve Statement as at 1 November 2014 for the La India Project*

| Reserve Classification | Tonnage (Mt dry) | Au Grade (g/t) | Ag Grade (g/t) | Contained Au (koz) | Contained Ag (koz) |
|---|---|---|---|---|---|
| Probable | 6.9 | 3.0 | 5.3 | 675 | 1,185 |

1. Based on a cut-off grade of 0.75 g/t Au and gold price of US$1,250.

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 National Instrument 43-101.

**Mine Design Assumptions**

The PFS comprises a single open pit mining operation extracting ore at a nominal rate of 0.8 Mtpa with an operating life of 8 years. The PFS mine plans are developed as engineered mine plans, including haul roads and ground control features. The plans are designed to maintain slopes that are derived from extensive geotechnical analysis under both wet and dry conditions. Based on this data, plans are also individually designed for each year of operation to ensure that stripping and mining rates are achievable, and to determine consumption rates of supplies and equipment sizes.

The mine schedule produces a total of 6.9 Mt of ore grading 3.0 g/t Au with an associated 94.5 Mt of waste. The average LOM stripping ratio is 13.6 t:t over a mine schedule of 8 years. During Year 8 mining from the pit will cease but production will continue into Year 9 as the lower grade material from the stockpile is processed.

The pit optimisations were undertaken at a US$1,250/oz gold price and assuming a metallurgical gold recovery of 91.0%. A steady state mining rate is planned after the initial period of waste and pre-stripping at an annualised feed rate of 0.8 Mtpa. Mining plans include 7.2 Mt of waste in the 18 months preceding commercial production.

The mining estimates assume that waste will be mined using larger equipment and higher benches under normal conditions, and will be correspondingly less expensive. When mining waste near the ore zones the plans assume that waste will need to be mined more selectively with smaller equipment which will occur about 20% of the time. The resulting pit design is presented below:

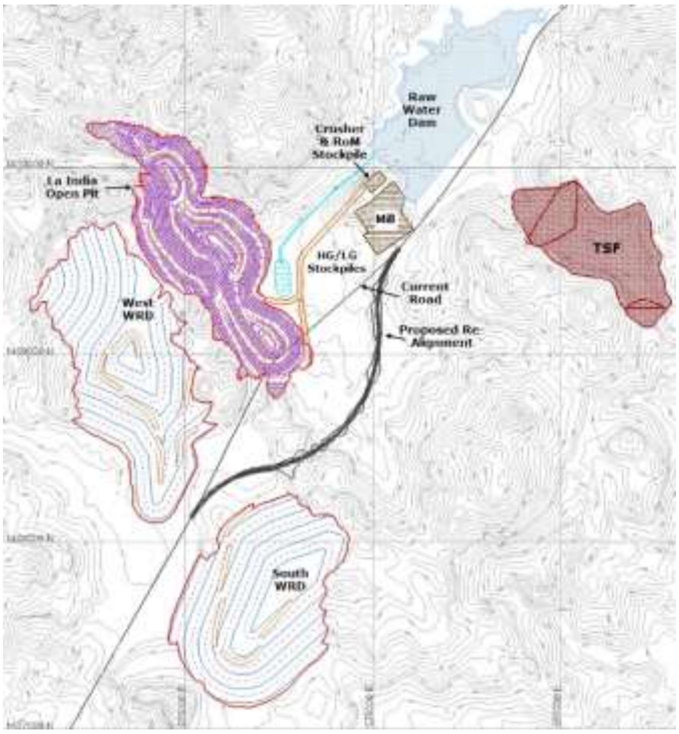


*Figure 1. Map showing location of PFS case Processing Plant, Open pit, Tailings Storage Facility and Waste Dumps.*

The PFS assumes that all earth moving activities and mining operations will be conducted on a contract mining basis using a conventional truck and shovel method. The Company has obtained a detailed offer from an established contract mining group, which currently has contract mining operations at three gold mines in Mexico. The derivation of the quote was based on a site visit to the La India Project by two company representatives and the Company's own experience of operating gold mines in Central America.

***PEA Cases***

PEA cases are developed using a less detailed approach, relying on computer-based design algorithms that are a close approximation of an engineered design. These designs incorporate knowledge gained from slope specifications from the well-known design inputs for the PFS study, given that the country rock masses are similar to La India.

***PEA Scenario A: La India open pit plus America and CBX feeder pits***

Scenario A involves extraction of the Indicated and Inferred Mineral Resource material within the La India open pit, the America open pit and Central Breccia open pit. The resulting mine schedule produces a total production of 9.5Mt of material at 2.8g/t Au with an associated 118.2Mt of waste. The average LOM stripping ratio is 12.5 t:t over a mine life of 8 years.

As with the PFS, the pit optimisations were undertaken at a US$1,250/oz gold price. The La India pit retained a process recovery of 91%. Metallurgical tests indicated that gold recovery would be 94.5% for America and 87% for CBZ. A steady-state mining rate is planned after the initial period of waste and pre-stripping at an annualised feed rate of 1.2 Mtpa.

The PEA assumes that all earthmoving activities and mining operations will be conducted on a contract mining basis using a conventional truck and shovel method. Unit mining costs have been adjusted by SRK to reflect the longer hauls for the America and Central Breccia pits.

***PEA Scenario B: La India open pit plus America and CBX feeder pits; and underground***

Scenario B involves utilising the Indicated and Inferred Mineral Resource material within the La India open pit, the America open pit and Central Breccia open pit as well as underground mineralisation on the La India and America veins.

The resulting mine schedule produces a total of 13.0 Mt of material at 3.2 g/t Au with an associated 118.2 Mt of waste from the open pits. The average LOM open pit stripping ratio is 12.4 t:t over a mine life of 8 years. From Year 8 onwards open pit mining will cease but production will continue from the underground. As with Scenario B, unit mining costs have been adjusted by SRK to reflect the longer hauls for the America and Central Breccia pits.

The pit optimisations were undertaken at a US$1,250/oz gold price and assuming a metallurgical gold recovery of 91.0% for La India, 94.5% for America and 87% for CBZ. A steady state mining rate is planned after the initial period of waste and pre-stripping at an annualised feed rate of 1.6 Mtpa for the first 8 years, after this mill feed will only be sourced from the underground operations at a lower feed rate. The PEA assumes that all open pit earth moving activities and open pit mining operations will be conducted on a contract mining basis using a conventional truck and shovel method. It is assumed that underground mining will be conducted on an owner-operator basis.

SRK proposes the use of a cut-and-fill mining method for the underground mines, which will permit a high level of selectivity in mining high grade zones. Underground stope optimisations were performed using cut-off grades of 2.41 g/t Au and 2.32 g/t Au for the La India and America zones, respectively. At this stage of study, SRK has assumed a 5% external dilution and 95% mining recovery given the highly selective method. Internal dilution is calculated at 34% based on the practical mining shapes generated in the optimisation process. This results in a total tonnage of 3.52 Mt of Run of Mine ("ROM") material at a grade of 4.31 g/t Au once underground mining modifying factors have been applied. The underground mining rates are based on benchmark data for similar deposits employing a selective mining method. The La India mine has a peak production rate of 205ktpa whereas the America mine has a peak production rate of 184ktpa. Both mines run for 12 years. Capital and operating costs are based on benchmarks against similar operations.

**Metallurgy PFS and PEAs**

As with the mining costs and underlying analysis, the process plant designs for the project are based upon extensive testwork conducted by Inspectorate Labs (Now Veritas) in conjunction with SRK. The resulting analyses revealed the following:

- 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 Gold Project can by processed by either a standard carbon in pulp cyanidation process ore by a carbon in leach (CIL) 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. For the America deposit a gold recovery of 94.5% has been applied, and 87.0% for CBZ.
- Retention time within the CIL circuit is designed at 30 hours
- 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. For the America deposit a silver recovery of 70.5% has been applied.
- The ores from the La India area are hard and abrasive, with Bond work indices of around 22 and an abrasion index of around 1.13 to achieve the recommended 75 micron grind ($P_{80}$)
- 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.

**Plant Process Design PFS and PEAs**

Lycopodium is an experienced design-construction firm with an extensive list of gold plant constructed throughout the world. Lycopodium was retained by Condor Gold to design a 0.8 Mtpa process plant to recover gold and silver from the La India ore to a PFS level of accuracy (Figure 2 below);

- The process plant includes primary crushing, semi-autogenous grinding, single sag mill, agitated carbon-in-leach cyanidation and refining to recover gold and silver as a final doré product;
- The plant design and cost estimates are based on vendor-provided costs for major equipment and engineering bulk estimates.
- The plant is designed to be a zero-discharge operation.
- The cost estimates for the 1.2 Mtpa and 1.6 Mtpa process plant were factored by SRK from the Lycopodium 0.8 Mtpa estimate.

The design incorporates a cyanide destruction circuit to lower the cyanide in the tailings pond to 30ppm, which is below the recommended concentrations for wildlife protection.

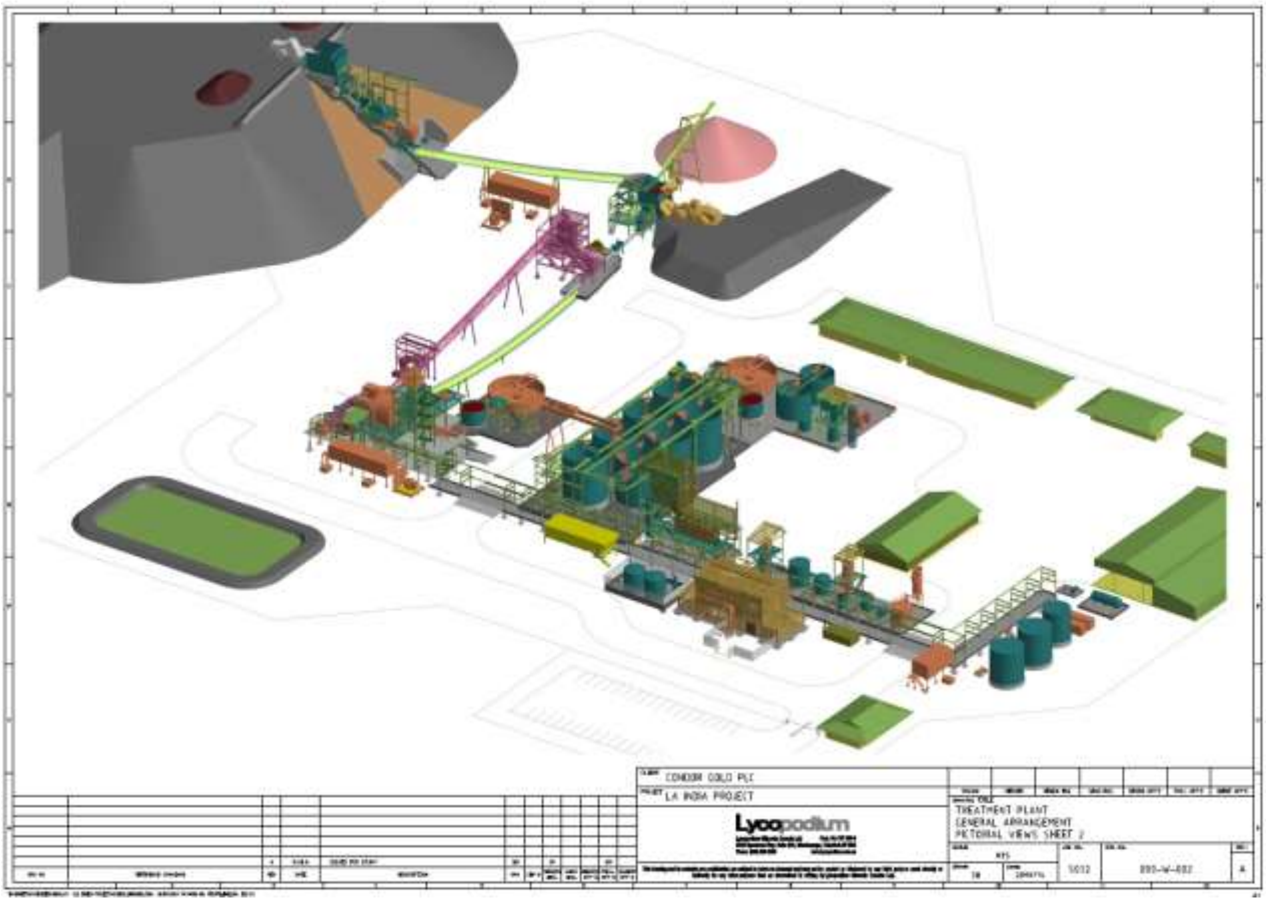


*Figure 2. Treatment plant design for the La India PFS and PEA's.*

**Hydrology Studies**

As with any mining operation, water is a critical component of the engineering analysis, both for an understanding of the local water supply, for surface water management and to better understand slope stability. The La India project area is considered a 'brownfield site' as a result of the historical mining from the 1930s to the 1950s. SRK has noted that the water levels have not recovered from historical mining.

Condor staff conducted a pump test conducted March 23 to April 6, 2014 to understand the subsurface hydrology of the area. Test results indicate that mine dewatering is achievable by pumping from the old workings, which has an impact on the pit slope designs. The SRK analysis indicated that there should be no impact on existing private wells, which tap into a perched aquifer over the deeper rock units where mining will occur. The water pumped from the old workings meets discharge requirements.

The surface water situation is another component of the analysis. The area surrounding the project has both a wet and a dry season, which requires that Condor manage the annual rains. Condor monitors local water for both quality and quantity.

The combined surface and subsurface results have been factored into the design of the facilities to create an overall site balance. The project is designed to be a zero discharge facility, in that all contact water is collected and reused. Most rainwater will be intercepted prior to the active mining areas and will be diverted around operations for discharge. Rain that falls within the active area is considered 'contact water' and will be collected and diverted back for use in the plant or other uses (such as dust control).

The process plant will require about 22 l/sec for water locked up in tailings, however 7 l/sec to 12 l/sec of make-up water will be needed after rainfall is considered, with less in wet season, more in dry season. Process water from the tailings pond will be recycled as the first source of process water. During the wet season, surface water captured from the mine area will be used as makeup. Any additional shortfall in water requirements will pull water from the dewatering system typically in the driest part of the year.

Surface water management is designed to accommodate up to a 1:10 year storm event. The tailings dam designed to a more stringent 100 year, 72 hour storm event. The design of the facility is such that the pit will be used as a retention reservoir in the event of exceptional flood events, protecting the local water supply from surface drainage from the mine and for the tailings pond. When considered with the mine dewatering activities, the overall water balance is positive over the life of the mine.

*Figure 3. Installing a water pump in the historic La India Mine workings for the hydrogeology and mine dewatering testwork.*

**Geochemistry**

La India is a low-sulfidation epithermal system with mainly silica wallrock alteration and relatively little clay-pyrite alteration. Geochemical analysis of the rocks has indicated that the rock is net-neutralizing, therefore there is no potential for acid mine drainage, as would be expected from the alteration style. There is some potential for circum-neutral metals leaching. The SRK study indicates that such leaching is best managed by capture and re-use of this water.

**Waste and Tailings Management**

The operation of La India will generate approximately 100 million tonnes of mine waste and between 8 and 13 million tonnes of tailings. Current plans call for two waste disposal locations. Rainwater falling on the waste dumps will be collected and sent to the process plant for use as makeup water and other purposes. The tailings pond is designed to be a zero-discharge facility for up to 100 year storm event. The pond design incorporates an HDPE liner and will be constructed in multiple phases, up to the maximum capacity of 13 million tonnes.

**Environmental and Social Studies**

Condor has been actively monitoring water, weather and population for several years. Studies have been completed for land use, artisanal mining activity, archeology, aquatic and terrestrial wildlife, and local socioeconomic conditions for several years. In all, 19 Individual studies have been completed to support the PFS study and assemble the supporting work for the ESIA process, which is expected to commence in the first quarter of 2015.

The commitment of Condor to the maintenance of the water quality is extensive. 28 wells and piezometers and 7 surface locations are monitored monthly for water levels. Condor also conducts quarterly water quality monitoring on 9 stream locations and 11 wells in the area. The water quality samples are independently collected (Laquisa), with the results reported to MARENA, MEM and other government agencies.

### General Infrastructure layout PFS and PEAs

As is the case with most mining operations, the infrastructure required to operate the mine is a significant component of the cost of building and operating the mine. La India benefits from a good location and favourable climate, as well as benign host rock and ready access to construction materials. The PFS study includes costs and due consideration of the following:

- A mine maintenance area including support and operational infrastructure assets will be located adjacent to the processing plant. For the pre-stripping operation a temporary facility will be located within the ultimate pit outline.
- The project is designed to be a minimal consumer of water. Process water will generally be taken from dewatering wells, but contact water from the operation will be preferentially used as makeup water. No material impact is expected on surrounding water supplies.
- An explosives storage facility will be located external to the process plant and mine maintenance area.
- The construction workforce is envisaged to include both local and regional Nicaraguan people. Nearby towns and villages will be utilised to provide most of the accommodation requirements. A small camp will be constructed to supplement the existing Condor camp for managerial staff.
- The site is positioned adjacent to the national highway NIC-26 which extends to meet the Pan-American Highway system and provides connections with Mexico and North America. A road diversion of the NIC-26 (2 km in length) will be constructed in Year 2 to accommodate the open pit development. A crossing point will be constructed in conjunction with the road diversion to facilitate access to the south west waste rock dump.
- The project area is bisected by a 138 kV transmission line that is owned by ENATREL (the Nicaraguan National Transmission Company). To facilitate the project development, the transmission line will be re-aligned to avoid influencing the development of the open pit and waste rock dumps during the LOM.
- Initial plans assume that the project power supply will be drawn from the national grid and a connection to the 138 kV transmission line will be made at the processing plant for this purpose. However, trade-off studies conducted during the PFS indicate that an HFO powered generator plant on site is likely to be a superior alternative.
- The Port of Corinto is located 121.5 km from the Project, which includes a 500 m long cargo pier with a depth of 11-12.2 m and also houses an oil terminal and general warehousing. The nearest international airport is Managua Airport, which is approximately 115 km from the Project area. Both can be reached via national highways.

### Operating Costs

The detailed designs described are used to develop operating costs for the mine, processing plant and administration of the mine. The table below provides the Life of Mine unit operating cash costs based on a per-tonne mined/mill feed basis.

| Category | Units | PFS | PEA Scenario A | PEA Scenario B |
|---|---|---|---|---|
| Mining o/p | (US$/t ore mined) | 32.13 | 30.61 | 30.79 |
| Mining u/g | (US$/t ore mined) | n/a | n/a | 61.01 |
| Processing | (US$/t mill feed) | 20.56 | 18.52 | 18.58 |
| Refinery | (US$/t mill feed) | 0.35 | 0.27 | 0.30 |
| G&A | (US$/t mill feed) | 5.46 | 3.80 | 3.88 |

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 US$2.35/t sits within the overall range of costs of US$1.66/t to US$4.05/t (with a median of US$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 2.5m.

### Cash Costs and All-in Sustaining Cash Costs

The table below provides the operating cash costs and All-In Sustaining Cash Costs as defined by the World Gold Council US$ per oz gold produced.

| Category (US$/oz gold) | PFS | PEA Scenario A | PEA Scenario B |
|---|---|---|---|
| Mining[1] | 361 | 373 | 412 |
| Processing | 232 | 227 | 197 |
| G&A | 63 | 48 | 41 |
| **Operating Cash Costs** | **657** | **648** | **651** |
| Freight and refining | 4 | 3 | 3 |
| Royalties | 38 | 38 | 38 |
| Sustaining Capital | 17 | 20 | 27 |
| By-Product Credits (silver) | (26) | (24) | (22) |
| **All-in Sustaining Cash Costs** | **690** | **685** | **697** |

1. excludes the pre-production stripping costs which are capitalized

**Capital Costs for the PFS and PEA**

The upfront capital cost for the PFS is US$110 million and assumes a contract mining model, which is used widely in Mexico and Central America. This approach minimizes mining capital. The total pre-production capital cost for the PFS is US$102 million excluding contingency and the payback period for this amount is <4 years.

| Capital Costs (US$ million) | PFS | PEA Scenario A | PEA Scenario B |
|---|---|---|---|
| Processing Plant[1] | 48.1 | 61.3 | 72.8 |
| Infrastructure | 9.8 | 10.4 | 10.4 |
| Mining pre-production costs | 18.7 | 16.8 | 16.8 |
| Mining support operations/equipment[2] | 8.1 | 8.2 | 30.8 |
| Tailing Storage Facility | 6.0 | 7.6 | 11.0 |
| Land Acquisition | 7.0 | 8.0 | 8.0 |
| Owners Costs | 4.6 | 4.6 | 4.6 |
| **Upfront Capital Costs** | **102.2** | **117.0** | **154.5** |
| Contingency[3] | 7.6 | 10.2 | 14.2 |
| Total Pre-Production Capital Costs | **109.9** | **127.2** | **168.7** |

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.

***Sustaining Capital***

Due to the relatively short life of the operation and the contract mining assumption, sustaining capital requirements are modest. The table below [resents the sustaining and deferred capital costs estimated for the PFS and each of the PEA scenarios over the Life of Mine.

| Sustaining and Deferred Capital Costs (US$ million) | PFS | PEA Scenario A | PEA Scenario B |
|---|---|---|---|
| Processing Plant | 0.1 | 0.1 | 0.1 |
| Infrastructure | 3.6 | 3.6 | 3.6 |
| Mining Equipment | 2.4 | 2.8 | 51.8 |
| Tailings Storage Facility | 9.1 | 13.6 | 19.1 |
| Land Acquisition | 0.2 | 0.2 | 0.2 |
| Closure Costs | 9.0 | 9.8 | 10.0 |
| **Sustaining and Deferred Capital Costs** | **24.4** | **29.9** | **84.7** |
| Contingency | 3.1 | 4.8 | 10.3 |
| **Total Sustaining and Deferred Capital Costs** | **27.5** | **34.8** | **95.0** |

## EXPLORATION ACTIVITY

### La India Project

During 2014 Condor completed 58 trenches for 4409m, 30 underground channel samples for 106.9m and collected 218 rock chip samples on the La India Project. Regional exploration activity has continued to develop the eight targets identified as under-explored by Condor geologists in the 2013 assessment of geophysical, satellite-derived topographic, geological mapping and regional exploration data. Trench testing was completed on targets identified as having open pit discovery potential and preparatory work was completed in readiness for a regional soil sampling campaign to test areas that are prospective for the discovery of hidden deep-seated gold deposits. A regional vein rock geochemistry study was conducted to understand the distribution of pathfinder elements associated with the gold mineralised epithermal system at La India, and a soil orientation survey of 326 sites was completed to select the optimum soil sampling method and sample grid spacing.

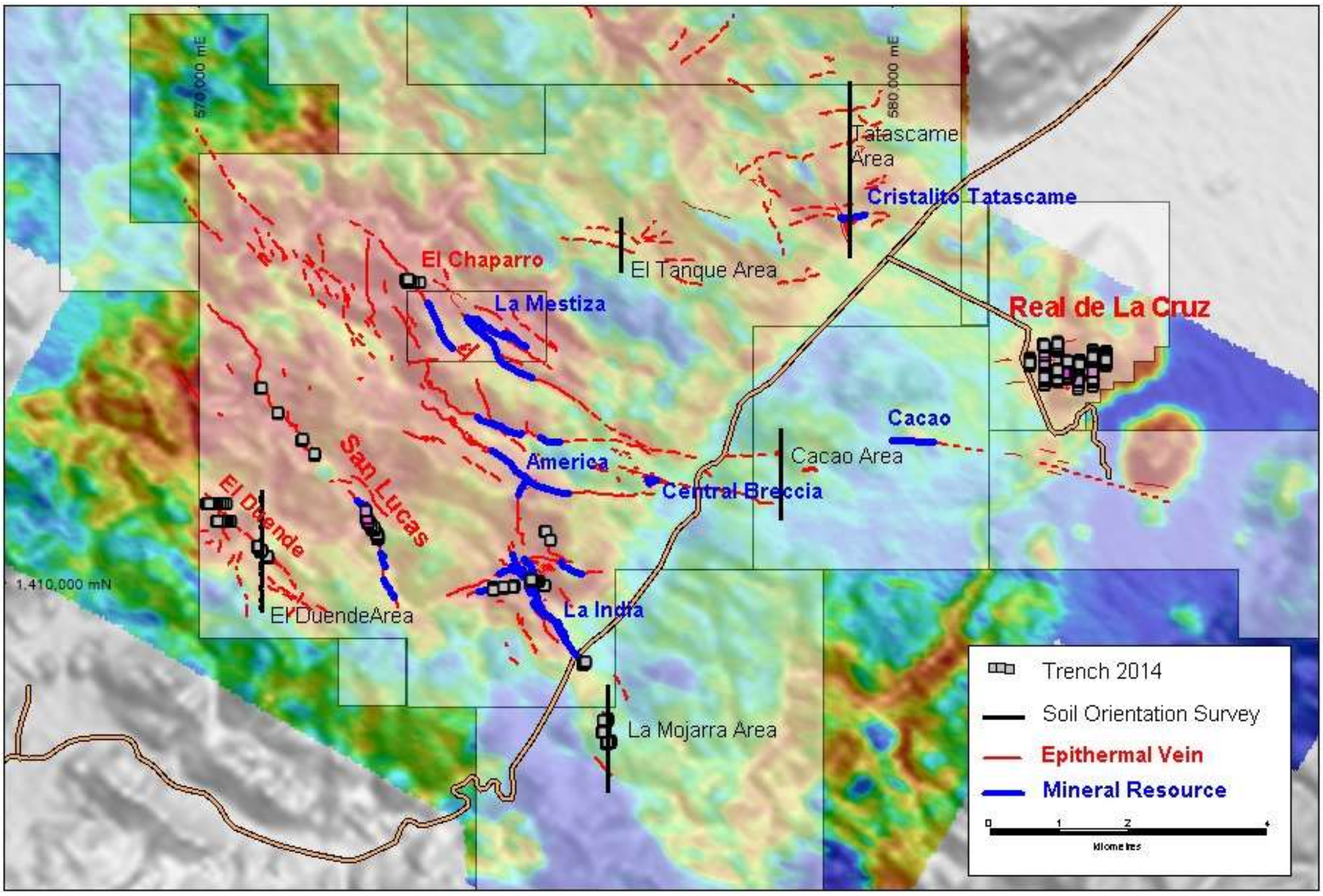


*Figure 4. Trenching and soil orientation survey areas in 2014 shown over topography shaded relief and radiometric potassium colour background. Trench sites were identified as prospective for open pit exploration and soil orientation survey areas at La Mojarra, Cacao, El Tanque and Cacao, along with the Real de La Cruz area were identified as prospective for hidden gold mineralisation in the regional exploration targeting study.*

The majority of the **trenching** tested four regional targets that were identified as having near surface gold mineralisation in geological structural settings conducive to the development of wide zones of mineralisation: the Dos Hermanos structure in the southwest, the surface expression of the San Lucas historic mine workings, El Chaparro Prospect located on the northwest strike extension of the America and La Mestiza structures and the Real de La Cruz Concession. All four zones are located within 8km of the proposed La India mill, have known surface gold mineralisation with positive geophysical anomalies and were considered exploration targets for open pit resources. The trenching was completed using a track-mounted excavator and gold bearing trench intercepts were returned from all four areas with the best results returned from San Lucas and Real de La Cruz.

*Figure 5. Trench sampling on the Dos Hermanos structure.*

Trenching across the surface expression of the **historic San Lucas underground mine** which hosts a 59,000 oz gold Inferred Mineral Resource and is located only 2km west of the proposed La India mill, validated previous explorers manual trenching and also tested further across strike in areas where deeper colluvial cover prevented manual trenching.

The programme was successful with wider intercepts encountered than had been reported in previous explorer's manual excavated trenches. The best trench intercepts include 6.00m (5.9m true width) at 7.65g/t gold and 16.15m (15.9m true width) at 2.20g/t where the vein was shown to split into three veins. The discovery of branching of the vein at surface at San Lucas is encouraging and points to the possibility of discovering additional un-exploited gold in the walls of the historic San Lucas Mine.

The most encouraging trench results were returned from the **Real de La Cruz** Concession which is located approximately 8km northeast of the proposed La India mill. Condor has confirmed and expanded on previous explorer's trench sampling with a 2,646m trench sampling programme that tested a 1,100m by 900m soil and rock chip gold anomaly at 200m trench spacing. The trenching returned best trench intercepts of 63.6m at 1.01g/t gold, and 39.6m at 0.98g/t gold, including two higher grade zones of 6m at 2.71g/t gold and 5m at 1.69g/t gold, in two parallel trenches excavated 25m apart. The trench programme has delineated a broad zone of near-surface gold mineralisation at over 0.5g/t gold along a 500m strike length on the flank of a hill.

Most of the gold mineralisation is contained within sets of narrow high-grade veinlets; selective vein quartz samples of the veinlets returned up to 58.3g/t gold. The quartz is characterised by textures typical of an epithermal boiling zone such as banding and bladed quartz. This material could potentially be amenable to bulk open pit mining and provide low-grade supplemental feed to the proposed La India Open Pit Mine plant located only 8km away. Lower grade gold mineralisation at an elevation of up to 40m higher across the top of the hill is associated with areas of opaline quartz veining characteristic of near surface hydrothermal mineralisation above the traditionally higher grade boiling zone. This suggests that the high-grade boiling zone is preserved at shallow depths making Real de La Cruz a promising open pit target. Condor geologists were particularly encouraged to also intercept a cross-cutting 4m true width quartz breccia grading at up to 16.4g/t gold exposed in an artisanal pit wall.

*Figure 6. Real de La Cruz artisanal open pit wall sampling.*

*Figure 7. Trenching at Real de La Cruz core zone.*

Condor considers that the next major discovery at La India is likely to be a **hidden deposit** where the high-grade gold mineralisation associated with the epithermal boiling zone does not crop-out at surface. Four areas have been identified as prospective for deep-seated hidden or partially hidden gold mineralisation by Condor geologists in the 2013 assessment of geophysical, satellite-derived topographic, geological mapping and regional exploration data, including the strike extension of the La India structure onto La Mojarra area, El Tanque and Tatescame areas in the north, and Real de La Cruz in the northeast as a target for partially hidden gold mineralisation. Enrichment of certain elements in rock and soil caused by the high-level venting of hydrothermal fluids and gases above the boiling zone can reveal the presence of a hidden gold deposit at depth. Soil sampling is an effective way of detecting such pathfinder element anomalies which, subject to further exploration and validation may be treated as drill targets. In preparation for a regional soil sampling programme over several areas identified as prospective for the discovery of hidden gold mineralisation the Company completed multi-element geochemical studies of regional vein rock samples and a soil orientation survey.

A study of **regional** variations in **vein rock geochemistry** of 214 selected representative samples from throughout the District has identified some distinct regional vein geochemical domains. The variations reflect differences in (1) the strength of the system, (2) proximity to source, (3) vertical setting relative to the gold enriched boiling zone and/or (4) the host rock geochemistry. This geochemical signature combined with vein textures and mineralogy was used to assess and rank prospectivity of the target areas for the discovery of a hidden gold deposit. The study identified the Cacao-Central Breccia belt and the El Duende areas as additional areas of geochemical interest.

A **soil geochemistry orientation survey** comprising 326 soil sampling sites from five separate test areas has established the most effective sampling and analysis method and the optimum sample spacing required to detect geochemical indicators of alteration produced by high-level hydrothermal fluids. Fine-fraction B-horizon soil sampling and ultra-trace multi-element analysis has been shown to be an effective method of detecting alteration associated with underlying gold mineralisation. The test areas were selected as areas prospective for the discovery of hidden gold deposits and two additional areas of geochemical interest identified in the regional vein rock geochemistry study.

*Figure 8. Soil orientation survey.*

**New Concession Acquisition**

The Company was granted a vacant 1km² concession on the southern margin of the La India Concession called El Zacatoso.

Post-Period Activity

Since the year end Condor has started a **drilling** programme designed to (1) test the limits of the depth and strike extent of the La India Vein Set gold mineralisation, (2) test for hidden deep-seated gold mineralisation beneath selected soil anomalies that demonstrate geochemical signatures and geological characteristics characteristic of the high-level hydrothermal fluid activity that would be expected to occur above an epithermal gold deposit, and (3) test the wide zones of low-grade and narrower zones of high-grade gold mineralisation defined in trenching on the Real de La Cruz Concession.

*Figure 9. Exploration.*

At the same time a **regional soil sampling** campaign is underway. Over 2000 fine-fraction B-horizon soil samples have already been collected on a 200m x 50m sample grid, closed-up to 100m x 50m in areas of interest, and analysed for a multi-element suit at ultra-trace detection limits; the method and optimal sample spacing determined by the 2014 soil orientation survey. The soil sampling aims to identify high level hydrothermal activity that could potentially conceal deeper high grade gold mineralisation. The soil sampling areas were selected using geophysical, topographic, geological mapping and regional exploration data. Soil sampling has been completed over an 11 km² area over the southern strike continuation of the La India Vein structure, known as La Mojarra Area, and over a 6 km² area covering the Cacao Resource and the strike extension to the west as far as the Central Breccia Resource, representing the theoretical eastern strike continuation of both the America and La Mestiza Vein Sets. Soil sampling is currently underway over targets for high-level hydrothermal mineralisation identified in the northern gold mineralised belt.

## Other Project Areas

### Rio Luna Concession

The Rio Luna Concession covers an area of 43 square kilometres in the Central Highlands of Nicaragua, accessible from the Capital City, Managua by approximately 90km of paved and graded roads. Rio Luna contains a JORC Inferred Mineral Resource of 694kt at 3.5g/t for 80,000 oz gold and 280kt at 56g/t for 500,000 oz silver on five separate resource blocks, distributed between three separate vein sets. In total this equates to 87,000 oz gold equivalent at 3.9g/t gold equivalent (using a gold:silver ratio of 1:60). The Mineral Resource estimate was commissioned by Condor in 2011 and undertaken by Independent Geological Consultants SRK (UK) Ltd. The Mineral Resource is based on the data from 58 drill holes for 6,262m drilled by TSX-listed previous explorer First Point Minerals Corporation between 2004 and 2006.

This Mineral Resource Estimate demonstrates that where drilling has tested segments of the epithermal veining gold mineralisation extends to depths of at least 250m below the surface, and is at sufficient width and grade to warrant further exploration. Gold mineralisation on all five resource blocks remains open along strike and to depth with additional drilling targets demonstrated by multiple positive trench intercepts along the 18km of veining identified to-date. During 2014 a topographic survey base stations was established and previous explorers drilling collars were resurveyed using a DGPS.

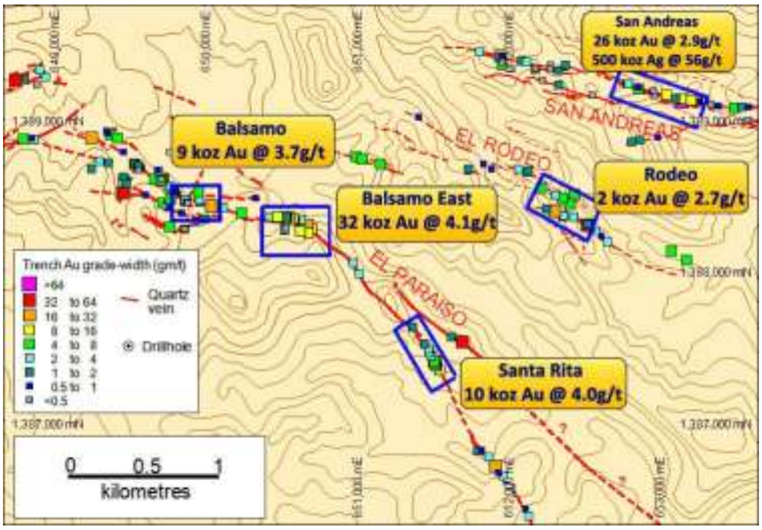


*Figure 13. The location of Mineral Resources on the Rio Luna Concession.*

**Estrella Concession**

The Estrella Concession covers an 18 square kilometre area, centred on the historic Estrella Gold Mine, in the northeast of Nicaragua. The historic Estrella Mine (also referred to as the Estrella de Venus Mine in old reports) was a small concern that operated on two or three levels for a strike length of at least 250m and is reported to have supported a 20-50 tonne per day capacity mill prior to closure in 1935. It is likely that the mining relied on gravity dewatering and did not extend below the water table.

Trench and underground channel sampling by previous explorers  and confirmed by Condor and has returned high grade gold intercepts over a 400m strike length including the historic Estrella Gold Mine. Two, and locally three, parallel epithermal veins separated by short intervals of 5 to 10m of country rock are recognised in old mine workings and trenches. A best trench intercept of 9.0m at 5.44g/t gold reflects the full width of the mineralisation, whilst the channel sampling of a section of the more selectively mined underground workings has returned an average intercept of 0.9m at 8.53g/t gold.

During 2014 a topographic survey base stations was established and previous explorers drilling collars were resurveyed using a DGPS to tie in with the new base station. Further exploration at the Estrella Concession has established additional gold mineralisation in quartz vein float located approximately 1200m along strike of the historic gold mine workings. The identification of gold mineralisation over a strike length of over 1.5km suggests a reasonably large system and upgrades the prospectivity of the Estrella Concession. Future exploration activity will aim to verify that gold mineralisation extends along the entire 1.5km strike length and explore for other gold mineralised veins in the vicinity.

**Potrerillos Concession**

Condor maintains a strategic concession holding covering a 3.5km strike length continuation of the gold mineralised system that hosts the historic San Albino mine workings which contains a CIM mineral resource of 348 kt at 8.47g/t for 95,000 oz gold equivalent at the Indicated category and 3.371kt at 7.43g/t for 805,000 oz gold equivalent at the Inferred level of confidence (using a 1:60 Au:Ag ratio) as announced by concession holders TSX-listed Golden Reign Resources on 7th January 2013. The San Albino Resource is located less than 500m from the edge of the Potrerillos Concession. Channel sampling of trenches and old mine adits carried out on the Potrerillos Concession between 2007 and 2009 returned intersections of up to 1m at 29.5g/t gold.

**Cerro Quiroz Concession** (Condor 20% ownership)
Condor holds a 20% interest in the 22.5km² Cerro Quiroz Concession located approximately 15km from the La Libertad Gold Mine and only 4km from the recently opened Jabali satellite pit which is operated by TSX-listed Canadian mining company B2Gold. B2Gold hold the majority 80% Interest in the Concession and under the terms of the agreement manage and wholly fund exploration up until completion of the first 2,000m of drilling has been completed, after which Condor will be required to provide equity funding to maintain the Company's interest. Over the last 4 years B2Gold have completed a programme of rockchip and soil sampling, and excavated 10 trenches on the principal 1.5km long gold mineralised vein.

**EL SALVADOR – OPERATIONS REPORT**

Condor has continued to maintain a presence in El Salvador whilst the Government continues the suspension of metallic mining and exploration activity that has been in effect since 2007. The Company recognises that the resolution lies with the Central Government, and Condor has played a leading role in lobbying the Government in favour of a resumption of mining activity both as an individual company and as a member of an umbrella group known as the Salvadoran Industrial Association which represents the interests of a number of mining and exploration companies. The Company's has maintained a continuous active dialogue with the  Government since 2007 in order to maintain the Company's claim over the suspended licences and also to position the Company to benefit from other prospective areas that are likely to become available should the Government elect to support metallic mining in the future.


*Figure 14. Location of Condor Gold's concessions in Nicaragua.*

# REPORT OF THE DIRECTORS
# FOR THE YEAR ENDED 31 DECEMBER 2014

## DIRECTORS' REPORT

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2014.

## PRINCIPAL ACTIVITY

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

## DIRECTORS

The Directors shown below have held office during the year:

M L Child
J Mellon
R Davey
P Flindell

Kate Harcourt joined the Board as a non-executive director on the 3rd March 2015.

## SUBSTANTIAL SHAREHOLDERS

On 19 May 2015 the Company was aware of the following interests in 3% or more of the Company's issued share capital:

| Shareholders | Number of ordinary shares | Holding % |
|---|---|---|
| Regent Pacific Group | 3,977,274 | 8.68 |
| Mr M Child | 3,887,500 | 8.49 |
| International Finance Corporation | 3,900,000 | 8.51 |
| Oracle Management Limited | 2,748,675 | 6.00 |

## DIRECTORS' INTERESTS

The Directors in office during the year under review and their interests in ordinary shares and unlisted options of the Company at 31 December 2014 were:

| | | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|---|
| Directors | Holding | Number of shares | Number of options | Number of shares | Number of options |
| M L Child | Direct | 3,887,500 | 1,700,000 | 3,887,500 | 1,100,000 |
| | Indirect | - | - | - | - |
| R Davey | Direct | 32,500 | 500,000 | 32,500 | 350,000 |
| | Indirect | - | - | - | - |
| J Mellon | Direct | 38,820 | - | 38,820 | - |
| | Indirect | 350,000 | 650,000 | 350,000 | 500,000 |
| P Flindell | Direct | - | 212,500 | - | 62,500 |
| | Indirect | - | - | - | - |

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

| Directors | Exercise price (p) | Latest exercise date | As at 1 January 2014 | Granted during the year | Forfeit/ lapsed/ exercised in the year | As at 31 December 2014 |
|---|---|---|---|---|---|---|
| M Child | 180 | 15 April 2016 | 250,000 | - | - | 250,000 |
| | 100 | 23 July 2018 | - | 600,000 | - | 600,000 |
| | 100 | 27 June 2017 | 250,000 | - | - | 250,000 |
| | 100 | 30 June 2018 | 600,000 | - | | 600,000 |
| R Davey | 180 | 10 January 2017 | 100,000 | - | - | 100,000 |
| | 100 | 23 July 2018 | - | 150,000 | | 150,000 |
| | 100 | 27 June 2017 | 100,000 | - | - | 100,000 |
| | 100 | 30 June 2018 | 150,000 | - | - | 150,000 |
| J Mellon | 180 | 15 April 2016 | 250,000 | - | - | 250,000 |
| | 100 | 23 July 2018 | - | 150,000 | - | 150,000 |
| | 100 | 27 June 2017 | 100,000 | - | - | 100,000 |
| | 100 | 30 June 2018 | 150,000 | - | - | 150,000 |
| P Flindell | 160 | 3 October 2018 | 62,500 | - | - | 62,500 |
| | 100 | 24 July 2028 | - | 150,000 | | 150,000 |

No Director had any interests in warrants to subscribe for ordinary shares of the company during the year.

## CORPORATE GOVERNANCE

### Corporate policies

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

### Health and safety

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

### Environment

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

### Community

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

### Compliance with the UK Corporate Governance Code

The Directors recognise the value of the UK Corporate Governance Code (“the Code”), and whilst under AIM rules full compliance is not required, the Directors believe that the Company applies the recommendations insofar as is practicable and appropriate for a public Company of its size.

### Board of directors

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

The board meets regularly throughout the year and met 6 times during the year to 31 December 2014. The board is responsible for formulating, reviewing and approving the Group’s strategy, financial activities and operating performance.

**Board of directors - continued**

Day-to-day management is devolved to the country manager who is charged with consulting with the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among directors concerned where necessary and appropriate.

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

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

**Committees**

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

**Audit committee**

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

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

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

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

**Remuneration committee**

The Remuneration Committee plans to meet at least twice in each year. Its members are J Mellon (non-executive director) and R Davey (non-executive director), both of whom were in attendance at the meetings since their appointment date.

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

**Service Contracts**

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

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

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

| | Annual salary £'000 | Consultancy payments £'000 | Date of Contract | Unexpired term | Notice period |
|---|---|---|---|---|---|
| M L Child | 100 | 50 | 13 July 2011 | - | 6 months |
| J Mellon | - | 25 | 6 April 2011 | - | 2 months |
| R Davey | 30 | - | 19 December 2011 | - | 2 months |
| P Flindell | - | 54 | 28 August 2014 | - | 2 months |

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

**Supplier payment policy**

It is the Group's policy to pay suppliers in accordance with the terms of business agreed with them. The number of days' purchases outstanding for the group as at 31 December 2014 was 30 days (2013: 30 days).

**REPORT OF THE DIRECTORS**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**Annual general meeting**

Your attention is drawn to the Notice of Meeting enclosed with this report convening the Annual General Meeting of the Company at 10a.m. on 24 June 2015 at the offices of Charles Russell Speechlys; 6 New Street Square, London, EC4A 3LX. The Notice of Meeting sets out and explains the special and ordinary business to be conducted at the meeting.

**Directors Insurance**

During the year the Company paid £13,250 (2013: £10,070) in respect of Directors professional indemnity insurance.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

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

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

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

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

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

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

**AUDITOR**

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

**ON BEHALF OF THE BOARD:**

Mark Child

M L Child
Chairman

Date: 26 May 2015

**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.

**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:

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.

## 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 | (3,265,730) | (2,917,034) |
| Finance income | 5 | 3,567 | 8,367 |
| Loss before income tax | | (3,262,163) | (2,908,667) |
| Income tax expense | 7 | - | - |
| **Loss for the year** | | **(3,262,163)** | **(2,908,667)** |
| **Other comprehensive income:** | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | |
| Currency translation differences | | 335,494 | (219,298) |
| **Other comprehensive (loss) / income for the year** | | **335,494** | **(219,298)** |
| **Total comprehensive loss for the year** | | **(2,926,669)** | **(3,127,965)** |
| **Loss attributable to:** | | | |
| Non-controlling interest | | (4,352) | (3,755) |
| Owners of the parent | | (3,257,811) | (2,904,912) |
| | | **(3,262,163)** | **(2,908,667)** |
| **Total comprehensive loss attributable to:** | | | |
| Non-controlling interest | | (1,748) | (1,868) |
| Owners of the parent | | (2,924,921) | (3,126,097) |
| | | **(2,926,669)** | **(3,127,965)** |
| **Loss per share expressed in pence per share:** | | | |
| Basic and diluted (in pence) | 9 | 8.12 | 7.79 |

The notes in pages 37 to 56 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 |
|---|---|---|---|
| | | £ | £ |
| **ASSETS:** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | 321,558 | 298,525 |
| Intangible assets | 11 | 16,607,111 | 14,721,128 |
| | | 16,928,669 | 15,019,653 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 13 | 967,416 | 978,715 |
| Cash and cash equivalents | | 4,761,128 | 2,268,470 |
| | | 5,728,544 | 3,247,185 |
| **TOTAL ASSETS** | | **22,657,213** | **18,266,838** |
| **LIABILITIES:** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 571,117 | 650,217 |
| **TOTAL LIABILITIES** | | **571,117** | **650,217** |
| **NET CURRENT ASSETS** | | 5,157,427 | 2,596,968 |
| **NET ASSETS** | | **22,086,096** | **17,616,621** |
| **SHAREHOLDERS' EQUITY** | | | |
| 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) |
| | | **22,086,096** | **17,616,621** |
| **TOTAL EQUITY ATTRIBUTABLE TO:** | | | |
| Non-controlling interest | | (73,187) | (68,877) |
| Owners of the parent | | 22,159,283 | 17,685,498 |
| | | **22,086,096** | **17,616,621** |

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:

Mark Child

M L Child - Chairman
**Company No: 05587987**

The notes in pages 37 to 56 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) |
| Total comprehensive income | 6,679,826 | 15,928,571 | 71 | 371,053 | 1,873,151 | (15,130,353) | 9,722,319 | (68,877) | 9,653,442 |
| New shares issued | 984,966 | 6,299,694 | - | - | - | - | 7,284,660 | - | 7,284,660 |
| Share based payment | - | - | - | - | 678,519 | - | 678,519 | - | 678,519 |
| At 31 December 2013 | 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 |
| Total comprehensive income | 7,664,792 | 22,228,265 | 71 | 706,506 | 2,551,670 | (18,388,165) | 14,763,139 | (73,187) | 14,689,952 |
| New shares issued | 1,496,671 | 5,214,463 | - | - | - | - | 6,711,134 | - | 6,711,134 |
| Share based payment | - | - | - | - | 685,010 | - | 685,010 | - | 685,010 |
| At 31 December 2014 | 9,161,463 | 27,442,728 | 71 | 706,506 | 3,236,680 | (18,388,165) | 22,159,283 | (73,187) | 22,086,096 |

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.

## COMPANY STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2014

| | Notes | 31.12.14 | 31.12.13 |
|---|---|---|---|
| | | £ | £ |
| **ASSETS:** | | | |
| **NON-CURRENT ASSETS** | | | |
| 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 |
| | | 20,318,641 | 17,892,654 |
| **CURRENT ASSETS** | | | |
| Other receivables | 13 | 71,408 | 173,393 |
| Cash and cash equivalents | | 4,749,512 | 2,232,489 |
| | | 4,820,920 | 2,405,882 |
| **TOTAL ASSETS** | | **25,139,561** | **20,298,536** |
| **LIABILITIES:** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 483,095 | 580,873 |
| **TOTAL LIABILITIES** | | **483,095** | **580,873** |
| **NET CURRENT ASSETS** | | 4,337,825 | 1,825,009 |
| **NET ASSETS** | | **24,656,466** | **19,717,663** |
| **SHAREHOLDERS' EQUITY** | | | |
| 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 | | (15,184,405) | (12,727,064) |
| **TOTAL EQUITY** | | **24,656,466** | **19,717,663** |

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:

Mark Child

M L Child
Chairman

**Company No: 05587987**

The notes in pages 37 to 56 form an integral part of these financial statements

**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 37 to 56 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 |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| 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) |
| | (2,532,921) | (2,151,010) |
| Decrease/(increase) in trade and other receivables | 11,299 | (458,164) |
| Increase/(decrease) in trade and other payables | (79,100) | (49,071) |
| Net cash absorbed in operating activities | (2,600,722) | (2,658,245) |
| **Cash flows from investing activities** | | |
| 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 |
| Net cash absorbed in investing activities | (1,378,056) | (5,358,090) |
| **Cash flows from financing activities** | | |
| Proceeds from share issue | 6,711,134 | 7,284,660 |
| Net cash from financing activities | 6,711,134 | 7,284,660 |
| (Decrease) / increase in cash and cash equivalents | 2,732,356 | (731,675) |
| Cash and cash equivalents at beginning of year | 2,268,470 | 2,481,503 |
| Exchange gains cash and bank | (239,698) | 518,642 |
| Cash and cash equivalents at end of year | 4,761,128 | 2,268,470 |

The notes in pages 37 to 56 form an integral part of these financial statements

## COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2014

| | Year Ended 31.12.14 £ | Year Ended 31.12.13 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| 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) |
| | (2,294,887) | (1,869,614) |
| Increase / (decrease) in trade and other receivables | (1,804,277) | (5,836,014) |
| Decrease / (increase) in trade and other payables | (97,778) | 191,688 |
| Net cash absorbed in operating activities | (4,196,942) | (7,513,940) |
| **Cash flows from investing activities** | | |
| Interest received | 3,538 | 8,352 |
| Purchase of tangible fixed assets | (707) | (2,179) |
| Net cash from investing activities | 2,831 | 6,173 |
| **Cash flows from financing activities** | | |
| Proceeds from share issue | 6,711,134 | 7,284,660 |
| Net cash from financing activities | 6,711,134 | 7,284,660 |
| (Decrease) / increase in cash and cash equivalents | 2,517,023 | (223,107) |
| Cash and cash equivalents at beginning of year | 2,232,489 | 2,455,596 |
| Cash and cash equivalents at end of year | 4,749,512 | 2,232,489 |

The notes in pages 37 to 56 form an integral part of these financial statements

## 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.

**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.

**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.

**1. ACCOUNTING POLICIES - continued**

**Taxation**

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

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

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

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

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

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

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

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

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

Exploration expenditure comprises 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.

## 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.

## 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:

| | UK<br>£ | El Salvador<br>£ | Nicaragua<br>£ | Consolidation<br>£ |
|---|---|---|---|---|
| **RESULTS** | | | | |
| Operating loss | 2,460,879 | 43,545 | 761,306 | 3,265,730 |
| Interest income | 3,538 | 29 | - | 3,567 |
| Income tax expense | - | - | - | - |
| **Included in operating loss** | | | | |
| 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:

| | UK<br>£ | El Salvador<br>£ | Nicaragua<br>£ | Consolidation<br>£ |
|---|---|---|---|---|
| **RESULTS** | | | | |
| Operating (profit)/loss | 2,330,782 | 37,565 | 548,687 | 2,917,034 |
| Interest income | 8,352 | 15 | - | 8,367 |
| Income tax expense | - | - | - | - |
| **Included in operating loss** | | | | |
| Impairment of intangibles | - | 33,517 | - | 33,517 |
| Depreciation | 1,492 | - | 52,496 | 53,988 |

## 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.

| | UK<br>£ | El Salvador<br>£ | Nicaragua<br>£ | Consolidation<br>£ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Total assets | 4,823,976 | 4,724,504 | 13,108,733 | 22,657,213 |
| **LIABILITIES** | | | | |
| 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.

| | UK<br>£ | El Salvador<br>£ | Nicaragua<br>£ | Consolidation<br>£ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Total assets | 2,410,084 | 4,305,420 | 11,551,334 | 18,266,838 |

| | UK<br>£ | El Salvador<br>£ | Nicaragua<br>£ | Consolidation<br>£ |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| 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

## 4. STAFF COSTS

| | 31.12.14 | 31.12.13 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 2,163,922 | 1,450,170 |
| Social security costs | 138,505 | 76,545 |
| | 2,302,427 | 1,526,715 |

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 | 85 | 83 | 2 | 1 |
| | 89 | 86 | 6 | 4 |

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 | 125,000 | 131,000 | 129,490 | 71,000 | 254,490 | 202,000 |

* 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.

**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 |
|---|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | | |
| 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 |
| | 100 | 30 June 2018 | 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 |
| R Davey | 100 | 23 July 2018 | - | 150,000 | - | - | 150,000 |
| | 180 | 10 Jan 2012 | 100,000 | - | - | - | 100,000 |
| | 100 | 27 Jun 2017 | 100,000 | - | - | - | 100,000 |
| | 100 | 30 June 2018 | 150,000 | - | - | - | 150,000 |
| P Flindell | 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 | 3,567 | 8,367 |

**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 |

## 7. TAXATION

| **Analysis of the tax charge** | 31.12.14<br>£ | 31.12.13<br>£ |
|---|---|---|
| Current tax: | | |
| Tax | - | - |
| Total tax charge in income statement | - | - |

**Reconciliation of the tax charge**

| | 31.12.14<br>£ | 31.12.13<br>£ |
|---|---|---|
| Loss before tax | (3,262,163) | (2,908,667) |
| 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 | - | - |

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:

| **Basic earnings per share** | 31.12.14<br>£ | 31.12.13<br>£ |
|---|---|---|
| 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) | (8.12) | (7.79) |

**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.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Improvements to rental property £ | Plant & machinery £ | Fixtures & fittings £ | Motor vehicles £ | Computer equipment & software £ | Totals £ |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Cost or valuation:** | | | | | | |
| 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 |
| **Accumulated depreciation and impairment:** | | | | | | |
| 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) |
| **Net Book Value:** | | | | | | |
| 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.

## 10. PROPERTY, PLANT AND EQUIPMENT – continued

| **Company** | Fixtures & fittings £ | Computer Equipment £ | Totals £ |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2014 | 2,601 | 14,736 | 17,337 |
| Additions | - | 707 | 707 |
| At 31 December 2014 | 2,601 | 15,443 | 18,044 |
| **Depreciation:** | | | |
| 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 | (1,417) | (13,571) | (14,988) |
| **Net Book Value:** | | | |
| At 31 December 2013 | 1,834 | 2,368 | 4,202 |
| **Net book Value:** | | | |
| At 31 December 2014 | 1,184 | 1,872 | 3,056 |

## 11. INTANGIBLE ASSETS

| | Exploration costs £ | Mineral resources £ | Licences £ | Total £ |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost or valuation:** | | | | |
| At 1 January 2013 | 9,446,196 | 3,326,448 | 472,036 | 13,244,680 |
| Additions | 5,253,947 | - | - | 5,253,947 |
| Exchange difference | (749,778) | - | - | (749,778) |
| 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 | 326,212 | - | - | 326,214 |
| At 31 December 2014 | 15,587,370 | 3,612,582 | 472,036 | 19,671,988 |
| **Accumulated depreciation and impairment:** | | | | |
| At 1 January 2013 | (1,858,660) | (663,510) | (472,036) | (2,994,206) |
| Impairment for year | (33,515) | - | - | (33,515) |
| At 31 December 2013 | (1,892,175) | (663,510) | (472,036) | (3,027,721) |
| Impairment for year | (37,156) | - | - | (37,156) |
| At 31 December 2014 | (1,929,331) | (663,510) | (472,036) | (3,064,877) |
| **Net Book Value:** | | | | |
| At 31 December 2013 | 12,058,190 | 2,662,938 | - | 14,721,128 |
| At 31 December 2014 | 13,658,039 | 2,949,072 | - | 16,607,111 |

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.

**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 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.

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 |
|---|---|---|---|
| | £ | £ | £ |
| **Cost:** | | | |
| 1 January 2013 | 3,332,026 | 537,504 | 3,869,530 |
| Capital contribution relating to share based payment | - | 218,843 | 218,843 |
| 31 December 2013 | 3,332,026 | 756,347 | 4,088,373 |
| Capital contribution relating to share based payment | 285,957 | 234,914 | 520,871 |
| At 31 December 2014 | 3,617,983 | 991,261 | 4,609,244 |
| **Provision for impairment:** | | | |
| Charge at 1 January 2013 | (663,510) | - | (663,510) |
| At 31 December 2013 and December 2014 | (663,510) | - | (663,510) |
| **Net Book Value:** | | | |
| At 31 December 2013 | 2,668,516 | 756,347 | 3,424,863 |
| At 31 December 2014 | 2,954,473 | 991,261 | 3,945,734 |

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.

## 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 |
| | 967,416 | 978,715 | 71,408 | 173,393 |
| Non-current: | | | | |
| Amounts owed by Group undertakings | - | - | 18,025,864 | 16,119,602 |
| Provision | - | - | (1,656,013) | (1,656,013) |
| | - | - | 16,369,851 | 14,463,589 |
| | 967,416 | 978,715 | 16,441,259 | 14,636,982 |

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 |
| | £ | £ | £ | £ |
| **Assets as per balance sheet** | | | | |
| Loans and receivables: | | | | |
| Other receivables | 967,416 | 978,715 | 71,408 | 173,393 |
| Cash and cash equivalents | 4,761,128 | 2,268,470 | 4,749,512 | 2,232,489 |
| Total | 5,728,544 | 3,247,185 | 4,820,920 | 2,405,882 |

## 14. FINANCIAL INSTRUMENTS – continued

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.14 | 31.12.13 | 31.12.14 | 31.12.13 |
| | £ | £ | £ | £ |
| **Liabilities as per balance sheet** | | | | |
| Loans and receivables: | | | | |
| Trade and other payables | 316,287 | 355,142 | 304,864 | 337,727 |
| Accrued expenses | 254,830 | 295,075 | 178,231 | 243,146 |
| Total | 571,117 | 650,217 | 483,095 | 580,873 |

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.

**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 | 10,367 | 0.00% | 24,299 | 0.00% |
| Total | 4,761,128 | | 2,268,470 | |

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 |
| | 571,117 | 650,217 | 483,095 | 580,873 |
| Total | 571,117 | 650,217 | 483,095 | 580,873 |

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.

## 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 | 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 | 45,807 | 9,161,463 | 27,442,728 | 36,604,191 |

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 |
| | 2,307,800 | 1,441,100 | (457,500) | (151,000) | 3,140,400 | | |

**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 excise process. As such at the balance sheet date the options had neither expired or been fully excised.

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).

## 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:

| Company | Related party | 31.12.14<br>£ | 31.12.13<br>£ | Outstanding at year end<br>£ |
|---|---|---|---|---|
| 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: £134,715l) 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.

## 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 |
|---|---|---|
| **Condor S.A.** | £ | £ |
| Brought forward loan balance | 2,519,823 | 1,844,770 |
| Additional loans during the period | 715,491 | 675,053 |
| Closing balance | 3,235,314 | 2,519,823 |

| | 31.12.14 | 31.12.13 |
|---|---|---|
| **Minerales Morazan S.A.** | £ | £ |
| Brought forward loan balance | 2,008,136 | 1,968,595 |
| Additional loans during the period | 37,538 | 39,541 |
| Closing balance | 2,045,674 | 2,008,136 |

| | 31.12.14 | 31.12.13 |
|---|---|---|
| **La India Gold S.A.** | £ | £ |
| Brought forward loan balance | 9,935,630 | 4,950,294 |
| Additional loans during the period | 1,153233 | 4,985,336 |
| Closing balance | 11,088,863 | 9,935,630 |

## 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.