

# Condor Gold plc Audited Accounts for Financial Year End 31st December 2013

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## Report and Accounts Year ended 31 December 2013

[Condor Gold plc](#)

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### HIGHLIGHTS

#### FOR THE YEAR ENDED 31 DECEMBER 2013

[Condor Gold plc](#) ("Condor", the "Company" or the "Group"), an AIM listed company focused on delineating a large commercial reserve on its La India Project in Nicaragua, announces its results for the year ended 31 December 2013.

#### Highlights

- La India Project total mineral resource to NI 43-101 standards updated in November 2013 of 18.4Mt at 3.9g/t for 2.33M oz gold and 2.68M oz silver at 6.2g/t. Indicated resources +43% and Open Pit resources +20%.
- £7m private placement of new ordinary shares at £1.60 per share completed in February 2013.
- Preliminary Economic Assessment ("PEA") to NI 43-101 standards completed in March 2013. Details conceptual mine producing 152,000 oz gold per annum for first 8 years of 13 year mine life.
- PEA has robust economics: NPV US\$325m, IRR 33%, pay back on capital equipment of 3 years, low operating cash cost US\$575 per oz gold net of 3% royalty and 30% corporation tax.
- 139 drill holes for 20,137m drilling completed in period. Best drill results 4.80m at 37.24g/t gold, 6.80m at 13.00g/t gold, 21.00m at 3.33g/t gold. Continuity of mineralisation and grade confirmed with infill drilling in La India Open Pit.
- 1,836m geotechnical drilling completed, aimed at steepening the pit wall used in PEA.

- Purchase of adjacent HEMCO-SRP-NS concession for US\$250,000 in shares at £2.00 per share increased La India Project land area by 44% to 280sq km.
- Environmental and Social Impact Assessment ("ESIA") made excellent progress.
- Metallurgical test work to Pre-Feasibility Study ("PFS") level completed, results show 93% to 96% recoverable gold.
- Geophysics flown over entire 280sq km La India Project provides additional exploration targets.
- Drill result of 9.00m at 10.70g/t gold to the south of the current resource on la India Open Pit demonstrates the gold mineralisation is open along strike and to depth.

## Post Period Highlights

Test work in support of the PFS has continued to advance in the first months of 2014:

- A pump test has been completed with favourable results in support of a dewatering program
- Lycopodium has been selected as the design engineer for the plant, components of the infrastructure capital expenditure estimate and an operating cost estimate for processing.
- Pit geotechnical work has been completed pending final pit selection.
- Environmental baseline studies needed for the PFS are largely complete.
- Preliminary waste rock geochemistry results suggest that acid drainage will not be a problem.
- Suitable tailings, waste dump and plant sites have been identified.
- Rock chip sampling completed on 7 exploration targets within La India Project

To view the PDF document, visit the following link:

[http://media3.marketwire.com/docs/Report\\_and\\_Accounts\\_YearEnded2013.pdf](http://media3.marketwire.com/docs/Report_and_Accounts_YearEnded2013.pdf)

## [Condor Gold plc](#)

### CHAIRMAN'S STATEMENT

#### FOR THE YEAR ENDED 31 DECEMBER 2013

Dear Shareholder,

I am pleased to announce [Condor Gold plc's](#) ("Condor" or "the Company" or "the Group", [www.condorgold.com](http://www.condorgold.com)) annual report for the 12 month financial year to 31<sup>st</sup> December 2013. During the year the Company made the transition from exploration to resource development, focusing on the economic feasibility of exploiting the flagship La India Project in Nicaragua. An updated NI 43-101 Mineral Resource Estimate was completed on 8<sup>th</sup> November 2013. Several studies required for inclusion in a Pre-Feasibility Study ("PFS") were either commenced or completed during the period, with both the geotechnical and metallurgical studies completed to PFS level of competency. SRK Consulting (UK) Ltd ("SRK") was awarded all studies to PFS level on La India Project.

Condor has completed 23,600m of drilling since the 2012 mineral resource estimate, bringing the total drilled on La India Project to date to 62,000m. An updated independent technical 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, was produced by SRK on 8<sup>th</sup> November 2013. The final report provides a significant amount of detail about La India Project including but not limited to: the project geology, exploration drilling and sampling, data quality and quantity, data validation, the geological model and the classification and reporting criteria. Shareholders and potential investors should take comfort from the quality of work that has gone into producing an updated NI 43-101 technical report for La India Project.

The current La India Project total mineral resource estimate is 18.4Mt at 3.9g/t for 2.33M oz gold and 2.68M oz silver at 6.2g/t. Total gold equivalent is 2.37M oz. The mineral resource in the higher indicated category of confidence increased by 43% to 9.6Mt at 3.5g/t for 1.08M oz gold. The Inferred mineral resource is 8.8Mt at 4.4g/t for 1.25M oz gold. The total open pit resource increased 20% to 1.14M oz gold at 3.1g/t split between three deposits all within a 2km radius. The bulk of the open pit resource is within the La India Open Pit which accounts for 920,000 oz at 3.0g/t gold. The identification of two feeder pits, the America Open Pit with

160,000 oz at 4.2g/t and the Central Breccia Open Pit with 57,000 oz gold at 1.9g/t should help mine scheduling.

A geotechnical report to PFS level of confidence was completed in October 2013 following a 1836m geotechnical drilling programme. It was designed to test the competency and strength of the host rock and determine the optimal pit angles for the La India Open Pit resource.

Metallurgical studies to the PFS level of confidence were completed and show good recovery rates, further de-risking the La India Project. La India Vein Set gold recoveries range from 90% to 92% and the America Vein Set from 94% to 95%. These recovery estimates include a 2% reduction from the reported extractions to allow for plant inefficiencies. Most importantly, there are no unpleasant surprises. SRK Consulting (U.S.) Inc has recommended that gold mineralised ore can be processed by industry-standard whole-ore cyanidation with a standard carbon-in-pulp (CIP) process flowsheet.

Condor completed a 3,351 line kilometer helicopter-borne geophysics survey covering the entire 280 sq km La India Project, which has confirmed that there remains considerable exploration upside for La India Project. The radiometric survey provides a powerful regional mapping tool. The magnetics survey can be used as an indirect tool for target delineation by the interpretation of zones of magnetite destruction and are of sufficient detail to make a realistic structural interpretation. Eight targets were identified as under-explored areas within prospective geological settings. La India Project has large areas that show surface expressions of gold mineralisation, which have yet to be drilled.

SRK completed an NI 43-101 compliant Preliminary Economic Assessment ("PEA"), announced on the 5<sup>th</sup> March 2013 based on the 5<sup>th</sup> November 2012 NI 43-101 Mineral Resource estimation. The PEA for La India Project details average annual gold production of 152,000 oz gold for the first 8 years of an initial mine life of 13 years. Total production of 1,463,000 oz gold over the Life of Mine is at an average operating cost of US\$575 per oz gold; production is split evenly between open pit and underground mining. The NPV of US\$325m and IRR of 33% used a US\$1,400 gold price when gold was over US\$1,600 per oz and are after a 3% government royalty and 30% corporation tax. The payback period for the capital equipment is 3 years.

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### **CHAIRMAN'S STATEMENT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2013**

Shortly after the release of the PEA the gold price fell approximately 25% to US\$1,200 per oz or US\$400 per oz between mid March and early July 2013. Fortunately, the Company raised £7m at £1.60 via a placement of new ordinary shares in February 2013. The Board and senior management reacted to the fall in the gold price by re-sizing La India Project ahead of a PFS using only open pit resources. The decision was taken to focus on producing a smaller open pit only operation and defer the underground mining potential identified in the PEA until a later date to be funded out of future cash-flow or when market conditions improved. Approximately 14,000m of in-fill drilling was completed in La India Open Pit, 5,500m drilling on the America historic mine workings targeting an open pit resource and 2,700m drilling on the Central Breccia prospect, again targeting an open pit resource. A 3,000m trench programme was completed on La Mestiza Vein Set, which host a resource of 334,000 oz gold at 7.0g/t to determine the likelihood of a feeder pit. The grades and widths of gold mineralisation from previous drilling are significantly better than the surface gold mineralisation. The Company concluded that Mestiza is an underground rather than open pit target and the decision was taken not to undertake a further drill programme on Mestiza to include in the PFS. All drilling stopped in September 2013.

The PFS will be focused on a base case La India Open Pit only scenario. La India Open Pit resource of 921,000 oz gold at 3.1g/t comprises 840,000 oz gold in the Indicated category and 81,000 oz gold in the Inferred category. Under 43-101 standards, only Indicated ounces can be used in a PFS. There will be an annex to the PFS showing the potential upside of including a further 300,000 oz gold open pit resources (81,000 oz gold in the Inferred category in La India Open Pit, 160,000 oz gold on America Open Pit and 58,000 oz gold on the Central Breccia Open Pit) in a Bankable Feasibility Study ("BFS"). The Company's strategy is to produce the base case PFS on the 840,000 oz gold in the Indicated category in La India Open Pit and proceed directly to a BFS with either the base case only or with the base case plus the inclusion of

additional 300,000 oz gold open pittable resources. The later option will require between 8,000m to 10,000m drilling to bring these additional ounces into the Indicated category for inclusion in a BFS.

Irene Chow was hired as Chief Environmental Officer in April 2013, she has accelerated several studies required in an Environmental Social Impact Assessment ("ESIA"). Surface water flow monitoring weirs have been constructed at five sites and ground water levels are being monitored at 24 locations on a weekly basis. Several phases of water quality monitoring have already been completed. Condor has completed several studies and collected enough data to produce an ESIA to PFS level of confidence, 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.

Dave Crawford joined on 1<sup>st</sup> December 2013 as Chief Operating Officer. He has 37 years experience in the mining industry. He most recently completed 5 years at Newmont Mining Company in Denver Colorado as its Study Director, Major Capital Projects; which involved the valuation of properties for possible acquisition, direction of evaluation teams, and development of strategies for identification of prospective takeover targets. Dave Crawford spends over half his time at La India Project and is tasked with taking the Project to PFS and BFS.

Condor also holds 100% ownership of three other concessions in Nicaragua; the Estrella and Potrerillos concessions, which contain historic gold mine workings, and the Rio Luna Concession, which contains a JORC Inferred Resource of 694,000 tonnes at 4.4g/t for 86,000 oz gold equivalent. In addition, the Company has a 20% interest in a fourth Concession, Cerro Quiroz, which contains established gold mineralisation and is adjacent to B2Gold's operating gold mine at La Libertad.

In El Salvador, Condor's JORC Resource of 747,000 oz gold and 22.38 million oz silver or 1,120,000 oz gold equivalent at 2.6g/t remained unchanged during the period due to the moratorium on all exploration and mining in El Salvador. In 2011, 10% of the Company's resource in El Salvador was gifted to a UK Charitable Foundation whose beneficiaries are the most needy and poor in that country.

The moratorium on metallic mining in the Republic of El Salvador ("El Salvador") has now been in place for just over 6 years. In November 2013, [OceanaGold Corp.](#) completed the purchase of Pacific Rim Mining for circa US\$12m or US\$7 per total resource ounce gold equivalent. Mick Wilkes, Managing Director and CEO of OceanaGold is quoted in the announcement: "Our Company has a long and successful track record of operating gold mines in partnership with local communities in a safe and sustainable manner and we look forward to working with our key stakeholders in El Salvador to unlock the significant opportunity that exists at El Dorado for the people of El Salvador". OceanaGold produces 325,000 oz gold per annum in New Zealand and the Philippines. A new President of El Salvador is due to be inaugurated in June 2014. It is unclear whether he is pro-mining.

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### **CHAIRMAN'S STATEMENT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2013**

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 not capitalising further expenditure in relation to the El Salvador projects. The El Salvador assets carrying value included within this report total £4.3m.

Turning to the financial results for the year 2013, the operating loss was £2,917,034 (2012: £3,258,653). Additionally, the Company raised £7,284,660 (2012: £6,788,268) through the exercise of options, and private placements. The Company made foreign exchange losses of £219,298 (2012: £169,824). The decrease of

cash and cash equivalents was £731,673 (2012: increase of £1,283,822). The net cash balance at 31<sup>st</sup> December 2013 was £2,268,470.

The strategy for 2014 is to produce a base case Pre-Feasibility Study on 840,000 oz gold in the Indicated category in La India Open Pit and demonstrate the upside potential of La India Project by rock chip sampling and trenching on several exploration targets outside the existing resource area. On completion of a PFS the Company will proceed directly to a Bankable Feasibility Study with either the base case or with the base case plus the inclusion of an additional 300,000 oz gold open pit resources that are currently excluded from the PFS. The later option will require between 8,000m to 10,000m drilling to bring these additional ounces into the Indicated category for inclusion in a BFS. Only Indicated ounces can be used in a PFS and BFS. There will be an annex to the PFS showing the potential upside of including a further 300,000 oz gold open pit resources (81,000 oz gold in the Inferred category in La India Open Pit, 160,000 oz gold on America Open Pit and 58,000 oz gold on the Central Breccia) in a BFS. Condor is concluding a 3,000m trench programme on 5 exploration targets within La India Project identified by the airborne geophysics survey.

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### **STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2013**

#### **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 2013 amounted to £2,908,667 (2012: £3,256,013). 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.

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](http://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 Corp.](http://www.oceana.com) 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 £978,715. The exposure of the Group and the Company to credit risk arises from default of its counterparty, with maximum exposure equal to the carrying amount of cash and cash equivalents in the Group's Statement of Financial Position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

The Group does not hold any collateral as security.

### **2. Liquidity risk**

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

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

### **3. Market risks**

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

#### **i. Pricing and risks**

The Directors consider there to be minimal price risk to the business. The Group, however, does have an unlisted equity investment whose price is exposed to market factors and realisation of which is 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:

M L Child, Chairman

Date: 04 June 2014

#### [Condor Gold plc](#)

#### PROJECT OVERVIEW

#### FOR THE YEAR ENDED 31 DECEMBER 2013

#### CURRENT CONCESSION HOLDINGS

##### *Nicaragua Projects*

Project	Concession	Ownership	Expiry Date	Area (km <sup>2</sup> )
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
	<i>Subtotal</i>			280.05
Boaco	Rio Luna	100% Owned	June 2035	43.00
RAAN	Estrella	100% Owned	April 2035	18.00
Nueva Segovia	Potrillo	100% Owned	December 2031	12.00
La Libertad-Santo Domingo District	Cerro Quiroz	20% Owned	April 2035	22.50
<b>TOTAL</b>				<b>375.55</b>

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

##### *El Salvador Projects*

Project	Concession	Ownership	Expiry Date*	Area (km <sup>2</sup> )
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
<b>TOTAL</b>				<b>175.00</b>

\*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).

## 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		Silver		Gold Equivalent			CIM/JORC Category
		Grade (g/t)	Contained (koz)	Grade (g/t)	Contained (koz)	Grade (g/t)	Contained (koz)	Attributable Contained (koz)	
<i>Nicaragua Projects (100% Condor owned)</i>									
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
<b>Total</b>	<b>18,400</b>	<b>3.9</b>	<b>2,328</b>	<b>6</b>	<b>2,680</b>	<b>4.0</b>	<b>2,368</b>	<b>2,368</b>	<i>Ind + Inf</i>
Rio Luna	694	3.5	80	56	500	4.4	86	86	Inferred
<b>Total</b>	<b>19,100</b>	<b>3.9</b>	<b>2,407</b>	<b>7</b>	<b>3,182</b>	<b>4.0</b>	<b>2,454</b>	<b>2,454</b>	<i>Ind+Inf</i>
<i>El Salvador Projects (90% Condor owned)</i>									
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
<b>Total</b>	<b>13,100</b>	<b>1.8</b>	<b>747</b>	<b>53</b>	<b>22,380</b>	<b>2.6</b>	<b>1,081</b>	<b>964</b>	<i>Inferred</i>
<b>Grand Total</b>	<b>32,200</b>	<b>3.0</b>	<b>3,154</b>	<b>34</b>	<b>25,553</b>	<b>3.5</b>	<b>3,535</b>	<b>3,427</b>	<i>Inferred</i>

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

The following Mineral Resource estimations details SRK's CIM compliant Mineral Resource Statement as at 8th November 2013 for the La India Project, as signed off by Ben Parsons, a Competent Person as defined by the CIM Code.

SRK MINERAL RESOURCE STATEMENT SPLIT PER VEIN as of 7 November 2013 <sup>(4),(5),(6)</sup>								
Category	Area Name	Vein Name	Cut-Off	gold			silver	
				Tonnes (kt)	Au Grade (g/t)	Au (Koz)	Ag Grade (g/t)	Ag (Koz)
Indicated	La India veinset	La India/ California <sup>(1)</sup>	0.5g/t (OP)	8,402	3.1	838	5.5	1,475
		La India/ California <sup>(2)</sup>	2.0g/t (UG)	610	5.0	98	11.0	216
	America veinset	America Mine	0.5g/t (OP)	226	8.4	61	5.3	38
		America Mine	2.0g/t (UG)	358	6.8	79	4.4	51

Inferred	La India veinset	La India/California <sup>(1)</sup>	0.5g/t (OP)	1,057	2.4	81	4.1	139
		Teresa <sup>(3)</sup>	0.5g/t (OP)	6	6.9	1		
		La India/California <sup>(2)</sup>	2.0g/t (UG)	1,095	5.2	183	11.4	403
		Teresa <sup>(2)</sup>	2.0g/t (UG)	80	11.1	28		
	America veinset	America Mine	0.5g/t (OP)	957	3.2	99	5.8	178
			2.0g/t (UG)	839	4.8	129	6.6	179
		Guapinol <sup>(3)</sup>	1.5g/t	751	4.8	116		
	Mestiza veinset	Tatiana <sup>(3)</sup>	1.5g/t	1,080	6.7	230		
		Buenos Aires <sup>(3)</sup>	1.5g/t	210	8.0	53		
		Espenito <sup>(3)</sup>	1.5g/t	200	7.7	50		
	Central Breccia	Central Breccia <sup>(1)</sup>	0.5g/t (OP)	939	1.9	57		
	San Lucas	San Lucas <sup>(3)</sup>	1.5g/t	330	5.6	59		
	Cristalito-Tatescame	Cristalito-Tatescame <sup>(3)</sup>	1.5g/t	200	5.3	34		
	El Cacao	El Cacao <sup>(3)</sup>	1.5g/t	590	3.0	58		

<sup>(1)</sup> 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°.

<sup>(2)</sup> 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 reserves, costs of USD16.4/t for processing, USD10.0/t G&A and USD50.0/t for mining, without considering revenues from other metals.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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](#)

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

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

SRK MINERAL RESOURCE STATEMENT SPLIT PER VEINSET as of 7 November 2013								
Category	Area Name	Vein Name	Cut-Off	gold			silver	
				Tonnes (kt)	Au Grade (g/t)	Au (Koz)	Ag Grade (g/t)	Ag (Koz)
Indicated	Subtotal Areas	La India veinset	0.5g/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	
		2.0g/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
			1.5g/t	470	4.70	71		
		America veinset	0.5g/t (OP)	957	3.22	99	5.8	178
			2.0g/t (UG)	839	4.79	129	6.6	179
			1.5g/t	751	4.80	116		
	Mestiza veinset	1.5g/t	1,490	7.00	333			
	Central Breccia	0.5g/t (OP)	939	1.88	57			
	Other veins	1.5g/t	1,120	4.20	151			

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

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

<sup>(1)</sup> 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°.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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](#)

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> Inferred Silver Mineral Resource Grades based on a sum total of 2,020 Kt for Indicated and 2,010 Kt for Inferred.

<sup>(8)</sup> The resource figures stated are both gross and net to the Company.

## [Condor Gold plc](#)

### REVIEW OF OPERATIONS

#### FOR THE YEAR ENDED 31 DECEMBER 2013

#### NICARAGUA - OPERATIONS REPORT

During 2013 Condor made the transition from exploration to resource development, focusing on assessing the economic feasibility of exploiting the flagship La India Project. In March a Preliminary Economic Assessment ("PEA") on the mining potential was completed on the La India Project which showed that open pit and underground mining on three fronts over a 13 year mine life could recover 1.4M oz gold through an

annual production of 150k oz per year over the first 8 years. The study envisaged approximately half of the gold production coming from open pit mining and half from underground mining over the Life of Mine, with the majority of production from La India Vein Set.

Drilling and trenching completed in 2013 was designed to maximise open pit mining resources. Resource definition drilling successfully converted an inferred to an indicated resource on La India Open Pit in preparation for a Pre-feasibility Study ("PFS") with a resource update announced in November. At the same time PFS studies on the La India Open Pit were initiated, with geotechnical and metallurgical studies completed.

Elsewhere, resource definition and exploratory drilling at America confirmed the presence of remnant wall-rock gold mineralisation along a 1000m strike length of the historic mine working. An updated mineral resource on the America Vein Set identified an open pit resource of 160k oz gold at 4.2g/t and an overall resource increase of 70k oz gold to 484k oz gold at 4.8g/t. Further drilling was completed on the Central Breccia for which a maiden 57k oz gold at 1.9g/t open pit resource was estimated. Both the America Vein Set and the Central Breccia are located less than 2km from the La India open pit resource and are therefore considered potential satellite pits.

The La India Project area was expanded by an additional 86km<sup>2</sup> to 280km<sup>2</sup> with the acquisition of a new concession area in the northeast, further consolidating Condor's position in the District. Regional exploration was advanced with an aeromagnetic and radiometric survey and a high resolution satellite-derived digital terrain model completed across the entire La India Gold Mining District. This new data formed the basis for a regional targeting exercise for both open pit and hidden gold exploration.

The focus going into 2014 is on producing a pre-feasibility study into open pit mining on the La India Vein Set.

Concession	Prospect	Rock Chip Samples	Trenches Completed	Trench (m)	Trench Samples	Underground Channels Completed	Underground (m)	Underground Samples
La India	La India Vein Set	5	1	10	10	1	6	7
	America Vein Set	14						
	Central Breccia	0						
	Mestiza Vein Set	0	7	573	467			
	Other	242	7	401.8	400	3	7.6	11
Espinito Mendoza	Mestiza Vein Set	12	24	2,320.80	2212			
El Rodeo		89						
Cacao		1						
Real de La Cruz		1						
La Mojarra		22						
Totals		386	39	3,305.60	3089	4	13.60	18

Summary of rock chip sampling, trenching and underground channel sampling completed in 2013.

Concession	Prospect	Diamond Core Drill holes	Diamond Core Drilling (m)	Core Samples	RC Drill holes	RC Drilling (m)	RC 1m Samples	Drill holes	Total Drilling (m)
La India	La India Vein Set	71	12,343.50	4,780	3	143.5	137	74	12,487.00
	America Vein Set	23	3,434.25	1,439	26	1,896.0	1,807	49	5,330.25
	Central Breccia	16	2,319.61	1,170				16	2,319.61
Totals		110	18,097.36	7,389	29	2,039.5	1,944	139	20,136.86

Summary of drilling activity completed in 2013.

## La India Project

**La India, Espinito Mendoza, Cacao, Santa Barbara, Real de la Cruz, El Rodeo, HEMCO-SRP-NS and**

## La Mojarra Concessions

(Condor 100% ownership).

Condor has long recognised the potential of the La India Mining District for the development of a modern gold mine, and has gradually built-up a concession package of eight concessions covering an area of 280km<sup>2</sup> through a combination of public tender and private acquisition since first being granted the Cacao Concession in 2006. The La India Mining District is an epithermal goldfield hosted by a Tertiary aged volcanic complex and was a substantial gold producer between 1938 and 1956 when the La India gold mine produced an estimated 576,000 oz gold with mine records showing a peak production of 41,861 oz gold at 11.8g/t recovered grade and 39,282 oz silver at 11.0g/t in 1953. The Company currently holds 100% interest in mining rights to 98% of the La India District gold mineralisation including all the historical mine workings. In 2013 Condor completed the first economic assessment of the Project's mining potential, advanced the confidence of the mineral resource in the core mining zone and initiated pre-feasibility level mining studies.

## Preliminary Economic Assessment

A Preliminary Economic Assessment ('PEA') on the mining potential at La India was completed in March 2013. The study was undertaken by SRK (UK) Limited and was based on the data used in the September 2012 Resource Estimation, which includes a considerable open pit resource on the La India Vein Set. The PEA envisages mining simultaneously from the La India, America and La Mestiza vein sets, feeding a centralised mill at 1.5Mtpa for 1,463,000 oz recovered gold at an average grade of 3.8g/t over a 13 year Life of Mine ('LOM'). The PEA envisages an average annual production of 152,000 oz gold over the first 8 years. The forecast mine production is split almost equally between underground and open pit mining with all the open pit ore coming from the India-California veins within La India Vein Set.

The Company recognised that maximising open pit mining is the key to the projects economic success. Subsequent resource development drilling, technical studies and exploration have all prioritised open pit mining with all technical work completed to pre-feasibility study level on La India open pit.

## Drilling and Trenching

In 2013 Condor completed 20,137m of drilling and 3,306m of trenching to finish a 23,600m drilling programme initiated in late 2012 to develop and test open pit targets in four locations within the core 6km by 3km area of the La India Project. The full drilling programme completed since the 2012 resource update included:

1. 13,956m infill resource drilling on the proposed La India Open Pit to estimate the open pit resource to indicated level of confidence sufficient for inclusion in a PFS on open pit mining,
2. 5,486m exploration drilling through the wallrock of the historic America Mine to test for additional open pit resource,
3. 2,680m follow-up exploration drilling on the Central Breccia Prospect to define additional open pit resource, and
4. 31 trenches for 2,894m across the La Mestiza Vein Set to establish whether this area has open pit or underground mining potential.

On the **La India Vein Set** a 13,956m resource infill drilling programme initiated the previous year, and a 1,800m geotechnical drilling programme, was completed. Infill drilling on the open pit resource was to 50m drill spacing in order to convert inferred resource to the more confident indicated category required for inclusion in a PFS. The geotechnical drilling was designed to measure the geotechnical properties required to optimise open pit design to PFS level.

The geological and mineralisation information gained from the infill drilling has allowed the Company geologists to develop a more robust and confident geological model, and the exclusive use of larger diameter PQ core, first trialled in 2012, considerably improved core recovery and drilling success through cavities left behind by the historic mine workings. The infill drilling confirmed and better delineated the high-grade gold mineralised zones with highlights including:

- A near surface intercept of 21m (20.3m true width) at 3.33g/t gold from 4m drill depth in drill hole LIRC240 in the Central Zone,
- The first near surface bonanza grade intercept of 4.8m (4.4m true width) at 37.24g/t gold from 14.40m drill depth returned from drill hole LIDC239 in the South-Central Zone.
- 19.20m (14.7m true width) at 3.60g/t gold from 194.90m in drill hole LIDC308 on the Central North zone.

In addition to converting Inferred resources into the Indicated category, drilling tested the strike continuation of hidden gold mineralisation along strike to the south at depths of between 80m and 200m below surface. High-grade gold mineralisation on the India-California structure was successfully extended 50m further south with an intercept of 9.00m (5.9m true width) at 10.70g/t gold from 206.50m drill depth in drill hole LIDC319. The mineralisation still remains open along strike to the South.

Eleven drill holes for 1,836m were designed to provide the geotechnical data required to design an open pit on the La India Vein Set at PFS level of confidence. This geotechnical drilling programme, which was designed and supervised by geotechnical consultants from SRK Consulting (UK), incorporated downhole imaging technology to measure fracture orientations and the installation of five piezometers to measure groundwater levels and conduct permeability test work. The geotechnical data from the drilling will be integrated with hydrogeological data to establish the optimum pit wall angles to be used in the PFS.

Over 5,000m of drilling, supplemented by 7 trenches for 402m, were completed on the **America Vein Set** testing for remnant gold mineralisation in the wallrock of the historic America-Constancia Mine. The widest zones of gold mineralisation have been found in quartz breccia developments where a number of parallel Constancia veins intercept the America-Escondido vein flexure. Drill intercepts of up to 19m at 1.98g/t gold (including 3m at 7.82g/t gold) and 10m at 1.70g/t gold separated by only 6m of waste (drill hole LIRC215) were returned from a zone of wide moderate to high-grade gold mineralisation along a strike length of between 100m and 150m and a down-dip extent of at least 300m. This flexure-intercept zone was drill-tested at 50m spacing to up to 300m down dip from surface, whereas the limbs of the flexure, where the wallrock of the old mine workings have been shown to contain some remnant gold mineralisation were drilled at 100m spacing to 180m down-dip.

In line with the Company's policy of targeting open-pittable resources a 2,321m drilling programme was completed on the **Central Breccia** area. The drilling programme had two objectives: Firstly, to follow-up on the excellent drilling results returned from earlier drilling in order to provide sufficient drill data for a maiden gold resource estimation on the Central Breccia. Secondly, to drill beneath the soil anomalies identified near to the Central Breccia to test for further hidden gold mineralised breccia systems. The Central Breccia gold mineralisation is hosted by a hydrothermal breccia system with high-grade gold mineralised zones associated with intense argillic alteration and sulphide mineralisation within a low-grade background halo. The high-grade zones are variable at a decimetre-scale which requires close spaced drilling to obtain continuity between drill samples and confidently model the gold distribution. Drilling to date has confirmed the lateral dimensions shown at surface with high-grade mineralisation intercepted up to 100m below surface.

A 2,894m programme of 100m-spaced trenches, infilled to 50m in areas of interest, were excavated across the entire **La Mestiza Vein Set**. Trenches were up to 200m long and up to 3m deep in order to thoroughly test the sub-parallel Tatiana, Jicaro and Buenos Aires veins package. La Mestiza Vein Set contains 334,000 oz gold at 7.0g/t, with significantly better grades and widths of gold mineralisation returned from drilling at depth than from previous explorers manual trench testing at surface. The programme was designed to categorically test the width and grade of surface gold mineralisation in order to better understand the geology of the deposit. Assay results confirmed previous exploration data that the Jicaro and Buenos Aires veins are narrow with variable grade at surface with a best intercept of 0.9m at 5.87g/t Au recorded in the Buenos Aires 2 Vein (Trench LITR178). However the Tatiana Vein is wider in places than was recognised in the shorter and shallower historic manual trenches, with a wide quartz stock work and breccia zone revealed along at least 150m strike length with best results including:

- 48m at 0.51g/t Au including 7.4m at 1.35g/t Au (Trench LITR173),
- 11m at 1.90g/t Au (Trench LITR166b),
- 6m at 2.25g/t Au (Trench LITR176b).

The wider zones of gold mineralisation at surface are hosted by fine breccia zones interpreted as forming at higher levels under low confining pressure. The identification of more confined structures hosting higher

grade gold mineralised at depth in both Condor and previous explorers drilling suggests that the optimal gold mineralisation level is below surface and will require definition through drilling rather than trenching. The Company concluded that La Mestiza is an underground rather than open pit mining target and the decision was taken not to undertake further drilling at La Mestiza for the current PFS study.

## Resource Update

Condor announced an updated mineral resource estimate on the La India and America vein sets and a maiden mineral resource on the Central Breccia Prospect on the 8<sup>th</sup> November. The updated mineral resource incorporated an additional 23,598m of drilling that had been completed since the previous mineral resource estimate in September 2012. La India Project currently contains a CIM compliant indicated mineral resources of 9.6Mt at 3.5g/t Au for 1.08 million ounces of gold and inferred mineral resources of 8.8Mt at 4.4g/t for 1.25 million ounces of gold reported to NI 43-101 standard, for a combined indicated and inferred mineral resource of 18.4Mt at 3.9g/t for 2.33M oz gold contained within a 9km radius area.

The mineral resource has been calculated in three parts using different parameters based on the potential economics and the confidence of the data available. An open pit mineral resource of 1.14M oz gold at 3.1g/t which falls within a US\$1,500 per ounce gold optimised Whittle open pit has been estimated using a 0.5g/t cut-off grade. The open pit resource comprises La India Open Pit with 921,000 oz at 3.0g/t, America Open Pit with 160,000 oz at 4.2g/t and the maiden Central Breccia Open Pit with 57,000 oz gold at 1.9g/t.

Zones that fall outside of the Whittle Pit shells have been estimated using an underground cut-off grade 2.0g/t over 1m. A total underground mineral resource of 518,000 oz gold at 5.4g/t lies beneath the La India and America open pit shells: 310,000 oz at La India and 208,000 oz at America. The remaining mineral resource of 673,000 oz gold at 5.5g/t which has not been tested with a Whittle open pit model and was not re-estimated in 2013 has been assigned a cut-off grade of 1.5g/t. In addition, there is 2.68 million ounces of silver at a grade of 6.2g/t estimated on the La India and California veins, and the historic America Mine only where there is sufficient silver assay data.

The drilling on La India Vein Set was designed to convert inferred open pit resource to the more confident indicated category whilst the drilling at America and on the Central Breccia was designed to define additional open pit resources at the inferred category. These goals were achieved with the overall open pit resource at La India Project increased from 954,000 oz, located only in one location, to 1.14 million oz at 3.1g/t gold in three close-spaced pits all contained within a 6km by 3km area: the 921,000 oz La India Open Pit, the 160,000 oz America Open Pit and the 57,000 oz Central Breccia Open Pit resources. The addition of the two smaller pits will add flexibility to a future open pit mining operations. As well as adding additional open pit mineral resource gold ounces, the drilling upgraded confidence in the mineral resource with over 1.08 million ounces gold indicated mineral resource defined in the La India and America Vein Sets, of which 899,000 oz is contained within the open-pit shells, with the balance of 177,000 oz split evenly between the deeper levels beneath the La India and America Mine Mineral resource Whittle open pit shells.

## Pre-Feasibility Study Preparation

A number of mine development studies have been completed aimed at moving quickly towards a PFS. A 1,836m geotechnical drilling programme designed to more accurately establish the optimum pit slope angles that can be supported by an open pit mine on La India Vein Set was completed. A number of the geotechnical and some exploration drill holes have been used to install piezometers for water level monitoring as part of the hydrogeological study required for open pit and underground mine design and water management planning, and also as a component of the environmental baseline study. Metallurgical testwork was completed to PFS level of confidence on the proposed La India and America vein sets and to a Scoping Level of confidence on the Mestiza Vein Set and Central Breccia. The testwork showed that America and La Mestiza ore can be processed using standard CIP or CIL process without the need for gravity concentration with recoveries of 93-95% gold achievable. In addition, a comparison of standard cyanidation and CIL tests indicated that preg robbing effects during processing would not be a problem. Similarly acid-base accounting tests showed that the tailings will not result in acid generation. Scoping level testwork on the Central Breccia ore returned slightly lower recoveries at 89% from direct cyanidation, reflecting the distinct metallurgical properties of this atypical deposit.

Studies to establish baseline conditions for the Environmental and Social Impact Assessment ("ESIA")

required for the PFS and for future mine permitting were initiated:

- Initial climatic and surface water flow studies were completed and surface water flow monitoring initiated.
- A meteorological station was purchased.
- The first phase of an air quality studies completed.
- The first phase of a flora and fauna study completed.
- A population census and registration of artisanal mining activity within the concession area was completed.

## Regional Exploration

Preparatory work for exploration of the existing and newly acquired concession areas outside of the core La India Project area has been initiated. Re-processing of existing ground geophysical data collected by a previous explorer in 2007 identified a number of targets for follow-up exploration and demonstrated the potential benefits of an airborne geophysical survey over the entire La India Project area. A helicopter aeromagnetic and radiometric survey was flown over the entire 280km<sup>2</sup> area at 100m line spacing for a total of 3,530 line-kilometres to collect a high-resolution dataset. Condor geologists have used airborne magnetic and radiometric, and satellite derived topographic data, combined with geological mapping and the existing exploration database to develop a geological model of the La India Project's epithermal gold mineralisation system. Eight targets were identified as under-explored areas within prospective geological settings. Initial follow-up geological prospecting and rock chip sampling provided sufficient information about the style of mineralisation, and an indication of the gold grades to rank the targets and develop exploration plans.

Two target styles were identified: near surface gold mineralisation with open pit potential and deep-seated gold mineralisation that may have underground mining potential.

## New Concession Acquisition

The Company purchased an 86km<sup>2</sup> concession located adjacent and to the North and East of the La India Project area, increasing Condor's concession holding to 280km<sup>2</sup>. The newly acquired Concession, currently known as the HEMCO-SRP-NS Concession, and to be re-named La Cuchilla Concession, covers a potential additional 13km strike length of the America and La Mestiza Vein Set trends. Gold mineralisation has been recorded in rockchip samples within 600m of the southern boundary of the Concession. Reconnaissance exploration has revealed at least four locations with quartz veining, an indication of past hydrothermal activity in a geological setting known to have potential for the discovery of economic gold mineralisation. The purchase agreement was signed in January with HEMCO Nicaragua SA ("HEMCO") for a consideration of US\$275,000 payable by way of issuing new ordinary shares in [Condor Gold plc](#) at £2.00 per share.

## Post-Period Activity

Since the year end Condor has continued to advance pre-feasibility studies. Independent mining consultants SRK Consulting (UK) Ltd have been contracted to produce a PFS on La India by testing two scenarios: a Base Case of 2,300tpd production from La India Open Pit only, which hosts a resource of 920,000 oz gold at 3.0g/t; or an alternative case of 2,800tpd if the two feeder pits of America and Central Breccia, which contain a combined open pit resource of 220,000 oz gold at circa 4.0g/t, are included. A two week pumping test from the historic mine workings at La India Open Pit to test the response of the La India Mine workings to de-watering has been completed and the results are being analysed at time of writing. The results of this test will be used to model the hydrogeology of the La India Vein Set with respect to mine de-watering designs and to refine the pit wall design. Hydrology studies are at an advanced stage with surface flow measurements for a full wet season collected and recorded. The locations of the Plant, Waste Dump and Tailings Storage Facility have been chosen. Geochemical testwork has shown that the proposed waste dump will not be prone to acid rock drainage. The contract for the PFS level process engineering design for a processing plant and capital cost estimate has been awarded a Lycopodium Minerals Canada Ltd. Baseline data continues to be collected to international standards for the ESIA with a population census, artisanal miner census completed and a Stakeholder Engagement Plan under development. Land use mapping, flora and fauna surveys and air quality measurements have been completed, an archeological study is underway and over one year's water quality analysis data has been collected over the project area.

Regional exploration activity has continued to develop the eight targets identified as under-explored. Over

400 rock chip samples have been collected from the eight target areas, with 90 samples assaying above 1g/t gold, and 22 returning assay results above 10g/t gold, underlining the abundant and widespread gold mineralisation in the project area. Trench testing is underway on selected targets, and a regional geochemical study is being conducted to identify the pathfinder elements associated with the gold mineralising epithermal system at La India, that will be used in the soil survey using a multi-element geochemistry database containing over two thousand rockchip samples.

## **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 calculated by Independent Geological Consultants SRK (UK) Ltd using exploration data from Canadian explorer [First Point Minerals Corp.](#) who completed an extensive programme of soil, auger, rock chip, trench and drill sampling between 2004 and 2006. That exploration included 58 exploratory diamond core drill holes for 6,262m that tested a number of selected target zones along the three sub-parallel vein sets containing over 18km of gold-bearing epithermal quartz veins identified by surface exploration on the concession area. The current Mineral Resource is confined to five resource blocks where there is sufficient density of trench and drilling data to demonstrate continuity of gold mineralisation along strike and to depth. The resource blocks have a combined strike length of only 1,750m to a depth of less than 150m below surface, except on one cross section where drilling tested to a depth of 250m below surface.

This Mineral Resource Estimate demonstrates that where drilling has tested segments of the epithermal veining currently recognised at Rio Luna the gold mineralisation extends to depths of at least 250m below the surface, and gold mineral concentrations are at sufficient grade to warrant further exploration. Gold mineralisation on all five prospects included in the Mineral Resource remains open along strike and to depth. Trenching has defined additional areas of surface mineralisation along strike of the resource blocks remaining to be drill tested and brought into the Mineral Resource.

### **Estrella Concession**

The Estrella Concession covers an 18 square kilometre area in Nicaragua's historic 'Mining Triangle\*' in the northeast of the country. The concession is centred on the historic Estrella Gold Mine. No mine plans or production data are available for the Estrella Mine (also referred to as the Estrella de Venus Mine in old reports), however it is believed that the mine exploited two or more sub-parallel epithermal veins on two or three levels along a strike length of at least a 250m. The mine was worked for only a few years before being destroyed in 1935 during civil unrest: abandoned steel mine trolleys and rail tracks are testament to this period of mechanised mining. The old workings can be traced for approximately 100m where the mineralised structure runs close to the bank of a small river and then for an indeterminate distance beneath the crest of a ridge. The drift that runs next to the river has been reopened by artisanal miners. It is considered likely that the mining relied on gravity dewatering and did not extend below the level of the drainage adit at river level, no deeper than the 10-15m depth exploited by the artisanal miners. It is believed that the mine operated a 20-50 tonne per day capacity mill during production.

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 and extending along strike up the ridge to the northeast. Two to 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 the more selectively mined underground workings, often only exploiting one of the two-three structures returned an average intercept of 0.9m at 8.53g/t gold.

The challenge on this concession is to extend the size of the mineralised zone beyond the 400m strike length defined to date. It is highly unlikely that the mineralised fluids that deposited this ore body were

restricted to an isolated structure and future exploration activity will aim to discover extensions to the known structure and/or other gold mineralised veins in the vicinity.

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

### **Potrerrillos 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 7<sup>th</sup> 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 22.5km<sup>2</sup> 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. 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.

### [Condor Gold plc](#)

## **REPORT OF THE DIRECTORS**

### **FOR THE YEAR ENDED 31 DECEMBER 2013**

#### **DIRECTORS' REPORT**

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2013.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Group in the year under review was that of exploration of gold and silver

concessions in El Salvador and Nicaragua. The principal activity of the Company was that of a holding company.

## DIRECTORS

The Directors shown below have held office during the year:

M L Child

J Mellon

R Davey

## SUBSTANTIAL SHAREHOLDERS

On 31 December 2013 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	10.38
Mr M Child	3,887,500	10.14
Oracle Management Limited	2,748,675	7.17
Sentry Precious Metals Growth Fund	1,281,056	3.34

## 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 2013 were:

Directors	Holding	31 December 2013		31 December 2012	
		Number of shares	Number of options	Number of shares	Number of options
M L Child	Direct	3,887,500	1,100,000	3,537,500	950,000
	Indirect	-	-	-	-
R Davey	Direct	32,500	350,000	32,500	200,000
	Indirect	-	-	-	-
J Mellon	Direct	38,820	-	38,820	-
	Indirect	350,000	500,000	350,000	300,000

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

	Exercise price (p)	Latest exercise date	As at 1 January 2013	Granted during the year	Forfeit/lapsed/exercised in the year	As at 31 December 2013
DIRECTORS						
M L Child	20	23 December 2013	450,000	-	450,000	-
	180	15 April 2016	250,000	-	-	250,000
	100	27 June 2017	250,000	-	-	250,000
R Davey	100	30 June 2018	-	600,000	-	600,000
	180	10 January 2017	100,000	-	-	100,000
	100	27 June 2017	100,000	-	-	100,000
J Mellon	100	30 June 2018	-	150,000	-	150,000
	180	15 April 2016	250,000	-	-	250,000
	100	27 June 2017	100,000	-	-	100,000
	100	30 June 2018	-	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 over 12 times during the year to 31 December 2013. The board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance. Day-to-day management is devolved to the country manager who is charged with consulting with the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among directors concerned where necessary and appropriate.

All necessary information is supplied to the directors on a timely basis to enable them to discharge their

duties effectively, and all directors have access to independent professional advice, at the Company's expense, as and when required.

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

## Committees

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

### Audit committee

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

All directors received a copy of the respective audit committee reports prior to these meetings and had an opportunity to comment. The meetings were attended by the 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	55	13 July 2011	-	6 months
J Mellon	-	16	6 April 2011	-	2 months
R Davey	31	-	19 December 2011	-	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 2013 was 30 days (2012: 30 days).

### **Annual general meeting**

Your attention is drawn to the Notice of Meeting enclosed with this report convening the Annual General Meeting of the Company at 2p.m. on 26 June 2014 at the offices of Speechly Bircham; 6 New Street Square, London, EC4A 3LX. The Notice of Meeting sets out and explains the special and ordinary business to be conducted at the meeting.

### **Directors Insurance**

During the year the Company paid £10,070 (2012: £7,568) 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:**

M L Child, Chairman

Date: 04 June 2014

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF [Condor Gold plc](#)**

### **FOR THE YEAR ENDED 31 DECEMBER 2013**

We have audited the financial statements of [Condor Gold plc](#) for the year ended 31 December 2013 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. 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 26 and 27, 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 2013 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.

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

Date: 04 June 2014

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

[Condor Gold plc](#)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year Ended 31.12.13 £	Year Ended 31.12.12 £
Revenue		-	-
Administrative expenses		(2,917,034 )	(3,258,653 )
Operating loss	6	<u>(2,917,034 )</u>	<u>(3,258,653 )</u>
Finance income	5	8,367	2,640
Loss before income tax		(2,908,667 )	(3,256,013 )
Income tax expense	7	-	-
Loss for the year		<u>(2,908,667 )</u>	<u>(3,256,013 )</u>
<i>Other comprehensive income: Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation differences		(219,298 )	(169,824 )
Other comprehensive (loss) / income for the year		<u>(219,298 )</u>	<u>(169,824 )</u>
Total comprehensive loss for the year		<u>(3,127,965 )</u>	<u>(3,425,837 )</u>
Loss attributable to:			
Non-controlling interest		(3,755 )	(4,478 )
Owners of the parent		<u>(2,904,912 )</u>	<u>(3,251,535 )</u>
		<u>(2,908,667 )</u>	<u>(3,256,013 )</u>
Total comprehensive loss attributable to:			
Non-controlling interest		(1,868 )	(1,898 )
Owners of the parent		<u>(3,126,097 )</u>	<u>(3,243,939 )</u>
		<u>(3,127,965 )</u>	<u>(3,425,837 )</u>
Loss per share expressed in pence per share:			
Basic and diluted (in pence)	9	<u>7.79</u>	<u>10.65</u>

The notes form an integral part of these financial statements

[Condor Gold plc](#)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013

	Notes	31.12.13 £	31.12.12 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	298,525	228,167
Intangible assets	11	<u>14,721,128</u>	<u>10,250,474</u>
		<u>15,019,653</u>	<u>10,478,641</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	978,715	520,551
Cash and cash equivalents		<u>2,268,470</u>	<u>2,481,503</u>

		3,247,185	3,002,054
TOTAL ASSETS		<u>18,266,838</u>	<u>13,480,695</u>
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	15	<u>650,217</u>	<u>544,662</u>
NON-CURRENT LIABILITIES			
Other payables	15	<u>-</u>	<u>154,626</u>
TOTAL LIABILITIES		<u>650,217</u>	<u>699,288</u>
NET CURRENT ASSETS		<u>2,596,968</u>	<u>2,457,392</u>
NET ASSETS		<u>17,616,621</u>	<u>12,781,407</u>
SHAREHOLDERS' EQUITY			
Called up share capital	16	7,664,792	6,679,826
Share premium		22,228,265	15,928,571
Legal reserves		71	71
Exchange difference reserve		374,982	594,280
Share options reserve		2,551,670	1,873,151
Retained earnings		<u>(15,203,159 )</u>	<u>(12,294,492 )</u>
		<u>17,216,621</u>	<u>12,781,407</u>
TOTAL EQUITY ATTRIBUTABLE TO:			
Non-controlling interest		(68,877 )	(66,471 )
Owners of the parent		<u>17,685,498</u>	<u>12,847,878</u>
		<u>17,616,621</u>	<u>12,781,407</u>

The financial statement were approved and authorised for issue by the Board of directors on 04 June 2014 and were signed on its behalf by:

M L Child - Chairman  
Company No: 05587987

The notes form an integral part of these financial statements

[Condor Gold plc](#)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2013**

	Share Capital £	Share premium £	Legal reserve £	Exchange difference reserve £	Share option reserve £	Retained earnings £	
At 1 January 2012	5,583,451	10,000,846	71	764,104	618,840	(8,973,906 )	7,99
Comprehensive income:							
Loss for the year	-	-	-	-	-	(3,251,535 )	(3,25
Other comprehensive income:							
Currency translation differences	-	-	-	(172,404 )	-	-	(17
Total comprehensive income	<u>5,583,451</u>	<u>10,000,846</u>	<u>71</u>	<u>591,700</u>	<u>618,840</u>	<u>(12,225,441 )</u>	<u>4,56</u>
New shares issued	1,096,375	5,927,725	-	-	-	-	7,02
Share based payment	-	-	-	-	1,254,311	-	1,25
At 31 December 2012	<u>6,679,826</u>	<u>15,928,571</u>	<u>71</u>	<u>591,700</u>	<u>1,873,151</u>	<u>(12,225,441 )</u>	<u>12,84</u>
Comprehensive income:							
Loss for the year	-	-	-	-	-	(2,904,912 )	(2,90
Other comprehensive income:							
Currency translation differences	-	-	-	(220,647 )	-	-	(22
Total comprehensive income	<u>6,679,826</u>	<u>15,928,571</u>	<u>71</u>	<u>371,053</u>	<u>1,873,151</u>	<u>(15,130,353 )</u>	<u>9,72</u>
New shares issued	984,966	6,299,694	-	-	-	-	7,28
Share based payment	-	-	-	-	678,519	-	67
At 31 December 2013	<u>7,664,792</u>	<u>22,228,265</u>	<u>71</u>	<u>371,053</u>	<u>2,551,670</u>	<u>(15,130,353 )</u>	<u>17,68</u>

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

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

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

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

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

The notes form an integral part of these financial statements

[Condor Gold plc](#)

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

	Notes	31.12.13 £	31.12.12 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	4,202	3,516
Investments	12	3,424,863	3,206,020
Trade and other receivables	13	14,463,589	8,763,659
		<u>17,892,654</u>	<u>11,973,195</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	173,393	37,309
Cash and cash equivalents		2,232,489	2,455,596
		<u>2,405,882</u>	<u>2,492,905</u>
<b>TOTAL ASSETS</b>		<u><u>20,298,536</u></u>	<u><u>14,466,100</u></u>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	580,873	234,561
<b>NON-CURRENT LIABILITIES</b>			
Other payables	15	-	156,626
		<u>580,873</u>	<u>389,187</u>
<b>TOTAL LIABILITIES</b>		<u>580,873</u>	<u>389,187</u>
<b>NET CURRENT ASSETS</b>		<u>1,825,009</u>	<u>2,258,344</u>
<b>NET ASSETS</b>		<u><u>19,717,663</u></u>	<u><u>14,076,913</u></u>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	7,664,792	6,679,826
Share premium		22,228,265	15,928,571
Share options reserve		2,551,670	1,873,151
Retained earnings		(12,727,064)	(10,404,635)
<b>TOTAL EQUITY</b>		<u><u>19,717,663</u></u>	<u><u>14,076,913</u></u>

The financial statements were approved and authorised for issue by the Board of directors on 04 June 2014 and were signed on its behalf by:

M L Child  
Chairman

Company No: 05587987

The notes form an integral part of these financial statements

[Condor Gold plc](#)

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2013**

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total £
At 1 January 2012	5,583,451	10,000,846	618,840	(7,762,565)	8,440,572
Comprehensive income:					
Loss for the period	-	-	-	(2,642,070)	(2,642,070)
<b>Total comprehensive income</b>	<u>5,583,451</u>	<u>10,000,846</u>	<u>618,840</u>	<u>(10,404,635)</u>	<u>5,798,502</u>
New shares issued	1,096,375	5,927,725	-	-	7,024,100
Share based payment	-	-	1,254,311	-	1,254,311
<b>At 31 December 2012</b>	<u>6,679,826</u>	<u>15,928,571</u>	<u>1,873,151</u>	<u>(10,404,635)</u>	<u>14,076,913</u>
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

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 form an integral part of these financial statements

[Condor Gold plc](#)

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	31.12.13	31.12.12
	£	£
Cash flows from operating activities		
Loss before tax	(2,908,667 )	(3,256,013 )
Share based payment	678,519	1,254,311
Depreciation charges	53,988	28,592
Loss on sale of tangible fixed assets	-	145
Impairment charge of intangible fixed assets	33,517	41,002
Reallocation of tangible fixed assets	-	-
Finance income	(8,367 )	(2,640 )
	<u>(2,151,010 )</u>	<u>(1,934,603 )</u>
Decrease/(increase) in trade and other receivables	(458,164 )	(170,583 )
Increase/(decrease) in trade and other payables	(49,071 )	299,772
Income tax paid	-	-
Net cash absorbed in operating activities	<u>(2,658,245 )</u>	<u>(1,805,414 )</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(132,868 )	(203,079 )
Purchase of intangible fixed assets	(5,233,589 )	(3,734,425 )
Interest received	8,367	2,640
Net cash absorbed in investing activities	<u>(5,358,090 )</u>	<u>(3,934,864 )</u>
Cash flows from financing activities		
Proceeds from share issue	7,284,660	7,024,100
Net cash from financing activities	<u>7,284,660</u>	<u>7,024,100</u>
(Decrease) / Increase in cash and cash equivalents	<u>(731,675 )</u>	<u>1,283,822</u>
Cash and cash equivalents at beginning of year	2,481,503	854,146
Exchange gains cash and bank	518,642	343,535
Cash and cash equivalents at end of year	<u>2,268,470</u>	<u>2,481,503</u>

The notes form an integral part of these financial statements

[Condor Gold plc](#)

**COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Year Ended	Year Ended
	31.12.13	31.12.12
	£	£
Cash flows from operating activities		
Loss before tax	(2,322,430 )	(2,642,070 )
Share based payment	678,519	1,254,311
Share based payment to subsidiaries treated as investment	(218,843 )	(271,468 )
Historic share based payment to subsidiaries movement	-	5,102
Depreciation charges	1,492	457
Loss on disposal of investments	-	-
Finance income	<u>(8,352 )</u>	<u>(2,623 )</u>

	(1,869,614 )	(1,656,291 )
Increase in trade and other receivables	(5,836,014 )	(3,938,952 )
Decrease in trade and other payables	191,688	274,311
Net cash absorbed in operating activities	<u>(7,513,940 )</u>	<u>(5,320,932 )</u>
Cash flows from investing activities		
Interest received	8,352	2,623
Purchase of tangible fixed assets	<u>(2,179 )</u>	<u>(3,972 )</u>
Net cash from investing activities	<u>6,173</u>	<u>(1,349 )</u>
Cash flows from financing activities		
Proceeds from share issue	7,284,660	7,024,100
Net cash from financing activities	<u>7,284,660</u>	<u>7,024,100</u>
(Decrease) / Increase in cash and cash equivalents	<u>(223,107 )</u>	<u>1,701,819</u>
Cash and cash equivalents at beginning of year	2,455,596	753,777
Cash and cash equivalents at end of year	<u>2,232,489</u>	<u>2,455,596</u>

The notes form an integral part of these financial statements

## [Condor Gold plc](#)

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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 will 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 they will be able to raise the required funds and/or manage the current 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 2013**

The following are the new IFRS and IFRIC interpretations and amendments to published standards effective in 2013 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.

### **Standards, amendments and interpretations to published standards not yet effective**

As at the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

Issued but not yet EU adopted  
IFRS 9 - Financial instruments  
IFRIC 21 Levies  
IFRS 14 Regulatory Deferral Accounts  
Issued and EU adopted  
IFRS 10, 11, 12, 13 and IAS 27 and 28 Amendments - Investment Entities  
IAS 36 - Amendment - Impairment of assets  
IAS 39- Amendment - Novation of derivatives

The directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's results.

### **Basis of consolidation**

The Group financial statements consolidate the accounts of its subsidiaries; Minerale 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.

## **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.

### **Taxation**

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

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

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

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

### **Intangible assets - exploration costs, licences and minerals resources**

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

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

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

### **Foreign currencies**

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

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

### **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 price volatility, future dividend yields, expected life of the options and interest rates. These assumptions are described in more detail in note 17.

## **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 Group had intercompany debt owed to the UK at 31 December 2012 split segmentally as follows:

Due from El Salvador £1,968,595

Due from Nicaragua £6,795,064

#### 4. STAFF COSTS

	31.12.13	31.12.12
	£	£
Wages and salaries	1,450,170	431,403
Social security costs	<u>76,545</u>	<u>20,169</u>
	<u>1,526,715</u>	<u>451,572</u>

Staff costs included within additions to exploration costs during the year were £1,285,889 (2012: £273,926).

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

	Group		Company	
	2013	2012	2013	2012
Directors	3	3	3	3
Employees	<u>83</u>	<u>82</u>	<u>1</u>	<u>1</u>
	<u>86</u>	<u>85</u>	<u>4</u>	<u>4</u>

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

	Short Term Employee Benefits: Salary Payments		Related Party Payments *		Total	
	2013	2012	2013	2012	2013	2012
	£	£	£	£	£	£
M L Child	100,000	100,000	55,000	50,000	155,000	150,000
J Mellon	-	-	16,000	12,000	16,000	12,000
R Davey	<u>31,000</u>	<u>41,000</u>	-	-	<u>31,000</u>	<u>41,100</u>
Total	<u>131,000</u>	<u>141,000</u>	<u>71,000</u>	<u>62,000</u>	<u>202,000</u>	<u>203,100</u>

\* Refer to note 18 for listing of related parties

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

During the year M Child exercised 450,000 share options.

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 2013	Granted during the year	Exercised in the year	Lapsed in the year	As at 31 December 2013
<b>DIRECTORS</b>							
M L Child	20	23 Dec 2013	450,000	-	450,000	-	-
	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
R Davey	180	10 Jan 2012	100,000	-	-	-	100,000

100	27 Jun 2017	100,000	-	-	-	100,000
100	30 June 2018		- 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 2013 was 67.5p (2012: 156p).

The market price during the year ranged from 67.5p to 172.5p (2012: 48p to 196p).

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

## 5. FINANCE INCOME

	31.12.13	31.12.12
	£	£
Deposit account interest	<u>8,367</u>	<u>2,640</u>

## 6. LOSS BEFORE TAX

The loss before tax is stated after charging:

	31.12.13	31.12.12
	£	£
Depreciation - owned assets	1,492	457
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	21,000	19,500
Foreign exchange differences	142,427	72,563
Impairment of intangible assets (See note 11)	33,517	41,002
Rent - operating leases	<u>7,177</u>	<u>8,335</u>

## 7. TAXATION

Analysis of the tax charge	31.12.13	31.12.12
	£	£
Current tax:		
Tax	<u>-</u>	<u>-</u>
Total tax charge in income statement	<u><u>-</u></u>	<u><u>-</u></u>

## Reconciliation of the tax charge

	31.12.13	31.12.12
	£	£
Loss before tax	<u>(2,908,667 )</u>	<u>(3,256,013 )</u>
Loss before tax multiplied by standard rate of Corporation tax in the UK of 20% (2012: 20%)	(581,733 )	(651,203 )
Effects of: Non-taxation income/(non-deductible expenses) Deferred tax not provided	(10,350)	(2,434)
	592,083 )	653,637 )
Differences in overseas taxation rates	<u>-</u>	<u>-</u>
Total tax charge in income statement	<u><u>-</u></u>	<u><u>-</u></u>

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to certain losses carried forward at the year end, as there is insufficient evidence that taxable profits will be available in the foreseeable future against which the deductible temporary difference can be utilised. The unrecognised deferred tax asset was £2.9million (2012: £2.3million).

## 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 £2,322,430 (2012: £2,642,070).

## 9. LOSS PER SHARE

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

A reconciliation is set out below:

	31.12.13	31.12.12
Basic earnings per share	£	£ *
Loss for the year	2,908,667	3,256,013
Weighted average number of shares	37,339,399	30,570,427
Loss per share (in pence)	<u>(7.79 )</u>	<u>(10.65 )</u>

### Diluted earnings per share

In accordance with IAS 33 and as the Group has reported a loss for the year, the share options and warrants as detailed in note 17 are anti-dilutive. Accordingly, diluted earnings per share is the same as basic earnings per share.

\* Rebased in line with IAS 33 for the share consolidation on 25 June 2012.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Improvements to rental property	Plant & machinery	Fixtures & fittings	Motor vehicles	Computer equipment & software
	£	£	£	£	£
Group					
Cost or valuation:					
At 1 January 2012	200	15,998	27,100	87,434	44,700
Additions	115,839	52,573	5,655	22,397	6,600
Disposals	-	-	-	-	(1,000)
Reclassification	-	-	-	-	-
Exchange difference	(16 )	(812 )	(1,622 )	(6,181 )	(1,700)
At 31 December 2012	<u>116,023</u>	<u>67,759</u>	<u>31,133</u>	<u>103,650</u>	<u>49,400</u>
Additions	57,449	36,897	1,189	28,200	9,100
Disposals	-	-	-	-	-
Exchange difference	(6,666 )	(3,267 )	(981 )	(5,252 )	(1,100)
At 31 December 2013	<u>166,806</u>	<u>101,389</u>	<u>31,341</u>	<u>126,598</u>	<u>57,400</u>
Accumulated depreciation and impairment:					
At 1 January 2012	-	(13,551 )	(17,437 )	(45,413 )	(39,700)
Charge for period	(11,602 )	(2,183 )	(2,170 )	(9,982 )	(2,600)
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
Exchange difference	-	168	(643 )	6,625	(1,200)
At 31 December 2012	<u>(11,602 )</u>	<u>(15,566 )</u>	<u>(20,250 )</u>	<u>(48,770 )</u>	<u>(43,600)</u>
Charge for period	(14,321 )	(14,478 )	(2,681 )	(16,753 )	(5,700)
Disposals	-	-	-	-	-
Exchange difference	5,054	268	480	2,098	800
At 31 December 2013	<u>(20,869 )</u>	<u>(29,776 )</u>	<u>(22,451 )</u>	<u>(63,425 )</u>	<u>(48,500)</u>

Net Book Value:

At 31 December 2012	104,421	52,193	10,883	54,880	5,7
At 31 December 2013	145,937	71,613	8,890	63,173	8,9

The current year depreciation charge for the subsidiaries of £52,496 (2012: £28,134) is included within the addition to exploration costs in the year.

Company	Fixtures & fittings £	Computer Equipment £	Totals £
Cost:			
At 1 January 2013	2,338	12,820	15,158
Additions	263	1,916	2,179
At 31 December 2013	2,601	14,736	17,337
Depreciation:			
At 1 January 2012	-	(11,186 )	(11,186 )
	(139)	(318)	(457)
Charge for the year Disposals	- )	- )	- )
At 1 January 2013	(139 )	(11,504 )	(11,643 )
Charge for the year	(628 )	(864 )	(1,492 )
Disposals	-	-	-
At 31 December 2013	(767 )	(12,368 )	(13,135 )
Net Book Value:			
At 31 December 2012	2,199	1,316	3,515
Net book Value:			
At 31 December 2013	1,834	2,368	4,202

## 11. INTANGIBLE ASSETS

Group	Exploration costs £	Mineral resources £	Licences £	Total £
Cost or valuation:				
At 1 January 2012	6,219,634	3,326,448	472,036	10,018,118
Additions	3,734,425	-	-	3,734,425
Disposals	-	-	-	-
Exchange difference	(507,863 )	-	-	(507,863 )
At 31 December 2012	9,446,196	3,326,448	472,036	13,244,680
Additions	5,253,947	-	-	5,253,947
Disposals	-	-	-	-
Exchange difference	(749,778 )	-	-	(749,778 )
At 31 December 2013	13,950,365	3,326,448	472,036	17,748,849
Accumulated depreciation and impairment:				
At 1 January 2012	(1,817,658 )	(663,510 )	(472,036 )	(2,953,204 )
Impairment for year	(41,002 )	-	-	(41,002 )
At 31 December 2012	(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 )
Net Book Value:				
At 31 December 2012	7,587,536	2,662,938	-	10,250,474
At 31 December 2013	12,058,190	2,662,938	-	14,721,128

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

discounted cash flow model.

The 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 £4,305,420 (2012 £4,319,372) 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 £11,551,334 (2012: £6,664,902) 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 Corp.](#) 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 on 8 November 2013.

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 2012	3,332,026	271,138	3,603,164
Capital contribution relating to share based payment	-	271,468	271,468
Disposals	-	(5,102)	(5,102)
	<u>3,332,026</u>	<u>537,504</u>	<u>3,869,530</u>
31 December 2012			
Capital contribution relating to share based payment	-	218,843	218,843
Disposals	-	-	-
	<u>3,332,026</u>	<u>756,347</u>	<u>4,088,373</u>
At 31 December 2013			
Provision for impairment:			
Charge at 1 January 2012	(663,510)	-	(663,510)
	<u>(663,510)</u>	<u>-</u>	<u>(663,510)</u>
At 31 December 2012 and December 2013			
Net Book Value:			
At 31 December 2012	<u>2,668,516</u>	<u>537,504</u>	<u>3,206,020</u>
At 31 December 2013	<u>2,668,516</u>	<u>756,347</u>	<u>3,424,863</u>

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 496,000 share options granted by the Company to employees of a subsidiary undertaking in the Group during the year, and a further 225,300 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	(688,771)	(37,550)
Condor S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,166,671)	(178,057)
La India Gold S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(523,338)	(370,630)
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	
	31.12.13 £	31.12.12 £	31.12.13 £	31.12.12 £
Current:				
Other receivables	951,033	482,698	146,054	1,800
Prepayments	27,682	37,853	27,339	35,509
	<u>978,715</u>	<u>520,551</u>	<u>173,393</u>	<u>37,309</u>
Non-current: Amounts owed by Group undertakings	-	-	16,119,602	10,419,672
Provision	-	-	(1,656,013)	(1,656,013)
	<u>-</u>	<u>-</u>	<u>14,463,589</u>	<u>8,763,659</u>

978,715   520,551   14,636,982   =   8,800,968

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	
	31.12.13	31.12.12	31.12.13	31.12.12
	£	£	£	£
Assets as per balance sheet				
Loans and receivables:				
Other receivables	978,715	520,551	173,393	37,309
Cash and cash equivalents	<u>2,268,470</u>	<u>2,481,503</u>	<u>2,232,489</u>	<u>2,455,596</u>
Total	<u>3,247,185</u>	<u>3,002,054</u>	<u>2,405,882</u>	<u>2,492,905</u>
	Group		Company	
	31.12.13	31.12.12	31.12.13	31.12.12
	£	£	£	£
Liabilities as per balance sheet				
Loans and receivables:				
Trade and other payables	355,142	361,996	337,727	335,496
Accrued expenses	<u>295,075</u>	<u>337,292</u>	<u>243,146</u>	<u>53,691</u>
Total	<u>650,217</u>	<u>699,288</u>	<u>580,873</u>	<u>389,187</u>

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

### 14.2 Financial risk management objectives and policies

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

#### (a) Foreign currency exchange risks

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

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

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD 1	0.6397	0.6311	0.6064	0.6191
NIO 1	0.0264	0.0273	0.0236	0.0257

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 £6,718 (2012: £3,543).

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.

#### (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 2013 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	31.12.13		31.12.12	
	£	Weighted average interest rate	£	Weighted average interest rate
Financial assets:				
GBP - cash and cash equivalents	2,232,489	0.20%	2,556,146	0.20%

USD - cash and cash equivalents	11,682	0.00%	(90,262)	0.00%
NIO - cash and cash equivalents	<u>24,299</u>	0.00%	<u>15,619</u>	0.00%
Total	<u>2,268,470</u>		<u>2,481,503</u>	

A decrease of 1% on the interest rates offered by the bank will result in a decrease in interest receivable of £8,367 (2012: £2,640).

(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	
	31.12.13	31.12.12	31.12.13	31.12.12
	£	£	£	£
Current:				
Trade payables	24,388	35,460	22,241	19,247
Social security and other taxes	20,685	16,053	5,941	5,766
Other payables	310,069	155,857	309,545	155,857
Accrued expenses	295,075	337,292	243,146	53,691
	<u>650,217</u>	<u>544,662</u>	<u>580,873</u>	<u>234,561</u>
Non-current:				
Other payables	-	154,626	-	154,626
	<u>-</u>	<u>154,626</u>	<u>-</u>	<u>154,626</u>
Total	<u>650,217</u>	<u>699,288</u>	<u>580,873</u>	<u>389,187</u>

The maturity analysis of non-current trade and other payables is as follows:

	Group		Company	
	31.12.13	31.12.12	31.12.13	31.12.12
	£	£	£	£
Due within 1-2 years	-	154,626	-	154,626
Total	<u>-</u>	<u>154,626</u>	<u>-</u>	<u>154,626</u>

No interest is charged on the trade payables. The Company and the Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The directors do not consider that is a material risk to the Group.

## 16. CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)	Ordinary shares £	Share premium £	Total £
At 31 December 2011	558,345	5,583,451	10,000,846	15,584,297
Consolidation of share capital	<u>27,917</u>			
Proceeds from shares issued	<u>5,482</u>	<u>1,096,375</u>	<u>5,927,725</u>	<u>7,024,100</u>
At 31 December 2012	<u>33,399</u>	<u>6,679,826</u>	<u>15,928,571</u>	<u>22,608,397</u>
Proceeds from shares issued	4,837	984,966	6,299,694	7,284,660
At 31 December 2013	<u>38,233</u>	<u>7,664,792</u>	<u>22,228,265</u>	<u>29,893,057</u>

On 25 June 2012 the Company underwent a share consolidation, whereby all 1p ordinary shares were consolidated into 20p ordinary shares.

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

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

## a) Share Options

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

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

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

Details of the share options outstanding during 2012 were as follows:

Date of Grant	1 January 2012 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2012	Date from which options are first exercisable	Lapse date
23/12/2008	555,000	-	(100,000 )	-	455,000	24/12/2010	23/12/2013
10/09/2009	100,000	-	(47,500 )	-	52,500	11/09/2010	10/09/2014
31/12/2010	97,500	-	(47,500 )	-	50,000	01/11/2011	31/12/2015
15/04/2011	895,000	-	-	(74,200 )	820,800	16/04/2012	15/04/2016
15/08/2011	62,500	-	-	-	62,500	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
	1,730,000	847,000	(195,000 )	(74,200 )	2,307,800		

Details of the share options outstanding during 2013 were as follows:

Date of Grant	1 January 2013 No. of shares (restated*)	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 )	714,400	16/04/2014	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	16/07/2012	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		

\* The number of shares shown here have been restated for the share consolidation on 25 June 2012.

The weighted average exercise price per share is 96p (2012: 116p) and the average contractual life is 5 years (2012: 5 years).

The estimated fair value of the options and warrants granted in 2013 was £962,538 (2012: £1,176,058) 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:

	2013	2012
Share price	67.5p	156p
Exercise price	100p	100p
Expected volatility	54.87 %	140 %
Expected life (yrs.)	5	3
Risk free rate	1.920 %	2.461 %
Expected dividend yield	-	-

A movement from the share option reserve of £678,519 (2012: £1,254,311) 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 (2012: 3 years).

#### b) Warrants

During the year the Company issued warrants to its consultants for services provided totalling 1,458,333.

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

No warrants were outstanding during 2012.

The estimated fair value of the warrants granted in 2013 was £475,414 (2012: £nil).

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	31.12.13 £	31.12.12 £	Outstanding at year end £
Burnbrae Limited	J Mellon	16,000	12,000	-
Axial Associates Limited	M L Child	55,000	50,000	-

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 £134,715 (2012: £nil) 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.

During the year the Company loaned funds to its subsidiaries details of which are set out below:

	31.12.13 £	31.12.12 £
Condor S.A.		
Brought forward loan balance	1,844,770	751,293
Additional loans during the period	675,053	1,093,477
Closing balance	<u>2,519,823</u>	<u>1,844,770</u>

	31.12.13 £	31.12.12 £
Minerales Morazan S.A.		
Brought forward loan balance	1,968,595	1,921,087
Additional loans during the period	39,541	47,508
Closing balance	<u>2,008,136</u>	<u>1,968,595</u>

	31.12.13 £	31.12.12 £
La India Gold S.A.		
Brought forward loan balance	4,950,294	2,164,673
Additional loans during the period	4,985,336	2,785,621
Closing balance	<u>9,935,630</u>	<u>4,950,294</u>

## 19. OPERATING LEASES

The Group has an operating lease for rent. The total value of minimum lease payments is £25,005 (2012: 33,340), and the amount due within one year is £8,335 (2012: £8,335).

## 20. CONTROLLING PARTY

There is no ultimate controlling party.

## 21. CONTINGENT LIABILITY

The Company has a contingent liability to make further payment for La Mojarrá concession, upon the receipt of a drilling permit from the local authorities, at the balance sheet date this had not been received. The amounts that will become due upon receipt of the drilling permits for this concession would be \$200,000 in cash and \$250,000 in shares.

The Company has an additional contingent liability in relation to a claim from an ex-consultant of the Company, the Company is vigorously defending this claim and current internal expectations of costs are around in the region of £300,000.

## Contact

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