



# Condor Resources Plc

7<sup>th</sup> Floor  
39 St. James's Street  
London  
SW1A 1JD  
Telephone +44 020 74081067  
Fax: +44 020 74938633

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## Condor Resources Plc ("Condor" or "the Company")

### Strategy Update

Condor (AIM: CNR), has completed a strategic review of its 100% owned La India Project in Nicaragua following the recent Mining Concept Study undertaken by SRK Consulting (UK) Limited ("SRK"). The Study was based on the 30 December 2011 Mineral Resource Statement (see announcement dated 30<sup>th</sup> December 2011) reported in accordance with the terms and definitions of the JORC Code.

The Mining Concept Study concludes that the La India Project is, at a conceptual level, both technically feasible and economically viable, thereby supporting the Company's decision to advance the technical studies to target completion of a Scoping Study during 2012 as a pre-cursor to a Pre-Feasibility Study.

Total Mineral Resources contain 1.62Moz of gold in 8.94Mt grading 5.6g/t, of which Indicated Mineral Resources contain 0.26Moz of gold in 1.16Mt grading 7.1g/t and Inferred Mineral Resources contain 1.36Moz of gold in 7.79Mt grading 5.4g/t. All Mineral Resources are reported assuming an in-situ cut-off-grade of 1.5g/t which incorporates a long term price assumption of US\$1,200/oz.

The Mining Concept Study considered three operating scenarios targeting underground mining by shrinkage stoping with ore processing through a conventional carbon-in-pulp process. The three operating scenarios target mining from the three main vein sets concurrently. The three main vein sets are located within a 6km by 3km area and all material mined is assumed to feed a centralised mill. The total Mineral Resources reported in each of the three vein sets are: La India Vein Set contains 730,000 oz gold in 4.31Mt grading 5.3g/tAu; America Vein Set contains 405,000 oz gold in 2.02Mt grading 6.2g/tAu; and Mestiza Vein Set contains 334,000 oz gold in 1.49Mt grading 7.0g/tAu. The Mining Concept Study specifically excludes 162,000 oz gold in 1,120Mt grading at 4.2g/t on the San Lucas, Cacao and Cristolito-Tatescama veins which are located between 1km and 5km from the main vein sets.

The three conceptual operating scenarios considered in the Mining Concept Study differ in assumed annual process throughput, where the maximum production is reached in the 3<sup>rd</sup> year, following construction of a plant:

1. The "**Base Case**" scenario with annual process capacity of 400ktpa which reaches 56kozpa from year 3 following ramp up;
2. The "**High Grade**" scenario with annual process capacity of 360ktpa and average gold production of 52kozpa, which reaches 66kozpa from year 3 following ramp up; and

3. The “**Accelerated production Rate**” scenario with annual process capacity of 590ktpa and average gold production of 63koz, which reaches 81kozpa from year 3 following ramp up.

Mined tonnages were determined using the “Mineable Shape Optimiser” which incorporated the following assumptions:

- a Run-of-Mine cut-off-grade of 2.5g/tAu derived assuming a LTP assumption of US\$1,200/oz;
- total mine site operating expenditures of US\$80/t<sub>milled</sub>;
- metallurgical recovery of 90%;
- shrinkage stoping mining method with stopes confined to 30m height with mining rate of 35 vertical meters per annum;
- minimum mining widths of 1.2m;
- planned dilution assuming a 0.2m skin, unplanned dilution of 5% with all dilutant at 0.0g/t Au; and
- mining losses of 15% assuming that 50% of pillars are recovered.

Table 1 below presents a summary of the highlights of the Mining Concept Study including the resulting processed tonnage, recovered gold, operating and capital expenditure assumptions. Operating expenditures and capital expenditure assumptions have been derived based on benchmarked assumptions and accordingly as these are of a “**conceptual nature**” they are not supported by first principal assumptions or engineering estimates as would be normally considered following completion of a Feasibility Study and the declaration of Ore Reserves. Capital expenditure estimates include mine and process construction, mine closure costs and sustaining capital (based on 5% of mine site cash costs).

**Table 1 Highlights of the Mining Concept Study**

Statistic	Units	Base case	High Grade	Accelerated Production Rate
<b>Mine Life</b>	<b>(years)</b>	<b>16</b>	<b>10</b>	<b>7</b>
Processed	(kt)	5.52	2.83	3.20
	(g/tAu)	4.7	6.3	4.7
Metallurgical Recovery	(%)	90%	90%	90%
Sales	(kozAu)	757	515	438
Sales Price	(US\$/oz)	1,200	1,200	1,200
Sales Revenue	(US\$m)	909	619	525
<b>Cash operating costs(1)</b>	<b>(US\$m)</b>	<b>442</b>	<b>226</b>	<b>256</b>
<b>Operating costs (2)</b>	<b>(US\$/oz)</b>	<b>584</b>	<b>439</b>	<b>584</b>
<b>Internal Rate of Return</b>	<b>(%)</b>	<b>43%</b>	<b>84%</b>	<b>41%</b>
<b>Capital Expenditure</b>	<b>(US\$m)</b>	<b>110</b>	<b>95</b>	<b>120</b>

(1) includes mine site costs of US\$80/t and selling costs of 8% (royalty 5%; selling costs 3%)

(2) Operating costs do not include Capital Expenditure

The exploration strategy for 2012 aims to improve the Mineral Resource and mining parameters on, and in the immediate vicinity, of the three main Vein Sets. The drilling programme includes infill drilling designed to upgrade the currently defined Inferred Mineral Resources to the Indicated category; and further drilling along strike and down-dip of the existing Mineral Resource blocks to increase the overall Mineral Resource at the Inferred category. The Company is aiming to increase the overall Mineral Resource on the La India Project to 2 million ounces gold.

Between 12,000m and 15,000m of drilling is planned with the initial programmes targeting infill and expansion of the wide zones of gold mineralisation identified by Condor in 2011; where the India and California veins coalesce (see announcement dated 3<sup>rd</sup> February 2012). Wide-spaced drilling is planned on the America Vein Set to increase the Inferred Mineral Resource, including

the newly discovered Natalia Vein, and a first phase of drilling on the area of the Mestiza Vein Set covered by the Espinito-Mendoza Concession that was acquired in August 2011, (see announcement dated 23<sup>rd</sup> February 2012), is also planned. Further exploration drilling on the Central Breccia, which is located on the edge of the America Vein Set, will be undertaken subject to the results of the current trench and surface exploration, (see announcement dated 10<sup>th</sup> February 2012).

#### **Further Work assumed for 2012**

- Completion of the 2012 Exploration Programme for an assumed expenditure of US\$4m targeting both upgrading the currently defined Inferred Mineral Resources and increasing the overall Mineral Resource within the core area covered by the Mining Concept Study.
- Completion of the Scoping Study planned for 2012 and assuming a successful outcome and commencement of a Pre-Feasibility Study.
- Further investigation of open-pit potential as identified in the Mining Concept Study.
- Advancing discipline focused technical investigations, specifically targeting geotechnical and metallurgical studies.

Mark Child, Chairman of Condor Resources plc commented:

"I am delighted with the rapid resource increase made in 2011 on La India Project and the results and recommendations from SRK's Mining Concept Study and report detailing the recent Mineral Resource increase to 1.62Moz gold contained in 8.94Mt grading 5.6g/t. La India Project is in many ways "de-risked" as we move to increase the total Mineral Resources to 2Moz gold in 2012. The 12,000m to 15,000m drilling planned for this year will not only increase the resource but focus on increasing the size of a potential mill. The Board's current objective is to prove sufficient resources to support production of 80,000oz to 100,000oz gold per annum."

#### ***Competent Person's Declaration***

The Competent Person who assumes overall responsibility for the technical data reported in this announcement is Dr Luc English, CGeol, FGS, PhD who is the Country Exploration Manager and full time-employee of Condor Resources plc. He is a Fellow of the Geological Society of London a Recognised Overseas Professional Organisation within the meaning of the JORC Code and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration, and to the type of activity which he is undertaking to qualify as a Competent Person as defined in the June 2009 Edition of the AIM Note for Mining and Oil & Gas Companies. Dr Luc English has 16 years' experience in the mining and metals sector as a geologist with direct experience in the exploration and reporting of precious and base metals Mineral Resources. Luc English consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears and confirms that this information is accurate and not false or misleading.

The Competent Person who assumes responsibility for the Mineral Resource statement as reported in this announcement is Mr Ben Parsons, MAusIMMM, CPAusIMMM, MSc who is an employee of SRK Consulting (UK) Ltd. He is a Member and Chartered Professional of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration, and to the type of activity which he is undertaking to qualify as a Competent Person as defined in the June 2009 Edition of the AIM Note for Mining and Oil & Gas Companies. Mr Ben Parsons is a mining geologist with over 11 years' experience in the mining industry and has been involved in the reporting of Mineral Resources on various properties internationally during the past five years. Mr Ben Parsons consents to the inclusion in the announcement of the matters based on their information in the

form and context in which it appears and confirms that this information is accurate and not false or misleading.

The Competent Person who assumes responsibility for the Mining Concept Study and results therefrom as reported in this announcement is Mr Ryan Freeman, MAusIMMM, CPAusIMMM, MSc who is an employee of SRK Consulting (UK) Ltd. He is a Member and Chartered Professional of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration, and to the type of activity which he is undertaking to qualify as a Competent Person as defined in the June 2009 Edition of the AIM Note for Mining and Oil & Gas Companies. Mr Ryan Freeman is a mining engineer with over 8 years' experience in the mining industry Mr Ryan Freeman consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears and confirms that this information is accurate and not false or misleading.

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For further information please visit [www.condorresourcesplc.com](http://www.condorresourcesplc.com) or contact:

Condor Resources plc	Mark Child, Executive Chairman and CEO +44 (0) 20 7408 1067	Luc English, Country Manager Nicaragua & El Salvador +505 8854 0753
Beaumont Cornish Limited	Roland Cornish. James Biddle +44 (0) 20 7628 3396	
Ocean Equities	Will Slack +44 (0) 20 77864370	
Farm Street Media	Simon Robinson +44 (0) 7593 340107	

**About Condor Resources Plc:**

Condor Resources plc is an AIM listed exploration company focused on developing gold and silver resource projects in Central America. The Company was admitted to AIM on 31<sup>st</sup> May 2006 with the stated strategy to prove up JORC Resources in Nicaragua and El Salvador. Condor has seven 100% owned concessions in La India Mining District ("La India Project"); three 100% owned concessions in three other project areas and 20% in the Cerro Quiroz concession in Nicaragua. In El Salvador, Condor has 90% ownership of four licences in two project areas.

Condor's concession holdings in Nicaragua currently contain an attributable resource base of 9.64Mt at 5.5g/t for 1,699,000 ounces of gold in Nicaragua and 22.8Mt at 3.9g/t for 2,822,000 oz gold equivalent (2,711,000 ounces attributable) in El Salvador reported in accordance with the terms and definitions of the JORC Code. The Resource calculations are compiled by independent geologists SRK Consulting (UK) Limited and Ravensgate. The reporting standard adopted for the reporting of the Mineral Resource Statements is that defined by the terms and definitions given in "The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia". The JORC Code is an internationally recognised reporting code as defined by the Combined Reserves International Reporting Standards Committee.

**Disclaimer**

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