

**CONDOR GOLD PLC**  
**Report and Accounts**  
**Year ended 31 December 2016**

**CONDOR GOLD PLC**

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**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**CONDOR GOLD PLC**  
**HIGHLIGHTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

- £2.82M raised by way of a private placement of new ordinary shares.
- The Company commenced drilling on the Cacao prospect in November 2016 and completed 719.6m of diamond core drilling. The drilling was a success and identified wide dilation zones for gold bearing fluids.
- 142g/t and 54g/t gold high grade rock chips were found 12 km from the main La India vein set on the Andrea vein in the north of the Project area.
- Soil survey progressed with 180km<sup>2</sup> of the La India Project concession package completed by the end of 2016
- Settled a dispute over the purchase of the high grade Espinito-Mendoza Concession, which cleared the way to advance the Concession and convert more of the high grade Soviet classified resource of 2,392kt at 10.2 g/t gold for 785,694 oz gold on the Mestiza Vein Set (“Mestiza”) to NI 43-101 standards.
- Settled NSR dispute with B2Gold Inc and Royal Gold Inc and acquired 3,508 hectares of land surface rights, which cover the area of the mine site infrastructure.

**POST PERIOD HIGHLIGHTS**

- £5.42M raised by way of a private placement of new ordinary shares.
- Announced a 10,000m drilling programme for 2017 at the La India Project.
- 3 scout drilling targets completed and drilling has commenced on Mestiza.
- El Salvador’s government passed a bill to ban metal mining outright across the country.
- Secondary trading on the OTCQX Best Market in the U.S. commenced in April 2017.
- At a meeting with Government Ministers in early 2017 it was re-iterated that the Government is supportive of a new mine at Mina La India
- Soil survey with the balance of the entire 313km<sup>2</sup> of the La India Project concession package was completed by April 2017

**CONDOR GOLD PLC**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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 2016. Following the release in December 2014 of a robust, economically attractive NI 43-101 technical report detailing a Pre-Feasibility Study ("PFS") and two Preliminary Economic Assessments ("PEAs"), the Company spent much of 2015 and 2016 executing a twin strategy of de-risking the La India Project, Nicaragua, by preparing and submitting an Environmental Impact Assessment ("EIA") to the Ministry of the Environment and Natural Resources ("MARENA") and demonstrating a District scale gold deposit at the La India Project through low cost exploration and enhancing the economics of the PFS and PEAs by engaging Whittle Consulting Limited ("Whittle") to optimise the mine schedules in the PFS and PEAs to a maximum Net Present Value (NPV).

In November 2015, Condor formally submitted a 700-page EIA document, applying for an Environmental Permit to MARENA for the construction and operation of an open pit mine, a CIL processing plant and associated infrastructure at the La India Project. The subsequent EIA permitting process consumed much of 2016.

The EIA document considers the environmental and social impacts of gold production from the La India Open Pit mine plan, which is a single pit, detailed in the NI 43-101 compliant Pre-Feasibility Study ("PFS") released in December 2014 and the Whittle Enterprise Optimisation study which was finalised on 22<sup>nd</sup> January 2016 ("Whittle Optimisation"). The EIA draws on data from 15 different environmental and social baseline studies, some of which commenced in 2013. In addition to describing the potential impacts of a future commercial mine on the environment, the EIA also contains detailed environmental management plans and social management plans to monitor and control any such impacts.

The EIA describes a processing plant that will have a capacity of up to 2,800 tonnes per day ("tpd") 1.0 million tonnes per annum ("tpa") with an upfront capital cost of approximately US\$120M. Using the Whittle Optimisation Study, production during the first 5 years averages 91,000oz gold p.a. based on Indicated Ounces only. The Whittle Optimisation estimates 101,000oz gold production p.a. once the Inferred Material within the pit is included with an all-in-sustaining-cash-cost of circa US\$700 per oz gold. The EIA includes processing of an additional 10,000oz of gold p.a. from artisanal miners through the main processing plant, but the artisanal miners ore is excluded from the PFS, PEAs and Optimisation Studies.

MARENA has confirmed in writing that the Company has passed the technical studies contained within the EIA. As disclosed in the PFS, it is envisaged that approximately 300 dwellings are required to be relocated as part of the development of 800 hectares of mine site infrastructure. This is because the extraction of mineralised ore from La India open pit requires the relocation of these dwellings over the life of mine. MARENA has requested a detailed resettlement action plan, which has been prepared and is ready to present to the Government. The Company is currently preparing the local community and key stakeholders for a public consultation, which forms part of the EIA process. The Government will require the inhabitants of the dwellings to agree to the terms of the resettlement as part of the permitting process. In April 2017 the Company hired an additional ten people to work in the social department to add depth to the team communicating with key stakeholders and the Company is continually assessing the situation and are optimistic that the terms of resettlement will be agreed.

Condor has been working on a land acquisition programme for over 3 years and plans to acquire approximately 800 hectares of rural land for the production scenario in the PFS. ProNicaragua is assisting with a clean up of the land titles. Two independent valuations have been conducted and a strategy is being implemented to secure the rural land by paying 10% of the purchase price of the land to the landowners, who grant Condor an option to purchase the rural land for a two-year period. Offers to purchase the land have been made to all landowners; at the time of writing 30% have accepted.

Exploration activities during 2016 followed a dual approach of exploration or "scout drilling" which targeted new areas within the La India Project and regional exploration, primarily focussed on identifying targets for hidden deep-seated gold mineralisation. The Company commenced drilling on the Cacao prospect in November 2016 and completed 719.6m of diamond core drilling.

A regional soil geochemistry survey designed to look for high-level, hydrothermal pathfinder elements above hidden deep-seated epithermal gold mineralisation was completed. Following the 71km<sup>2</sup> multi-element soil survey carried out in 2015 a further 109km<sup>2</sup> was completed in 2016, with the balance of the entire 313km<sup>2</sup> of the La India Project concession package completed by April 2017.

As result of mapping and prospection in the El Rodeo concession, several high-grade rock chips were found, including 53.9g/t Au and 142.4g/t Au samples from outcrops at a new site in the Los Limones area, at the very northwest end of the Andrea vein structure. The interpretation of the soil geochemistry, in conjunction with the field mapping, has highlighted several areas for follow up exploration.

# **CONDOR GOLD PLC**

## **CHAIRMAN'S STATEMENT** **FOR THE YEAR ENDED 31 DECEMBER 2016**

An independent optimisation study to investigate strategic options to improve project economics was completed in January 2016. Whittle's Optimisation is an integrated approach to maximising the NPV of a mining business by simultaneously optimising 10 different mechanisms across the mining value chain. Condor commissioned the independent optimisation study in 2015 to investigate strategic options to improve project economics. The Study is a strategic planning tool and is not NI 43-101 compliant. However, Whittle is the recognised world leader in a specialist field of maximising the economics of a mine and has completed work for major mining companies (<http://www.whittleconsulting.com.au>).

The Whittle Optimisation of the PFS and PEA studies detailed 4 production scenarios ranging from 91,000 to 165,000oz gold production per annum based on the study methodology employed by SRK and Condor. Validation runs for each case were produced. Optimised runs were generated using multi-mine scheduling, fully variable cut-off grade and stockpiling. Reduced capacity cases were run, also optimised for schedule, cut-off grade and stockpiling. Grind-Throughput-Recovery (GTR) relationships were developed for the La India open pit material, and this methodology was used to further optimise the schedule for all cases. Pit and Phase optimisation was completed on the La India open pit using the Enterprise Optimisation economics, which improved NPV.

Post-tax results are indicated in Table 1 for the four production scenarios. The Enterprise Optimisation methodology improved NPV in all cases, with decreasing improvements across the larger plant/open pit scenarios. This is due to the GTR work being isolated to the La India Vein Set only due to limited metallurgical data on the America and Central Breccia. Similar results may be recognized when data is collected and assessed for the America and Central Breccia open pit and underground material. It is important to note that the 1.0mtpa case does not have a PFS/PEA study equivalent, nor corresponding pit designs, so there is no comparison data. In these cases, improvements are measured against the initial Enterprise Optimisation calibration runs.

Table 1 La India Project NPV for four production scenarios.

<b>Post-tax NPV5, US\$M</b>	<b>PFS</b> La India Open Pit IND	La India Open Pit IND + INF	<b>PEA A</b> La India Open Pit + Feeder Pits IND + INF	<b>PEA B</b> All Open Pits + Underground IND + INF
Study Cases (SRK 2014)	\$91.7	\$91.8	\$124.2	\$186.6
Base- Fixed Mining, nominal throughput	\$94.4	\$91.8	\$125.0	\$195.3
Nominal throughput- Prober COG, Stockpile, sched	\$98.0	\$109.7	\$143.6	\$212.4
Grind Throughput Recovery- La India (includes COG, sp, sched.)	\$122.3	\$131.1	\$166.0	\$234.7
EO Optimized Pit and Phases- all value levers	\$167.8	\$160.5	\$186.5	\$267.9
<b>Improvement in NPV</b>				
Study Cases (SRK 2014)	\$91.7	\$91.8	\$124.2	\$186.6
Full EO Results	\$167.8	\$160.5	\$186.5	\$267.9
<i>NPV Improvement</i>	77.7%	74.8%	49.2%	37.1%
<b>Improvement in IRR</b>				
Study Cases (SRK 2014)	22.0%	20.9%	24.6%	23.8%
EO Internal Rate of Return	30.7%	29.5%	32.1%	30.0%
<i>IRR Improvement</i>	39.4%	41.1%	30.5%	25.9%

Note: Shaded cells were not run by SRK, Whittle base case used instead.

Note: EO = Enterprise Optimization

Note: 5% discount rate used is standard for comparable TSX-listed companies

**CONDOR GOLD PLC**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

Table 2 below is a comparison of production scenarios to PFS and PEAs

	<b>La India - PFS</b>		<b>La India</b>	<b>All Open Pits</b>		<b>All Open Pits + UG</b>	
	Open Pit - PFS		Open Pit	PEA-A		PEA-B	
	IND Only		IND+INF	IND+INF		IND+INF	
	PFS	Whittle EO	Whittle EO	PEA A	Whittle EO	PEA A	Whittle EO
Nominal Processing Plant capacity tpd	2,200		2,800	3,300		4,400	
Nom. Capacity in M-tpa	0.8		1.0	1.2		1.6	
Contained gold koz	674	866	955	827	1,066	1,313	1,554
Recovered gold koz	614	796	882	752	985	1,203	1,437
1 <sup>st</sup> 5 years avg. production gold p.a. koz	76	91	101	94	118	138	165
Production improvement 1 <sup>st</sup> 5 years		20%	n/a		25%		20%

Overall, the independent optimisation analysis conducted by Whittle clearly demonstrates the potential to unlock substantial additional value from the La India Project. Across 3 production scenarios, NPV increases over 50%, IRRs average 30%, the payback on upfront capital costs is between two to three production years, and gold production increases on average 22% for the first 5 years. Whittle's study is a strategic planning tool, which is used to maximise the economics, particularly the NPV, ahead of a "build decision" and can often form part of a more detailed Feasibility Study. It should be noted that the Whittle Optimisation study is not NI 43-101 compliant and would require re-generation of the PFS and PEAs to confirm the improvements.

On 21<sup>st</sup> March 2016, Condor announced it had settled a dispute over the purchase of the high grade Espinito-Mendoza Concession, which cleared the way to advance the Concession and convert more of the Soviet classified resource on the Mestiza Vein Set ("Mestiza").

On 31<sup>st</sup> March 2017, Condor announced it had commenced an initial 2,000m drilling programme on Mestiza to test the historic Soviet mineral resource. If successful, it is expected that further drilling of about 4,000m would be needed to convert the majority of the Soviet mineral resource to a NI 43-101-compliant Inferred Mineral Resource.

This is significant for four reasons:

1. Soviet-backed drilling in 1991 estimated a Soviet-style mineral resource of 2,392kt at 10.2 g/t gold for 785,694oz gold at Mestiza. Condor has used the Soviet data, and subsequent drilling undertaken by Canadian companies, to plan a drill programme to convert the Soviet resource to Western standards.
2. Mestiza already hosts a NI 43-101-compliant Inferred Mineral Resource of 1,490kt at 7.47g/t for 333,000oz gold. However, this is excluded from the current PFS and PEA Studies at the La India Project.
3. There is a high possibility of bringing additional high grade gold from Mestiza into a future mine plan, feeding a centralised processing plant.
4. The initial 2,000m drill programme is relatively shallow, with 18 drill holes mostly less than 100m. Furthermore, the existing resource is open along strike in both directions and at depth. The shallow nature of the resource suggests it could be added early on to the mine plan, enhancing the production profile and economics of the Project.

The Mestiza Vein Set is excluded from the Whittle Optimisation of the PFS and PEA studies, which detailed four production scenarios ranging from 91,000 to 165,000oz gold production per annum. Assuming the conversion of the Soviet Resources to Western standards, the inclusion of the Mestiza Vein set could see Mina La India increase its production scenario to over 200,000 oz gold per annum. It is some comfort that Micon International's 1998 report on the Espinito-Mendoza Concession concluded that the property has good potential to become a small (500 to 800tpd), low cost mine.

The International Finance Corporation ("IFC"), the private sector investment body of the World Bank, was an 8.6% shareholder in the Company at 31<sup>st</sup> December 2016. The IFC exercised a non-dilute clause in a shareholder agreement that is in place with the Company and invested £240,000 in the May 2016 placement to maintain its percentage shareholding. Condor is committed to complying with the IFC Performance Standards, which are an international benchmark for identifying and managing environmental and social risk. Condor has put considerable time and effort into fulfilling the requirements of an Environmental Social Action Plan (ESAP), which was agreed to with IFC as part of their investment process.

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**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

Under the ESAP, Condor is committed to:

1. Develop the necessary management plans and standard operating procedures as part of the operational control of the Health Safety Environmental and Community Policy which are aligned with GIIP to address existing environmental, social and health and safety risks from current exploration activities.
2. Design and implement a surface and ground water participatory monitoring program to identify existing water quality and quantity conditions in the area to serve as baseline for the future ESIA, communicating these to the local population.
3. Update the Stakeholder Engagement Plan and Grievance Mechanism and develop a Communications Plan.
4. Update the Land Acquisition and Resettlement Framework.
5. Produce a plan for the management of artisanal miners.
6. Develop a Human Resources Policy and develop a Security Policy and Code of Conduct for security personnel.

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

On 9<sup>th</sup> December 2016, Condor announced that it had negotiated the terms of the settlement over a 3% NSR on part of Condor's La India Project. It ends 4 years of litigation in the Canadian and Nicaraguan courts with B2Gold and Royal Gold. The net result of the settlement is that 44% or 138.9km<sup>2</sup> of the 313.4km<sup>2</sup> La India Project concession area containing 90% of the current indicated and inferred resources is within an area of interest subject to a 3% NSR in favour of Royal Gold Inc, with the remaining 56% excluded from the area of interest and 3% NSR (See RNS dated 9<sup>th</sup> December 2016). The settlement clears the way to progress Mina La India to construction by providing clarity to potential funding partners over a protracted NSR dispute. As part of the settlement, Condor acquired surface rights in respect of 3,508 hectares of land from B2Gold at La India in return for selling to B2Gold a 20% share of the Cerro Quiroz concession, which is adjacent to B2Gold's La Libertad mine. The surface rights cover the area of the mine site infrastructure required for the base case 1Mtpa processing plant with capacity to produce 100,000oz gold p.a. from a single open pit.

The purchase of the land surface rights removes an obstacle to construction and will facilitate negotiations with local land owners and allows the project to progress forming part of Condor's strategy of de-risking the Project and achieving a clear path to production.

The moratorium on metallic mining in the Republic of El Salvador ("El Salvador") has now been in place for just over 9 years. Condor has kept its mineral resource of 747,000oz gold and 22.38million oz silver or 1,120,000oz gold equivalent at 2.6g/t on care and maintenance during this period. In November 2013, OceanaGold Corporation completed the purchase of Pacific Rim Mining for circa US\$12m or US\$7 per total resource ounce gold equivalent, providing hope that a large gold miner would persuade El Salvador to allow mining. In late 2016 the International Centre for the Settlement of Investment Disputes ruled in favour of the government of El Salvador in its dispute with OceanaGold. El Salvador's government hailed the ruling as a victory, and on 30<sup>th</sup> March 2017 passed a bill to ban metal mining outright across the country. The President of El Salvador has subsequently approved the bill to enact into law. In light of these developments, the Board has decided to write off the carrying value of the assets in El Salvador at a cost of £4,872,512.

Turning to the financial results for the year 2016, the Group had exceptional losses in the year relating to the cessation of El Salvadorian operations amounting to £4,872,512. The operating loss excluding exceptional items was £2,577,127 (2015: £3,066,679). The Company raised £2.81m during the financial period. The Company made foreign exchange profit of £918,254 (2015: profit of £839,395). The decrease of cash and cash equivalents was £521,847 (2015: decrease of £3,655,671). The net cash balance at 31<sup>st</sup> December 2016 was £583,610.

In 2016, Condor raised a total of £2.81m. On 4<sup>th</sup> April 2016, the Company announced it had raised £2.6m by way of a private placement of 6,445,000 new ordinary shares at a placement price of 40 pence. A two thirds warrant, which is unlisted, was attached to each placement share. A total of 4,296,667 warrants were issued with an exercise price of 60 pence and a 2 year life. If exercised in full, the warrants would raise gross proceeds of £2,578,000. On 17<sup>th</sup> May 2016, the International Finance Corporation exercised its non-dilute clause under a subscription agreement and subscribed for £0.24m shares and warrants on the same terms. On 19 September 2016 58,333 warrants were exercised for a consideration of £35k.

The twin strategy for 2017 is to obtain the Environmental Permit for a base case of a 2,800tpd processing plant for a single open pit at La India, with the capacity to produce approximately 100,000oz gold per annum and to demonstrate a major Gold District at La India Project though:

1. Completion of detailed geological mapping of the District
2. A geochemistry/soil survey programme covering the entire 313 sq. km District has recently been completed, once all assay results are received a full interpretation is planned, which should identify additional exploration targets
3. A 10,000m drilling programme announced in February 2017 is aimed at resource expansion drilling, as detailed above on Mestiza and scout drilling on new targets.

**CONDOR GOLD PLC**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The Group's financial performance for the year was in line with Directors' expectations. The Groups loss after taxation but before exceptional items for the year to 31 December 2016 amounted to £3,617,145 (2015: £3,061,611). The Group had exceptional items in the year relating to the cessation of El Salvadorian operations amounting to £4,065,086. The Groups total losses before taxation and including exceptional items amounted to £7,682,231 (2015: £3,061,611). The Group's administrative expenses for the year were £3,618,877 (2015: £3,066,679). Included within the 2016 figure are the value of the warrants issued in the year. No dividends were paid during the year. The Company has reviewed the future budget and cashflows. The Company will be raising further funding in June or July 2017.

The Group, at the end of the financial period has 100% ownership of ten concessions in the La India Mining District and a further four in four project areas in Nicaragua. The Company is currently investing in the La India Project, which is discussed in greater detail in the 'Chairman's Report' and 'Operations Report and Projects Overview.' Operations in El Salvador have ceased, and the Company has begun the process of winding up its operations to El Salvador.

**KEY PERFORMANCE INDICATORS**

The key indicator of performance for the Group is its success in identifying, acquiring, developing and divesting investments of gold and silver mineral concessions 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 soil surveys, trenching and drilling. Interpretations of the results of these programmes are dependent on judgements and assessments that are subject to judgement and these interpretations are applied in designing further exploration work programmes and mining studies 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 countries where political, economic, legal, regulatory and social uncertainties are potential risk factors. During the year the company has begun the process of winding up its El Salvador operations. The risk committee carefully monitor the project areas in Nicaragua, and actively work to mitigate any foreseen risks to the project.



**CONDOR GOLD PLC**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**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, study and permitting phase of its business. In common with many exploration and development companies, the Company raises finance for its exploration activities, mining studies and activities linked to permitting 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 Directors believe that they would be able to scale back ongoing costs and continue operating to preserve cash until further funding is obtained if this were to be required.

The 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 including fluctuations in the price of gold. 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 £545,251. 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, the price of gold 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 for its operations in Central America. The Directors believe that the contracts for transfers of funds to Central America are so small, as funds are remitted monthly in advance, 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.

**CONDOR GOLD PLC**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**FINANCIAL RISK MANAGEMENT – continued**

**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 2016 and 31 December 2015. 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: 18 May 2017

**CONDOR GOLD PLC**  
**PROJECT OVERVIEW**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**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
	La Cuchilla	100% Owned	August 2035	86.39
	El Zacatoso	100% Owned	October 2039	1.00
	Tierra Blanca	100% Owned	June 2040	32.21
	<b>Subtotal</b>			<b>313.26</b>
Boaco	Rio Luna	100% Owned	June 2035	43.00
RAAN	Estrella	100% Owned	April 2035	18.00
Nueva Segovia	Potrerrillos	100% Owned	December 2031	12.00
<b>TOTAL</b>				<b>386.26</b>

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

**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.

	Tonnes (kt)	Gold Grade (g/t)	Gold Contained (koz)	Silver Grade (g/t)	Silver Contained (koz)	Gold Equivalent Grade (g/t)	Gold Equivalent Contained (koz)	Attributable Contained (koz)	CIM/JORC Category
<b><i>Nicaragua Projects (100% Condor owned)</i></b>									
La India	9,600	3.5	1,083	6	1,792	3.6	1,110	1,110	Indicated
Project	8,500	4.5	1,233	7	865	4.6	1,246	1,246	Inferred
<b>Total</b>	<b>18,100</b>	<b>4.0</b>	<b>2,316</b>	<b>6</b>	<b>2,656</b>	<b>4.1</b>	<b>2,356</b>	<b>2,356</b>	<b>Ind + Inf</b>
Rio Luna	694	3.5	80	56	500	4.4	86	86	Inferred
<b>Total</b>	<b>18,800</b>	<b>4.0</b>	<b>2,395</b>	<b>7</b>	<b>3,158</b>	<b>4.1</b>	<b>2,442</b>	<b>2,442</b>	<b>Ind+Inf</b>

*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*

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**CURRENT LA INDIA PROJECT CIM CODE MINERAL RESOURCE**

The following Mineral Resource estimations details Condor's CIM compliant Mineral Resource Statement as at 30<sup>th</sup> September 2014 for the La India Project, as signed off by Ben Parsons of SRK Consulting (UK) Ltd, a Competent Person as defined by the CIM Code.

**Table 1. CIM Compliant Mineral Resource Statement as at 30 September 2014 for the La India Project (SRK Consulting (UK) Ltd.).**

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

(1) The La India, America and Central Breccia pits are amenable to open pit mining and the Mineral Resource Estimates are constrained within Whittle optimised pits, which SRK based on the following parameters: A Gold price of USD1,500 per ounce of gold with no adjustments. Prices are based on experience gained from other SRK Projects. Metallurgical recovery assumptions of 91% for gold, based on assumptions provided by the Company Marginal costs of USD19.2/t for processing, USD5.63/t G&A and USD2.47/t for mining, slope angles defined by the Company Geotechnical study which range from angle 46 - 48°.

(2) Underground mineral resources beneath the open pit are reported at a cut-off grade of 2.0 g/t over a minimum width of 1.0m. Cut-off grades are based on a price of USD1,500 per ounce of gold and gold recoveries of 91% for resources, costs of USD19.0/t for processing, USD10.0/t G&A and USD50.0/t for mining, without considering revenues from other metals.

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

(4) Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material. All composites have been capped where appropriate. The Concession is wholly owned by and exploration is operated by Condor Gold plc

(5) The reporting standard adopted for the reporting of the MRE uses the terminology, definitions and guidelines given in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.

(6) SRK Completed a site inspection to the deposit by Mr Benjamin Parsons, MSc (MAusIMM(CP), Membership Number 222568, an appropriate "independent qualified person" as this term is defined in National Instrument 43-101.

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**Table 2. Summary of La India Project Mineral Resource Statement as of 30 September 2014 (SRK Consulting (UK) Ltd.).**

SRK MINERAL RESOURCE STATEMENT SPLIT PER VEINSET as of 30 September 2014								
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)	8,267	3.1	832	5.5	1,462
			2.0 g/t (UG)	706	4.9	111	10.6	240
		America veinset	0.5g/t (OP)	114	8.1	30	4.9	18
			2.0 g/t (UG)	470	7.3	110	4.7	71
Inferred	Subtotal Areas	La India veinset	0.5g/t (OP)	899	2.5	71	4.3	122
			2.0 g/t (UG)	1,189	5.5	211	11.3	401
			1.5 g/t	470	4.7	71		
		America veinset	0.5g/t (OP)	677	3.1	67	5.5	120
			2.0 g/t (UG)	1,008	4.8	156	6.8	221
			1.5 g/t	751	4.8	116		
		Mestiza veinset	1.5 g/t	1,490	7.0	333		
		Central Breccia	0.5g/t (OP)	922	1.9	56		
		Other veins	1.5 g/t	1,120	4.2	151		

**Table 3. Summary of La India Project Mineral Resource Statement as of 30 September 2014 (SRK Consulting (UK) Ltd.).**

SRK MINERAL RESOURCE STATEMENT as of 30 September 2014 (4),(5),(6)								
Category	Area Name	Vein Name	Cut-Off	gold			silver	
				Tonnes (kt)	Au Grade (g/t)	Au (Koz)	Ag Grade (g/t)	Ag (Koz)
Indicated	Grand total	All veins	0.5g/t (OP) <sup>(1)</sup>	8,382	3.2	862	5.5	1480
			2.0 g/t (UG) <sup>(2)</sup>	1,176	5.9	221	8.2	312
		Subtotal Indicated		9,557	3.5	1,083	5.8	1792
Inferred	Grand total	All veins	0.5g/t (OP) <sup>(1)</sup>	2,498	2.4	194	4.8 <sup>(7)</sup>	242
			2.0 g/t (UG) <sup>(2)</sup>	2,197	5.2	366	8.8	622
			1.5 g/t <sup>(3)</sup>	3,831	5.4	671		
		Subtotal Inferred		8,526	4.5	1,231	7.1 <sup>(8)</sup>	865

(1) The La India, America and Central Breccia pits are amenable to open pit mining and the Mineral Resource Estimates are constrained within Whittle optimised pits, which SRK based on the following parameters: A Gold price of USD1,500 per ounce of gold with no adjustments. Prices are based on experience gained from other SRK Projects. Metallurgical recovery assumptions of 91% for gold, based on assumptions provided by the Company Marginal costs of USD19.2/t for processing, USD5.63/t G&A and USD2.47/t for mining, slope angles defined by the Company Geotechnical study which range from angle 46 - 48°.

(2) Underground mineral resources beneath the open pit are reported at a cut-off grade of 2.0 g/t over a minimum width of 1.0m. Cut-off grades are based on a price of USD1500 per ounce of gold and gold recoveries of 93 percent for resources, costs of USD19.0/t for processing, USD10.0/t G&A and USD50.0/t for mining, without considering revenues from other metals.

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

(4) Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material. All composites have been capped where appropriate. The Concession is wholly owned by and exploration is operated by Condor Gold plc

(5) The reporting standard adopted for the reporting of the MRE uses the terminology, definitions and guidelines given in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves (December 2005) as required by NI 43-101.

(6) SRK Completed a site inspection to the deposit by Mr Benjamin Parsons, MSc (MAusIMM(CP), Membership Number 222568, an appropriate “independent qualified person” as this term is defined in National Instrument 43-101.

(7) Back calculated silver grade based on a total tonnage of 1,576 Kt as no silver estimates for Central Breccia (922 Kt).

(8) Back Calculated silver grade based on total tonnage of material estimated for silver of 3,7731 Kt, for veins where silver assays have been recorded in the database

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**CURRENT LA INDIA PROJECT CIM CODE MINERAL RESERVE**

**Table 3. La India Open Pit Mineral Reserve Estimate for La India Project Mineral Resource Statement as of 21 December 2014 (SRK Consulting (UK) Ltd.).**

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

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

**CURRENT RIO LUNA CONCESSION CIM CODE MINERAL RESOURCE**

The following JORC compliant Mineral Resource and Reserve estimates contained within Condor Gold PLC's 100%-owned Rio Luna Concession is signed off by Ben Parsons of SRK Consulting (UK) Ltd., a Competent Person as defined by the CIM Code.

**Table 4. JORC Compliant Mineral Resource Statement as at 28 November 2011 for the Rio Luna Concession (SRK Consulting (UK) Ltd.).**

SRK Mineral Resource Statement, Rio Luna Deposit, 28 <sup>th</sup> November 2011							
Category	Vein Name	Tonnes (kt)	Gold Grade (g/t)	Contained Gold (oz)	Tonnes (kt)	Silver Grade (g/t)	Contained Silver (oz)
Inferred	El Paraiso	395	4.01	52,000			
Inferred	El Rodeo	20	2.66	2,000			
Inferred	San Andreas	280	2.88	26,000	26	56	500,000
<b>Inferred</b>	<b>Subtotal</b>	<b>695</b>	<b>3.50</b>	<b>80,000</b>	<b>26</b>	<b>56</b>	<b>500,000</b>

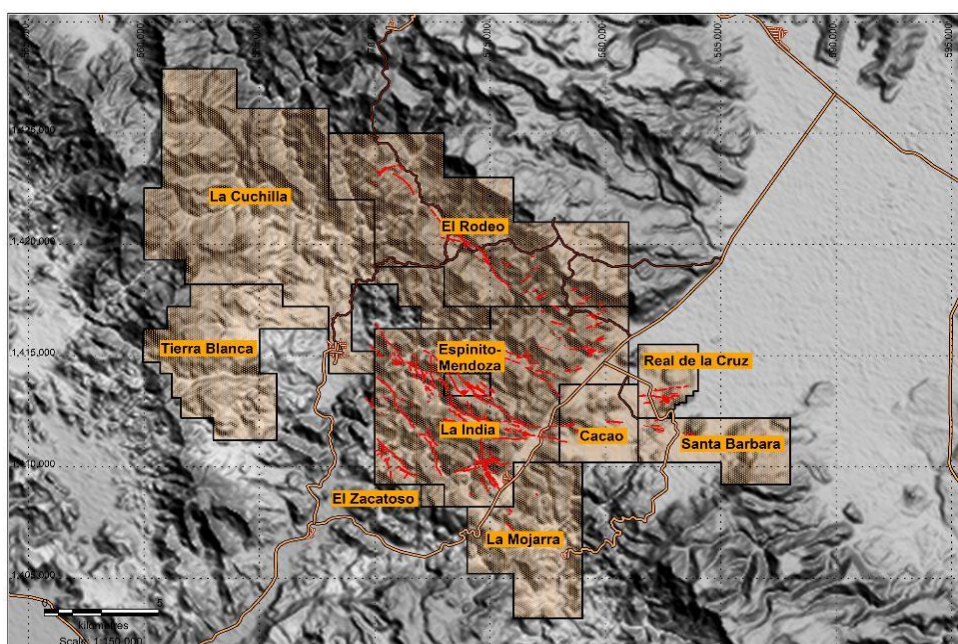
Mineral Resources are reported at a cut-off grade of 1.5 g/t. Cut-off grades are based on a price of US\$1200 per ounce of gold and gold recoveries of 90 percent for resources, without considering revenues from other metals. Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. All composites have been capped where appropriate. The Concession is wholly owned by and exploration is operated by Condor Gold plc.

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**NICARAGUA – OPERATIONS REPORT**

**La India, Espinito Mendoza, Cacao, Santa Barbara, Real de la Cruz, El Rodeo, La Cuchilla, La Mojarra, El Zacatoso and Tierra Blanca Concessions (Condor 100% ownership).**

**Introduction** La India Project is a 313km<sup>2</sup> concession package covering an estimated 98% of the historic La India Gold Mining District and comprises of 10 contiguous and adjacent concessions, see Figure 1. The District supported production of up to 41k oz gold per annum at over 11g/t head grade from underground mining between 1938 and 1956. The Project area currently contains a combined inferred and indicated mineral resource of 18.1Mt at 4.0g/t for 2.32M oz gold including an open pit resource of 10.9Mt at 3.0g/t for 1.06M oz gold.



*Figure 1. Location of Condor Gold's 313km<sup>2</sup> concession package at La India Project.*

**A Pre-Feasibility Study ("PFS")** on open-pit mining at La India and two supplementary Preliminary Economic Assessments ("PEAs") which explored the possibility of including two additional satellite open pits, and underground mining beneath the La India and America open pits, were announced on the 14<sup>th</sup> November and released on the 21<sup>st</sup> December 2014. The study defined the first mineral reserve on the Project since mining ceased in 1956, with an open pit Probable Mineral Reserve of 6.9Mt ore at 3.0g/t gold and 5.3g/t silver for a total of 675,000oz gold and 1,185,000oz silver on the principal La India Vein.

The PFS demonstrates that the base case of mining La India open pit reserve only would support a 0.8Mtpa processing plant to produce 614,000oz gold over a 9 year mine life at an average annual gold production of 79,300oz pa. The PEAs suggest that the addition of satellite open pits at the nearby America Vein Set and Central Breccia gold mineralisation could support a 1.2Mtpa plant and increase annual production to 96,800oz gold per annum for a total production of 774,000oz gold over an 8 year mine life. The development of an underground mine from the La India and America open pits would increase production to 1.6Mtpa for 1.2M oz gold production over a 12 year mine life. The studies were conducted according to the CIM code and reported to NI43-101 standard.

Following-up on the release of a positive Pre-Feasibility Study ("PFS") and supplementary Preliminary Economic Assessments ("PEAs") on mining at the La India Project in Nicaragua, released at the end of 2014, the Company has sought to secure permits and land access for development of the core La India open pit gold mine while simultaneously proving a major Gold District. An Environmental Impact Assessment ("EIA") for an Environmental Permit was submitted in November 2015 and preparations for permitting took up much of the work of the social, admin and management time in 2016.



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**Whittle Enterprise Optimisation.** The La India Project mine plan has been refined and improved with the input of sophisticated mine planning software developed by Whittle Consulting Limited. The Whittle Enterprise optimisation study demonstrates that the production and economics of mining envisaged in the PFS could be improved substantially by applying variable grind-throughput-recovery techniques and improved pit optimisation, and in the PEA scenarios further improved by additional use of stockpiling and improved underground mine scheduling. Significantly, the optimisation study suggests that the La India open pit could potentially be extended deeper to produce over 866k oz gold, and with the addition of the satellite pits envisaged in the PEAs, produce a total of 1,066k oz gold from open pit mining. The overall economics would be significantly improved with the payback period reduced to between two and three years, an Internal Rate of Return (“IRR”) of no less than 30% and a Net Present Value (“NPV”) of between US\$167.8M for the La India open pit only and US\$267.9M with the addition of two satellite pits and underground mining.



Figure 2. The surface distribution of Mineral Resources on la India Project.

**Exploration activities** have followed a dual approach during 2016:

1. regional exploration primarily focussed on identifying targets for hidden deep-seated gold mineralisation via soil geochemistry, rock chip sampling, a small amount of trenching, and
2. scout drilling to demonstrate untested targets as well as expand the resources of prospects outside the three main vein sets of La India, America and Mestiza.

Following the 71km<sup>2</sup> multi-element soil geochemistry survey carried out in 2015, a second phase of soil sampling was implemented in June 2016 to complete sampling in the remaining areas of the concession package in La India Project. A total of 6,272 samples were collected from an approximate area of 109 km<sup>2</sup> sampling will continue in to 2017. The fine-fraction B-horizon soil samples were analysed for 53 elements at ultra-trace detection limits at Bureau Veritas Laboratories in Vancouver using standard ICP-MS method designed to detect enrichment in pathfinder elements that may reveal the presence of hidden deep-seated gold mineralisation.

As result of mapping and prospecting in the El Rodeo concession several high-grade rock chips were found, including 53.9g/t Au and 142.4g/t Au samples from outcrops at a new site in the Los Limones area, at the very northwest end of the Andrea vein structure. Follow up mapping was carried out to identify sites for trenching and a total of 10 trenches for 225 m were completed. Los Limones prospect is some 12 km north west of the nearest resource, which is on the Tatescane prospect.



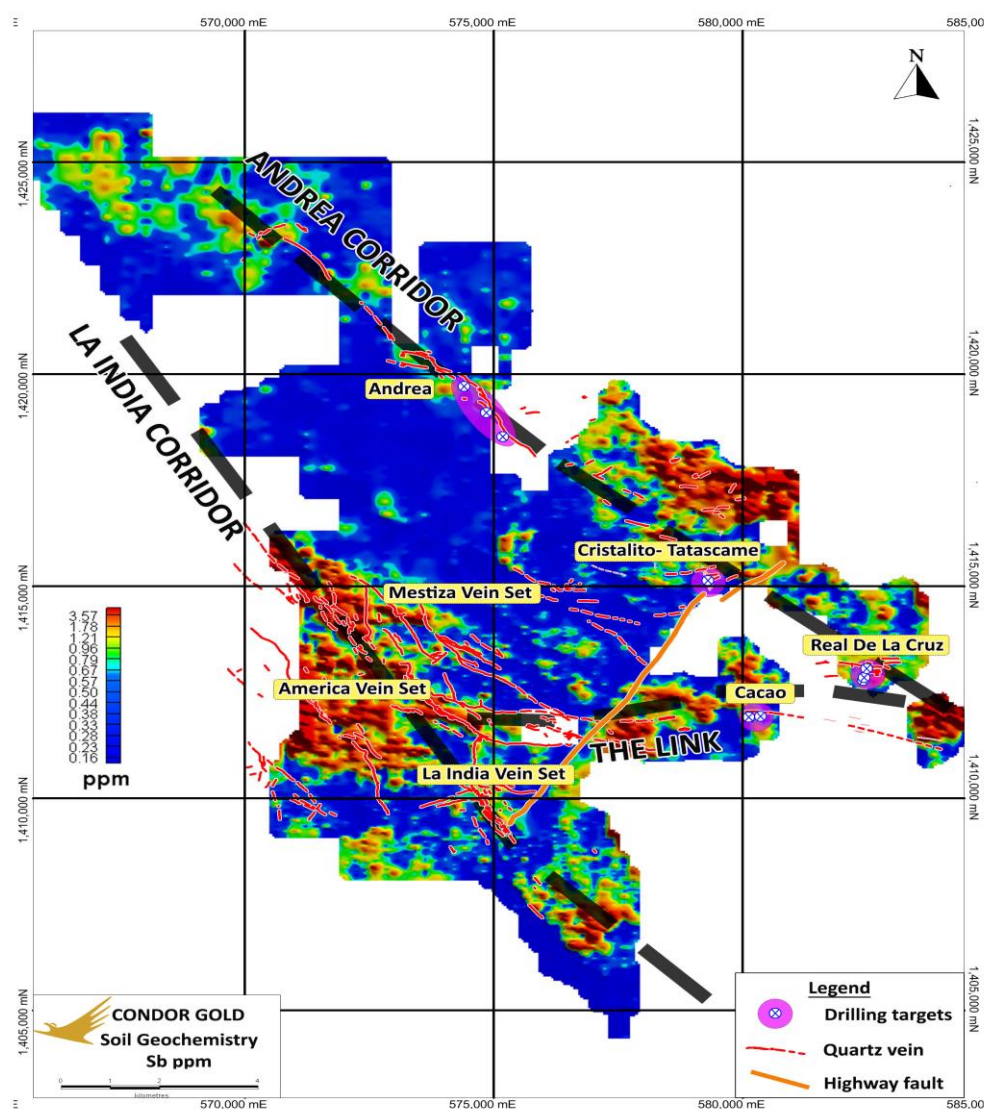
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Dr. Warren Pratt of Specialised Geological Mapping Ltd. joined the Company as senior geological consultant and has focused on the exploration upside. He has implemented a detailed mapping programme in the main La India Vein Set, which has been expanded into other prospects that were evaluated as targets for drilling, including: Cacao, Real de la Cruz, Santa Barbara, Tatascame, San Lucas, Los Limones, Andrea, Mestiza and Central Breccia.

The soil survey has been carried out using three different sampling grids. A core area covering the main area of known veins in The La India concession will be sampled using a grid of 200 x 50m. The northwest mineralized corridor within the El Rodeo concession will be sampled with a grid of 400 x 100m. The rest of the areas within the concession package will be sampled at a wider spacing of 200 x 400m.

A preliminary interpretation of the soil geochemistry results indicates that several elements, in particular Gold (Au), Tellurium (Te), Thallium (Tl), Arsenic (As), Selenium (Se), Silver (Ag) and Antimony (Sb), define two significant trends. These are interpreted as two major basement feeder zones: La India and Andrea Corridors (see Figure 3). The La India Corridor cuts obliquely across some of the better known veins, such as America, and seems to localize higher gold grades at these intersections. There is also a suggestion that some rich veins (Tatascame, Los Limones) are *en echelon* structures, at high angle to the Andrea Corridor. They may have provided localized dilations for fluids to rise.

Antimony, along with Selenium (Se) and Te, also seem to define a sinuous, almost East-West, linking structure between the two corridors ('The Link' above). This has lower gold values, for example in the East part of the Guapinol and Constanica Veins. It may not have been as important an upflow zone as the two corridors.



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Several elements show a distinct drop off on the East side of the Highway Fault (see Figure 3), implying that the district-scale epithermal system was dropped down by a post-mineral offset. This down-throw preserves the top of the system at Cacao, which includes sinter and phreatic breccias, indicating paleosurface

Trenching was carried out in the Los Limones prospect, a NE-SW linking structure between more continuous and extensive NW striking NW-striking faults in the northwest of the El Rodeo concession. After several high-grade rock chips were collected, including 53.9g/t Au and 142.4g/t Au samples additional mapping and prospecting was carried out to identify sites for trenching. Scout drilling has been planned for 2017 at the site with the best trench and rock chip results.

Towards the end of the year scout drilling was carried out at the Real de la Cruz concession and resource expansion drilling was completed at Cacao, which has a small inferred resource of 590kt at 3.0g/t for 58koz gold and Tatascame prospect in the La India concession which has an existing inferred resource of 200kt at 5.3g/t for 34koz gold. In total 9 holes for 1398.5m were drilled before years end.

Four holes for 719.6m were drilled in the Cacao vein; four holes for 428.8 m in two targets at Real de la Cruz and one hole for 250.1m at Tatascame (Figure 4). Drilling continued in 2017 with 3 drill holes on Tatascame and 6 on Andrea (see post period comment below).



Figure 4. Drill rig at LIDC333 in the Tatascame prospect.

Results from drilling at Cacao of 7.85m at 3.75g/t gold and 7.85m at 2.95g/t gold build on results from Condor's prior drilling (including 2.6m at 34.13g/t gold and 14.05m at 6.05g/t gold) demonstrating a significant dilational vein that forms within a major linking structure between two major basement feeder zones identified

by regional soil sampling (Figure 3). The vein is at the top of an epithermal gold system, preserved because the regional Highway Fault drops down the entire system towards the southeast which is supported by fossil hot spring material ('sinter') and phreatic breccia deposits, typical of hot spring areas. Cacao vein is open down dip and along strike with signs of being substantially bigger and is prioritised for further drilling to expand the mineral resource.

Concession	Soil Samples	Rock Chip Samples	Trenches Completed	Trench (m)	Trench Samples	Drill holes Completed	Drilling (m)	Drilling Samples
La India	3611	57				1	250.1	84
Cacao	34					4	719.6	187
El Rodeo	1878	114	10	225	211			
Real de La Cruz	13					4	428.8	186
La Cuchilla	374	14						
Santa Barbara	13							
El Zacatoso	125							
Tierra Blanca		1						
Espinito/Mendoza	193	2						
La Mojarra	34							
Totals	6272	188	10	225	211	9	1398.5	457

*Summary of drilling, trenching, rock chip and soil geochemistry sampling completed in 2016.*

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The exploration focus in 2017 is on completing the soil sampling programme, which was completed at the end April 2017. Further work will be done to assess soil geochemical targets, continue geological mapping activities and continue with the scout and resource expansion drilling. To this extent, Condor has announced a 10,000m drill programme in 2017, which will be split between resource expansion and scout drilling.

### **Land Acquisition**

Condor has been working on a land acquisition programme for over 3 years and plans to acquire approximately 800 hectares of rural land for the production scenario in the PFS. ProNicaragua is assisting with a clean up of the land titles. Two independent valuations have been conducted and a strategy is being implemented to secure the rural land by paying 10% of the purchase price of the land to the landowners, who grant Condor an option to purchase the rural land for a two-year period. Offers to purchase the land have been made to all landowners; at the time of writing 30% have accepted. In 2017, Condor acquired 3,508 hectares of surface rights from B2Gold in return for transferring to B2Gold, Condor's 20% shareholding in the Cerro Quiroz concession, which is adjacent to The La Libertad Mine. The surface rights cover the mine site infrastructure and the area of the mineral resource and reserves and removes an obstacle that allows the Project to progress and de-risks the Project. (See RNS dated 9<sup>th</sup> December 2016.)

### **Environmental Permit Application**

An Environmental Impact Assessment ("EIA") for an Environmental Permit was submitted to the Nicaraguan Government's Ministry of the Environment and Natural Resources ("MARENA") in November 2015. The application is for permission to undertake open pit mining at La India as envisaged in the PFS study released in December 2014 and updated for the Whittle optimised open pit, detailed in January 2016. A Public Consultation is required as part of the EIA process. Mineral concessions in Nicaragua are granted for a period of 25 years and are both exploration and exploitation concessions. However, in order to exploit (extract) minerals an Environmental Permit is required. This is viewed as the Master Permit in Nicaragua. Once granted, other permits for construction, electricity, water use, explosives etc are expected to follow.



*Figure 5. Ongoing collection of base-line meteorological data at La India as part of the EIA studies.*



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**Post-Period Activity**

In February 2017, Condor announced a 10,000m drilling programme aimed at expanding the existing resource and demonstrating a major Gold District via scout drilling. Since the year end Condor has completed 6 drill holes for 945.2 m at the Andrea vein in the El Rodeo concession. The 6 relatively shallow holes on the Andrea Vein encountered abundant zeolite veinlets, minerals typical of the upper parts of epithermal systems (above the boiling zone). The northern holes hit barren quartz/carbonate veins, but the deepest, and southernmost, hole encountered significant gold mineralization, with 5.1 m @ 1.9 g/t gold. This began at 186 m depth. Drilling at Andrea was suspended because of the lack of water required for drilling. Future drilling is planned to follow up on these encouraging results and will probably recommence in the wet season, expected to be in 4 months' time. It will target the southern portion and be deeper.

The drill rig also completed 429 m drilling at Real De la Cruz and 664 m drilling at Tatescane. Drill results from Real de la Cruz demonstrated poor continuity of the high-grade veins, though it may still have bulk mineable potential. The drilling at Tatescane gave poor results and it has been downgraded. It effectively demonstrated that the known vein, with grades up to at least 10 g/t gold, terminates towards the West.

In addition, Condor has completed 9 drill holes for 912 m of a 2,000 m drilling programme on the Mestiza Vein Set ('Mestiza'). This will test a historic Soviet-style mineral resource of 2,392 kt at 10.2 g/t gold for 785,694 oz gold. If successful, it is expected that further drilling of about 4,000 m would be needed to convert the Soviet mineral resource to a NI 43-101-compliant Inferred Mineral Resource.

As of early May 2017, the soil sampling campaign that covered the remaining areas of the La India project concession package has been completed. In total, 7997 samples in approximately 207 km<sup>2</sup> were collected, out of which 6685 were sent for lab assay and the remaining 1312 have been stored, for later assaying if deemed necessary. The overall total number of soil samples collected since 2015 is 13,114.

**Other Project Areas**

**Rio Luna Concession**

The Rio Luna Concession covers an area of 43 km<sup>2</sup> in the Central Highlands of Nicaragua and contains a JORC Inferred Mineral Resource of 694kt at 3.5g/t for 80,000 oz gold and 280kt at 56g/t for 500,000oz silver on five separate resource blocks, distributed between three separate vein sets. In total this equates to 87,000oz 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 Corporation 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.

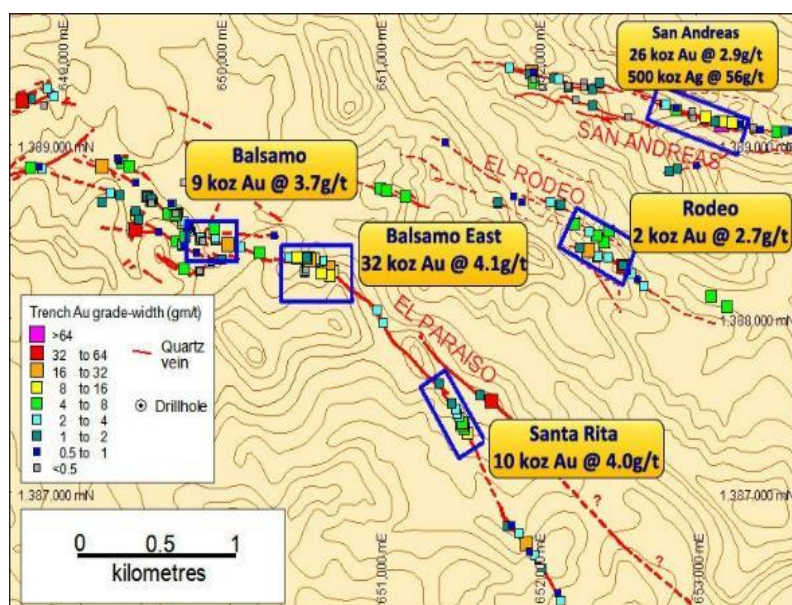


Figure 6. The location of Mineral Resources on the Rio Luna Concession.

**CONDOR GOLD PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**Estrella Concession**

The Estrella Concession covers an 18 km<sup>2</sup> 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 and processed 20-50 tonnes per day. 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 continue 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.

Trench and underground channel sampling by previous explorers and confirmed by Condor 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. Exploration for gold mineralisation away from the historic mine area has only returned one positive assay result from quartz vein float located approximately 1200m along strike of the historic gold mine workings which suggests that gold mineralisation extends over a strike length of over 1.5km. The challenge on this concession is to extend the size of the mineralised zone beyond the 400m strike length positively 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.

**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 348kt at 8.47g/t for 95,000oz gold equivalent at the Indicated category and 3.371kt at 7.43g/t for 805,000oz 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 on the Potrerillos Concession carried out by Condor between 2007 and 2009 returned intersections of up to 1m at 29.5g/t gold.

**EL SALVADOR – OPERATIONS REPORT**

Condor's assets in El Salvador have been on care and maintenance since 2008, with no exploration activity carried out for 9 years. Following the late 2016 ruling by the International Centre for the Settlement of Investment Disputes in favour of the Government of El Salvador, Condor is winding up all activities in El Salvador and withdrawn from the Country.

**CONDOR GOLD PLC**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**DIRECTORS' REPORT**

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2016.

**DIRECTORS**

The Directors shown below have held office during the year:

M Child  
J Mellon  
R Davey  
P Flindell  
K Harcourt

**SUBSTANTIAL SHAREHOLDERS**

On 2 May 2017 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 %
Mr R Beaty	5,362,903	8.74
International Finance Corporation	4,500,000	7.33
Oracle Management Limited	4,054,645	6.61
Mr M Child	3,962,500	6.46
Hargreave Hale	3,111,290	5.07
Mr J Mellon	3,019,330	4.92

**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 2016 were:

Directors	Holding	31 December 2016		31 December 2015	
		Number of shares	Number of options	Number of shares	Number of options
M Child	Direct	3,942,500	2,650,000	3,917,500	2,050,000
	Indirect	88,750	-	1,250	-
R Davey	Direct	52,500	800,000	32,500	650,000
	Indirect	-	-	-	-
J Mellon	Direct	698,820	700,000	38,820	800,000
	Indirect	4,499,496	-	4,499,496	-
P Flindell	Direct	-	512,500	-	362,500
	Indirect	-	-	-	-
K Harcourt	Direct	-	200,000	-	50,000
	Indirect	-	-	-	-

## CONDOR GOLD PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Exercise price (p)	Latest exercise date	As at 1 January 2016	Granted during the year	Exercised in the year	Lapsed in the year	As at 31 December 2016
<b>DIRECTORS</b>							
M L Child	180	15 Apr 2016	762,500	-	-	(762,500)	-
	100	24 June 2017	250,000	-	-	-	250,000
	100	1 July 2018	600,000	-	-	-	600,000
	100	23 July 2019	600,000	-	-	-	600,000
	67	7 July 2020	600,000	-	-	-	600,000
	80	26 Sept 2021	-	600,000	-	-	600,000
J Mellon	180	15 Apr 2016	250,000	-	-	(250,000)	-
	100	24 June 2017	100,000	-	-	-	100,000
	100	1 July 2018	150,000	-	-	-	150,000
	100	23 July 2019	150,000	-	-	-	150,000
	67	7 Jul 2020	150,000	-	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000
R Davey	180	5 Jan 2017	100,000	-	-	-	100,000
	100	24 June 2017	100,000	-	-	-	100,000
	100	1 July 2018	150,000	-	-	-	150,000
	100	23 July 2019	150,000	-	-	-	150,000
	67	7 July 2020	150,000	-	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000
P Flindell	160	30 June 2018	62,500	-	-	-	62,500
	100	23 July 2019	150,000	-	-	-	150,000
	67	7 Jul 2020	150,000	-	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000
K Harcourt	67	7 Jul 2020	50,000	-	-	-	50,000
	80	26 Sept 2021	-	150,000	-	-	150,000

Directors held 491,110 warrants as at 31 December 2016 (2015: 86,111), to subscribe for ordinary shares of the company. No warrants held by the directors expired during the year and 404,999 warrants were issued 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 include 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 programmes 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.

**CONDOR GOLD PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**Corporate Governance**

Condor Gold's Board of Directors and management strongly support the principles of good corporate governance, and are committed to building the Group's reputation for integrity. For the financial year ended 31 December 2016, due to the size of the Group the board did not consider it appropriate to follow the provisions of the Corporate Governance Code for Small and Mid-size Quoted Companies (the "QCA code") but followed governance procedures appropriate to the Group's size, having due regard to the principles of the Code.

**Board of directors**

The board of directors at the year end included one executive chairman and three non-executive directors. 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, maintains 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, for both committee board meetings and full operational board meetings. During the year to 31 December 2016 the board met for a total of 8 board meetings. 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 general 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.

**Risk Committee**

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

The Risk Committee's primary responsibilities are to identify and review the risks the group faces and to review the safeguards in place to mitigate those risks.



## **CONDOR GOLD PLC**

### **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **Service Contracts**

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

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

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

	Annual salary £'000	Consultancy payments £'000	Date of Contract	Unexpired term	Notice period
M L Child	100	50	13 July 2011	-	6 months
J Mellon	-	25	6 April 2011	-	2 months
R Davey	25	-	19 December 2011	-	2 months
K Harcourt	25	-	2 March 2015	-	2 months
P Flindell	-	25	28 August 2014	-	2 months

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

#### **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 11:00a.m. on 29 June 2017 at the offices of The Clubhouse, 8 St. James's Square, St. James's, London, SW1Y 4JU. 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 £11,393 (2015: £13,005) 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.

**CONDOR GOLD PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued**

The maintenance and integrity of the Condor Gold Plc web site, which includes compliance with AIM Rule 26, 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 489 of the Companies Act 2006.

**ON BEHALF OF THE BOARD:**



M L Child  
Chairman  
Date: 18 May 2017

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF**  
**CONDOR GOLD PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

We have audited the financial statements of Condor Gold Plc for the year ended 31 December 2016 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on the other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF**  
**CONDOR GOLD PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Date:

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

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	Year Ended 31.12.16 £	Year Ended 31.12.15 £
Administrative expenses		(3,618,877)	(3,066,679)
Impairment of El Salvador assets	10	(4,065,086)	-
Operating loss	6	(7,683,963)	(3,066,679)
Finance income	5	1,732	5,068
Loss before income tax		(7,682,231)	(3,061,611)
Income tax expense	7	-	-
<b>Loss for the year</b>		<b>(7,682,231)</b>	<b>(3,061,611)</b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation differences		918,254	839,395
<b>Other comprehensive (loss) / income for the year</b>		<b>918,254</b>	<b>839,395</b>
<b>Total comprehensive loss for the year</b>		<b>(6,763,977)</b>	<b>(2,222,216)</b>
<b>Loss attributable to:</b>			
Non-controlling interest		(513)	(125)
Owners of the parent		(7,681,718)	(3,061,486)
		<b>(7,682,231)</b>	<b>(3,061,611)</b>
<b>Total comprehensive loss attributable to:</b>			
Non-controlling interest		(1,692)	(3,825)
Owners of the parent		(6,762,285)	(2,218,391)
		<b>(6,763,977)</b>	<b>(2,222,216)</b>
<b>Loss per share expressed in pence per share:</b>			
Basic and diluted (in pence)	9	14.52	7.62

The notes in pages 36 to 57 form an integral part of these financial statements

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Notes	31.12.16 £	31.12.15 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	234,390	318,513
Intangible assets	12	15,924,194	18,374,085
		<hr/>	<hr/>
		16,158,584	18,692,598
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	545,251	945,327
Cash and cash equivalents		583,610	1,105,457
		<hr/>	<hr/>
		1,128,861	2,050,784
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>17,287,445</b>	<b>20,743,382</b>
		<hr/>	<hr/>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	351,551	559,984
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>351,551</b>	<b>559,984</b>
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>777,310</b>	<b>1,490,800</b>
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>16,935,894</b>	<b>20,183,398</b>
		<hr/>	<hr/>
<b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Called up share capital	17	10,582,129	9,161,463
Share premium		28,875,061	27,442,728
Legal reserves		-	71
Exchange difference reserve		632,526	1,549,601
Retained earnings		(23,075,118)	(17,893,453)
		<hr/>	<hr/>
		17,014,598	20,260,410
		<hr/>	<hr/>
Non-controlling interest		(78,704)	(77,012)
		<hr/>	<hr/>
		16,935,894	20,183,398
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board of directors on 18 May 2017 and were signed on its behalf by:



M L Child - Chairman  
Company No: 05587987

The notes in pages 35 to 56 form an integral part of these financial statements

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2016**

	Share Capital	Share premium	Legal reserve	Exchange difference reserve	Retained earnings	Total	Non Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£
At 1 January 2015	9,161,463	27,442,728	71	706,506	(15,151,485)	22,159,283	(73,187)	22,086,096
Comprehensive income:								
Loss for the year	-	-	-	-	(3,061,486)	(3,061,486)	(125)	(3,061,611)
Other comprehensive income:								
Currency translation differences	-	-	-	843,095	-	843,095	(3,700)	839,395
Total comprehensive income	9,161,463	27,442,728	71	1,549,601	(18,212,971)	19,940,892	(77,012)	19,863,880
New shares issued	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	319,518	319,518	-	319,518
At 31 December 2015	9,161,463	27,442,728	71	1,549,601	(17,893,453)	20,260,410	(77,012)	20,183,398
Comprehensive income:								
Loss for the year	-	-	-	-	(7,681,718)	(7,681,718)	(513)	(7,682,230)
Other comprehensive income:								
Currency translation differences	-	-	-	(917,075)	-	(917,075)	(1,179)	(918,254)
Total comprehensive income	-	-	-	(917,075)	(7,681,718)	(8,598,793)	(1,692)	(8,600,484)
Adjustment	-	-	(71)	-	-	(71)	-	(71)
New shares issued	1,420,666	1,432,333	-	-	-	2,852,999	-	2,852,999
Share based payment	-	-	-	-	2,500,053	2,500,053	-	2,500,053
At 31 December 2016	10,582,129	28,875,061	-	632,526	(23,075,118)	17,014,598	(78,704)	16,935,894

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

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

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

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

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Notes	31.12.16 £	31.12.15 £
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	2,667	1,305
Investments	13	565,355	3,516,852
Other receivables	14	18,594,762	18,552,024
		<hr/> 19,162,784	<hr/> 22,070,181
<b>CURRENT ASSETS</b>			
Other receivables	15	31,378	33,267
Cash and cash equivalents		543,198	1,083,086
		<hr/> 574,576	<hr/> 1,116,353
<b>TOTAL ASSETS</b>		<hr/> <b>19,737,360</b>	<hr/> <b>23,186,534</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	<hr/> 186,232	<hr/> 479,014
<b>TOTAL LIABILITIES</b>		<hr/> <b>186,232</b>	<hr/> <b>479,014</b>
<b>NET CURRENT ASSETS</b>		<hr/> 388,344	<hr/> 637,339
<b>NET ASSETS</b>		<hr/> <b>19,551,128</b>	<hr/> <b>22,707,520</b>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	17	10,582,129	9,161,463
Share premium		28,875,061	27,442,728
Retained earnings		<hr/> (19,906,062)	<hr/> (13,896,671)
<b>TOTAL EQUITY</b>		<hr/> <b>19,551,128</b>	<hr/> <b>22,707,520</b>

The loss for the financial year dealt with in the financial statement of the parent company was £8,509,435 (2015: £2,268,465).

The financial statements were approved and authorised for issue by the Board of directors on 18 May 2017 and were signed on its behalf by:



M L Child - Chairman  
Company No: 05587987

The notes in pages 35 to 56 form an integral part of these financial statements



**CONDOR GOLD PLC****COMPANY STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2016**

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2015	9,161,463	27,442,728	(11,947,725)	24,656,466
Comprehensive income:				
Loss for the period	-	-	(2,268,464)	(2,268,464)
Total comprehensive income	9,161,463	27,442,728	(14,216,189)	22,388,002
New shares issued	-	-	-	-
Share based payment	-	-	319,518	319,518
At 31 December 2015	9,161,463	27,442,728	(13,896,671)	22,707,520
Comprehensive income:				
Loss for the period	-	-	(8,509,435)	(8,509,435)
Total comprehensive income	-	-	(8,509,435)	(8,509,435)
New shares issued	1,420,666	1,432,333	-	2,852,999
Share based payment	-	-	2,500,044	2,500,044
At 31 December 2016	10,582,129	28,875,061	(19,906,062)	19,551,128

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

Retained earnings represent the cumulative net gains and losses recognised in the Company's income statement.

**CONDOR GOLD PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	31.12.16	31.12.15
	£	£
<b>Cash flows from operating activities</b>		
Loss before tax	(7,682,231)	(3,061,611)
Share based payment	2,500,053	748,400
Depreciation charges	47,897	56,933
Impairment charge of intangible fixed assets	33,975	37,158
Finance income	(1,732)	(5,068)
Write off of El Salvador	4,063,136	-
	<u>(1,038,902)</u>	<u>(2,224,188)</u>
Decrease in trade and other receivables	392,942	22,089
Decrease in trade and other payables	<u>(206,772)</u>	<u>(11,133)</u>
Net cash absorbed in operating activities	<u>(852,732)</u>	<u>(2,213,232)</u>
<b>Cash flows from investing activities</b>		
Purchase/disposal of tangible fixed assets	32,593	(53,611)
Purchase of intangible fixed assets	(1,892,692)	(2,225,448)
Interest received	<u>1,732</u>	<u>5,068</u>
Net cash absorbed in investing activities	<u>(1,858,367)</u>	<u>(2,273,991)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from share issue	<u>2,852,999</u>	<u>-</u>
Net cash from financing activities	<u>2,852,999</u>	<u>-</u>
Increase / (Decrease) in cash and cash equivalents	<u>141,900</u>	<u>(4,487,223)</u>
Cash and cash equivalents at beginning of year	1,105,457	4,761,128
Exchange (loss)/gains in cash and bank	<u>(663,747)</u>	<u>831,552</u>
Cash and cash equivalents at end of year	<u><u>583,610</u></u>	<u><u>1,105,457</u></u>

The notes in pages 35 to 56 form an integral part of these financial statements

**CONDOR GOLD PLC**

**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Year Ended 31.12.16 £	Year Ended 31.12.15 £
<b>Cash flows from operating activities</b>		
Loss before tax	(8,509,435)	(2,268,464)
Share based payment	2,377,414	748,400
Depreciation charges	1,542	1,751
Finance income	(1,722)	(5,059)
Write off of El Salvador	3,211,018	-
	<u>(2,921,183)</u>	<u>(1,523,372)</u>
Increase / (decrease) in trade and other receivables	(39,689)	(2,144,112)
Decrease / (increase) in trade and other payables	(293,941)	(4,001)
	<u></u>	<u></u>
Net cash absorbed in operating activities	<u>(3,254,813)</u>	<u>(3,671,485)</u>
<b>Cash flows from investing activities</b>		
Interest received	1,722	5,059
Purchase of tangible fixed assets	(2,905)	-
Purchase of fixed asset investments	(136,891)	-
	<u></u>	<u></u>
Net cash (absorbed in)/from investing activities	<u>(138,074)</u>	<u>5,059</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	2,852,999	-
	<u></u>	<u></u>
Net cash from financing activities	<u>2,852,999</u>	<u>-</u>
(Decrease) in cash and cash equivalents	<u>(539,888)</u>	<u>(3,666,426)</u>
Cash and cash equivalents at beginning of year	1,083,086	4,749,512
	<u></u>	<u></u>
Cash and cash equivalents at end of year	<u>543,198</u>	<u>1,083,086</u>

The notes in pages 35 to 56 form an integral part of these financial statements

## **CONDOR GOLD PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. ACCOUNTING POLICIES**

##### **General information**

These consolidated financial statements are for Condor Gold Plc and its subsidiary undertakings. The Company is a public company registered in England and Wales on 10 October 2005 and is listed on the AIM Market of the London Stock Exchange. The address of its registered office is Origin Two, 106 High Street, Crawley, West Sussex, England, RH10 1BF. The nature of the Group's operation is described in the Directors' report. For the subsidiaries, the registered offices are: Condor S.A.; Reparto San Juan, Gimnasio Hercules 1 c al Sur 2 arriba, Apartamentos Isolsa #2, Managua Nicaragua 14002, and La India Gold S.A; La Cruz de La India, Centro de Salud 50 vrs al Sur, Municipio de Santa Rosa del Peñon, Departamento de Leon. Minerales Morazan S.A. De C.V. is in the process of closing.

##### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional currency"). The consolidated financial statements are presented in British Pounds (sterling - £) which is the Company's presentation and functional currency.

##### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations), as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments that are measured at fair value.

The operations of the Group are currently financed from funds which the Company has raised from shareholders. The Group has not yet earned revenues and is still in the exploration phase of its business. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only and further funding will be required from time to time to finance those activities. The directors prepare and monitor cash flow projections based on different funding scenarios and make assumptions about the availability of additional finance in the future. On the basis of those cash flow projections, the directors consider that the Company is unlikely to require additional financial resources in the twelve month period from the date of approval of these financial statements to enable the Company to undertake its planned programme of exploration activity and to meet its commitments. The directors are confident that should predictions change and the Company requires further financing that they will be able to raise the required funds and/or manage/reduce the level of expenditure and therefore consider the going concern basis to be appropriate.

The financial statements have been rounded to the nearest pound.

##### **Interpretations and amendments to published standards effective in 2016**

The adoption of IFRS and IFRIC Interpretations did not result in any substantial changes to the Group's accounting policies, nor any significant impact on these financial statements except for presentation and disclosures in the financial statements.

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

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that any will have a material impact on the future results of the Group.

## **CONDOR GOLD PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. ACCOUNTING POLICIES - continued**

##### **Basis of consolidation**

The Group financial statements consolidate the accounts of its subsidiaries; Minerales Morazan S.A. De C.V., Condor S.A., and La India Gold S.A. under the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Entities that the group has significant influence over but are not subsidiaries or joint ventures, are accounted for as associates. The results and assets and liabilities of the associates were included in the consolidated accounts using the equity method of accounting.

All the Group's companies have 31 December as their year end. Consolidated financial statements are prepared using uniform accounting policies for like transactions.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

##### **Business combinations**

On the acquisition of a subsidiary, fair values are attributed to the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions necessary for recognition, on the basis of fair value at the acquisition date. Those mineral reserves and resources that are able to be reliably measured are recognised in the assessment of fair values on acquisition.

Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchase goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the cost of acquisition is less than the value attributable to such net assets, the difference is treated as negative goodwill and is recognised immediately in the income statement.

##### **Property, plant and equipment**

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 20% on cost
Fixtures and fittings	- 50% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 50% on cost

##### **Investments**

Investments in subsidiaries are stated at cost less provision for any impairment in value.

##### **Financial instruments**

###### *(a) Financial assets*

Financial assets are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at recognition. Where financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Group transfers substantially all risks and rewards of ownership.

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash-in-hand and deposits held with banks.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. ACCOUNTING POLICIES – continued**

**Financial instruments - continued**

Investments which are held for trading are accounted for at fair value through profit and loss. Investments are treated as held for trading if they are:

- (i) acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (iii) a derivative (except for derivatives that are designated as effective hedging instruments).

In addition, the Group classifies investments as financial assets at fair value through profit and loss where the investment eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases.

The net gain or loss recognised in profit and loss incorporates any dividend or interest earned on the financial asset.

*(b) Financial liabilities*

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

**Taxation**

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

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

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

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

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

- Where the deferred income tax asset relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## **CONDOR GOLD PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. ACCOUNTING POLICIES - continued**

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

Exploration expenditure comprises all costs which are directly attributable to the exploration of a project area.

Licences costs are those acquiring mineral rights and the entry premiums paid to gain access to areas of interest.

Mineral resources costs are those paid to third parties to acquire interests in existing projects.

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

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

##### **Foreign currencies**

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

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

##### **Share based payments**

The fair value of equity instruments granted to directors, employees and consultants is charged to the income statement with a corresponding increase in equity. The fair value of share options is measured at grant date, using the Black-Scholes model, and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest, except where forfeiture is due to criteria, as stated in the share option agreements.

##### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred onto a vessel, train, conveyor or other delivery mechanisms. Revenue is measured at the fair value of the consideration received or receivable.

##### **Interest revenue**

Interest revenue is recognised as it accrues, using the effective interest rate method (EIR).

##### **Critical accounting estimates and judgements**

The preparation of financial information in conformity with generally accepted accounting standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. ACCOUNTING POLICIES - continued**

In the process of applying the Group's accounting policies, which are described in note 1, management has made the following assumptions that have the most significant effect on the amounts recognised in the financial information:

**a) Impairment of intangible assets, investment in, and long term loan to subsidiaries**

The Group tests annually for impairment or more frequently if there are indications that the intangible assets and/or investments and/or intercompany loan might be impaired.

Determining whether the intangible assets and/or investments and/or intercompany loan are impaired requires an estimation of the value in use of the cash generating units to which the intangible assets belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and the suitable discount rate in order to calculate the present value.

**b) Share based payments**

The Group has made awards of options on its unissued share capital to certain directors and employees as part of their remuneration package.

The valuation of these options involved making a number of critical estimates relating to going concern, price volatility, future dividend yields, expected life of the options and interest rates. These assumptions are described in more detail in note 18.

**c) Going Concern**

The Group reviews its going concern status, via comparisons to budgets, cash flow forecasts, and access to further financing. At the balance sheet date the group had £583,610 of cash, and since the period end date the Company raised £5.242m. The Company believes that this is more than adequate to fund the next 12 months activities. The Directors prepare and monitor cash flow projections based on different funding scenarios and make assumptions about the availability of additional finance in the future, the Directors believe that they would be able to scale back ongoing costs and continue operating to preserve cash until further funding is obtained if this were to be required. The Group's financial statements have been prepared on a going concern basis. The Group's financial statements do not reflect any adjustments as would be required if they were prepared on any other basis.



**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. REVENUE AND SEGMENTAL REPORTING**

The Group's operating segments have been determined based on geographical areas.

The Group's operations are located in UK and Nicaragua. The Group undertakes only one business activity as described in the Director's Report. During the year the Group did have operations in El Salvador, but these ceased by the year end, and the Company was in the process of winding up its operations in El Salvador.

**Revenue and results**

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses, as set out in note 1.

The segment results are the measures that are reported to the Groups' chairman in order to assess the segments' performance during the period.

The Group has not generated revenue during the year.

The Group's results by reportable segment for the year ended 31 December 2016 are as follows:

	<b>UK</b> <b>£</b>	<b>El Salvador</b> <b>£</b>	<b>Nicaragua</b> <b>£</b>	<b>Consolidation</b> <b>£</b>
<b>RESULTS</b>				
Operating loss	3,172,514	39,114	407,249	3,618,877
Interest income	1,722	10	-	1,732
Write off of El Salvador	(2,127,626)	(1,937,460)	-	(4,065,086)
Income tax expense	-	-	-	-
<b>Included in operating loss</b>				
Impairment of intangibles	-	33,974	-	33,974
Depreciation	1,542	-	-	1,542

The Group's results by reportable segment for the year ended 31 December 2015 are as follows:

	<b>UK</b> <b>£</b>	<b>El Salvador</b> <b>£</b>	<b>Nicaragua</b> <b>£</b>	<b>Consolidation</b> <b>£</b>
<b>RESULTS</b>				
Operating loss	2,273,524	1,260	757,113	3,066,679
Interest income	5,059	9	-	5,068
Income tax expense	-	-	-	-
<b>Included in operating loss</b>				
Impairment of intangibles	-	34,782	-	34,782
Depreciation	1,752	-	-	1,752

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**3. REVENUE AND SEGMENTAL REPORTING - continued**

**Assets - 2016**

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses, as set out in note 1.

	<b>UK £</b>	<b>El Salvador £</b>	<b>Nicaragua £</b>	<b>Consolidation £</b>
<b>ASSETS</b>				
Total assets	<u>1,141,438</u>	<u>-</u>	<u>16,146,007</u>	<u>17,287,445</u>
<b>LIABILITIES</b>				
Total liabilities	<u>186,232</u>	<u>-</u>	<u>165,319</u>	<u>351,551</u>

The group had intercompany debt owed to the UK at 31 December 2016 split segmentally as follows:

Due from El Salvador      £NIL  
Due from Nicaragua      £18,594,762

**Assets - 2015**

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses, as set out in note 1.

	<b>UK £</b>	<b>El Salvador £</b>	<b>Nicaragua £</b>	<b>Consolidation £</b>
<b>ASSETS</b>				
Total assets	<u>3,637,848</u>	<u>1,822,107</u>	<u>15,283,427</u>	<u>20,743,382</u>
<b>LIABILITIES</b>				
Total liabilities	<u>479,014</u>	<u>467</u>	<u>80,503</u>	<u>559,984</u>

The Group had intercompany debt owed to the UK at 31 December 2015 split segmentally as follows:

Due from El Salvador      £2,083,459  
Due from Nicaragua      £16,468,565

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4. STAFF COSTS**

	31.12.16	31.12.15
	£	£
Wages and salaries	3,199,316	3,364,613
Social security costs	216,808	180,608
	<u>3,416,124</u>	<u>3,545,222</u>

Staff costs included within additions to exploration costs during the year were £3,211,930 (2015: £2,520,619).

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

	Group		Company	
	2016	2015	2016	2015
Directors	5	5	3	3
Employees	45	45	1	1
	<u>50</u>	<u>50</u>	<u>4</u>	<u>4</u>

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

Short Term Employee Benefits:

	Salary Payments		Related Party Payments *		Total	
	2016	2015	2016	2015	2016	2015
	£	£	£	£	£	£
M L Child	100,000	100,000	53,318	50,000	153,318	150,000
K Harcourt	21,833	10,500	-	12,375	21,833	22,875
J Mellon	-	-	20,667	25,000	20,667	25,000
R Davey	26,895	32,900	-	-	26,895	32,900
P Flindell	-	-	31,988	46,950	31,988	46,950
Total	<u>148,728</u>	<u>143,400</u>	<u>105,973</u>	<u>134,325</u>	<u>254,701</u>	<u>277,725</u>

\* Refer to note 19 for listing of related parties

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

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4. STAFF COSTS - continued**

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

	Exercise price (p)	Latest exercise date	As at 1 January 2016	Granted during the year	Exercised in the year	Lapsed in the year	As at 31 December 2016
<b>DIRECTORS</b>							
M L Child	180	15 Apr 2016	762,500	-	-	(762,500)	-
	100	24 June 2017	250,000	-	-	-	250,000
	100	1 July 2018	600,000	-	-	-	600,000
	100	23 July 2019	600,000	-	-	-	600,000
	67	7 July 2020	600,000	-	-	-	600,000
	80	26 Sept 2021	-	600,000	-	-	600,000
J Mellon	180	15 Apr 2016	250,000	-	-	(250,000)	-
	100	24 June 2017	100,000	-	-	-	100,000
	100	1 July 2018	150,000	-	-	-	150,000
	100	23 July 2019	150,000	-	-	-	150,000
	67	7 Jul 2020	150,000	-	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000
R Davey	180	5 Jan 2017	100,000	-	-	-	100,000
	100	24 June 2017	100,000	-	-	-	100,000
	100	1 July 2018	150,000	-	-	-	150,000
	100	23 July 2019	150,000	-	-	-	150,000
	67	7 July 2020	150,000	-	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000
P Flindell	160	30 June 2018	62,500	-	-	-	62,500
	100	23 July 2019	150,000	-	-	-	150,000
	67	7 Jul 2020	150,000	-	-	-	150,000
	80	26 Sept 2021	-	150,000	-	-	150,000
K Harcourt	67	7 Jul 2020	50,000	-	-	-	50,000
	80	26 Sept 2021	-	150,000	-	-	150,000

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

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

The market price of the shares at 31 December 2016 was 51.50p (2015: 21.75p).

The market price during the year ranged from 17p to 88p (2015: 20p to 76p).

Directors held 491,110 warrants as at 31 December 2016 (2015: 86,111), to subscribe for ordinary shares of the company. No warrants held by the directors expired during the year.

**5. FINANCE INCOME**

	31.12.16 £	31.12.15 £
Deposit account interest	1,732	5,068

**6. LOSS BEFORE TAX**

The loss before tax is stated after charging:

	31.12.16 £	31.12.15 £
Depreciation – owned assets	1,542	1,752
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	20,000	20,000
Foreign exchange differences	55,481	5,428
Impairment of El Salvador assets (See note 12)	4,872,513	34,782
Rent – operating leases	8,238	6,945

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. TAXATION**

<b>Analysis of the tax charge</b>	31.12.16	31.12.15
	£	£
Current tax:		
Tax	-	-
Total tax charge in income statement	-	-

**Reconciliation of the tax charge**

	31.12.16	31.12.15
	£	£
Loss before tax	(8,509,435)	(2,268,464)
Loss before tax multiplied by standard rate of Corporation tax in the UK of 20% (2015: 20%)	(1,701,887)	(453,693)
Effects of:		
Non-taxation income/(non-deductible expenses)	617	(12,887)
Deferred tax not provided	1,701,270	466,580
Differences in overseas taxation rates	-	-
Total tax charge in income statement	-	-

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to certain losses carried forward at the year end, as there is insufficient evidence that taxable profits will be available in the foreseeable future against which the deductible temporary difference can be utilised. The unrecognised deferred tax asset was £3,062,140 (2015: £2,427,709).

**8. LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £8,509,435 (2015: £2,268,464).

**9. LOSS PER SHARE**

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

A reconciliation is set out below:

	31.12.16	31.12.15
	£	£
<b>Basic earnings per share</b>		
Loss for the year	7,682,231	3,061,611
Weighted average number of shares	52,910,649	40,183,746
Loss per share (in pence)	(14.52)	(7.62)

**Diluted earnings per share**

In accordance with IAS 33 and as the Group has reported a loss for the year, the share options and warrants as detailed in note 18 are anti-dilutive. Accordingly, diluted earnings per share is the same as basic earnings per share.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. IMPAIRMENT OF EL SALVADOR ASSETS**

The group has made the significant decision to impair all assets held by the El Salvador subsidiary, Minerales Morazan S.A. De C.V. The total impairment loss amounts to £4,065,086.

The details of the impairment are per the table below;

<b>Group</b>	<b>31.12.16</b>	<b>Company</b>	<b>31.12.16</b>
	<b>£</b>		<b>£</b>
Exploration costs	(1,843,372)	Inter company	(2,127,626)
Mineral resources	(2,214,356)	Investments	(3,205,617)
Other	<u>(7,359)</u>	Other	<u>(5,401)</u>
	<u><u>(4,065,086)</u></u>		<u><u>(5,338,644)</u></u>

The group is in the process of winding up its El Salvadorian operations following the GoES decision to approve a law to ban metallic mining, and all related activities in April 2017.

The background for the decision is as follows:

- In late 2007 the Company's exploration licences in El Salvador were suspended as a result of the moratorium on mining activities, they were not revoked, and had not expired.
- The Company historically received assurances from a number of relevant government officials that it will maintain its concession areas following the outcome of the moratorium process.
- Exploration for and evaluation of mineral resources in the El Salvador project areas historically showed excellent potential through additional drilling. The gold resource of 747,000 oz had the potential to double to 1.5m oz and the silver resource had the potential to increase from 22.4m oz to over 50m oz, which would be a large commercial reserve.
- Gold and silver prices had continued to increase significantly since the El Salvador projects was last drilled.
- Another company with 1.7m oz reserves in El Salvador announced details of an independent valuation of its assets in excess of \$300 million in 2012.
- Pacific Rim Mining (in El Salvador) was purchased for circa US \$12m or US \$7 per total resource ounce gold equivalent in 2012.
- In 2009 Pacific Rim Mining (in El Salvador) took GoES to the international centre for settlement of investment disputes, in an effort to end the ongoing moratorium.
- In October 2016, the international centre for settlement of investment disputes ruled in favour of GoES, to in effect allow a ban on metallic mining.
- In April 2017, the GoES approved a law to ban metallic mining, and all related activities.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**11. PROPERTY, PLANT AND EQUIPMENT**

	Improvements to rental property £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Computer equipment & software £	Totals £
<b>Group</b>						
<b>Cost or valuation:</b>						
At 1 January 2015	175,506	100,198	32,462	119,934	62,252	490,352
Additions	17,773	47,544	1,152	3,915	2,050	72,434
Disposals	-	-	(816)	(14,188)	(3,819)	(18,823)
Exchange difference	11,833	6,285	1,204	8,156	1,824	29,302
At 31 December 2015	205,112	154,027	34,002	117,817	62,307	573,265
Additions	1,454	3,922	775	-	11,422	17,573
Disposals	-	(663)	(2,868)	-	(3,010)	(6,541)
Exchange difference	(2,348)	225	1,621	(1,348)	2,296	446
At 31 December 2016	204,218	157,511	33,530	116,469	73,015	584,743
<b>Accumulated depreciation and impairment:</b>						
At 1 January 2015	(8,818)	(27,185)	(22,049)	(61,743)	(48,998)	(168,793)
Charge for period	(19,546)	(26,268)	(3,633)	(17,193)	(6,096)	(72,736)
Exchange difference	(12,425)	(6,545)	(621)	5,773	595	(13,223)
At 31 December 2015	(40,789)	(59,998)	(26,303)	(73,163)	(54,499)	(254,752)
Charge for period	(33,964)	(28,139)	(5,173)	(22,125)	(8,266)	(97,667)
Disposals	-	429	2,869	-	2,848	6,146
Exchange difference	464	(1,302)	(1,704)	837	(2,375)	(4,080)
At 31 December 2016	(74,289)	(89,010)	(30,311)	(94,451)	(62,292)	(350,353)
<b>Net Book Value:</b>						
At 31 December 2015	164,323	94,029	7,699	44,654	7,808	318,513
At 31 December 2016	129,929	68,501	3,219	22,018	10,723	234,390

The current year depreciation charge for the subsidiaries of £96,125 (2015: £70,985) is included within the addition to exploration costs in the year.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**11. PROPERTY, PLANT AND EQUIPMENT – continued**

<b>Company</b>	Fixtures & fittings £	Computer Equipment £	Totals £
<b>Cost:</b>			
At 1 January 2015	2,601	15,443	18,044
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 January 2016	2,601	15,443	18,044
Additions	121	2,784	2,905
	<hr/>	<hr/>	<hr/>
At 31 December 2016	2,722	18,227	20,949
	<hr/>	<hr/>	<hr/>
<b>Depreciation:</b>			
At 1 January 2015	(1,417)	(13,571)	(14,988)
Charge for the year	(651)	(1,101)	(1,752)
	<hr/>	<hr/>	<hr/>
At 1 January 2016	(2,068)	(14,672)	(16,740)
Charge for the year	(527)	(1,015)	(1,542)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	(2,595)	(15,687)	(18,282)
	<hr/>	<hr/>	<hr/>
<b>Net Book Value:</b>			
At 31 December 2015	533	771	1,304
	<hr/>	<hr/>	<hr/>
<b>Net book Value:</b>			
At 31 December 2016	127	2,540	2,667
	<hr/>	<hr/>	<hr/>



**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**12. INTANGIBLE ASSETS**

	Exploration costs £	Mineral resources £	Licences £	Total £
<b>Group</b>				
<b>Cost or valuation:</b>				
At 1 January 2015	15,587,370	3,612,582	472,036	19,671,988
Additions	2,223,078	-	-	2,223,078
Disposals	-	(428,882)	-	(428,882)
Exchange difference	7,560	-	-	7,560
At 31 December 2015	17,818,008	3,183,700	472,036	21,473,744
Additions	1,633,171	259,521	-	1,892,692
Disposals	-	-	-	-
Exchange difference	(250,881)	-	-	(250,881)
At 31 December 2016	19,200,298	3,443,221	472,036	23,115,555
<b>Accumulated depreciation and impairment:</b>				
At 1 January 2015	(1,929,331)	(663,510)	(472,036)	(3,064,877)
Impairment for year	(34,782)	-	-	(34,782)
At 31 December 2015	(1,964,113)	(663,510)	(472,036)	(3,099,659)
Impairment for year	(1,877,346)	(2,214,356)	-	(4,091,702)
At 31 December 2016	(3,841,459)	(2,877,866)	(472,036)	(7,191,361)
<b>Net Book Value:</b>				
At 31 December 2015	15,853,895	2,520,190	-	18,374,085
At 31 December 2016	15,358,839	565,355	-	15,924,194

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

During the year the company conducted an impairment review of its El Salvadorian assets, please see note 10 for further information.

## **CONDOR GOLD PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **12. INTANGIBLE ASSETS (CONTINUED)**

The calculation of value in use is most sensitive to the following assumptions:

- Production volumes
- Discount rates
- Metal prices
- Operating costs

The Company has conducted an impairment review of its El Salvadorian assets. In arriving at its assessment as to whether an impairment review is required in relation to its El Salvador assets, which amounted to £4,057,728 (2015: £4,028,756) at the balance sheet date, the company has made a decision to impair all assets. An overview of the decision is set out in note 10 to the accounts.

In arriving at its assessment as to whether an impairment review is required in relation to its Nicaragua assets, which amounted to £15,924,194 (2015: £14,345,337) at the balance sheet date, the following factors were considered:

The exploration assets are in good standing;

- Substantive expenditure is planned on further exploration for and evaluation of mineral resources in Nicaragua project areas;
- Results from exploration for evaluation of mineral resources to date lead the directors to believe that the projects can be developed into significant commercial reserves;
- Sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is likely to be recovered in full from successful development or by sale.
- Sensitivity analyses have been performed to the key assumptions listed above which would not result in an impairment to these assets.
- The La India Concession was added to Condor's portfolio in late 2010 through a concession swap with Canadian miner B2Gold, following a Letter Agreement signed on 31 August 2010 between Condor and B2Gold. The current 68.5 sq km La India Concession was originally part of a much larger, 353.0 sq km El Limon –La India Concession, which in 1994 granted a 3% Net Smelter Royalty ("NSR") to Repadre Capital Corporation. Due to new mining laws, effective in August 2001, much of the El Limon-La India Concession was relinquished to the Government and became available for re-grant. Condor has received legal opinion from its lawyers in Nicaragua that the 3% NSR is invalid under Nicaraguan law. B2Gold provided Condor with a copy of a royalty agreement some 2 years after the concession swap. A hearing was held in Vancouver, Canada in May 2015 regarding the on-going dispute between B2Gold Corporation, Royal Gold Inc and Condor Gold plc over the NSR on the 65km<sup>2</sup> of La India Concession. The judge's ruling at the Vancouver hearing was received in September 2015. To quote the Judge: "In conclusion, I declare that La India Gold S.A. holds La India Concession subject to the royalty originally made between Minera de Occidente S.A. (now Triton, owned by B2Gold) as payor and Repadre Capital Corporation (now Royal Gold) as the present holder. The La India Concession, to the extent that it corresponds on the ground with the original concession subject of the royalty agreement, is, by clause 2.7 of the letter agreement, subject to the obligations of the royalty agreement." Condor has taken legal advice in Canada, Nicaragua and the UK on the implementation and enforceability of a Canadian ruling on a Nicaraguan incorporated company and has appealed the ruling.
- The Company published an updated 43-101 on its website on the 21<sup>st</sup> December 2014, this includes a PFS on La India Project which has demonstrated a robust, economically viable base case on La India open pit with a post-tax IRR of 22% assuming a US\$1,250 gold price. Maiden Probable Mineral Reserves are 6.9Mt at 3.0g/t for 675,000 oz gold. A 0.8Mtpa plant produces average annual production of 79,300 oz gold over 7 years with lower quartile all-in-sustaining cash costs ("AISC") of US\$690 per oz gold. A high-grade 3g/t gold open pit mineral reserve has resulted in a relatively small 2,300tpd plant with resultant low upfront capital cost of US\$110 million including contingency.
- In January 2016 the Company announced the findings of a Whittle Consulting Enterprise Optimisation Study analysing the Net Present Value for four production scenarios; this increased the contained gold within pit shells by 30% and gold produced by 20% to 25% per annum. Recovered gold ranges from 866,000 oz gold to 1.54M oz gold over the life of mine (see announcement of 22 January 2016).

In light of the above, the Board does not consider the Nicaragua exploration licences and related intangible assets to require impairment reviews and has continued to capitalise exploration expenditure in relation to those projects.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**13. INVESTMENTS**

<b>Company</b>	<b>Equity in subsidiary undertakings £</b>	<b>Capital contribution £</b>	<b>Total £</b>
<b>Cost:</b>			
1 January 2015	3,617,983	991,261	4,609,244
Disposal relating to share based payment	(428,882)	-	(428,882)
31 December 2015	3,189,101	991,261	4,180,362
 Addition relating to share based payment	 254,120	 -	 254,120
At 31 December 2016	3,443,221	991,261	4,434,482
 <b>Provision for impairment:</b>			
Charge at 1 January 2015	(663,510)	-	(663,510)
At 31 December 2015	(663,510)	-	(663,510)
Charge for the year	(2,214,356)	(991,261)	(3,205,617)
At 31 December 2016	(2,877,866)	(991,261)	(3,869,127)
 <b>Net Book Value:</b>			
At 31 December 2015	2,525,591	991,261	3,516,852
At 31 December 2016	565,355	-	565,355

In assessing whether an impairment is required for the carrying value of an asset, reference has been made to the underlying intangible assets discussed in note 12.

The capital contribution relating to share based payments relates to 264,000 share options granted by the Company to employees of a subsidiary undertaking in the Group during a previous year. Refer to note 18 for further details of share options.

The Company's investments at the balance sheet date in the share capital of companies include the following:

<b>Name</b>	<b>Country of incorporation</b>	<b>Interest %</b>	<b>Class of shares</b>	<b>Nature of the business</b>	<b>Share capital and reserves £</b>	<b>Loss for the year £</b>
Minerales Morazan S.A. de C.V.	El Salvador	90	Ordinary	Gold and silver exploration	(781,914)	(1,710)
Condor S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,318,560)	(63,406)
La India Gold S.A.	Nicaragua	100	Ordinary	Gold and silver exploration	(1,613,208)	(343,842)

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**14. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	31.12.16	31.12.15	31.12.16	31.12.15
	£	£	£	£
Current:				
Other receivables	498,363	911,858	9,167	4,919
Prepayments	46,888	33,469	22,211	28,348
	<u>545,251</u>	<u>945,327</u>	<u>31,378</u>	<u>33,267</u>
Non-current:				
Amounts owed by Group undertakings	-	-	22,378,401	20,208,037
Provision	-	-	(3,783,639)	(1,656,013)
	<u>-</u>	<u>-</u>	<u>18,594,762</u>	<u>18,552,024</u>
	<u>545,251</u>	<u>945,327</u>	<u>18,626,140</u>	<u>18,585,291</u>

In assessing whether an impairment is required for the carrying value of the amounts owed by Group undertakings to the Company, reference has been made to the underlying intangible assets discussed in note 12.

**15. FINANCIAL INSTRUMENTS**

The Group uses financial instruments such as trade receivables and payables and other items that arise directly from its operations. The main purpose of these financial instruments is to help finance the Group's operations.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Group's financial instruments, which are recognised in the balance sheet, comprise financial assets at fair value recognised through profit and loss, cash and cash equivalents, receivables and payables. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes below, where applicable.

The Group does not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

There were no financial instruments not recognised in the balance sheet of the Company and the Group.

**15.1 Financial instruments by category**

	Group		Company	
	31.12.16	31.12.15	31.12.16	31.12.15
	£	£	£	£
<b>Assets as per balance sheet</b>				
Loans and receivables:				
Other receivables	545,251	945,327	31,378	33,267
Cash and cash equivalents	<u>583,610</u>	<u>1,105,457</u>	<u>543,198</u>	<u>1,083,086</u>
Total	<u>1,128,861</u>	<u>2,050,784</u>	<u>574,576</u>	<u>1,116,353</u>

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. FINANCIAL INSTRUMENTS – continued**

	Group		Company	
	31.12.16	31.12.15	31.12.16	31.12.15
	£	£	£	£
<b>Liabilities as per balance sheet</b>				
Loans and receivables:				
Trade and other payables	125,988	280,522	114,169	294,105
Accrued expenses	<u>225,563</u>	<u>279,462</u>	<u>72,063</u>	<u>184,909</u>
Total	<u>351,551</u>	<u>559,984</u>	<u>186,232</u>	<u>479,014</u>

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

**15.2 Financial risk management objectives and policies**

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

(a) Foreign currency exchange risks

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

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

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
USD	0.7405	0.6540	0.8127	0.6745
1				
NIO 1	0.0255	0.0239	0.0279	0.0238

A decrease of 1% in the relative strength of sterling (GBP) to US dollars (USD) would result in an increased realised foreign exchange losses of £9,182 (2015: £5,040).

The Nicaraguan Cordoba (NIO) is set on a crawling peg to the US Dollar, with a fixed 5% devaluation per annum. Therefore the Directors do not currently consider any change in the relative strength of the Cordoba to be a risk to the Company. Should NIO break away from its crawling peg to the USD, the Directors will review this risk.

(b) Credit risk

As the Group had no turnover during the year; there is no significant concentration of credit risk. The Group does not have written credit risk management policies or guidelines. The Group's cash is held in reputable banks. The carrying amount of these financial assets represent the maximum credit exposure. No collateral was held as security and other credit enhancements during the period. No financial assets are impaired or past due at the end of the reporting period.

(c) Liquidity risks

To ensure liquidity, the Group maintains sufficient cash and cash equivalents to meet its obligations as and when they fall due.

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. FINANCIAL INSTRUMENTS – continued**

(d) Cash flow and fair value interest rate risks

The Group has no interest-bearing liabilities. Interest rates on bank deposits are based on the relevant national inter bank offered rates. The Group has no fixed interest rate assets.

The main financial risks for the Group are set out within the Strategic Report on pages 7 – 9.

At 31 December 2015 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	31.12.16		31.12.15	
	£	Weighted average interest rate	£	Weighted average interest rate
Financial assets:				
GBP – cash and cash equivalents	543,198	0.20%	1,083,086	0.20%
USD – cash and cash equivalents	-	0.00%	685	0.00%
NIO – cash and cash equivalents	40,412	0.00%	21,686	0.00%
	<u>583,610</u>		<u>1,105,457</u>	
Total				

A decrease of 1% on the interest rates offered by the bank will result in a decrease in interest receivable of £5,432 (2015: £5,068).

(e) The Group prepares budgets and forecasts to project its future spend and manages the capital available accordingly.

**16. TRADE AND OTHER PAYABLES**

	Group		Company	
	31.12.16	31.12.15	31.12.16	31.12.15
	£	£	£	£
Current:				
Trade payables	-	(46,856)	-	(22,588)
Social security and other taxes	19,465	18,124	8,517	7,439
Other payables	106,524	309,254	105,651	309,254
Accrued expenses	225,562	279,462	72,064	184,909
	<u>351,551</u>	<u>559,984</u>	<u>186,232</u>	<u>479,014</u>
Total	<u>351,551</u>	<u>559,984</u>	<u>186,232</u>	<u>479,014</u>

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

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**17. CALLED UP SHARE CAPITAL AND SHARE PREMIUM**

	Number of shares (thousands)	Ordinary shares £	Share premium £	Total £
At 31 December 2015	45,807	9,161,463	27,442,728	36,604,191
Proceeds from shares issued	-	-	-	-
At 31 December 2015	<u>45,807</u>	<u>9,161,463</u>	<u>27,442,728</u>	<u>36,604,191</u>
Proceeds from shares issued	7,103	1,420,666	1,432,333	2,852,999
At 31 December 2016	<u>52,910</u>	<u>10,582,129</u>	<u>28,875,061</u>	<u>39,457,190</u>

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

**18. EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS**

a) Share Options

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

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

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

Details of the share options outstanding during 2015 were as follows:

Date of Grant	1 January 2015 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2015	Date from which options are first exercisable	Lapse date
10/09/2009	50,000	-	-	(50,000)	-	11/09/2010	10/09/2014
31/12/2010	50,000	-	-	(50,000)	-	01/11/2011	31/12/2015
15/04/2011	717,400	-	-	(247,400)	470,000	16/04/2014	15/04/2016
15/08/2011	43,500	-	-	(43,500)	-	16/07/2012	18/08/2016
10/10/2011	20,000	-	-	(20,000)	-	16/07/2012	10/10/2016
20/12/2012	757,700	-	-	(211,300)	546,400	21/12/2013	20/12/2017
01/07/2013	1,400,000	-	-	(259,900)	1,140,100	01/07/2014	30/06/2018
23/07/2014	1,513,500	-	-	(100,000)	1,413,500	24/07/2015	22/07/2019
07/07/2015	-	1,429,000	-	(62,000)	1,367,000	07/07/2015	06/07/2020
	<u>4,552,100</u>	<u>1,429,000</u>	<u>-</u>	<u>(1,044,100)</u>	<u>4,937,000</u>		

**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**18. EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS - continued**

Details of the share options outstanding during 2016 were as follows:

Date of Grant	1 January 2016 No. of shares	Issued in Year	Exercised in year	Forfeit or lapsed in year	31 December 2016	Date from which options are first exercisable	Lapse date
15/04/2011	470,000	-	-	(470,000)	-	16/04/2014	15/04/2016
20/12/2012	546,400	-	-	7,500	553,900	21/12/2013	20/12/2017
01/07/2013	1,140,100	-	-	-	1,140,100	01/07/2014	30/06/2018
23/07/2014	1,413,500	-	-	(12,000)	1,401,500	24/07/2015	22/07/2019
07/07/2015	1,367,000	-	-	(12,000)	1,355,000	07/07/2016	06/07/2020
26/06/2016	-	1,740,000	-	-	1,740,000	26/06/2017	26/06/2021
	4,937,000	1,740,000	-	(486,500)	6,190,500		

During the year 462,500 share options expired (2015: 340,000) and 24,000 were forfeited (2015: 704,100).

The weighted average exercise price per share is 89p (2015: 157p) and the average contractual life is 5 years (2015: 5 years).

The estimated fair value of the options and warrants granted in 2016 was £2,360,311 (2015: £773,891) and has been fully recognised within administration expenses, on a pro-rata basis over the vesting period. This fair value has been calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2016	2015
Share price	63p	61p
Exercise price	80p	67p
Expected volatility	149.51%	147.26%
Expected life (yrs.)	5	5
Risk free rate	0.230%	0.820%
Expected dividend yield	-	-

A movement from the share option reserve of £2,500,053 (2015: £319,518) was made during the year reflecting the movements on issued warrants and options during the year.

Expected volatility was determined with reference to the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average remaining contractual life of the share options outstanding at the end of the period is 4 years (2015: 4 years).



**CONDOR GOLD PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS - continued**

b) Warrants

During the year the Company did not issue any warrants to its consultants for services provided (2015: NIL). During the year 4,696,666 warrants were issued as part of share subscriptions (2015: NIL).

The warrants all previously issued had a maximum life of two and a half years from the date they were issued, other than the 2014 warrants which have a 4 year life and the 2016 warrants which have a 2 year life. Should all warrants be exercised in full, the Company would receive £7,910,997.

The estimated fair value of the warrants granted in 2016 was £1,389,000 (2015: £NIL).

This fair value has been calculated using the Black-Scholes option pricing model as detailed above.

**19. RELATED PARTY TRANSACTIONS**

During the year the Company received consultancy advice from the following related parties:

Company	Related party	31.12.16 £	31.12.15 £	Outstanding at year end £
Burnbrae Limited	J Mellon	20,667	2,000	-
Axial Associates Limited	M L Child	53,312	50,000	-
	P Flindell	31,988	11,538	2,458
	K Harcourt	-	13,204	-

All key management receives their remuneration from the subsidiary they work for. The remuneration of key management in the subsidiaries is capitalised within exploration costs.

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

	31.12.16 £	31.12.15 £
<b>Condor S.A.</b>		
Brought forward loan balance	3,868,008	3,253,314
Additional loans during the period	871,745	614,694
Closing balance	4,739,753	3,868,008
	31.12.16 £	31.12.15 £
<b>Minerales Morazan S.A.</b>		
Brought forward loan balance	2,083,459	2,045,674
Additional loans during the period	44,167	37,785
Loan write off	(2,127,626)	
Closing balance	-	2,083,459
	31.12.16 £	31.12.15 £
<b>La India Gold S.A.</b>		
Brought forward loan balance	12,600,557	11,088,863
Additional loans during the period	1,254,452	1,511,694
Closing balance	13,855,009	12,600,557

**20. OPERATING LEASES**

The Group has an operating lease for rent. The total value of minimum lease payments is £16,670 (2015: £16,670), and the amount due within one year is £8,335 (2015: £8,335).

**21. CONTROLLING PARTY**

There is no ultimate controlling party.

**22. POST BALANCE SHEET EVENTS**

After the year end a placement was completed with proceeds amounting to £5.242m, issuing 8,454,733 shares and 4,227,364 warrants with an exercise price of 93 pence, two year life and exercise consideration of £3.93m, should they all be exercised.