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**CONDOR RESOURCES PLC**  
**Report and Accounts**  
**Year ended 31 December 2009**

**CONDOR RESOURCES PLC**  
**CONTENTS OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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**CONDOR RESOURCES PLC**  
**HIGHLIGHTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

Condor Resources (“Condor” or the “Company” or the “Group”), the AIM listed Central American gold exploration company, announces its results for the year ended 31<sup>st</sup> December 2009

**HIGHLIGHTS**

- Condor completed a Share Exchange with Grafton Resources Investments Limited (“Grafton”) and issued 140m new ordinary shares at 1pence each and subscribed for shares in Grafton valued at £1.4m based on Grafton’s then net asset value. Condor issued shares at a significant premium to its then share price.
- Condor shareholders rejected a hostile share offer for the Company which valued the Company at 0.45pence per share. The Board believes the hostile share offer was linked to a previously withdrawn requisition to remove certain directors from the Board and appoint parties connected with the offer.
- Condor was granted 100 percent ownership of the 16.2 sq km Santa Barbara Concession which is contiguous with Condor’s 100 percent owned Cacao Concession, and includes two known gold mineral anomalies believed to represent outcrops of the Cacao structure up to 4 kilometres along strike of the Cacao Resource within La India Mining District.
- Condor applied for five new, high quality advanced exploration concessions in Nicaragua during 2009 and took advantage of the global downturn that forced a number of junior miners to relinquish concessions.
- The unofficial moratorium on all exploration and mining in El Salvador continued, which has meant Condor is unable to drill on its key projects. It is the company’s view that it is unlikely to drill on key projects until 2011. Consequently the decision was made to place all drill core and data into storage and only retain an administrative presence in El Salvador in order to maintain the company’s licences and lobby government in favour of mining.

**POST PERIOD HIGHLIGHTS**

- Condor increased its landholding in Nicaragua to 148.66 from 40.10 square kilometres, through the grant of four new, 100% owned, 25 year exploration and mining concessions, all containing known gold mineralisation. These are:
  - The Real de la Cruz and El Rodeo concessions, adjacent and near to Condor’s existing Cacao and Santa Barbara concessions in the historic La India Gold Mining District. The two new concessions contain over 4 kilometres of gold mineralised epithermal veins defined by previous explorers. Condor now has 96 sq km in La India.
  - The Cerro Quiroz Concession within the currently producing Libertad-Santo Domingo Gold Mining District. The new concession contains a gold-mineralised structure over 1,500 metres long as yet untested by trenching or drilling.
  - The Estrella Concession which incorporates the historic Estrella Gold Mine on the edge of Nicaragua’s ‘Mining Triangle’.

**CURRENT (INC POST PERIOD) GLOBAL JORC INFERRED RESOURCE**

<i>Nicaragua Projects</i>						
	Tonnes	Average Gold Grade (g/t)	Contained Gold (oz)	Average Silver Grade (g/t)	Contained Silver (oz)	JORC Category
El Cacao	1,100,000	1.2	41,000	-	-	Inferred
<i>El Salvador Projects</i>						
Pescadito	7,100,000	1.9	434,000	96.0	22,100,000	Inferred
La Calera	6,000,000	1.6	313,000	1.4	280,000	Inferred
<b>Total</b>	<b>14,200,000</b>	<b>1.7</b>	<b>788,000</b>	<b>53</b>	<b>22,380,000</b>	<b>Inferred</b>

*Note that tonnage and grade are rounded to two significant figures, contained gold to nearest thousand ounces, and contained silver to nearest ten thousand ounces*

**CONDOR RESOURCES PLC**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Chairman's Statement**

Dear Shareholder,

I am pleased to announce Condor Resources PLC's ("Condor" or "the Company", together with its subsidiaries the Group", www.condorresourcesplc.com) annual report for the 12 month financial year to 31<sup>st</sup> December 2009. Condor's JORC Inferred Resource of 788,000 oz gold and 22.38 million oz silver remained unchanged during the period. The unofficial moratorium on all exploration and mining in the Republic of El Salvador ("El Salvador"), home to over 95% of Condor's JORC Resource, continued, although there have been some encouraging signs in recent months that the situation will improve. In the meantime operations in El Salvador remain on a care and maintenance basis. Condor's diversification from El Salvador has focused on the Republic of Nicaragua ("Nicaragua"), where the Group has been granted 5 new wholly owned concessions since my previous Chairman's statement. Each concession is at an advanced exploration stage with drill ready targets, thanks to work undertaken by previous explorers. The £1.4m share exchange with Grafton Resources Investments Limited ("Grafton") provided the Company with a supportive shareholder and shares in Grafton, which will be sold as soon as there is liquidity in Grafton's shares.

Condor has had an operating presence in Nicaragua for 4 years and continues to be greatly encouraged by the Government's pro-mining policy. Condor's strategy has been to terminate option or farm in agreements and acquire concessions outright. Condor currently has 7 wholly owned concessions in Nicaragua, an increase from the 2 held at the time of the last AGM. The addition of 5 concessions covering 124.8 sq km has added shareholder value. The concessions are combined exploration and mining concessions with a life of 25 years. During the global financial crisis several exploration companies left Nicaragua and relinquished concessions to the Government, whereas Condor took a counter cyclical view and maintained two highly experienced geologists in Nicaragua to apply for prospective ground as it became available. Condor took this view 20 months ago because we like the geology for gold exploration and the relatively unexplored nature of Nicaragua, have confidence in the Government's mining policies, and were bullish on the gold price. The application process takes 9 months on average and it involves detailed consultations between the Department of Mines, the local landowners and local authorities, in order to succeed in the application it is essential to have knowledgeable geologists on the ground. Condor still has one application pending approval.

Condor's strategy has been to focus its application process on La India Mining District ("La India"), 3 of the 5 recently granted applications are in La India bringing Condor's total landholding in this district to 96 sq km. There is one NI43-101 inferred resource of 158,600 oz gold at 8.8g/t within La India near to Condor's concessions, Condor believes there is significantly greater resource potential in the district. Following the revolution in 1979 mining was put under state control for the following 14 years. In 1991 a Soviet sponsored exploration and drilling program defined a non-JORC 2.4 million oz gold resource at 9.5g/t in La India. Apart from Condor's 2,200 m drill program on its Cacao Concession, there has been hardly any drilling in La India since Nicaragua became a democracy in 1990. Condor's geologists believe, having operated in La India for over 3 years, that the district is highly prospective.

Elsewhere in Nicaragua, Condor's recently acquired 22.5 sq km Cerro Quiroz concession is adjacent to B2Gold's La Libertad concession. B2Gold has recently opened a brand new 90,000 oz gold per annum mill on its La Libertad concession and has defined a combined reserve/resource of circa 900,000 oz gold. Condor draws confidence from B2Gold's US\$60m investment in the region and a commercial reserve in an adjacent concession. Condor's 18 sq km Estrella Concession on the outskirts of Nicaragua's historic 'Mining Triangle' covers the historic Estrella Mine. Estrella is a highly prospective, drill ready concession as evidenced by the artisanal miners currently working on the concession and a small drill program conducted by an overseas explorer a few years ago.

The encouraging news from El Salvador, is that after 3 years of an unofficial moratorium on processing anything to do with exploration and mining, apart from accepting payment for surface taxes, the Government of President Mauricio Funes, who was inaugurated on 1<sup>st</sup> June 2009, has re-started the process of commissioning an independent Strategic Environment Study ("SES") on the benefits of mining to El Salvador. The Spanish Government has sponsored the SES to the amount of Euros 450,000. The SES tender document was published on the 21<sup>st</sup> January 2010 and 6 companies applied to conduct the SES by the submission deadline of the 19<sup>th</sup> March 2010. The SES tender document sets out a timetable for the process, the SES should be awarded in June 2010 and the work completed in December 2010. In March 2010, I visited San Salvador and met with representatives of the Ministry of the Economy ("MINEC"), the Ministry of the Environment ("MARN"), the recently renamed Department of Supervising Mining and Exploration, and two firms of lawyers. In addition to the SES, there is a planned review of the "Mining Policy", which, should it take place, will undoubtedly lead to amendments to the mining law. Both the SES and the Mining Policy review should be completed by the end of 2010. Shareholders should look for news regarding the

**CONDOR RESOURCES PLC**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

independence and integrity of the firm awarded the SES, the party that conducts the Mining Policy review and the outcome of Pacific Rim Mining Corp Inc's (a TSX listed company) US\$70m law suit against the Government of El Salvador for damages relating to their costs of proving a 1.4 million oz gold measured and indicated resource to NI43-101 standard. On balance, Condor is cautiously optimistic, but the emphasis is on the word "cautiously"

Condor's two projects in El Salvador are La Calera Project, which has 312,000 oz gold resource and El Pescadito Project, which has 434,000 oz gold and 22.1 million oz of silver, both certified as JORC Compliant Inferred Resources. Both show excellent potential through additional drilling to each produce in excess of 1 million ounce resources. In light of the fact that the Group took a write down on these concessions in the fiscal year 2008, the significantly higher gold price since the projects were last drilled on 3 years ago, and the mildly encouraging news described above, the Board has decided not to take a further write down on these exploration licences.

On the 8<sup>th</sup> December 2009, the Company announced that on 2<sup>nd</sup> December 2009, Condor filed a constitutional proceeding called an "Amparo" as a result of the violation of the constitutional right to have an answer to the application made to MARN for environmental permits for two of its exploration licences. On the 2<sup>nd</sup> December Condor also issued writs on the Hydrocarbons and Mines Agency, which is part of MINEC, requesting an extension of the deadline for the application to renew the Licences until such time as the "Amparo" is resolved. At the time of writing the Company has not received a reply to these filings and probably won't receive a reply until the SES and Mining Policy reviews are published. The purpose of taking this unfortunate action is to protect the company's and therefore shareholders' assets. The Board has decided not to initiate a law suit against the Government of El Salvador, but rather wait for the outcome of the SES, the proposed mining policy review and Pacific Rim's law suit.

Turning to the financial results for the year 2009, the operating loss was £651,299. The decrease of cash and cash equivalents was £793,161 of which, just over £200,000 was spent on legal, broker and NOMAD advisory fees directly relating to the Board's defence of a hostile share offer for the Company and to the share exchange with Grafton. During the period the Company was simultaneously subject to a requisition to remove certain Directors (which was subsequently withdrawn by the requisitioners) and an unsolicited approach which turned into a conditional, hostile all-share offer. The Board had good reason to believe that the same parties were behind both actions and decided that it was in the best interest of shareholders for the Company to reject the hostile offer and to continue with a planned share exchange with Grafton.

On 12<sup>th</sup> June 2009 shareholders voted 165.4m in favour of and 5m against the share exchange transaction with Grafton. The net result is that Condor issued 140m new ordinary shares to Grafton at 1p per share, a premium to the then share price and the hostile offer price of 0.45p per share, for a total consideration of £1.4m and in return Condor acquired £1.4m worth of shares, or 54,388 ordinary shares in Grafton at its 29<sup>th</sup> May 2009 net asset value of US\$41.51 (£25.74) per share. The net asset value of Grafton at 30<sup>th</sup> April 2010 was \$41.92 (£27.39) per share. Post the share exchange, Grafton holds 29.7% of Condor and Condor has a current asset in the form of shares in the Grafton which will be sold as soon as possible for working capital requirements. Further details on Grafton can be found at [www.graftonresources.net](http://www.graftonresources.net). Condor's shareholding at the 30<sup>th</sup> April 2010 net asset value of Grafton was US\$2,279,945 (£1,489,687).

Since my last Chairman's statement, Condor has diversified from El Salvador by acquiring 5 additional advanced, 100% owned, 25 year life, exploration and mining concessions, covering 125 sq km in Nicaragua. The Board believes the total portfolio of 7 concessions in Nicaragua has the potential to add significant shareholder value. Condor is exploring ways of securing drilling on key concessions in Nicaragua and for this reason is keen to sell its shareholding in Grafton. The Government of El Salvador has not publicly signalled a supportive position on mining. Part of the problem may be the fear of the unknown as there hasn't been an operating mine in El Salvador for 50 years. However, the commissioning of an SES is a step in the right direction, mining in the developed world, using 21<sup>st</sup> century technology, is done in a safe, secure and environmentally friendly manner and these best practices should be adopted in El Salvador. In the next 12 months, Condor will continue to lobby the El Salvador Government and impress upon them the need to protect overseas investors' investments in their country. Condor will commence further exploration on its key assets in Nicaragua with a view to defining additional JORC resources.

M L Child

Chairman

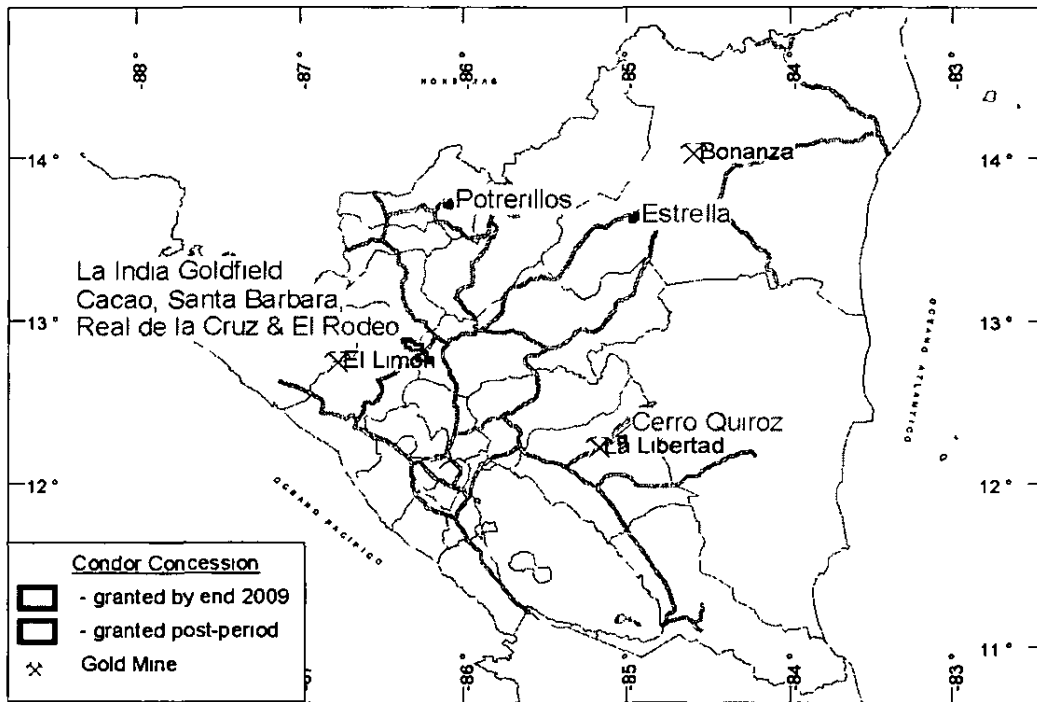
**CONDOR RESOURCES PLC**

**OPERATIONS REPORT AND PROJECT OVERVIEW**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NICARAGUA**

During the year, Condor, through its wholly owned Nicaraguan subsidiary, Condor S A , focused on applying for strategic and highly prospective new concessions as ground became available due to a number of foreign exploration companies considerably reducing their concession holdings, and in some cases closing operations in Nicaragua as a result of the global economic downturn Condor took a counter cyclical view and maintained its team of highly experienced geologists in Nicaragua and was able to capitalize on the situation Condor has built up an attractive and prospective portfolio of exploration and mining concessions, all with known significant surface gold mineralisation providing walk-up trench and drill targets

By year end Condor had been granted one new concession, the Santa Barbara Concession, and had a further seven concessions under application, including two that were first applied for at the end of 2008 Under Nicaraguan mining law the government grants combined exploration and mining concessions for a renewable 25 year period As might be expected for such a conclusive and long concession period the application process is very thorough and involves extensive community consultation



**CONDOR RESOURCES PLC**  
**OPERATIONS REPORT AND PROJECT OVERVIEW**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Post Period Development**

Condor is pleased to have announced the grant of a further four concessions, increasing the total landholding to 148 66 from 40 10 square kilometres

Project	Concession	Ownership	Expiry Date	Area (km <sup>2</sup> )
La India Gold District	Cacao	100% Owned	18 <sup>th</sup> January 2032	11 90
	Santa Barbara	100% Owned	26 <sup>th</sup> April 2034	16 20
	Real de la Cruz*	100% Owned	14 <sup>th</sup> January 2035	7 66
	Rodeo*	100% Owned	14 <sup>th</sup> January 2035	60 40
Segovia	Potreros	100% Owned	14 <sup>th</sup> December 2031	12 00
La Libertad-Santo Domingo Gold District	Cerro Quiroz*	100% Owned	5 <sup>th</sup> April 2035	22 50
RAAN	Estrella*	100% Owned	5 <sup>th</sup> April 2035	18 00
<b>TOTAL</b>				<b>148 66</b>

*Table of Condor's concession holding in Nicaragua, \*including four concessions granted post-period*

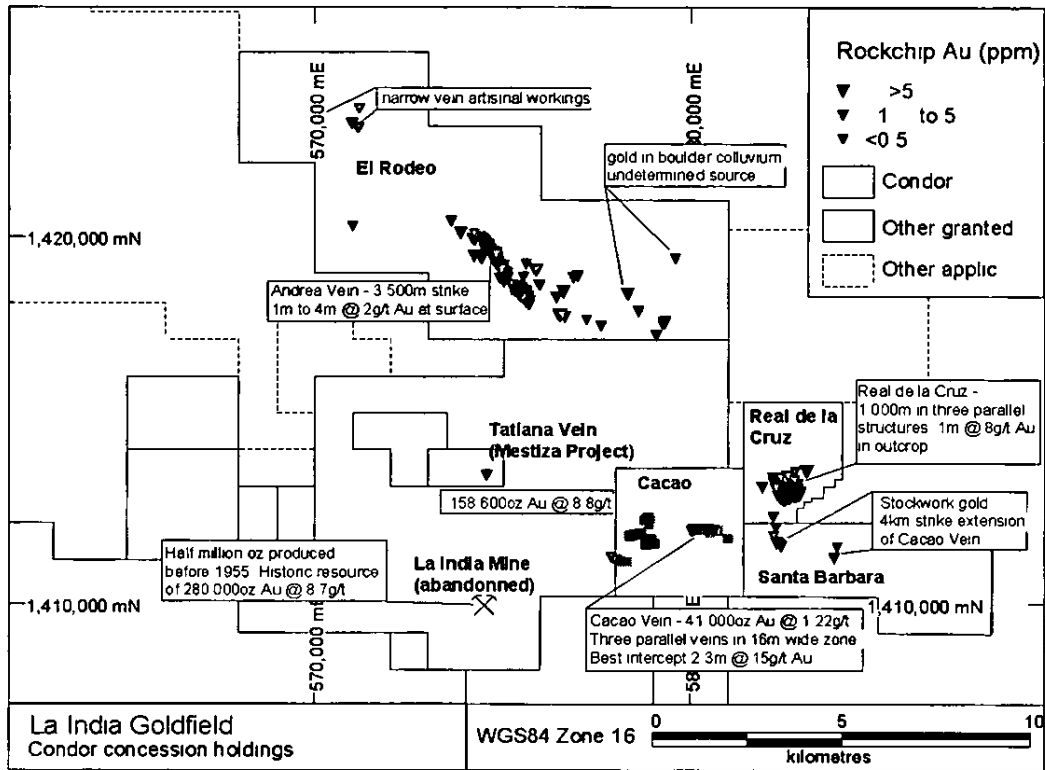
**La India Mining District- 4 concessions**

**Cacao, Santa Barbara, Real de la Cruz and El Rodeo Concessions**  
(Condor 100% ownership)

Prior to and during the year Condor applied for three concessions within La India Gold Mining District contiguous with or close to the existing Cacao Concession. The historic La India Gold Mining District consists of Bonanza-type epithermal gold mineralisation hosted by Tertiary aged island arc volcanic rocks and is named after the historic La India Gold Mine. La India Mine, which operated between 1938 and 1955, produced an estimated 576,000 ounces gold at an average grade of 13.4 grams per tonne. Condor's concessions are located within a 15 kilometres radius to the north and east of the historic La India Mine.

**CONDOR RESOURCES PLC**

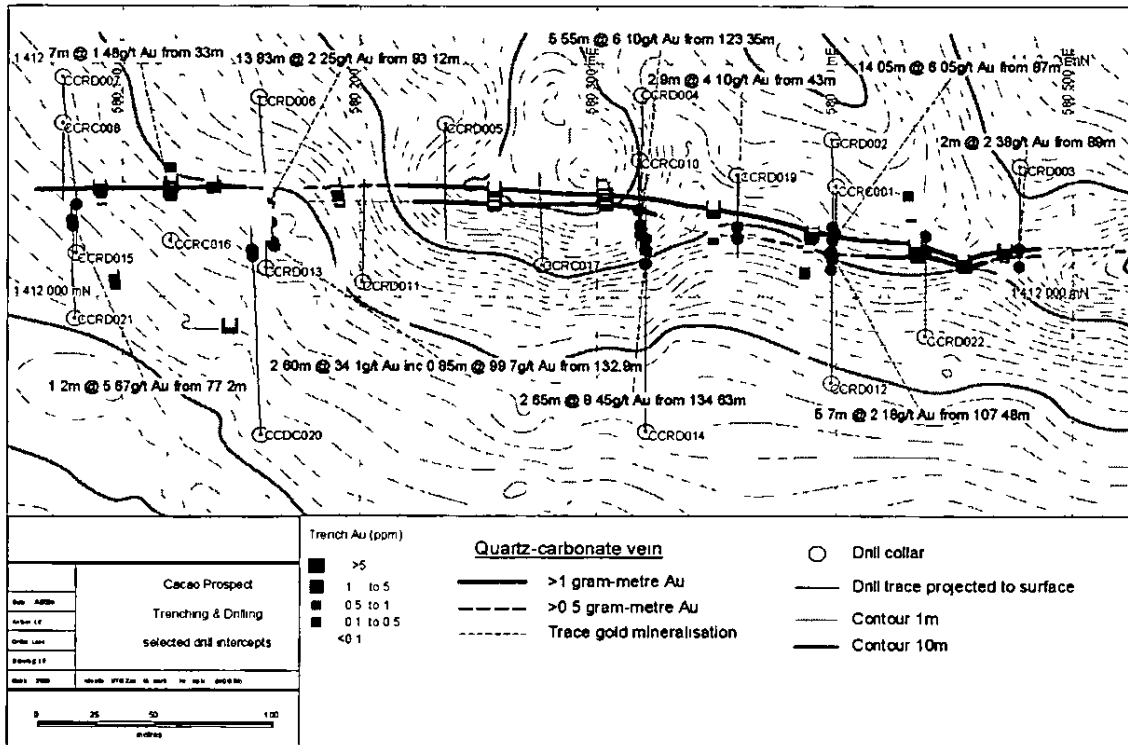
**OPERATIONS REPORT AND PROJECT OVERVIEW  
FOR THE YEAR ENDED 31 DECEMBER 2009**



*Condor's concession holdings in the historic La India Gold Mining District including post-period acquisitions (Real de la Cruz and El Rodeo)*

The **Cacao Concession** hosts a JORC Code compliant inferred resource of 41,000 ounces at 1.2 grams per tonne gold calculated on a 600 metre strike length of outcropping epithermal quartz-carbonate veins that were trench and drill sampled by Condor between 2006 and 2008. The resource, which incorporates drilling intercepts to a maximum of 160 metres below surface, includes some higher grade zones at depth, such as 2.60 metres at 34.1 grams per tonne gold (including 0.85 metres at 99.7 grams per tonne gold) from 132.9 metres drill depth, and 2.65 metres at 8.45 grams per tonne gold from 134.63 metres drill depth. These drilling results point to a richer level below the currently tested zone. Cacao remains open along strike and to depth. Further drilling is planned to test for high grade gold mineralisation down-dip and along strike.

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**OPERATIONS REPORT AND PROJECT OVERVIEW**  
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*Cacao Prospect trenching and drill plan showing the outcropping gold-mineralised quartz-carbonate veins, trench and drillhole locations, and selected significant drilling intercepts projected to surface*

On the 17<sup>th</sup> April 2009 Condor was granted the **Santa Barbara Concession** covering an area of 16 square kilometres adjacent with, and to the east of the Cacao Concession. The Santa Barbara Concession includes two historically reported gold occurrences located approximately 2 kilometres and 4 kilometres to the east of the Cacao Resource. The gold occurrences occur as dacite-hosted epithermal quartz stockwork zones, and are interpreted as exposures of the eastern strike extension of the same structure that hosts the Cacao gold resource. Previous explorers reported rock chip samples assaying at over 1 gram per tonne gold at both sites, check sampling undertaken by Condor verified these results.

A programme of surface mapping, rock chip sampling and trenching is planned to test the areas of outcrop. This will be supplemented by ground geophysics designed to locate the mineralised structure beneath alluvial cover sequences that are known to occur between the two gold occurrences and the Cacao Resource.

**Post Period Development**

Two further concessions, the contiguous Real de la Cruz Concession and the nearby El Rodeo Concession were granted to Condor post-period, in January 2010. Condor now holds the mining and exploration rights to over 96 square kilometres of land with over 8 kilometres of gold-bearing epithermal veining already discovered by previous explorers through extensive rock chip sampling.

**CONDOR RESOURCES PLC**

**OPERATIONS REPORT AND PROJECT OVERVIEW**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

The **Real de la Cruz Concession** covers an area of 7 square kilometres contiguous with and to the north and east of the Cacao and Santa Barbara concession package. Rock chip and auger sampling by previous explorers defined a 400 metre by 600 metre area of gold mineralisation on the side of Real de la Cruz hill with rock chip assay results of up to 24 grams per tonne gold reported. This area has a history of small scale artisanal mining, a practice that continues to this day. The shallow artisanal workings and rock chip sampling have defined at least three parallel east-west striking structures for a total combined strike length of over 1000 metres of gold mineralised epithermal quartz-carbonate veining. The gold mineralisation is hosted by felsic volcanic rocks and the mineralisation occurs in epithermal quartz-calcite veins up to 2.5m thick. Check sampling of the previous explorer's results undertaken by Condor returned 1 metre at 8.69g/t gold from channel sampling an outcropping quartz-carbonate vein. The true thickness of the vein at this location was not established as the hanging wall is not exposed. The Real de la Cruz gold mineralised structures are parallel to the Cacao structure where it passes through Condor's Cacao and Santa Barbara Concession only 1 kilometre to the south of Real de la Cruz.

It is suggested that the mineralisation at Real de la Cruz represents the upper part of the epithermal system exposed at Cacao, possibly a horsetail structure at the edge of the collapsed caldera.

The larger **El Rodeo Concession** is located 4 kilometres northwest of Condor's Cacao Concession and covers an area of over 60 square kilometres. Rock chip sampling by previous explorers has defined a 3.5 kilometre long gold-mineralised structure with numerous rock chip samples returning assay values of over 1g/t gold. Where exposed in outcrop the structure hosts a gold-mineralised vein varying between a brecciated chalcedonic quartz vein up to 2 metres thick, and an intercalated set of chalcedonic quartz veins and quartz stockwork between 3 and 4 metres thick. The mineralised veins are hosted by dacitic volcanics. Rhyolite flows and tuffs are also exposed in the vicinity. Channel sampling has already been carried out by Condor at three locations where the vein was intersected by streams such that a cross-section of the vein was exposed for sampling. The results confirmed previously reported gold mineralisation with

- 3.6 metres at 1.93g/t gold from an intercalated quartz vein and stockwork zone
- 1 metre at 2.54g/t gold from a quartz vein
- 0.9 metres at 1.22g/t gold from a quartz vein

Large segments of the structure have been subject to shallow artisanal mining and in these areas the vein is no longer exposed and the width and grade of gold mineralization has yet to be established. Further isolated outcrops of gold mineralised quartz vein material and rare evidence of artisanal mine workings along strike of the main defined structure suggests that gold mineralisation may extend for a strike length of at least 10 kilometres within El Rodeo Concession area. Future exploration will test this along-strike potential.

**CONDOR RESOURCES PLC**

**OPERATIONS REPORT AND PROJECT OVERVIEW**  
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**Other Project Areas**

**Potreros Concession**  
(Condor 100% ownership)

Condor holds the exploration and mining rights to the Potreros Concession, an area of 12 square kilometres in the historic San Albino Gold Mining District in the northern highlands of Nicaragua. The concession contains a number of abandoned shafts and adits, testament to brief, interrupted periods of gold mining activity. The gold extracted from the Potreros Concession were processed less than 1 kilometre south of the concession at the historic San Albino Mine which recorded an average daily production of 10 tonnes at 31 grams per tonne gold (for 10 ounces gold per day) during a brief period of production between 1922 and 1923, before revolutionary activity halted mining. Production at San Albino briefly resumed between 1938 and 1940 as a local enterprise on a smaller scale for which records are not available.

Five prospects have been identified to date along a 3,500 metres long segment of the Guayape mineralised corridor that falls within the Potreros Concession. Gold mineralisation is associated with shear-hosted mesothermal quartz veins hosted by a Greenschist facies metasedimentary package dominated by graphitic schist. The veins all strike parallel to the regional trend (northeast) and dip at 30° to 45° to the northwest. No exploration was completed in 2009, however channel sampling of trenches and old mine adits by Condor between 2007 and 2009 returned intersections of up to 1 metre at 29.5 grams per tonne gold.

**New Concession Applications**

Condor lodged a number of applications for new 25 year combined exploration and mining concessions with the Department of Mines during 2009. By the end of the year seven applications had been accepted and were undergoing the stringent process of public consultation at national and local level required under Nicaraguan law before granting title. All the application areas incorporated known gold mineralisation defined by rock chip sampling by previous explorers, and in some cases advanced projects with small-scale historic mining activity and/or trenching and drilling by previous explorers. The seven concessions under applications, covering a total area of approximately 223 kilometres squared, were Real de la Cruz and El Rodeo in the India Gold Mining district, Reina Sur, El Guabo, Cerro Quiroz and Rio Luna in the Central Highlands of Nicaragua, and Estrella in the north-east of Nicaragua on the edge of Nicaragua's so-called 'Golden Triangle'. At year end the applications were at various stages of seeking landowner, local government and ministerial approval.

**CONDOR RESOURCES PLC**

**OPERATIONS REPORT AND PROJECT OVERVIEW**  
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**Post Period Development**

Four of the seven concession applications pending at the end of the year have been granted post-period, Real de la Cruz, El Rodeo (see La India Gold Mining District above), Cerro Quiroz and Estrella, with a further three applications still pending approval

**Cerro Quiroz Concession**

(Post-period acquisition, Condor 100% ownership)

The **Cerro Quiroz** Concession, which covers an area of 22.5 square kilometres was granted to Condor on the 5<sup>th</sup> April 2010. The Concession is located in the Libertad-Santo Domingo Gold Mining District, and represents the eastern extent of gold mineralisation discovered to date in this broadly east-west orientated epithermal gold system. There is a long history of gold mining in the district dating back over 150 years.

- 1 At Santo Domingo, only 4 kilometres to the west of the Cerro Quiroz, a cooperative of small-scale miners have produced an estimated 14,000 ounces of gold since 1980.
- 2 The larger La Libertad-Orosi Mine located 15 kilometres to the southwest of Cerro Quiroz has recorded production of 170,000 ounces of gold. Owners, TSX listed B2Gold Corporation commenced production in January 2010 at a new mill and plant which has planned production of up to 90,000 ounces of gold per annum to process over 500,000 ounces of currently defined gold reserves.

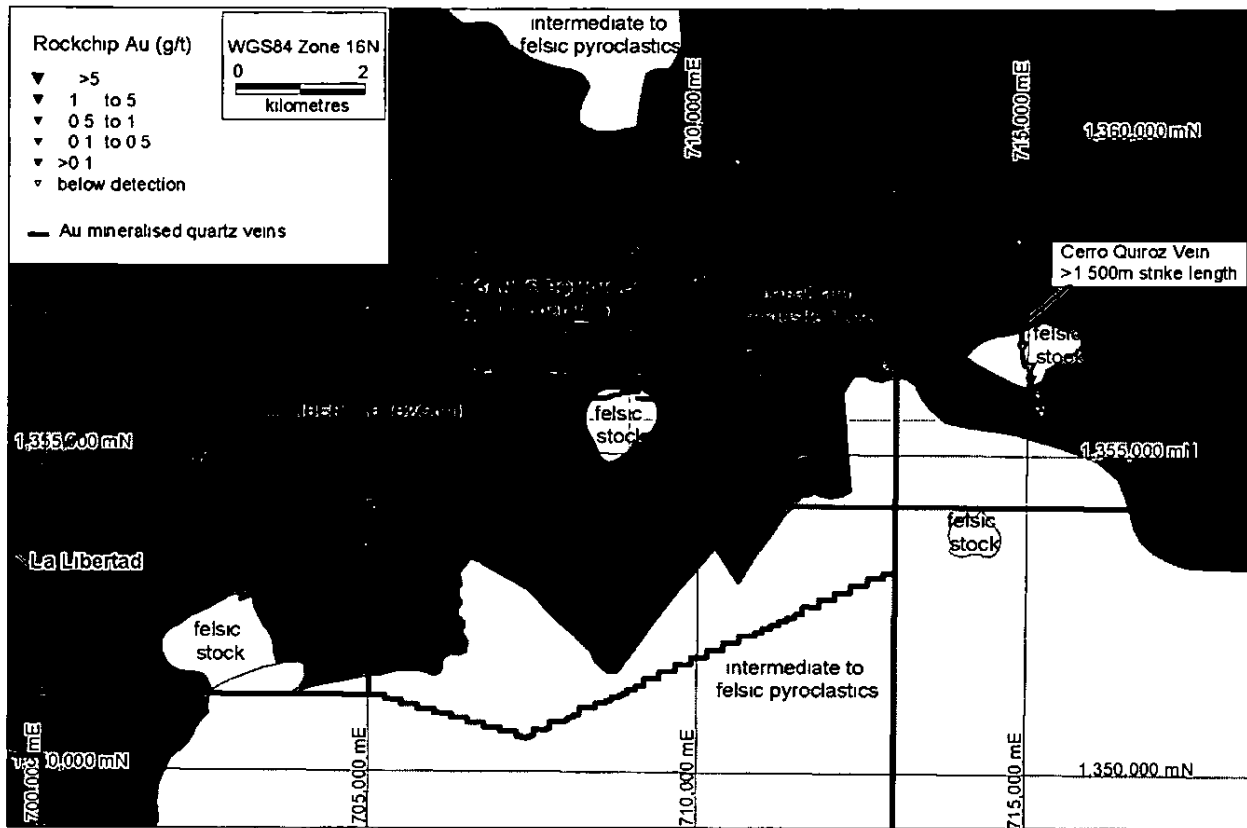
Despite the long history of gold mining in the area, gold was only discovered on the Cerro Quiroz Concession as recently as 2003 by Canadian explorer Chesapeake Gold Corporation who defined the north-south trending Cerro Quiroz epithermal vein, grading up to 17.8 grams per tonne gold over more than 1500 metre strike length, through a programme of rock chip sampling. The gold mineralised structure passes through at least two different lithologies, exposed in outcrop both as a 1 metre to 2 metre wide steeply dipping vein hosted by propylitic-altered andesite, and elsewhere as a 2 metre to 3 metre wide quartz stockwork hosted by felsic volcanic rocks. The mineralisation is open along strike in both directions and to depth. The north-south orientated strike of the mineralised structure at Cerro Quiroz is in contrast to the rest of the Libertad-Santo Domingo gold district where northeast-southwest to east-west trending epithermal vein swarms dominate. This suggests that Cerro Quiroz may represent the discovery of a different phase of gold mineralisation formed under a different tectonic regime to the better explored La Libertad and Santo Domingo Mines.

A compilation of existing geological mapping by government and previous explorers suggests that the main mining centres along the Libertad-Santo Domingo gold corridor are associated with volcanic centres, now represented by exposed felsic volcanic stocks, which are distributed every 6 to 8 kilometres along the corridor. The felsic stock that forms the prominent hill of Cerro Quiroz may represent one of these zones of concentrated gold mineralisation.

The recent discovery of gold mineralisation along a previously unknown trend at Cerro Quiroz within such a large gold mineralised system indicates that the eastern end of the Libertad-Santo Domingo gold district is significantly under-explored. Condor's management team are optimistic that the Cerro Quiroz vein is not an isolated structure and that the Concession has the potential for the discovery of significant gold reserves.

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**OPERATIONS REPORT AND PROJECT OVERVIEW  
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*Cerro Quiroz Concession and known mineralisation within the Libertad-Santo Domingo Gold Mining District*

**Estrella Concession**

(Post-period acquisition, Condor 100% ownership)

The Estrella Concession, granted to Condor on the 5<sup>th</sup> April 2010, covers an area of 18 square kilometres over the historic Estrella Gold Mine, located approximately 20 kilometres southwest of Siuna, one of the three mining towns that define Nicaragua's historic 'Mining Triangle\*' in the northeast of the country

The Estrella Gold Mine was an underground mine operating on two or three levels and is believed to have fed a mill with a capacity of 20-30 tonnes per day. However, past production is not currently known. The Estrella Concession is located on the edge of an established gold province, Nicaragua's 'Mining Triangle, which has a historic production of approximately 5 million ounces of gold. This includes the Bonanza Gold Mine with current production of approximately 40,000 ounces of gold per annum, located approximately 60 kilometres to the northwest of the Estrella Concession.

Recent exploration work carried out in 2008 by Canadian explorer, Radius Gold Inc, identified up to three parallel epithermal veins over a strike length of 400 metres in the old mine area, where the gold mineralised veins form the crest of a ridge. The historic mining took advantage of the topography by draining the mine at the base of the hill. Recent artisanal mining activity indicates that gold mineralisation continues for at least a further 70 metres along strike where a river cuts across the structure. In this area, the artisanal miners are currently exploiting soft weathered rock by excavating a line of pits up to 10 metres deep along the mineralised structure. No trench or drill testing has been completed in this part of the mineralised structure. The gold mineralisation remains open along strike in both directions.

## CONDOR RESOURCES PLC

### OPERATIONS REPORT AND PROJECT OVERVIEW FOR THE YEAR ENDED 31 DECEMBER 2009

Radius Gold Inc reported wide high-grade trench intersections of up to 15.2 metres at 6.73 grams per tonne of gold, and the mineralised structure was successfully intercepted in three diamond drill holes at 50 metres to 100 metres below surface on two drill sections. They reported drilling intercepts of up to 4.25 metres at 2.19 grams per tonne gold, but these results were tainted by poor core recovery through the mineralised zones and therefore require validation. Condor considers that such sparse drill spacing and poor quality recovery is not a valid test of the underground potential, the disappointing drilling results may be due to poor recovery causing the selective wash-out of the gold-bearing material.

Condor Resources believes that the encouraging intersections reported in surface trenching require further drill testing and plans a drilling programme using a larger diameter drill string on a more stable heavy duty rig in order to overcome the core recovery problems encountered by the previous explorer. Initial exploration targets will include testing the underground potential beneath the artisanal miner's shallow workings and testing the gold mineralization in fresh rock below 100 metres depth.

The recent exploration did not test the strike extension of the gold mineralization beyond the historically mined area. Condor Resources believes that the encouraging intersections reported in surface trenching require further drill testing and plans a drilling programme using a larger diameter drill string on a more stable heavy duty rig in order to overcome the core recovery problems encountered by the previous explorer. Initial exploration targets will include the underground potential beneath the artisanal miner's shallow workings and the gold mineralization in fresh rock below 100m depth.

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

#### **EL SALVADOR**

Condor continued to maintain an administrative presence in El Salvador in order to retain the existing licence holding in good standing. Since late 2007 El Salvador's Ministry of Environment and Natural Resources (MARN) has delayed the granting of Environmental Permits on all metallic exploration and exploitation licences while the government reviews its policy regarding future mining operations. The newly elected government, which took office in June 2009, has not committed itself to a policy either for or against future mining operations in the country. While there remains uncertainty about the El Salvador government's policy regarding future mining operations Condor's wholly owned local subsidiary, Minerales Morazan SA de CV, has continued to operate on a care-and-maintenance basis with staffing levels cut back to the minimum necessary to maintain the licences in good standing. It is anticipated that expenditure will be kept to a minimum until such time as the government commits to supporting future mining operations. Environmental permits were required during the year on a number of Condor's Exploration Licences in order to meet periodic renewal requirements. As MARN continued to refuse to process applications for metallic mining related permits, including those required in the licence renewal process, Condor was obliged to issue legal 'Amparos' against MARN claiming unjust administrative silence in order to protect the licences.

The Company is taking a leading role, along with all other exploration and mining companies in El Salvador, to lobby the government for the issue of these permits to allow drilling and mining of economic resources. A programme of education, both at government and popular level is being conducted to counteract the anti-mining propaganda from well-funded quasi-environmentalist and anti-globalisation groups in El Salvador. To this end meetings with high-ranking government officials, the distribution of well researched literature on environmentally and socially responsible mining practices, and presentations by independent experts on clean mine processing practices in public and private meetings were organised in 2009.

**CONDOR RESOURCES PLC**

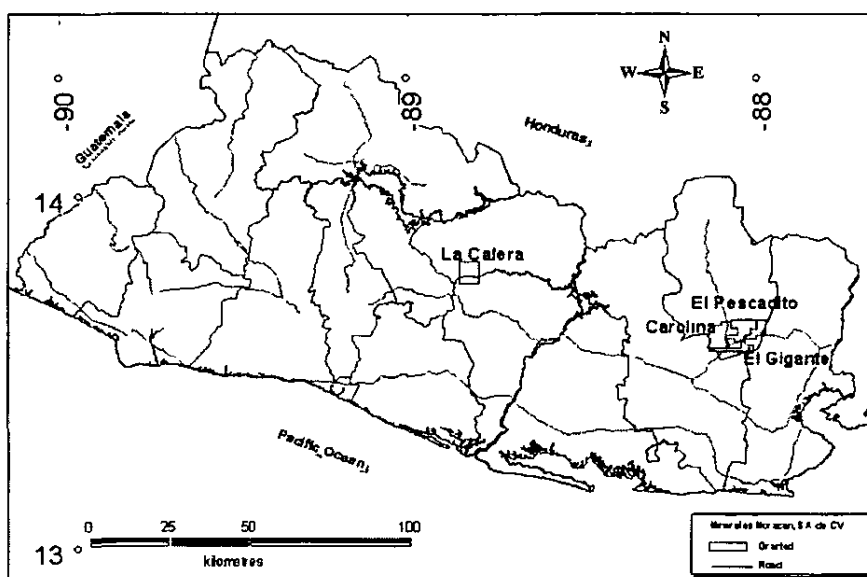
**OPERATIONS REPORT AND PROJECT OVERVIEW  
FOR THE YEAR ENDED 31 DECEMBER 2009**

Condor holds 100% ownership of four licences in El Salvador split between two project areas, the Pescadito Project containing the Carolina, El Pescadito and El Gigante licences, and the Calera Project containing the La Calera Licence. The licences cover a combined area of 175km<sup>2</sup>

Project	Concession	Ownership	Expiry Date	Project Area (km <sup>2</sup> )
La Calera	La Calera	100% Owned	Under application for extension until 3 <sup>rd</sup> July 2011* Final expiry 3 <sup>rd</sup> July 2013	42.00
El Pescadito	El Pescadito	100% Owned	Two year extension will be required on 26 <sup>th</sup> August 2010 Final expiry on 26 <sup>th</sup> August 2012	50.00
	Carolina	100% Owned	Under application for extension until 6 <sup>th</sup> June 2011* Final expiry 6 <sup>th</sup> June 2013	40.50
	El Gigante	100% Owned	Two year extension will be required on 14 <sup>th</sup> June 2010 Final expiry 14 <sup>th</sup> June 2014	42.50
<b>TOTAL</b>				<b>175.00</b>

Table showing Condor's current exploration licence holding in El Salvador

\*Applications for two year extensions are in administrative freeze whilst El Salvador's moratorium on mining and exploration remains in effect



*Location of Condor Resources licences in El Salvador*

**Post Period Development**

The government of El Salvador is commissioning an independent 'Strategic Environmental Study on Metallic Mining sector in El Salvador'. The tendering process is underway with a shortlist of applicants selected in April 2010 and the tender expected to be awarded shortly afterwards. At the same time the 'National Policy on Mining' is to be reviewed. Both studies are expected to be completed by the end of 2010.

**CONDOR RESOURCES PLC**

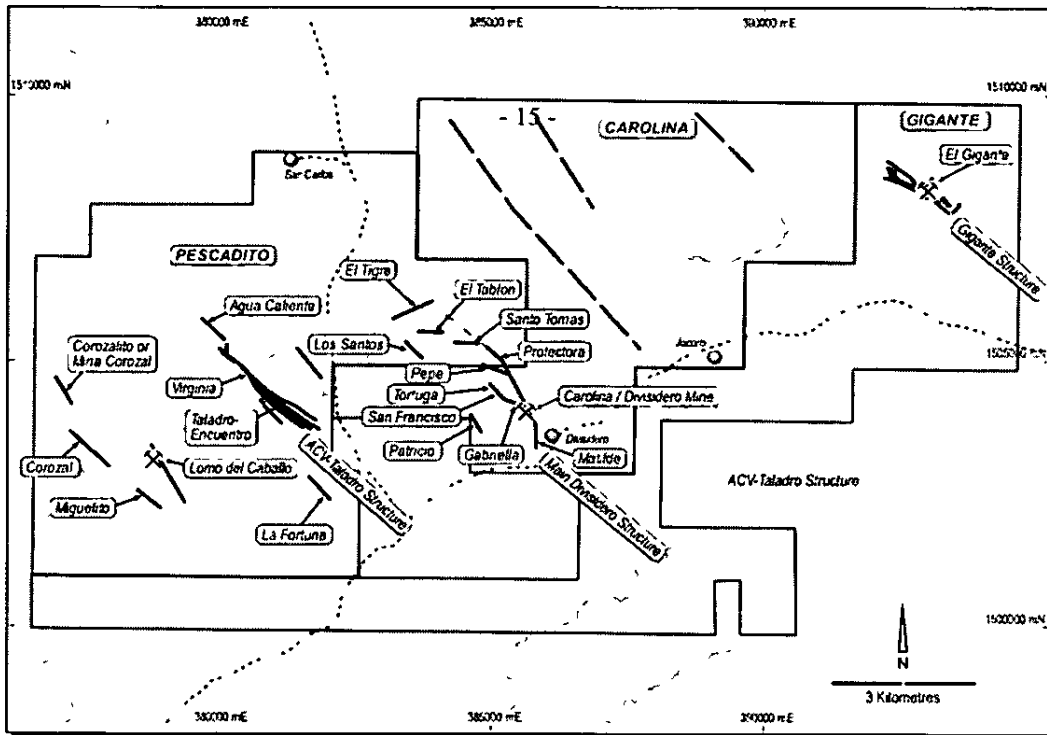
**OPERATIONS REPORT AND PROJECT OVERVIEW  
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**Pescadito Project**

**El Pescadito, Carolina and El Gigante Licences**

(Condor 100% ownership)

Located in eastern El Salvador, 95 kilometres east of the capital San Salvador and 20km northeast of the town of San Miguel, the Pescadito Project comprises three contiguous concessions covering an area of 133 kilometres squared El Pescadito, Carolina and El Gigante licences Numerous old workings and mines located within project area have been exploited intermittently since the 18th Century Although no accurate production figures are available, it is estimated by the El Salvadorian Government that 100,000 ounces gold and 5 6 million ounces silver was extracted from El Divisidero in the early 1900's at grades of 3 8 grams per tonne gold and over 200 grams per tonne silver



*El Pescadito Project comprising the Pescadito, Carolina and Gigante licences with known gold-silver mineralised structures*

The Divisidero-Carolina, Loma del Caballo and El Gigante prospects have been subjected to the most recent exploration with both surface and underground evaluations suggesting strong potential for the discovery and delineation of sizeable gold and silver mineralised breccia zones associated with low-sulphidation, epithermal systems. The combined resource contained within these three prospects, which are located within a 15 kilometre radius, stands at 430,000 ounces gold at a grade of 1 9 grams per tonne and 22 1 million ounces of silver at an average grade of 96 grams per tonne.

**CONDOR RESOURCES PLC**

**OPERATIONS REPORT AND PROJECT OVERVIEW**  
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**La Calera Project**

**La Calera Licence** (Condor 100% ownership)

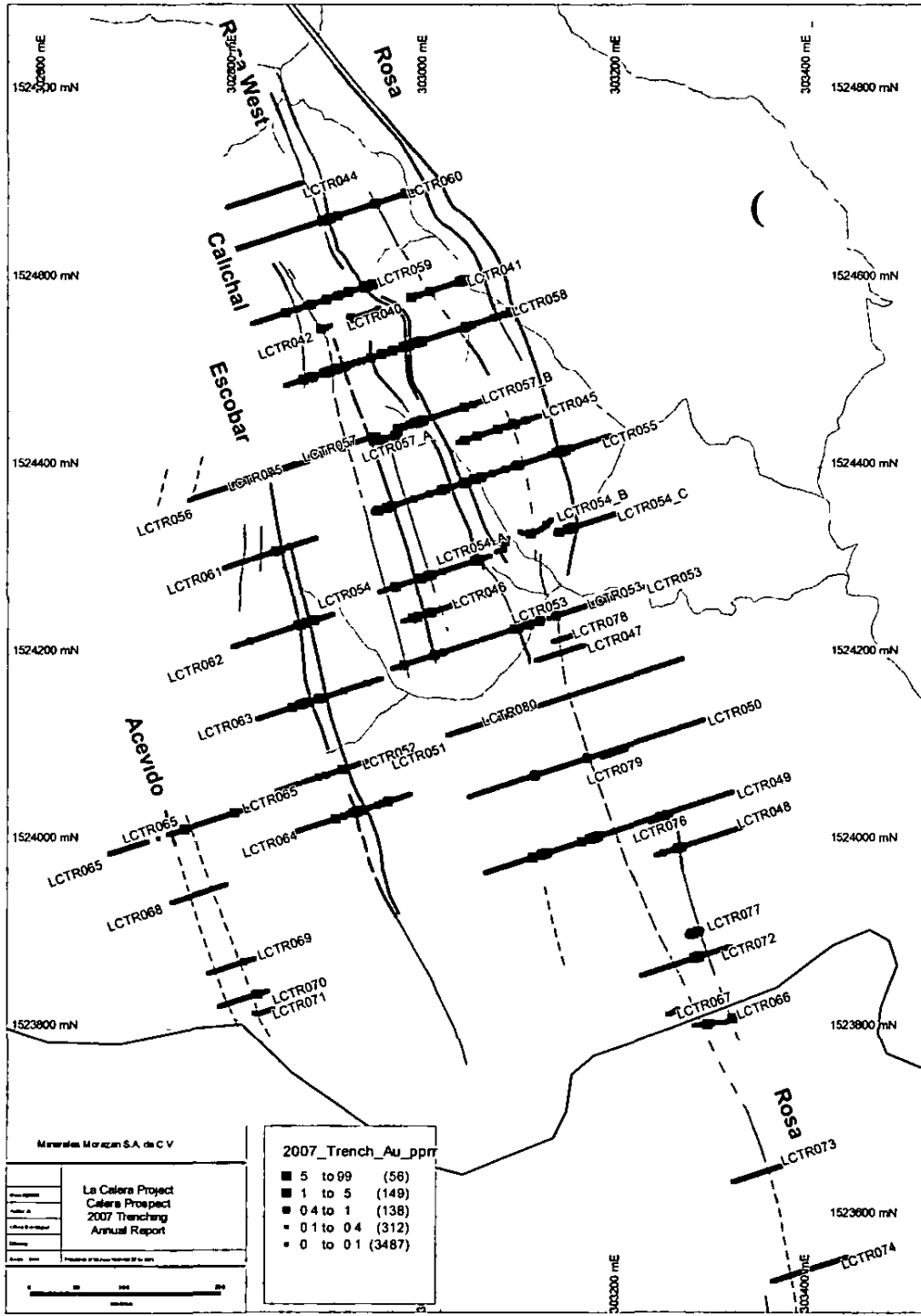
La Calera Concession, located 45km northeast of San Salvador, consists of a single concession covering 42 square kilometres and is 100 percent owned by Condor's subsidiary Minerales Morazan S A de C V

A total of five sub-parallel veins, striking in a generally north-northwest direction, have been identified spread across a 500m wide corridor with over 1200m of strike length defined to date. Previous explorer Pacific Rim Gold of Canada outlined the main mineralised zone through a programme of trench sampling and drilling. Condor completed an extensive programme of trenching in 2006 and 2007 to better define the outcropping and sub-cropping vein system and, February 2008 announced an estimated JORC-Code compliant inferred resource of 6 million tonnes at 1.6 grams per tonne gold and 1.4 grams per tonne silver for 310,000 ounces gold and 270,000 ounces silver. The resource was calculated by independent geological consultant Geosure Exploration and Mining Solutions.

Indications of hydrothermal alteration have been noted further along the mineralised trend and with drilling, Condor is confident of extending the known mineralised system to a total potential strike length of some 2,000m. As evident in the field, the main vein system can be easily traced laterally through its surface expression. As soon as Condor (Minerales Morazan) receives the necessary environmental permits from Government further drilling and the definition of a substantial mineral resource is planned.

**CONDOR RESOURCES PLC**

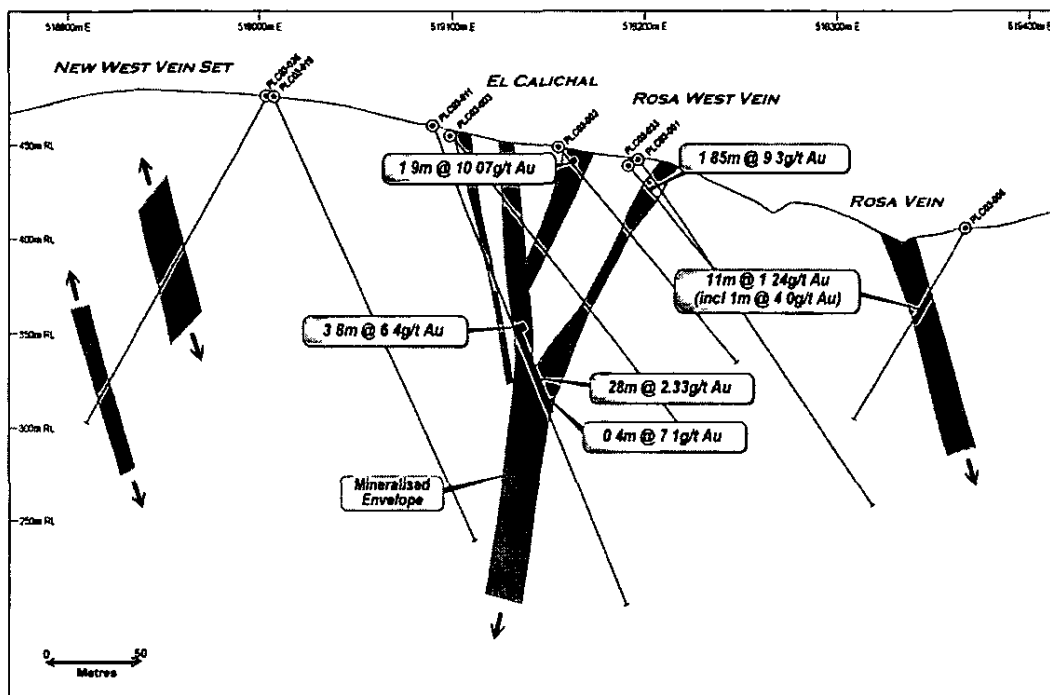
**OPERATIONS REPORT AND PROJECT OVERVIEW  
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*La Calera Project showing the gold mineralised veins and Condors trench sampling results*

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FOR THE YEAR ENDED 31 DECEMBER 2009**



*Schematic cross-section of the Calera Project showing the multiple, branching mineralised veins*

**CURRENT GLOBAL JORC INFERRED RESOURCE**

The following the resource estimations were certified JORC-Code compliant by independent geologists Ravensgate Resources and Geosure Exploration and Mining Solutions. The company's global resource stood at approximately **788,000 ounces gold at an average grade of 1.7 grams per tonne**. The silver resource remains unchanged at approximately **22 million ounces silver grading at 53 grams per tonne**.

<i>Nicaragua Projects</i>						
	Tonnes	Average Gold Grade (g/t)	Contained Gold (oz)	Average Silver Grade (g/t)	Contained Silver (oz)	JORC Category
El Cacao	1,100,000	1.2	41,000	-	-	Inferred
<i>El Salvador Projects</i>						
Pescadito	7,100,000	1.9	434,000	96.0	22,100,000	Inferred
La Calera	6,000,000	1.6	313,000	1.4	280,000	Inferred
<b>Total</b>	<b>14,200,000</b>	<b>1.7</b>	<b>788,000</b>	<b>53</b>	<b>22,380,000</b>	<b>Inferred</b>

*Note that tonnage and grade are rounded to two significant figures, contained gold to nearest thousand ounces, and contained silver to nearest ten thousand ounces*

**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**DIRECTORS REPORT**

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2009

**PRINCIPAL ACTIVITY**

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

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The Group's financial performance for the year was in line with directors' expectations. The group loss after taxation for the year to 31 December 2009 amounted to £558,059 (2008 £3,476,595). No dividends were paid during the year.

The Group, at the end of the financial period has a total of four licences within two project areas in El Salvador (2008 four licences within two project areas) and three licences within two project areas in Nicaragua (2008 three licences within three project areas). In Nicaragua, in 2010, the Company has been granted further four, 25 year exploration and mining concessions. The Company will continue to assess each individually with the intention of focusing on a few core concessions with the highest probability of producing an economic resource. Operations in El Salvador are curtailed by the unofficial Government moratorium on all exploration and mining in that country. The El Salvador operation has been reduced to an administrative role and all core placed in storage until environmental and drill permits are awarded.

**KEY PERFORMANCE INDICATORS**

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

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

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

However, a qualitative summary of performance in the period in the Chairman's Statement and the Operational Report and Project Overview.

**DIRECTORS**

The directors shown below have held office during the year.

M L Child  
K P Eckhof  
P Moussa

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**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**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 2009 were

Directors	Holding	31 December 2009		31 December 2008	
		Number of shares	Number of options	Number of shares	Number of options
M L Child	Direct	11,000,000	10,250,000	11,000,000	10,250,000
	Indirect	-	-	-	-
K P Eckhof	Direct	-	-	-	-
	Indirect	160,000	4,750,000	160,000	4,750,000
P Moussa	Direct	-	2,000,000	-	2,000,000
	Indirect	-	-	-	-

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 2009	Granted during the year	Lapsed in the year	As at 31 December 2009
<b>DIRECTORS</b>						
M L Child	15	30 May 2011	1,250,000	-	-	1,250,000
	1	23 December 2013	9,000,000	-	-	9,000,000
K P Eckhof	15	30 May 2011	1,750,000	-	-	1,750,000
	1	23 December 2013	3,000,000	-	-	3,000,000
P Moussa	1	23 December 2013	2,000,000	-	-	2,000,000

The interests of the directors in warrants to subscribe for ordinary shares of the company were

	Exercise price (p)	Latest exercise date	As at 1 January 2009	Granted during the year	Lapsed in the year	As at 31 December 2009
<b>DIRECTORS</b>						
M L Child <sup>(1)</sup>	1	10 July 2011	-	-	-	13,750,000
	1.5	10 July 2011	-	-	-	5,000,000
	2	10 July 2011	-	-	-	5,000,000

(1) These warrants were acquired by M L Child for cash during the year

**SUBSTANTIAL SHAREHOLDERS**

On 24 May 2010 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 %
Grafton Resources Investments Limited	140,000,000	29.79
Galloway Limited	41,000,000	8.72
Oracle Management Limited	28,759,925	6.12

**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

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

The Group operates in different countries where political, economic, legal, regulatory and social uncertainties are potential risk factors. In this regard, political uncertainties in El Salvador, in particular in relation to the ongoing unofficial moratorium in processing applications for exploration and mining, have resulted in operational delays in that country. More details of this are provided in the Operation Report and Project Overview on page 5

**FINANCIAL RISK MANAGEMENT**

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

**1. Credit Risk**

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

The Group and the Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The credit risk on trade and other receivables is limited to the Group's receivable of £93,965. 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

**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**3 Market risks**

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

(i) Pricing and risks

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

(ii) Interest rate cash flow risk

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

(iii) Foreign exchange risk

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

**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 2009 and 31 December 2008. 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.

**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.

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**FOR THE YEAR ENDED 31 DECEMBER 2009**

**FINANCIAL RISK MANAGEMENT – continued**

**Environment**

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

**Community**

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

**Compliance with the Combined Code**

The directors recognise the value of the Combined Code on Corporate Governance, and whilst under AIM rules full compliance is not required, the directors believe that the company applies the recommendations insofar as is practicable and appropriate for a public company of its size.

**Board of Directors**

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

The board meets regularly throughout the year and met 15 times during the year to 31 December 2009. The board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance. Day-to-day management is devolved to the country manager who is charged with consulting with the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among directors concerned where necessary and appropriate.

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

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

**Committees**

Each of the following committees has its own terms of reference

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**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Audit Committee**

The Audit Committee comprises K P Eckhof (non-executive director) and M L Child (non-executive chairman) Its terms of reference indicate at least two meetings occur per year

In 2009 the Committee met on 28<sup>th</sup> May to review the audit work on the 2008 accounts

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 auditors

The chief financial officer and a representative of the external auditors 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 is to review the effectiveness of the Company's systems of internal control, to review with the external auditors 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 M L Child (non-executive chairman) and K P Eckhof (non-executive director), both of whom were in attendance at the meetings

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

**Service Contracts**

The Company has service contracts with its non-executive directors

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

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

	Annual salary £'000	Consultancy payments £'000	Date of Contract	Unexpired term	Notice period
M L Child	12	21	24 May 2006	-	6 months
K P Eckhof	12	62.4	24 May 2006	-	6 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

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**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Supplier payment policy**

It is the Group's policy to pay suppliers in accordance with the terms of business agreed with them. The number of days' purchases outstanding for the group as at 31 December 2009 was 30 days (2008: 30 days)

**Annual general meeting**

Your attention is drawn to the Notice of Meeting enclosed with this report convening the Annual General Meeting of the company at 9a.m. on 8<sup>th</sup> July 2010 at the offices of Speechly Bircham, 6 New Street Square, London, EC4A 3LX. The Notice of Meeting sets out and explains the special and ordinary business to be conducted at the meeting.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable laws 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 ("IFRS") as adopted by the European Union. In preparing these financial statements the directors have also elected to comply with IFRS's, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit and 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 judgements and estimates that are reasonable and prudent,
- State that the financial statement comply with IFRS as adopted by the European Union and IFRS's issued by IASB, and

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the group web-site [www.condorresourcesplc.com](http://www.condorresourcesplc.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information of which the group's auditors are 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 auditors are aware of that information.

**AUDITORS**

The auditors, Mazars LLP, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

**ON BEHALF OF THE BOARD:**



M L. Child  
Chairman

Date 14<sup>th</sup> June 2010

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
CONDOR RESOURCES PLC  
FOR THE YEAR ENDED 31 DECEMBER 2009**

We have audited the financial statements of Condor Resources Plc for the year ended 31 December 2009 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 25 and 26, 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 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 (APB's) Ethical Standards for Auditors. 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.

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

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

**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 2009 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**CONDOR RESOURCES PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Mazars LLP

Mazars LLP, Chartered Accountants (Statutory auditor)  
Stephen Bullock (Senior statutory auditor)  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

Date 14 June 2010

Note The maintenance and integrity of the Condor Resources Plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept 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 RESOURCES PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

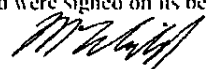
	Notes	Year Ended 31 12 09 £	Year Ended 31 12 08 £
Revenue		-	-
Net gain arising on foreign transactions		1,061	-
Administrative expenses		(652,360)	(3,526,579)
<b>Operating loss</b>	5	<u>(651,299)</u>	<u>(3,526,579)</u>
Finance income	4	4,132	49,984
Net gain on financial assets at fair value through profit and loss	13	95,426	-
Loss before income tax		<u>(551,741)</u>	<u>(3,476,595)</u>
Income tax expense	6	(6,318)	-
<b>Loss for the year</b>		<u><b>(558,059)</b></u>	<u><b>(3,476,595)</b></u>
Other comprehensive income			
Currency translation differences		(102,080)	882,643
<b>Other comprehensive (loss)/income for the year</b>		<u><b>(102,080)</b></u>	<u><b>882,643</b></u>
<b>Total comprehensive loss for the year</b>		<u><b>(660,139)</b></u>	<u><b>(2,593,952)</b></u>
<b>Loss attributable to</b>			
Owners of the parent		<u>(558,059)</u>	<u>(3,476,595)</u>
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent		<u>(660,139)</u>	<u>(2,593,952)</u>
<b>Loss per share expressed in pence per share</b>			
Basic and diluted	8	<u>(0 13)</u>	<u>(1 51)</u>

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

**CONDOR RESOURCES PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

	Notes	31 12 09 £	31 12 08 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	21 800	85,452
Intangible assets	10	4 628 028	4 537 700
		<hr/>	<hr/>
		4 652,828	4 623 152
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	93 965	98,640
Financial assets at fair value through profit and loss	13	1 496 487	-
Cash and cash equivalents		657 583	1 450 744
		<hr/>	<hr/>
		2 248 035	1,549 384
<b>TOTAL ASSETS</b>		<hr/> <b>6,900,863</b> <hr/>	<hr/> <b>6,172,536</b> <hr/>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	15	3 400	11 974
		<hr/>	<hr/>
		3,400	11 974
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	73 426	95 852
		<hr/>	<hr/>
		73 426	95 852
<b>TOTAL LIABILITIES</b>		<hr/> <b>76,826</b> <hr/>	<hr/> <b>107,826</b> <hr/>
<b>NET CURRENT ASSETS</b>		<hr/> <b>2 174 609</b> <hr/>	<hr/> <b>1 453 532</b> <hr/>
<b>NET ASSETS</b>		<hr/> <b>6 824 037</b> <hr/>	<hr/> <b>6 064 710</b> <hr/>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	4 717 118	3 303 118
Share premium		7 149 141	7 237 956
Legal reserves		71	71
Exchange difference reserve		779 501	881 581
Share options reserve		198 253	114 405
Retained earnings		(6 020 017)	(5 172 121)
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<hr/> <b>6 824 037</b> <hr/>	<hr/> <b>6 064 710</b> <hr/>

The financial statements were approved and authorised for issue by the Board of Directors on 14/6/10 and were signed on its behalf by

  
M J Child  
Chairman

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

**CONDOR RESOURCES PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2009**

	Share Capital	Share premium	Legal reserve	Exchange difference reserve	Share option reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2008	1,303,118	7,352,508	71	(1,062)	134,738	(2,050,517)	6,738,856
Comprehensive income							
Loss for the year	-	-	-	-	-	(3,476,595)	(3,476,595)
Other comprehensive income							
Currency translation differences	-	-	-	882,643	-	-	882,643
New shares issued	2,000,000	-	-	-	-	-	2,000,000
Share issue costs	-	(114,552)	-	-	-	-	(114,552)
Share based payment	-	-	-	-	34,358	-	34,358
Share options lapsed	-	-	-	-	(54,691)	54,691	-
<b>At 31 December 2008</b>	<b>3,303,118</b>	<b>7,237,956</b>	<b>71</b>	<b>881,581</b>	<b>114,405</b>	<b>(5,472,421)</b>	<b>6,064,710</b>
Comprehensive income							
Loss for the year	-	-	-	-	-	(558,059)	(558,059)
Other comprehensive income							
Currency translation differences	-	-	-	(102,080)	-	-	(102,080)
New shares issued	1,414,000	-	-	-	-	-	1,414,000
Share issue costs	-	-	-	-	-	-	-
Share based payment	-	(88,815)	-	-	94,281	-	5,466
Share options lapsed	-	-	-	-	(10,433)	10,433	-
<b>At 31 December 2009</b>	<b>4,717,118</b>	<b>7,149,141</b>	<b>71</b>	<b>779,501</b>	<b>198,253</b>	<b>(6,020,047)</b>	<b>6,824,037</b>

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

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

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

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

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

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

**CONDOR RESOURCES PLC**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

	Notes	31 12 09 £	31 12 08 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property plant and equipment	9	905	6 094
Investments	11	2 954 354	2 942,511
Trade and other receivables	12	<u>1 970 994</u>	<u>1 861,832</u>
		4 926 253	4 810 437
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	8 509	10 510
Financial assets at fair value through profit and loss	13	1 196 187	-
Cash and cash equivalents		<u>652 937</u>	<u>1 430 364</u>
		2 157 933	1 440,874
<b>TOTAL ASSETS</b>		<u><b>7,084,186</b></u>	<u><b>6,251,311</b></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	58 703	85,491
<b>TOTAL LIABILITIES</b>		<b>58,703</b>	<b>85,491</b>
<b>NET CURRENT ASSETS</b>		<b>2,099 230</b>	<b>1 355 383</b>
<b>NET ASSETS</b>		<u><b>7 025,483</b></u>	<u><b>6 165,820</b></u>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	4 717 118	3 303 118
Share premium		7 149 141	7 237 956
Share options reserve		210 096	111 405
Retained earnings		<u>(5 050 872)</u>	<u>(4 489 659)</u>
<b>TOTAL EQUITY</b>		<u><b>7,025,483</b></u>	<u><b>6,165,820</b></u>

The financial statements were approved and authorised for issue by the Board of Directors on 14/6/10 and were signed on its behalf by



M J Child  
 Chairman

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

**CONDOR RESOURCES PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2009**

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total £
<b>Company</b>					
At 1 January 2008	1,303,118	7,352,508	134,738	(1,321,052)	7,469,312
Comprehensive income					
Loss for the period	-	-	-	(3,223,298)	(3,223,298)
New shares issued	2,000,000	-	-	-	2,000,000
Share issue cost	-	(114,552)	-	-	(114,552)
Share based payment	-	-	34,358	-	34,358
Share options lapsed	-	-	(54,691)	54,691	-
At 31 December 2008	<u>3,303,118</u>	<u>7,237,956</u>	<u>114,405</u>	<u>(4,489,659)</u>	<u>6,165,820</u>
Comprehensive income					
Loss for the period	-	-	-	(571,646)	(571,646)
New shares issued	1,414,000	-	-	-	1,414,000
Share based payment	-	(88,815)	106,124	-	17,309
Share options lapsed	-	-	(10,433)	10,433	-
At 31 December 2009	<u>4,717,118</u>	<u>7,149,141</u>	<u>210,096</u>	<u>(5,050,872)</u>	<u>7,025,483</u>

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

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

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

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

**CONDOR RESOURCES PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	31 12 09	31 12 08
	£	£
<b>Cash flows from operating activities</b>		
Loss before tax	(551,741)	(3,476,595)
Share based payment	5,466	34,358
Professional fees paid in shares	14,000	-
Depreciation charges	4,864	25,989
Loss on disposal of computer equipment	325	-
Profit on disposal of motor vehicles	(12,973)	-
Adjustment for net movement in unrealised gains on financial assets at fair value through profit or loss	(95,426)	-
Adjustment for net movement in unrealised gains/(losses) on foreign exchange	(1,061)	-
Impairment charge of intangible fixed assets	6,497	2,349,059
Amounts written off	-	3,235
Exchange rate differences on exploration costs brought forward	71,521	-
Finance income	(4,132)	(49,984)
	<u>(562,660)</u>	<u>(1,113,938)</u>
Increase/(decrease) in trade and other receivables	4,675	(22,311)
Decrease in trade and other payables	(31,000)	(13,146)
Income tax paid	(6,318)	-
	<u>(595,303)</u>	<u>(1,149,395)</u>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(138,941)	(1,360,797)
Sales of tangible fixed assets	39,031	31,841
Interest received	4,132	49,984
	<u>(95,778)</u>	<u>(1,278,972)</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	2,000,000
Less issue costs	-	(114,552)
	<u>-</u>	<u>1,885,448</u>
Net cash from financing activities	<u>-</u>	<u>1,885,448</u>
(Decrease)/increase in cash and cash equivalents	<u>(691,081)</u>	<u>(542,919)</u>
Cash and cash equivalents at beginning of year	1,450,744	1,111,020
Exchange losses on cash and bank	(102,080)	882,643
	<u>657,583</u>	<u>1,450,744</u>

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

**CONDOR RESOURCES PLC**

**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Year Ended 31 12 09 £	Year Ended 31 12 08 £
<b>Cash flows from operating activities</b>		
Loss before tax	(571,646)	(3,223,298)
Share based payment	5,466	34,358
Depreciation charges	4,864	4,968
Loss on disposal of computer equipment	325	-
Professional fees paid in shares	14,000	-
Impairment of cost of investments	-	663,510
Adjustment for net movement in unrealised gains/(losses) on financial assets at fair value through profit and loss	(95,426)	-
Adjustment for net movement in unrealised gains/(losses) on foreign exchange	(1,061)	-
Receivables written off	-	1,656,013
Finance income	(4,066)	(49,984)
	<u>(647,544)</u>	<u>(914,433)</u>
Increase in trade and other receivables	(107,161)	(651,563)
Decrease in trade and other payables	<u>(26,788)</u>	<u>(89)</u>
Net cash absorbed in operating activities	<u>(781,493)</u>	<u>(1,566,085)</u>
<b>Cash flows from investing activities</b>		
Interest received	4,066	49,984
	<u>4,066</u>	<u>49,984</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	2,000,000
Less issue costs	-	(114,552)
Net cash from financing activities	<u>-</u>	<u>1,885,448</u>
Increased in cash and cash equivalents	(777,427)	369,346
Cash and cash equivalents at beginning of year	1,430,364	1,061,018
Cash and cash equivalents at end of year	<u>652,937</u>	<u>1,430,364</u>

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

## **CONDOR RESOURCES PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **1 ACCOUNTING POLICIES**

##### **General information**

These consolidated financial statements are for Condor Resources Plc and its subsidiary undertakings. The Company is a public company registered in England and Wales on 10<sup>th</sup> October 2005 and is listed on the Alternative Investment Market. The address of its registered office is 6 New Street Square, London, EC4A 3LX. The nature of the Group's operation is described in the Directors' report.

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

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

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

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

The financial statements have been prepared on the going concern basis. The directors consider this basis is appropriate based on the Group cash flow forecasts and projections and current levels of cash and cash equivalents. For the purposes of working capital management the directors believe that the Group will be able to dispose of part of its shareholding in Grafton Resource Investment Limited in the next twelve months but, in the event that such partial disposal could not be realised, other liquid resources available to the Group would be sufficient to meet its requirements for a period of at least 12 months from the date of approval of the financial statements.

The financial statements have been rounded to the nearest pound.

##### **Interpretations and amendments to published standards effective in 2009**

On 1 January 2009, the Group adopted the new or amended IFRS and IFRIC Interpretations that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective IFRS and IFRIC Interpretations.

The following are the new IFRS and IFRIC interpretations and amendments to published standards effective in 2009 that are relevant to the Group:

- IAS 1 – Presentation of Financial Statements (effective from 1 January 2009)
- IFRS 2 – Share-Based Payments (effective from 1 January 2009)
- IFRS 8 – Operating Segments (effective from 1 January 2009)

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

The following standards, amendments and interpretations were mandatory for the Group's accounting period, but are not relevant to the operations of the Group:

- |                     |  |
|---------------------|--|
| IFRS 1              | -First-Time Adoption of IFRS                       |
| IFRS 7 (Amendments) | -Financial Instruments Disclosures                 |
| IAS 23 (Amendments) | -Borrowing Costs                                   |
| IAS 32 (Amendments) | -Financial Instruments Presentation                |
| IAS 39 (Amendments) | -Financial Instruments Recognition and Measurement |
| IFRIC 15            | -Agreements for the Construction of Real Estate    |

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**1 ACCOUNTING POLICIES - continued**

**New accounting standards and IFRS interpretations**

The Group has not adopted the following IAS and IFRS and its interpretations that have been issued as at the date of this report but not yet effective

Reference	Description	Effective date (Annual periods beginning on or after)
IAS 24	<i>Related Party Disclosures – Revised definition of related parties</i>	1 January 2011
IAS 27	<i>Consolidated and Separate Financial Statements – Revised</i>	1 July 2009
	<i>Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 July 2009
	<i>Financial Instruments Recognition and Measurement – Amendments relating to Eligible Hedged Items</i>	1 July 2009
IAS 39	<i>Financial Instruments Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments</i>	30 June 2009
IFRS 2	<i>Share-based Payment – Amendments relating to group cash-settled share-based payment transactions</i>	1 January 2010
IFRS 3	<i>Business Combinations – Revised</i>	1 July 2009
IFRS 9	<i>Financial Instruments – Classification and Measurement</i>	1 January 2013
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>	1 July 2009
IFRIC 18	<i>Transfers of Assets from Customers</i>	1 July 2009

The directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application

**Basis of consolidation**

The Group financial statements consolidate the accounts of its wholly owned subsidiaries, Minerales Morazan S A De C V and Condor 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.

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.

**CONDOR RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**I ACCOUNTING POLICIES – continued**

**Property, plant and equipment**

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

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

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

**Investments**

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

**Financial instruments**

*(a) Financial assets*

Financial assets are classified as financial assets at fair value through profit or 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 or loss, directly attributable transaction costs.

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

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

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

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

- (i) acquired or incurred principally for the purpose of selling or repurchasing it 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 or 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 or 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 or 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.

**CONDOR RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**1 ACCOUNTING POLICIES - continued**

**Taxation**

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

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

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

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

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

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

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

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

When it has been established that a mineral deposit has development potential, all costs (direct and applicable overhead) 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 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

## **CONDOR RESOURCES PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **I ACCOUNTING POLICIES - continued**

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

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

##### **Revenue recognition**

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

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

The following criteria are also met in specific revenue transactions:

##### **Gold Bullion Sales**

Revenue from gold bullion sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can reasonably be estimated.

##### **Gold and silver in concentrate sales**

Contract terms for the Group's sale of gold and silver in concentrate (metal in concentrate) allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the content. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the spot price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of "Other Income".

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specific future date after shipment to the customer (the "quotation period"). Adjustment to the sales price occurs based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months.

The provisionally priced sales of metal in concentrate contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. Accordingly the embedded derivative, which does not qualify for hedge accounting, is recognised at fair value, with subsequent changes in the fair value recognised in the statement of comprehensive income each period until final settlement, and presented as "Other Income". Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for gold and copper.

##### **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 RESOURCES PLC**

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**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 and investment in subsidiaries**

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

Determining whether the intangible assets and/or investments are impaired requires an estimation of the value in use of the cash generating units to which the intangible assets belong to. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and the suitable discount rate in order to calculate the present value. A provision for impairment was made in the period and the carrying value of intangible assets at the balance sheet date was £4,628,028 (2008 £4,537,700). In particular, the present unofficial moratorium on processing applications for mineral exploration and extraction in El Salvador has not resulted in any impairment to the value in use of the relevant intangible assets. This judgement is matured on an ongoing basis by the directors in the light of local intelligence.

**b) Share based payments**

The Group has made awards of options on its un-issued share capital to certain Directors and employees as part of their remuneration package.

The valuation of these options involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and interest rates. These assumptions are described in more detail in note 19.

**2 REVENUE AND SEGMENTAL REPORTING**

The groups operating segments have been determined based on geographical areas.

The groups operations are located in UK, El Salvador and Nicaragua. The group undertakes only one business activity as described in the Director's report.

**CONDOR RESOURCES PLC**

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**2 REVENUE AND SEGMENTAL REPORTING - continued**

**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 2009 is as follows

	UK £	El Salvador £	Nicaragua £	Consolidation £
<b>RESULTS</b>				
Operating loss	(671,138)	1,524	18,315	(651,299)
Interest income	4,066	66	-	4,132
Income tax expense	-	(171)	(6,147)	(6,318)
<b>Included in operating loss</b>				
Depreciation	4,864	-	-	4,864
Net gain from fair value adjustment on financial assets	95,426	-	-	95,426

**Assets**

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

	UK £	El Salvador £	Nicaragua £	Consolidation £
<b>ASSETS</b>				
Total assets	<u>2,153,262</u>	<u>2,518,317</u>	<u>2,229,284</u>	<u>6,900,863</u>
<b>LIABILITIES</b>				
Total liabilities	<u>58,703</u>	<u>7,592</u>	<u>10,531</u>	<u>76,826</u>

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The Group's results by reportable segment for the year ended 31 December 2008 is as follows

	UK £	El Salvador £	Nicaragua £	Consolidation £
<b>RESULTS</b>				
Operating loss	(2,583,938)	618	(943,259)	(3,526,579)
Interest income	49,882	-	102	49,984
<b>Included in operating loss</b>				
Depreciation	4,968	-	-	4,968

**Assets**

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

	UK £	El Salvador £	Nicaragua £	Consolidation £
<b>ASSETS</b>				
Total assets	<u>828,806</u>	<u>3,082,892</u>	<u>2,260,838</u>	<u>6,172,536</u>
	UK £	El Salvador £	Nicaragua £	Consolidation £
<b>LIABILITIES</b>				
Total assets	<u>85,491</u>	<u>6,457</u>	<u>15,878</u>	<u>107,826</u>

**3. STAFF COSTS**

	31 12 09	31 12 08
	£	£
Wages and salaries	72,875	282,207
Social security costs	816	4,334
	<u>73,691</u>	<u>286,541</u>

Staff costs included within additions to exploration costs during the year was £63,865 (2008 £230,930)

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

Year ended 31 <sup>st</sup> December	Group		Company	
	2009	2008	2009	2008
Directors	3	3	3	3
Employees	12	12	-	1
	<u>15</u>	<u>15</u>	<u>3</u>	<u>4</u>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
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**3 STAFF COSTS - continued**

	Salary Payments		Termination Payment		Related Party Payments *		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	£	£	£	£	£	£	£	£
M L Child	12,000	12,000	-	-	62,400	86,850	74,400	98,850
N Ferguson	-	14,000	-	56,865	(2,000)	95,664	(2,000)	166,529
K P Eckhof	12,000	12,000	-	-	21,000	24,000	33,000	36,000
P Moussa	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24,000</b>	<b>38,000</b>	<b>-</b>	<b>56,865</b>	<b>81,400</b>	<b>206,514</b>	<b>105,400</b>	<b>301,379</b>

\* Refer to note 18 for listing of related parties

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

No share options have been exercised by the directors.

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 2009	Granted during the year	Lapsed in the year	As at 31 December 2009
<b>DIRECTORS</b>						
M L Child	15	30 May 2011	1,250,000	-	-	1,250,000
	1	23 Dec 2013	9,000,000	-	-	9,000,000
K P Eckhof	15	30 May 2011	1,750,000	-	-	1,750,000
	1	23 Dec 2013	3,000,000	-	-	3,000,000
P Moussa	1	23 Dec 2013	2,000,000	-	-	2,000,000

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 2009 is 0.37p (2008 0.40p).

The market price during the year ranged from 0.30p to 1.14p (2008 0.08p to 4.25p).

The interests of the directors in warrants to subscribe for ordinary shares of the company were

	Exercise price (p)	Latest exercise date	As at 1 January 2009	Granted during the year	Lapsed in the year	As at 31 December 2009
<b>DIRECTORS</b>						
M L Child	1	10 July 2011	-	-	-	13,750,000
	1.5	10 July 2011	-	-	-	5,000,000
	2	10 July 2011	-	-	-	5,000,000

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**4 FINANCE INCOME**

	31 12 09	31 12 08
	£	£
Deposit account interest	<u>4,132</u>	<u>49,984</u>

**5. LOSS BEFORE TAX**

The loss before tax is stated after charging

	31 12 09	31 12 08
	£	£
Depreciation – owned assets	4,864	25,989
Auditor's remuneration		
- statutory Audit fee	23,500	21,275
- non-statutory assurance work fee	7,303	10,349
Foreign exchange differences	16,260	-
Impairment of intangible assets	-	2,352,294
Rent – operating leases	<u>8,050</u>	<u>16,956</u>

**6 TAXATION**

**Analysis of the tax charge**

	31 12 09	31 12 08
	£	£
Current tax		
Tax	<u>6,318</u>	<u>-</u>
Total tax charge in income statement	<u>6,318</u>	<u>-</u>

**Reconciliation of the tax charge**

	31 12 09	31 12 08
	£	£
Loss before tax	<u>(551,741)</u>	<u>(3,476,595)</u>
Loss before tax multiplied by standard rate of Corporation tax in the UK of 21% (2008 28.5%)	(115,866)	(990,830)
Effects of		
Non-taxation income/(non-deductable expenses)	35,353	
Deferred tax not provided	84,693	990,830
Differences in overseas taxation rates	<u>2,138</u>	<u>-</u>
Total tax charge in income statement	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to certain losses carried forward at the year end, as there is insufficient evidence that taxable profits will be available in the foreseeable future against which the deductible temporary difference can be utilised

**CONDOR RESOURCES PLC**

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**7 LOSS OF PARENT COMPANY**

As permitted by Section 230 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 £571,646 (2008 loss £3,223,298)

**8 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 09	31 12 08
	£	£
<b>Basic EPS</b>		
Loss for the period	(558,059)	(3,476,595)
Weighted average number of shares	<u>408,546,821</u>	<u>230,311,771</u>
Loss per share (in pence)	<u>(0.13)</u>	<u>(1.51)</u>

In accordance with IAS 33 and as the Group has reported a loss for the year, the share options are antidilutive

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
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**9 PROPERTY, PLANT AND EQUIPMENT**

	Improvements to rental property £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Computer equipment £	Totals £
<b>Group</b>						
<b>Cost or valuation</b>						
At 1 January 2008	1,940	9,501	14,202	136,494	37,469	199,606
Additions	-	838	2,289	-	1,707	4,834
Disposals	(2,675)	-	(1,209)	(63,602)	-	(67,486)
Exchange difference	735	4,849	7,454	29,898	11,296	54,232
At 1 January 2009	-	15,188	22,736	102,790	50,472	191,186
Disposals	-	-	-	(55,963)	(3,730)	(59,693)
Reclassification	-	-	(857)	3,678	-	2,821
Exchange difference	-	(1,505)	(2,436)	(12,306)	(3,898)	(20,145)
At 31 December 2009		13,683	19,443	38,199	42,844	114,169
<b>Accumulated depreciation and impairment</b>						
At 1 January 2008	-	(2,757)	(6,717)	(31,002)	(15,849)	(56,325)
Charge for year	-	(466)	(8,230)	(46,760)	(18,314)	(73,770)
Disposals	-	-	1,209	27,506	-	28,715
Exchange difference	-	(236)	(1,746)	(157)	(2,215)	(4,354)
At 1 January 2009	-	(3,459)	(15,484)	(50,413)	(36,378)	(105,734)
Charge for period	-	(527)	(3,595)	(9,714)	(11,323)	(25,159)
Disposals	-	-	-	30,810	3,405	34,215
Reclassification	-	(963)	(825)	(7,605)	5,667	(3,726)
Exchange difference	-	121	1,580	5,772	3,562	11,035
At 31 December 2009		(4,828)	(18,324)	(31,150)	(35,067)	(89,369)
<b>Net Book Value</b>						
At 31 December 2008	-	11,729	7,252	52,377	14,094	85,452
At 31 December 2009	-	8,855	1,119	7,049	7,777	24,800

The depreciation charge for the subsidiaries of £20,295 (2008 £68,803) is included within the addition to exploration costs in the year

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**9 PROPERTY, PLANT AND EQUIPMENT – continued**

<b>Company</b>	<b>Computer Equipment £</b>
<b>Cost</b>	
At 1 January 2008 and 1 January 2009	<u>14,916</u>
<b>Disposals</b>	<u>(3,730)</u>
At 31 December 2009	<u>11,186</u>
<b>Depreciation</b>	
At 1 January 2008	(3,855)
Charge for the year	<u>(4,967)</u>
At 1 January 2009	(8,822)
Charge for the year	(4,864)
Disposals	<u>3,405</u>
At 31 December 2009	<u>(10,281)</u>
<b>Net Book Value</b>	
At 31 December 2008	<u>6,094</u>
<b>Net book Value:</b>	
At 31 December 2009	<u>905</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**10 INTANGIBLE ASSETS**

	Exploration costs £	Mineral resources £	Licences £	Total £
<b>Group</b>				
<b>Cost or valuation</b>				
At 1 January 2008	2,029,753	3,600,443	472,036	6,102,232
Additions	1,360,797	-	-	1,360,797
Exchange difference	-	-	-	-
At 1 January 2009	<u>3,390,550</u>	<u>3,600,443</u>	<u>472,036</u>	<u>7,463,029</u>
Additions	168,346	-	-	168,346
Exchange difference	(71,521)	-	-	(71,521)
At 31 December 2009	<u>3,487,375</u>	<u>3,600,443</u>	<u>472,036</u>	<u>7,559,854</u>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2008	(395,347)	(154,305)	(26,618)	(576,270)
Impairment for year	(1,394,436)	(509,205)	(445,418)	(2,349,059)
Exchange difference	-	-	-	-
At 1 January 2009	<u>(1,789,783)</u>	<u>(663,510)</u>	<u>(472,036)</u>	<u>(2,925,329)</u>
Impairment for year	(6,497)	-	-	(6,497)
At 31 December 2009	<u>(1,796,280)</u>	<u>(663,510)</u>	<u>(472,036)</u>	<u>(2,931,826)</u>
<b>Net Book Value</b>				
At 31 December 2008	<u>1,600,767</u>	<u>2,936,933</u>	<u>-</u>	<u>4,537,700</u>
At 31 December 2009	<u>1,691,095</u>	<u>2,936,933</u>	<u>-</u>	<u>4,628,028</u>

The JORC inferred resources of the Group at May 2008 are as follows

Gold	788,000 oz contained metal ounces	(2008 £890,979)
Silver	22.4m contained metal ounces	(2008 £22.4m)

During the year, in accordance with IFRS 6, the Group made an impairment charge to the carrying cost of exploration costs on three licences held in El Salvador. The costs of this charge were £6,497 (2008 £716,576) to El Salvador and £m1 (2008 £1,632,483) to Nicaragua. The trigger to the impairment tests were primarily the cessation of these licences.

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. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment charges described below is value in use. The group generally estimates value in use using a discounted cash flow model.

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

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

The impairment was determined based on the changes within the government in El Salvador and the restrictions imposed on mining. Consequently, management believes the carrying amount of investments to exceed their recoverable amount.

**CONDOR RESOURCES PLC**

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**11 INVESTMENTS**

Company	Equity in subsidiary undertakings £	Capital contribution £	Total £
<b>Cost</b>			
At 1 January 2007, 31 December 2007 and 31 December 2008	3,606,021	-	3,606,021
Additions	-	11,843	11,843
At 31 December 2009	<u>3,606,021</u>	<u>11,843</u>	<u>3,617,864</u>
<b>Impairment</b>			
Charge at 1 January 2007 and 1 January 2008	-		
Charge for year	<u>(663,510)</u>	-	<u>(663,510)</u>
At 31 December 2008 and 31 December 2009	<u>(663,510)</u>	-	<u>(663,510)</u>
<b>Net Book Value.</b>			
At 31 December 2008 and 31 December 2009	<u>2,942,511</u>	<u>11,843</u>	<u>2,954,354</u>

In assessing whether an impairment is required for the carrying value of an asset, reference has been made to the underlying intangible discussed in note 10

The impairment was determined based on the changes within the government in El Salvador and the restrictions imposed on mining. Consequentially, management believes the carrying amount of investments to exceed their recoverable amount

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

Name	Country of incorporation	Interest %	Class of shares	Nature of the business	Share capital and reserves £	Profit/(Loss) for the year £
Minerales Morazan S A de C V	El Salvador	100	Ordinary	Gold and silver exploration	(565,196)	1,590
Condor S A	Nicaragua	100	Ordinary	Gold and silver exploration	(1,208,573)	18,315

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**12. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	31 12 09	31 12 08	31 12 09	31 12 08
	£	£	£	£
Current				
Other receivables	70,013	78,843	300	3,587
Prepayments	23,952	19,797	8,209	6,923
	<u>93,965</u>	<u>98,640</u>	<u>8,509</u>	<u>10,510</u>
Non-current				
Amounts owed by Group undertakings	-	-	3,624,488	3,515,326
Provision	-	-	<u>(1,656,013)</u>	<u>(1,656,013)</u>
Net amounts owed by group undertakings	-	-	1,968,475	1,859,313
Loans receivable	3,235	3,235	2,519	2,519
Provision	<u>(3,235)</u>	<u>(3,235)</u>	-	-
Net loans receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>1,970,994</u>	<u>1,861,832</u>
	<u>93,965</u>	<u>98,640</u>	<u>1,979,503</u>	<u>1,872,342</u>

**13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows

The fair value of all equity securities is based on the quoted prices (unadjusted) in active markets

Designated at fair value through profit or loss at inception	31 12 09	31 12 08
	£	£
- Listed equity securities	<u>1,496,487</u>	<u>-</u>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**14 FINANCIAL INSTRUMENTS**

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

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

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

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

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

**14.1 Financial instruments by category**

	Group		Company	
	31 12 09	31 12 08	31 12 09	31 12 08
	£	£	£	£
<b>Assets as per balance sheet</b>				
Financial assets at fair value through profit and loss	1,496,487	-	1,496,487	-
Loans and receivables				
Other receivables	93,965	98,640	8,509	10,510
Cash and cash equivalents	<u>657,583</u>	<u>1,450,744</u>	<u>652,937</u>	<u>1,430,364</u>
Total	<u>2,248,035</u>	<u>1,549,384</u>	<u>2,157,933</u>	<u>1,440,874</u>

	Group		Company	
	31 12 09	31 12 08	31 12 09	31 12 08
	£	£	£	£
<b>Liabilities as per balance sheet</b>				
Loans and receivables	-	-	-	-
Trade and other payables	27,248	30,812	10,805	10,320
Accrued expenses	<u>49,578</u>	<u>77,014</u>	<u>47,898</u>	<u>75,171</u>
Total	<u>76,826</u>	<u>107,826</u>	<u>58,703</u>	<u>85,491</u>

**CONDOR RESOURCES PLC**

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

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

14.2 Financial risk management objectives and policies

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

(a) Foreign currency exchange risks

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

At 31 December 2009, if the currency had weakened/strengthened by 15% against the sterling with all variables held constant, before tax losses for the year would have been £238 (2008 £153,223)

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	
	2009	2008	2009	2008
USD 1	0.6386	0.5390	0.6278	0.6907
NIO 1	0.0312	0.0273	0.0295	0.0340

The assets and liabilities (including inter-company accounts) as denominated in the local currency are:

	2009		2008	
	NIO	\$	NIO	\$
Assets	19,667,904	2,696,875	18,001,167	2,602,853
Liabilities	60,431,259	3,597,393	52,165,000	3,505,631

(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.

(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 RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**14 FINANCIAL INSTRUMENTS – continued**

- (d) Cash flow and fair value interest rate risks  
The Group has no interest-bearing liabilities. Interest rates on bank deposits are based on the relevant national inter bank offered rates. The Group has no fixed interest rate assets.

The main financial risks for the Group are given on page 1 of the Directors' Report.

At 31 December 2009 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	31 12 09		31 12 08	
	£	Weighted average interest rate	£	Weighted average interest rate
Financial assets				
GBP – cash and cash equivalents	652,938	0.62%	1,430,364	3.49%
USD – cash and cash equivalents	642	1.42%	4,659	2.17%
NIO – cash and cash equivalents	<u>4,003</u>	0.00%	<u>15,721</u>	0.00%
Total	<u>657,583</u>		<u>1,450,744</u>	

A decrease of 1% on the interest rates offered by the bank will result in a decrease in interest receivable of £6,529.

**15 TRADE AND OTHER PAYABLES**

	Group		Company	
	31 12 09	31 12 08	31 12 09	31 12 08
	£	£	£	£
Current				
Trade payables	15,788	14,038	10,791	7,097
Social security and other taxes	8,060	912	14	(665)
Other payables	-	3,888	-	3,888
Accrued expenses	49,578	77,014	47,898	75,171
	<u>73,426</u>	<u>95,852</u>	<u>58,703</u>	<u>85,491</u>
Non-Current				
Deferred employee remuneration	3,400	11,974	-	-
	<u>3,400</u>	<u>11,974</u>	<u>-</u>	<u>-</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.

**16 CALLED UP SHARE CAPITAL AND SHARE PREMIUM**

	Number of shares (thousands)	Ordinary shares £	Share premium £	Total £
At 1 January 2008	130,312	1,303,118	7,352,508	8,655,626
Proceeds from shares issued	200,000	2,000,000	(114,552)	1,885,448
At 31 December 2008	<u>330,312</u>	<u>3,303,118</u>	<u>7,237,956</u>	<u>10,541,074</u>
Warrants issued during the year	-	-	(88,815)	(88,815)
Proceeds from shares issued	141,400	1,414,000	-	1,414,000
At 31 December 2009	<u>471,712</u>	<u>4,717,118</u>	<u>7,149,141</u>	<u>11,866,259</u>

**CONDOR RESOURCES PLC**

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**16. CALLED UP SHARE CAPITAL AND SHARE PREMIUM – continued**

The total authorised number of ordinary shares is 1,000,000,000 (2008 1,000,000,000) with a par value of 1p All issued shares are fully paid

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

The group issued 140,000,000 ordinary shares on 12 June 2009 as purchase consideration with Grafton Resources Investments Plc for 54,388 of its ordinary shares

The group issued 1,400,000 ordinary shares on 17 June 2009 These were issued for services rendered in relation to the share for share exchange The consideration was £14,000, which was considered to be its fair value

**17 EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS**

**a) Share Options**

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

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

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

Details of the share options outstanding during 2008 were as follows

Date of Grant	1 January 2008 No of shares	Issued in year	Forfeit or lapsed in year	31 December 2008 No shares	Date from which options are first exercisable	Lapse date	Price per share
24/03/2006	11,750,000	-	-	11,750,000	31/05/2006	30/05/2011	15p
31/05/2007	1,900,000	-	-	1,900,000	31/05/2007	31/05/2010	10p
23/12/2008	-	-	(5,550,000)	(5,550,000)	31/05/2006	30/05/2011	15p
23/12/2008	-	21,000,000	-	21,000,000	24/12/2008	23/12/2013	1p
	13,650,000	21,000,000	(5,550,000)	29,100,000			

Details of the share options outstanding during 2009 were as follows

Date of Grant	1 January 2009 No of shares	Issued in Year	Forfeit or lapsed in year	31 December 2009	Date from which options are first exercisable	Lapse date	Price per share
24/03/2006	6,950,000	-	-	6,950,000	31/05/2006	30/05/2011	15p
31/05/2007	1,150,000	-	(400,000)	750,000	31/05/2007	31/05/2010	10p
23/12/2008	21,000,000	-	(3,100,000)	17,900,000	31/05/2006	30/05/2011	1p
10/09/2009	-	2,000,000	-	2,000,000	11/09/2009	09/09/2014	1p
14/10/2009	-	1,000,000	-	1,000,000	15/10/2009	13/10/2014	1p
	29,100,000	3,000,000	(3,500,000)	28,600,000			

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**17 EQUITY-SETTLED SHARE OPTION SCHEME AND WARRANTS - continued**

The weighted average exercise price per share is 4.64p (2008 6.24p) and the average contractual life is 2 years (2008 2 years) All the share options in issue are exercisable at the year end

The estimated fair value of the options granted in 2009 was £5,466 (2008 £34,358) and has been fully recognised within administration expenses This fair value has been calculated using the Black-Scholes option pricing model The inputs into the model were as follows

	2009	2008
Share price	0.37p	0.4p
Exercise price	1p	1p
Expected volatility	109.52%	93.02%
Expected life (yrs)	3	3
Risk free rate	3.3%	4.3%
Expected dividend yield	-	-

A release from the share option reserve of £10,433 (2008 £54,691) was made during 2009 reflecting that 4,000,000 options issued in 2007 and 3,100,000 options issued in 2008 lapsed during this 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 2 years

**b) Warrants**

During the year the Company issued warrants to its consultants for services provided

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

Details of the warrants outstanding during 2009 were as follows

Date of Grant	1 January 2009 No of warrants	Issued in year	Forfeit or lapsed in year	31 December 2009 No of warrants	Lapse date	Price per share
14/01/2009	-	27,500,000	-	5,500,000	10/07/2011	1p
14/01/2009	-	10,000,000	-	10,000,000	10/07/2011	1.5p
14/01/2009	-	10,000,000	-	21,000,000	10/07/2011	2p
	-	47,500,000	-	36,500,000		

The estimated fair value of the warrants granted in 2009 was £88,815 (2008 £nil) This fair value has been calculated using the Black-Scholes option pricing model as detailed above

**18 RELATED PARTY TRANSACTIONS**

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

Company	Related party	31 12 09 £	31 12 08 £	Outstanding at year end £
Ridgeback Holdings Pty Ltd	N Ferguson	(2,000)	95,664	-
Iguana Resources Pty Ltd	K P Eckhof	21,000	24,000	(1,500)
Axial Associates Limited	M L Child	62,400	86,850	220

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

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**19 OPERATING LEASES**

The group has no operating lease commitments at the end of 2009 or 2008

**20 CONTROLLING PARTY**

There is no ultimate controlling party