

STOCK EXCHANGE ANNOUNCEMENT



3 July, 2014

Termination of Debt Funding and Clarification

ASX Release Stock Code: CDB

Condor Blanco Mines Limited (ASX: CDB; Condor, the Company) wishes to advise that it has terminated all agreements and negotiations in relation to its proposed the €10 million debt funding facility. The counterparties with whom Condor were dealing were unable to complete the agreements. None of these agreements continue to be in force or affect. Condor is not pursuing any loan funding through those parties (being Mastech Management Consultancy FZC or World Investments Masafin S.L), and the Signet Coking Coal agreement has also become void. Condor has no further obligations in relation to either agreement.

Condor however remains focused on the Marianas Magnetite Tailings Project in Chile. The Directors of Condor consider its current financial position sufficient to continue progressing the permitting and development of Marianas and other exploration works previously outlined in market releases.

Condor wishes to now clarify past ASX announcements by it. The impacted announcements are stated below:

16/05/2014	Update on 10m Euro Debt Funding
01/05/2014	Quarterly Activities and Cashflow Report
28/04/2014	Presentation - Rocketing Resources Investorium.tv
17/04/2014	Hard Coking Coal Agreements and Debt Documents Signed
07/04/2014	10m Euro debt funding nears completion
21/03/2014	Revised Presentation - Proactive Investors Stars of 2014
13/03/2014	10 million (Euro) funding - phase 1 complete
3/02/2014	Condor Funds Marianas and Coal Acquisition

Condor provides the following additional information. This explicitly indicates previously released statements that are clarified or withdrawn:

1. Condor was introduced to this funding opportunity by Mastech Management Consultancy FZC, a Dubai-based company with a license to provide advisory services. Following a preliminary agreement (mentioned as the Heads of Agreement in the announcement lodged with the ASX Market Announcements Platform at 10:02 am EDST on 3 February 2014, titled "Condor Funds Marianas and Coal Acquisition"), on 9 February 2014 Condor signed a binding agreement with Mastech whereby the material terms were:
 - i. Mastech would arrange a lease of a bank instrument ("bond") and a lending facility ("monetisation") based upon this leased bond.
 - ii. The leased bond would have a face value of at least €10m and be issued by a Tier 1 Bank and be of investment grade status;
 - iii. Mastech would receive a consultancy fee of 1% of the monetisation of the leased bond: and

- iv. Condor to pay the call option fees. A fee of €26,000 was subsequently paid by Condor for this call option.
- 2. The initial step of the financing was the lease of a bank instrument ("bond"). That leased bond would be used as security by Condor to raise funds for its operations. On 28 February 2014 the Company signed a Global Master Securities Lending and Borrowing Agreement ("Masafin Agreement") with World Investments Masafin S.L. (Masafin) a company incorporated under the laws of Spain (Masafin Agreement) to lease a bond for a period of 1 year. The material terms of this agreement were:
 - i. Masafin will lend a bank instrument of €10.6m to Condor issued by Deutsche Bank and having investment grade rating as evidenced by Bloomberg screen inquiries;
 - ii. Term of 1 year renewable for an additional 4 years;
 - iii. Condor to pay interest for the lease of the said bond of 6.25%pa

A Bloomberg screen shot that Condor now believes showed this bond being subject only to a conditional call option to Condor was provided by Masafin to Condor. On or about 12 May 2014, Condor became aware that it had a call option over the instrument had not been exercised due to the inability of Mastech to provide suitable short term bridge financing to Masafin.

Condor was advised on 13 March 2014 that a bond had been allocated by Masafin to be leased to Condor. It was on this basis that the announcement lodged with the ASX Market Announcements Platform at 11:04 am EDST on 13 March 2014, titled "Phase 1 of €10m Funding completed with receipt of Enhanced Security" was made. This included statements including "Condor has secured €10 million in funding" and "Condor has taken delivery of financial instruments to act as additional collateral". Based upon the documents provided to Condor by Masafin, through Mastech, Condor made the announcement to the ASX on 13 March 2014 that the transfer of the bond lease had occurred and that the funding process was underway. This announcement reflected the agreement which provided that Condor had an absolute right to lease the instrument. It would have been better to describe the bond itself as being "transacted", as only this limited right was "transferred".

- 3. A further announcement lodged with the ASX Market Announcements Platform at 9:42 am EDST on 7 April 2014, titled, "Debt Funding to be Completed in Europe" and stated that "The final instrument which provides the underlying security for this transaction has been registered to Condor and security will be transferred to the lending party within 7 days". Condor believed this to be the case at that time. The Company believed that a bridging facility was being completed by Mastech by payment of the required coupon bridge fee. That payment would immediately complete the lease of the instrument from Masafin. Condor is not aware of the full terms of the bridging facility as it was not a party to it. Masafin subsequently rejected the facility offered by Mastech. Condor was not advised of the rejection until 12 May.
- 4. An announcement lodged with the ASX Market Announcements Platform at 4:53 am EST on 17 April 2014, titled, "Hard Coking Coal Agreements and Debt Documents Signed" stated that: "Progress in obtaining the €10 million in debt funding is now in its final stage. The agreements have been signed and the loan funds will be available in April" and "The non- dilutive debt funding is now due imminently from a Swiss based bank, with the loan documents having been presented to Condor for final review. The loan funds are now due to be provided to Condor in April". Condor wishes to affirm that the title referred to the Signet Coking Coal definitive agreements having been completed that day. The agreement with Masafin was the debt document referenced in the title, but had been signed earlier. This was accurately described in the description of progress, where a set of monetisation documents had been received by Condor, but no new documents signed as yet. This state of affairs was similarly included in the announcement lodged with the ASX Market Announcements Platform at 9:28 am EST on 28 April 2014, titled, "Company Presentation: Investorium.tv "Rocketing Resources" which included a bullet point that "€10,000,000 debt financing documents signed. Funds transfer is imminent." Condor had reasonable grounds to believe that this was the case.

5. These unexpected delays in the process raised concerns over the bona fides and ability to complete the loan by the intermediates. Although continuing the transaction, the management of Condor decided to conduct further due diligence. Mastech did not provide the required assurances in relation to Masafin. Consequently, as at 30 April 2014, the Masafin Agreement had lapsed under the terms of the agreement.
6. Before the lapse of the call option with Masafin, Mastech was able to offer alternate instruments which it asserted would be verifiable to the higher standards now being required by Condor. The agreement with Mastech remained in place, and Condor received assurances that the loan would still be completed albeit with a different underlying security. A new call option over a different type of leased bank instrument (a Standby Letter of Credit), was sourced by Mastech and offered to Condor at the start of May. On 14 May 2014 Condor received a copy of a HSBC bank statement dated 7 May, 2014 attesting to the financial ability of the proposed monetiser, Shengtang Industry Development Co. Limited, to monetise a Standby Letter of Credit or other Bank Guarantee.
7. On May 15, Mastech informed Condor that: "The final execution documentation for the factoring of the loan is now being prepared by Shengtang Industry Development Co, Limited - Hong Kong on behalf of Emirates Paper Mills Limited and Mastech Management Consultancy FZC - UAE through HSBC a Hong Kong based Bank."
8. On 14 May 2014 the Company was informed that Masafin had an issue on the ASX Announcement of 13 March, 2014 and on 15 May 2014 the Company was further informed that Masafin had placed a notice on their website in relation to Condor's leasing of the Masafin Bank instrument. This was the first that Condor was aware of any issues concerning Masafin.
9. Based on information provided to Condor, a release was made concerning the Masafin web posting at 9:55 am EST on 16 May 2014, titled "Update on 10m Euro Debt Funding". The release was sent to the intermediates, including Mastech, for review prior to release. Condor relied on assurances that the new instrument was available and that it would in due course complete the loan. This included a statement that "Binding agreements are in place with the involved financial parties". This statement is withdrawn. A binding agreement was in place with Mastech, but not with all the required financial parties. Contracts had been prepared but not fully executed by all parties. Mastech were incorrect in stating the loan was progressing and Condor relied on these statements. Moreover, due to representation from the intermediates that "the posting was made by persons or persons unknown", Condor concluded that the Masafin posting was due to security breaches but this has now been found not to be correct. Condor withdraws this statement.
10. Condor met with Masafin on 20 May 2014 at their "serviced office" address in Madrid, with a person purporting to be from Masafin's legal office. At this meeting it was stated that the Masafin posting was based upon the "alleged" concern expressed by Dynamic Fincorp Int Ltd (an associated company of Masafin) that Condor was continuing to assert ownership over the Masafin bank instrument and had profited from this assertion. Masafin has requested €100,000 to remove this posting and made other written threats against the Company and its personnel. Accordingly, Condor has declined further discussions with Masafin and referred this matter to our legal advisors
11. Condor's application for a voluntary suspension lodged with the ASX Market Announcements Platform at 10:02 am EST on 21 May 2014 contained the following statement: "The reason for the voluntary suspension is to enable the Company further time to finalise negotiations and conclude its funding arrangements concerning the future operations of the Company, adverted to in its request for a Trading Halt on 19 May 2014." Condor at that time believed that the loan might be finalized with Shengtang Industry Development Co, Limited.
12. It has become apparent to Condor that the statements released on the basis of communication and documentation provided by Masafin and Mastech were incorrect. Further, Condor did not have the ownership of the bond, but instead a more limited call option right. As a result, all of the agreements

with Masafin and the counterparty have been terminated. Condor has no further liability under these arrangements and is taking action to recover monies paid.

13. Before making announcements, Condor undertook what it believed to be sufficient due diligence. It was provided with documents which included extracts from Bloomberg, bank letters and other third-party documents. Condor accepted all of the documents as being bone fide and that representations made by all counterparties were true.

The Board of Condor is duly concerned by the above matters and the announcements made to the ASX. Condor will implement a review of its corporate governance policies and ASX disclosure. This will be led by newly appointed Non-Executive Director, Mr. Michael Stafford, who is a senior lawyer with experience in these matters. Mr. Stafford's appointment is already reflective of the corporate renewal that Condor is undertaking in response to recent events,

At minimum Condor expects this review to result in an updated set of listing rule compliance processes and a training program for Condor's officers, staff and contractors. The objective will be to ensure Condor fully complies with its obligations under the ASX listing rules and sets a high standard in corporate governance.

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