



8 August 2014

Company Announcements Office
ASX Limited
Level 40, Central Park
152 – 158 St Georges Terrace
PERTH WA 6000

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

You will be aware that I recently accepted appointment to be a director of Condor Blanco Mines Limited (ASX: CDB; Condor, the Company). This is a role I accepted because I believe in the promise of the Company's projects as they stood at that time. This is a belief I continue to hold.

Several shareholders have asked for clarification of the Company's strategic aims and what your Board and I are doing to further them. I would like to very plainly set out our main strategic goals:

- Complete permitting of the Marianas Magnetite Tailings Project,
- Drill additional holes at Carachapampa,
- Commencing cash flow from mining as soon as possible.

As mentioned in previous announcements, over the last nine months, Condor has already identified several small-scale mining opportunities. These remain open to the Company. Funds will be focused on converting what the Company already has at hand into paydirt for shareholders. Condor is not abandoning the work already completed, but the stage-gate for any of those opportunities to progress is being set to an onerous standard and such projects will only proceed where investments can be made directly into launching production.

I have also been asked to comment on the recent Quarterly. Although I only joined the Board on 23 June 2014, I have been working back through the transactions and would make the following points:

- Of the monies paid for administration expenses, no expenditure was made to related parties under Chapter 10 of the ASX Listing Rules as previously disclosed in the Appendix 3B for the quarter ended June 2014. The administration payments composed of current and many non-current debts that Condor had deferred until such time the Company had an obligation to settle, which is why spending during that time was higher than usual. This has left Condor with no material debt as of 30 June 2014. This is the right decision for the Company, as such debts could create problems in entering into the necessary bindings agreements (around finance, environmental bonds etc.) to commence mining at Marianas.

I would also draw shareholders' attention to the recent Prospectus (dated 7 August 2014) released to the market. In particular, sections within 6.2 (Interests of Directors) on pages 19-20. This states unequivocally in section 6.2.3 the fees directors have received in the year up until 30 June 2014. I firmly believe these are reasonable amounts given what we expect of our directors. Like all Condor's staff, our directors are firmly accountable for their work. Sadly the recent events around the Signet Coking Coal and €10,000,000 debt raising fell short of all our expectations.

Further, I reiterate that this Prospectus was created and released as part of the process of returning to trading, which is a concern shared by all directors. We know the lack of liquidity hurts all holders and are taking all necessary steps to return to trading. The clarifications and responses to ASX questions also released have also formed part of this process.

An updated Quarterly, which I now regard as correct and final follows immediately from this letter. We plan to provide a more formal update on progress in Chile soon, once the next milestone in the permitting process is passed.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'SV' with a long horizontal stroke extending to the right.

Mr Steven Vlahos
Chairman

For more information, visit www.condormines.com or contact:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Condor Blanco Mines Limited

ABN

16 141 347 640

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date \$A'ooo
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(414) (1,458)	(1,301) (2,261)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid		(260)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1,871)	(3,821)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(1,871)	(3,821)

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1.13	Total operating and investing cash flows (brought forward)	(1,871)	(3,821)
1.14	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,492	4,353
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	15	875
1.17	Repayment of borrowings		-860
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2,507	4,368
	Net increase (decrease) in cash held	636	547
1.20	Cash at beginning of quarter/year to date	62	149
1.21	Exchange rate adjustments to item 1.20		2
1.22	Cash at end of quarter	698	698

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	20	15
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	250
4.3 Production	50
4.4 Administration	200
Total	600

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	698	62
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	698	62

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			

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6.2 Interests in mining
tenements acquired or
increased

Nil			
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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	613,566,935	613,566,935		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	122,290,236 ordinary shares issued on 17/04/2014	122,290,236 ordinary shares	\$0.012 per share	\$0.012 per share
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

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7.7	Options (description and conversion factor)	Total	Number Quoted	Exercise Price	Expiry Date
		37,876,666		\$0.20	23-Feb-2016
		20,000,000		\$0.06	01-Aug-2015
		15,000,000		\$0.0333	01-Aug-2017
		283,444		\$0.0470	13-Sep-2015
		406,556		\$0.0920	24-Sep-2015
		227,966		\$0.0460	07-Jan-2016
		547,259		\$0.0370	11-Feb-2016
		562,500		\$0.0330	18-Feb-2016
		595,000		\$0.0210	25-Mar-2016
		595,000		\$0.0210	03-Apr-2016
		476,000		\$0.0270	10-Apr-2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31/07/2014
Secretary

Peter Dunoon

Print name:.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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