

STOCK EXCHANGE ANNOUNCEMENT



11 September 2014

Condor Executes Project Agreement in respect of Advanced Lead-Zinc-Silver Project

ASX Release Stock Code: CDB

Highlights

- Condor has today executed a Project Agreement with a local Turkish company, Anatolian Madencilik in respect of a Mining Tenement (“Tenement”) in Eastern Turkey (“Project Agreement”) referred to as the “Uludere Project” (“Project”).
- The Project Agreement comprises 3 phases under which Condor has the ability to (1) invest in trial mining; (2) invest in mining; and (3) acquire 75% of the Tenement, subject to payments being made by the Condor in accordance with the Project Agreement.
- Trial mining is set to commence this month. Any Lead-Zinc-Silver extracted is planned to be sold to a local firm for processing at their nearby flotation plant. Off-take terms for this material are under discussion.
- This investment in the Uludere Project is being supported by a share placement effected today in Condor equal to AUD473,829.39 as arranged by Beaufort Securities Limited on behalf of Minesweeper Limited, each being a company incorporated in the United Kingdom.

Binding Option to Acquire Fully Permitted Project

Condor Blanco Mines Limited (ASX: CDB) (“**Condor**”) is pleased to announce that it has signed a Project Agreement over the Uludere Project in Eastern Turkey with Anatolian Resources Madencilik Hafriyat Nakliyat Sanayi Ve Ticaret Limited Şirketi (“**Anatolian Madencilik**”)

The Uludere Project sits on granted Mining Licence 200806380 in Turkey’s Şırnak province (“**Licence**”). The Licence is host to outcrops of Lead (Pb), Zinc (Zn) and Silver (Ag). Copper (Cu) and Antimony (Sb) have also been returned from samples from the licence.

The Project Agreement comprises 3 phases under which **Condor** will have the ability to (1) invest in trial mining; (2) invest in mining; and (3) acquire a 75% stake in the Tenement. **Condor’s** staff and consultants have had involvement in Eastern Turkey over many years and Condor has been offered a number of interesting projects in this region over time. The advanced nature of the Uludere Project and strong outlook for Lead and Zinc made it a stand-out and a compelling proposition for Condor after an exhaustive search to take advantage of low asset prices.

The Project is already the subject of an unincorporated joint venture between two local Turkish companies Anatolian Madencilik. (as operator) and Bonus Enerji Elektrik Maden A.Ş (“**Bonus Enerji**”) (as owner of the Licence) (“**Joint Venture Parties**”). Anatolian Madencilik has signed the Project Agreement with the written consent of Bonus Enerji.

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Condor's in-house experience in Eastern Turkey has allowed a high quality team to be established quickly, including an Australian-educated Turkish operations manager who will run the trial mining in respect of the Project and arrange project consultants with extensive on-the-ground experience in Turkish Lead-Zinc mining.

Trial Mining to Commence this Month

The Project is very advanced, with all necessary approvals for mining already granted by local authorities as follows:

- Mining Licence (İşletme ruhsat): Granted by the Turkish Mining Department (MIGEM). This allows mining activities to take place on the Licence. This has been granted following the lodgement of a technical report outlining completed exploration and a mine plan.
- Environmental Approval (ÇED): This is the Environmental and Forestry Department approval for mining on the subject site property. This was granted through the Joint Venture Parties demonstrating that the works proposed in the mine plan were consistent with legislation (i.e. that they meet environmental requirements). In this case the proposed mining was found to be of low environmental impact, and so a full Environmental Impact Statement (EIS) was not required. The environmental approval was consequently granted and includes a government warranty that no EIS is needed.
- Mine Site Approval (Madencilik faaliyetleri ruhsat): Granted by the Governor (Vali) of the state of Şırnak. This is the approval to operate a mining operation on the site. It allows necessary construction of facilities, roadwork and labour activities to take place.\

These approvals allow **Condor** to commence trial mining this month on the terms of the Project Agreement and permit both open-cut and underground mining to commence.

The trial mining will open several sites to allow the assessment and planning of commercial scale mining to be completed. Lead-Zinc-Silver is well suited to a low capital expenditure (capex) mining approach, with sound payables available on selectively mined ore. Condor is in final negotiation with a local processing facility to finalise the off-take for the first stage of activity at the Uludere Project.

Lead, Silver and Zinc are marked by strong recent price appreciation and their outlook includes further increases. Lead and Zinc in particular have seen only limited global mining investment in recent years (while commodities like Gold, Iron Ore and Copper have dominated mining investment).¹ Zinc and lead are considered poised for strong trading conditions over coming years according to commodities traders like Goldman Sachs and Investec.²

Mining Rights Acquired with Option to Purchase

The three stages of the Project Agreement provide **Condor** with not only binding rights to mine the Tenement, but a staged, lower risk, earn-in investment approach with the ability to acquire up to 75% of the Tenement.

- Stage 1: Trial Mining (6 month trial mining with binding option to mine): **Condor** will pay the sum USD100,000 to Anatolian Madencilik to fund trial mining operations. At the time of such payment, Condor shall also pay an option payment in the sum of \$USD50,000 or shares in Condor equivalent to that amount at an issue price equal to the average of Condor's shares over the last five days immediately prior to their issue or such other price as agreed by the parties, at its election, to Anatolian Madencilik. This payment will give rights to Condor to participate in the Project for 6 months. Any revenues from trial mining to be split 50:50 between **Condor** and Anatolian Madencilik.

¹ For instance, gold, copper and silver accounted for 92% of significant precious and base metals drill results in 2011 and 65% of financings completed in 2011 were gold related alone: Metals Economic Group "World Exploration Trends 2012", available at: http://mineralsmakelife.org/assets/images/content/resources/World_Exploration_Trends_2012_-_MEG.pdf.

² Wall Street Journal, "Zinc Deficiency Gives Investors a Jolt: Prices for the Metal Have Soared to 3-Year Highs", available at: <http://online.wsj.com/articles/zinc-deficiency-gives-investors-a-jolt-1410222403>.

- Stage 2: Full-scale Mining (2 years mining rights with binding option): If results meet Condor's expectations, **Condor** will, prior to the end of Stage 1 and if satisfied it wants to proceed with the Project, advance a further USD400,000 to facilitate commercial scale mine production at the Uludere Project. In addition to this payment, Condor shall prior to the end of Stage 1 also pay a further option payment in the sum of USD \$200,000 to Anatolian Madencilik, should Condor wish to continue to proceed with the Project.

In return for this, **Condor** will gain the exclusive right to mine the Tenement for a period of 2-years from the date of such payment ("**Acquisition Period**") with a right to acquire 75% of the Tenement during the Acquisition Period. Condor can extend this period by further 1 year in consideration for a further payment of USD200,000 to Anatolian Madencilik. Revenues from mining from the Tenement will be first applied to repayment of expenses incurred by **Condor**. Profit (after repayment of Condor's expenses), will be split 50:50 between **Condor** and Anatolian Madencilik.

- Stage 3: 75% acquisition of the Tenement by Condor: If Condor wishes to acquire a 75% ownership of the Tenement it must during the Acquisition Period pay the sum of USD3,000,000 ("**Exercise Price**") to Anatolian Madencilik . Upon exercise of this option, Condor will own 75% interest in the Tenement, subject to local government approval ("**Acquisition**"). If such approval is not provided Condor may withdraw from the Project and the Exercise Price will be returned to Condor. Upon completion of the Acquisition, a joint venture shall be established between Condor and Anatolian Madencilik on the terms of the Project Agreement.

The Condor trial mining team has already been assembled and the main excavator will be moving to site shortly now that the Project Agreement has been executed.

Condor's Managing Director, Mr Glen Darby commented: "We are very pleased to have finally reached an agreement over the Uludere Project. This is a region which I first visited in 2008, and I'm glad we've been able to get some of the same contractors involved here. Turkey is an economically strong democracy in an under developed mining region. Turkey's NATO membership and advanced military provide a firm operating environment that many other countries in the region simply cannot match. I believe the Project has the hallmarks of adding significant value to the Company."

Strategic Placement Completed

Condor has also today signed a Share Investment Agreement with Minesweeper Ltd ("**Investor**"), a company incorporated under the laws of the United Kingdom (**SIA**). Under the SIA, Minesweeper agrees to subscribe for shares in Condor equal to a minimum of AUD300,000 up to a possible maximum of AUD3,000,000 if agreed by the parties subject to the terms of the SIA.

The material terms of the SIA include:

- (a) the issue of commitment shares in Condor to the Investor equal to 5% of the amount available for investment under the SIA from time to time ("**SIA Amount**") at an issue price equal to 80% of the 5-day volume weighted average price of Condor's shares ("**Commitment Shares**"). The initial SIA Amount is \$300,000. 5% Additional Commitment Shares will be payable on any increases in the SIA amount.
- (b) 5% Commission is also payable in cash or shares to the Investor (at its election) or its broker at the same rate for each and every subsequent placement on the amount so invested. If shares are issued they are issued at the same issue price noted above;
- (c) the SIA is subject to the issue of the Commitment Shares and Condor obtaining relevant approvals for performing the SIA
- (d) Condor may from time to time require the Investor to subscribe for additional amounts as agreed by the parties with a minimum investment amount of \$100,000- each such drawdown is subject to certain

conditions precedent including Condor being in compliance with the SIA, it having all necessary approvals to permit the drawdown and the agreed investment limit not being exceeded;

- (e) the term of the SIA is one (1) year unless otherwise terminated and during this time the Investor has exclusivity to make share placements with Condor;
- (f) Condor has the right to terminate the SIA at any time at its sole discretion. No fees or penalties are payable on termination in such case. The Investor may terminate the SIA where Condor is in default; and
- (g) each party indemnifies the other for any breach or misrepresentation by the defaulting party

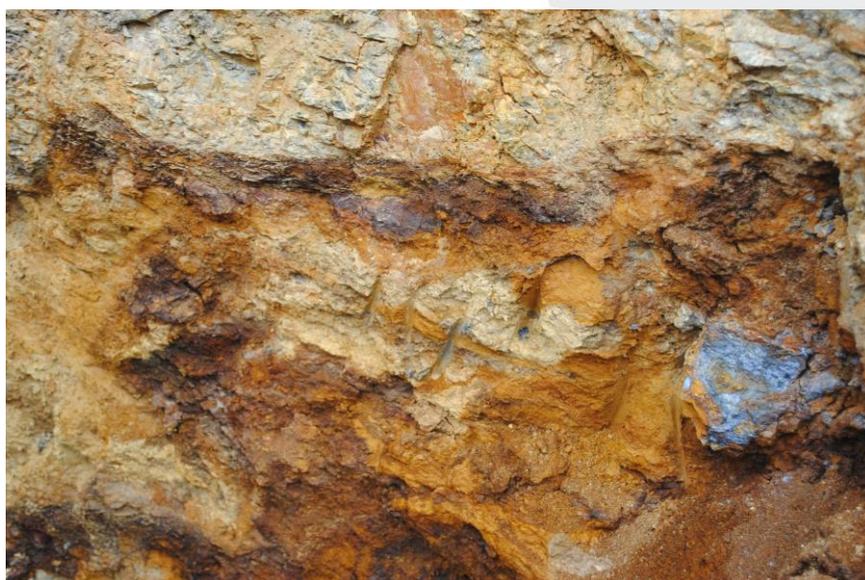
Condor has also today placed shares equal to AUD473,829.39 pursuant to the SIA to Beaufort (including commitment shares). The placement price was set to a premium above the 5-day VWAP at \$0.003 per share. This means that shares equal to 5% of this amount (plus commitment shares) have today been issued to the Investor or its nominee. The proceeds of this placement are to be applied to investment in the Uludere Project and Condor's ongoing expenditures in Chile. This placement, demonstrates the ongoing support for **Condor's** evolution from explorer to cash flow producing miner.

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

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Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information reviewed by Andrew Jones, who is a Member of the Australasian Institute of Mining & Metallurgy. Andrew Jones is a full-time employee of TasEx Geological Services Pty Ltd, which provides geological consulting services to Condor Blanco Mines Limited, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Andrew Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



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Uludere Project Pictures

