

# STOCK EXCHANGE ANNOUNCEMENT



October 28, 2014

## September 2014 Quarterly Activity Report

**ASX Release Stock Code: CDB**

### Condor Blanco Mines Limited – Quarterly Activities Report

In the quarter Condor Blanco Mines Limited (ASX: CDB; “Condor”, “the Company”) announced the signing of a project acquisition and trial mining agreement over the Uludere Zinc-Lead project in Southeast Turkey. Condor also entered into a Heads of Agreement over a gold production project in northern Ecuador. Condor also reported on management of its Chilean project portfolio, including the payments on the Marianas Magnetite Tailings project.

#### Chilean Project Update

On 3 July 2014, Condor released an update of recent activities in Chile. This included the visit by Managing Director, Mr Glen Darby, to Chile in order to update agreements around Condor’s ongoing project portfolio. The visit involved renegotiation of fees and payment terms for the exploration project options held by Condor. In particular, the option payment for Carachapampa was agreed at \$50,000 the second half of 2014. In addition, the fee for Gold Iron was broken into 6-monthly payments of \$25,000. Following earlier notification, the La Isla option was relinquished at the start of period.

#### Uludere Zinc-Lead Project

On 11 September 2014, Condor announced that it had executed a Project Agreement with a local Turkish company, Anatolian Resources Madencilik Ltd Şti (“Anatolian Madencilik”) in respect of a Mining Tenement in Eastern Turkey (“Project Agreement”) referred to as the “Uludere Project” (“Uludere 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. The Project Agreement planned for trial mining to commence immediately, and excavation machinery was subsequently sent to site. Any Lead-Zinc-Silver extracted as part of trial work is being stockpiled for sale.

The Uludere Project sits on granted Mining Licence 200806380 in Turkey’s Şırnak province and 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 license. The advanced nature of the Uludere Project and strong outlook for Lead and Zinc made it a strong proposition for Condor after an exhaustive search to take advantage of low asset prices.

The Uludere Project is 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"). 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 (MİGEM). 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).
- 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 allowed Condor to commence trial mining in September. By 19 September 2014, Condor had successfully completed road rehabilitation work and the opening of two small initial pits. The opening of the pits followed a few days spent rehabilitating old roads built during mining that occurred during the 2006-2007 zinc boom (when the zinc price reached over \$4,000, which saw a rush of artisanal mining in Eastern Turkey). Some additional access tracks were cut allowing access to the two pit areas that were excavated.

By the end of the period, substantial work had been completed on moving overburden and working downwards through the iron rich zone in the area where two large pits were planned. This work was ongoing at the end of the period. These two large pits sit at the centre of the license area and target a lower elevation that the geological team of the project owner Bonus Enerji Elektrik Maden A.Ş. has identified as being most suitable for trial workings.

On 15 September 2014, Condor executed a Binding Offtake Sales Contract with a local Turkish company, Meskan Olmez Madencilik Ltd Şti in respect of sales of material from the Uludere Project. The Offtake Contract binds Meskan Olmez Madencilik to accept all material produced from the Uludere Project from today until 31 March 2015. Condor will receive a 90% provisional payment within 5-days of each lot being delivered to the Meskan Olmez Madencilik flotation plant in Hakkari Turkey. Pricing is based on a payables schedule that adjusts according to the metals grades of Zinc (Zn), Lead (Pb) and Silver (Ag) contained and London Metals Exchange prices.

Meskan Olmez Madencilik is the largest Lead-Zinc miner in Southeast Turkey and owns an operating flotation plant located in Hakkari Province. This flotation plant is adjacent to Meskan Olmez's flagship Meskan mine and has full laboratory and weighing facilities. The flotation plant, located 93km by sealed highway from the Uludere Project, is equipped to process Zn, Pb and included Ag to produce high value

concentrates for sale to export markets. This plant located is 93km by sealed national highway from the Uludere Project. Mined material will be weighed and assayed on arrival at the flotation plant with a final invoice to be drawn based on assays to be performed by SGS Turkey (a subsidiary of global surveyors SGS S.A.), or another agreed independent third-party laboratory.

The project operator, Anatolian Resources Madencilik Ltd Şti, has continued stockpiling material collected during the works for sale under this offtake agreement. So far, a few trucks of material have been collected in the process of opening the four first pits. Meskan Olmez Madencilik has assayed samples of this material at its laboratory and the material is soon to be shipped, on which point formal delivery weights and assays will be taken.

## **Sabaleta Gold Project in Ecuador**

Just prior to the end of the period on 25 September 2014, Condor signed a binding Heads of Agreement (“HOA”) with an Australian unlisted public company, Rio Perdido Gold Limited (“RPG”), to form a joint venture over part of the Sabaleta Gold Project in the Republic of Ecuador (“Joint Venture”). The Sabaleta Gold Project has defined a resource which is in compliance with the Canadian NI43-101 geological reporting standards. This project has also been the subject of a successful Scoping Study by Australian consulting engineers R. J. Robbins & Associates. The Sabaleta Concession covers an Area of 3,380.73 hectares along the alluvial plain of the Camumbi River. Sabaleta is a low grade bulk mining project with a potential low operating cost, as it will be mined from surface to a depth of 8 metres. Low operating costs for the project are anticipated as both the gold and platinum are freely carried, allowing a very simple mechanised operation to extract precious metal values.

The HOA establishes the framework for an unincorporated joint venture between the parties involving small scale gold mining operation on part of the Sabaleta Concession called Block 19. Under the HOA, Condor and RPG have agreed that the Joint Venture Agreement shall include the following items:

- (i) an initial term of three (3) years that is renewable for another 3 years on a rolling basis;
- (ii) Condor to provide the funding required via share placements in Condor to construct a small scale gold mine operation on the JV Area in stages as per an agreed budget and mine plan;
- (iii) Net proceeds from gold production to be shared equally (50:50) by Condor and RPG after costs;
- (iv) the parties intend that Condor receive an agreed staged repayment of the funding from gold production and sales within the initial term of 3 years;
- (v) if during the Joint Venture, RPG accepts a takeover offer or agrees to sell the Concession then Rio shall pay to Condor the greater of: (1) double the amount invested by Condor in the Joint Venture which has not been repaid to Condor at that time; or (2) an amount

equal to the value of Condor's then interest in the Joint Venture as determined by an independent valuer,

The HOA was conditional upon Condor undertaking commercial, legal and mining due diligence on RPG and notifying RPG that it wishes to proceed with the Joint Venture within 15 days of signing of the HOA. This due diligence was duly completed and Condor has advised PG of its intention to progress to formal Joint Venture.

Gold appears to be concentrated at the river mouth at the western end of Block 19 and local artisanal miners have been winning gold in that area for a long time. This makes Block 19 a highly attractive area given the flow pattern of the river. Block 19 also benefits from good logistics, with direct access via the river. The ore extraction process will involve direct sluicing of mined material. Feed will be scraped from terraces and water jet pumped into a containment area in the river, with larger rocks separated using Grizzly screens prior to Jet Pumping. Ore in the sands is expected to concentrate at the collection point, increasing the grade of the gold. The ore would then slurry downstream using rubber slurry lines to a Beneficiation Plant/Concentrator.

Later after the end of the period on 21 October 2014, Condor announced that it has agreed to extend the completion period under the binding HOA with RPG. Following Condor notice of its intention to proceed with the Joint Venture, the parties mutually agreed to extend the term of the HOA for a further 20 days to allow the Joint Venture Agreement to be completed.

## Corporate Events

As announced on 3 July 2014, all Condor's obligations in relation to the acquisition and financing of several coking coal projects in South Africa that were to be acquired from Hong Kong company, Signet Coking Coal Limited (Signet) were confirmed as terminated and lapsed. This followed an earlier announcement of 10 June 2014 announcing that Condor had terminated all agreements in relation to the debt funding and that the acquisition agreement for the Signet project was going to be allowed to lapse in consequence.

On 11 September 2014, the Company issued 165,443,130 ordinary shares at 0.3 cents each and raised \$496,329 in relation to the share issue. This issue coincided with the acquisition of the Uludere Project. The shares were placed pursuant to a Share Investment Agreement being managed by Beaufort Securities Limited, a UK-based licensed brokerage firm. The proceeds of this placement were applied to investment in the Uludere Project and Condor's ongoing expenditures in Chile.

Two further issues were made during the period to provide additional working capital to pay for the exploration and trial mining projects being undertaken by Condor. On 15 September 2014, the Company issued 81,333,333 ordinary shares at 0.3 cents each and raised \$244,000 in relation to the share issue. On 16 September 2014, the Company issued (1) 77,661,096 ordinary shares at 0.3 cents each and raised \$232,983 in relation to the share issue and (2) 122,290,236 unlisted options exercisable at 1.2 cents expiring 16 September 2019 that were issued as free attaching options to prior capital raisings. These

small placements demonstrate the ongoing support for Condor, as it looks to advance its portfolio of development projects including Marianas, Uludere and Sabaleta.

Enquiries:

Mr Glen Darby  
Managing Director  
Condor Blanco Mines Limited  
Office: +61 (2) 8064 3624  
Email: [glen.darby@condormines.com](mailto:glen.darby@condormines.com)

**Competent Persons Statement**

The information in this report that relates to Exploration Results is based on information compiled by Mr 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 Condo Blanco Mines Ltd, 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.





# 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 September 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	(802)  (523)	(802)  (523)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2	2
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	<b>Net Operating Cash Flows</b>	(1,323)	(1,323)
<b>Cash flows related to investing activities</b>			
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)		
	<b>Net investing cash flows</b>	-	-
1.13	Total operating and investing cash flows (carried forward)	(1,323)	(1,323)

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,323)	(1,323)
1.14	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	973	973
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	973	973
	<b>Net increase (decrease) in cash held</b>	(350)	(350)
1.20	Cash at beginning of quarter/year to date	698	698
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	348	348

**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	(155)
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		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(500)
4.2 Development	(200)
4.3 Production	(200)
4.4 Administration	(300)
<b>Total</b>	<b>(1,200)</b>

### 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	348	698
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>348</b>	<b>698</b>

### 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			



**Appendix 5B**  
**Mining exploration entity quarterly report**

---

6.2 Interests in mining  
tenements acquired or  
increased

Nil			
-----	--	--	--

### 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	<b>Preference securities</b> (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	938,004,494	938,004,494		
7.4	Changes during quarter (a) Increases through issues	165,443,130 ordinary shares issued on 11/09/2014	165,443,130 ordinary shares	\$0.003 per share	\$0.003 per share
		81,333,333 ordinary shares issued on 15/09/2014	81,333,333 ordinary shares	\$0.003 per share	\$0.003 per share
		77,661,096 ordinary shares issued on 16/09/2014	77,661,096 ordinary shares	\$0.003 per share	\$0.003 per share
	(b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> (description and conversion factor)	Total	Number Quoted	Exercise Price	Expiry Date
		122,290,236		\$0.0120	16-Sept-2019
		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	122,290,236		\$0.0120	16-Sept-2019
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (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: 28/10/2014  
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.

== == == == ==