

**Condor Metals Limited**  
ACN 128 512 907

## Half Year Financial Report

For the half-year ended 31 December 2011



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**CORPORATE PARTICULARS**

<b>Directors</b>	Laurence Freedman – Non-Executive Chairman Ross Gillon - Non-Executive Director Robert Schuitema - Non-Executive Director
<b>Company Secretary</b>	Robert Schuitema
<b>Registered Office</b>	Ground Floor, 12 St. Georges Terrace, PERTH, WA 6000, AUSTRALIA,
<b>Corporate Office</b>	Ground Floor, 12 St. Georges Terrace, PERTH, WA 6000, AUSTRALIA,
<b>Mailing Address</b>	GPO Box 2567 Perth WA 6001
<b>Share Registry</b>	Advanced Share Registry Services 150 Stirling Highway Perth WA 6009
<b>Auditor</b>	RSM Bird Cameron Partners 8 St Georges Terrace Perth WA 6000
<b>Solicitor</b>	Jackson McDonald Level 25 140 St George's Terrace Perth WA 6000

**DIRECTORS' REPORT**

The directors present their report on Condor Metals Limited ("the Company") for the half-year ended 31 December 2011.

**Directors**

The names of directors who held office during or since the end of the half year are:

Laurence Freedman (Chairman)  
Ross Gillon  
Robert Schuitema

**Review of Operations and Exploration Activities**

The loss attributable to members of Condor Metals Limited for the half-year ended 31 December 2011 was \$372,068 (2010: \$296,490). No dividends were paid or declared payable during or since the half-year.

The Company's current exploration position and activities are set out in announcements released to the Australian Securities Exchange and should be read in conjunction with this half-yearly financial report. Some highlights are presented below:

- Two phases of drilling were completed at Kallona in the East Pilbara. Results from the second round of drilling complement the first round of drilling, indicating the presence of shallow widespread manganese mineralisation
- A ground electro-magnetic survey carried out at Grey Dam will be used to generate drill targets for nickel sulphide mineralisation
- A ground electro-magnetic survey carried out at Wyo Well (NE of Kalgoorlie) will be used to generate drill targets based on zinc/silver soil anomaly. Preliminary results indicated three good conductive features
- Southern Cross exploration tenement was granted. A database of historic exploration obtained and field reconnaissance trip were completed
- New applications were lodged for exploration permits in the Gascoyne province, with focus being the prospect for base metals deposits. The first of these, Andes E52/2723 in the Gascoyne Province granted during the half year
- At Dingo Range, high grade copper and rare earth element assays were returned from rock chip sampling

In December 2011, Condor announced a takeover bid made for unlisted public company Inca Minerals Limited Inca which has advanced Gold-Silver-Copper projects located in Peru, South America.

At the end of December 2011 Condor remained adequately funded for planned activities, with \$1.5M in cash and low overheads to carry out planned activities.

**Events Subsequent to Reporting Date**

On 14 February 2012, the acceptances for the takeover of Inca Minerals Limited reached 91.95% of the total voting shares on issue and on the same day, the Company declared the takeover offer to be unconditional.

On 2 March, 2012, the takeover bid for Inca Minerals Limited closed with acceptances totalling 97.37% of the voting shares on issue.

On 6 March, 2012, the Company commenced the compulsory acquisition of the remaining 2.63% of Inca Minerals Limited shares.

A loan agreement between Condor Metals Limited and Inca Minerals was executed on 28 December 2011, with Condor Metals Limited advancing \$100,000 to Inca Minerals for working capital. The loan is secured by fixed and floating charge over Inca's assets. In the event that the loan is not repaid, Condor has the option to convert the unpaid loan value to share capital at \$0.11 per share. On the 8 February 2012, the loan agreement was amended to include a further draw down of \$150,000. The total amount owed by Inca Minerals Limited to Condor at the date of this report is \$250,000.

There have been no other material items, transactions or events subsequent to 31 December 2011 which, although they do not relate to conditions existing at that date, have not been dealt with in this report and which would cause reliance on the information shown in this report to be misleading.

**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of the Directors' Report for the half-year ended 31 December 2011.

Signed in accordance with a resolution of the Directors.



**Robert Schuitema**

Director

Dated at Perth this 8<sup>th</sup> day of March 2012.

**RSM Bird Cameron Partners**  
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### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Condor Metals for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*D J Wall*

D J WALL  
Partner

Perth, WA  
Dated: 8 March 2012

**STATEMENT OF COMPREHENSIVE INCOME**  
For the half year ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
Revenue	78,584	91,790
Consulting and directors' fees	(98,100)	(230,962)
Salaries and wages	(116,267)	-
Administrative expenses	(92,150)	(79,092)
Advertising and promotion costs	(42,282)	(29,783)
Professional fees	(86,672)	(25,585)
Listing and share registry expenses	(5,932)	(22,858)
Depreciation	(9,249)	-
<b>Loss before income tax</b>	<b>(372,068)</b>	<b>(296,490)</b>
Income tax expense	-	-
<b>LOSS FOR THE PERIOD</b>	<b>(372,068)</b>	<b>(296,490)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(372,068)</b>	<b>(296,490)</b>
<b>EARNING PER SHARE</b>		
Basic and diluted loss per share (cents per share)	(0.57)	(0.46)

*The accompanying notes form an integral part of these financial statements.*

**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,520,248	3,041,634
Trade and other receivables		<u>218,341</u>	<u>136,144</u>
<b>Total Current Assets</b>		<b><u>1,738,589</u></b>	<b><u>3,177,778</u></b>
<b>Non-Current Assets</b>			
Trade and other receivables		226,024	214,602
Property, plant and equipment		45,529	50,325
Exploration and evaluation expenditure	2	<u>4,472,575</u>	<u>3,284,387</u>
<b>Total Non-Current Assets</b>		<b><u>4,744,128</u></b>	<b><u>3,549,314</u></b>
<b>Total Assets</b>		<b><u>6,482,717</u></b>	<b><u>6,727,092</u></b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		<u>337,928</u>	<u>210,235</u>
<b>Total Current Liabilities</b>		<b><u>337,928</u></b>	<b><u>210,235</u></b>
<b>Total Liabilities</b>		<b><u>337,928</u></b>	<b><u>210,235</u></b>
<b>Net Assets</b>		<b><u>6,144,789</u></b>	<b><u>6,516,857</u></b>
<b>Equity</b>			
Issued capital	3	7,275,497	7,275,497
Accumulated loss		<u>(1,130,708)</u>	<u>(758,640)</u>
<b>Total Equity</b>		<b><u>6,144,789</u></b>	<b><u>6,516,857</u></b>

*The accompanying notes form an integral part of these financial statements.*



**STATEMENT OF CHANGES IN EQUITY**  
**For the half year ended 31 December 2011**

	Issued Capital	Accumulated Loss	Total Equity
	\$	\$	\$
<b>Balance at 1 July 2010</b>	6,995,497	(231,656)	6,763,841
Loss attributable to members of the Company	-	(296,490)	(296,490)
Total comprehensive income for the period	-	(296,490)	(296,490)
<b>Balance at 31 December 2010</b>	6,995,497	(528,146)	6,467,351
<b>Balance at 1 July 2011</b>	7,275,497	(758,640)	6,516,857
Loss attributable to members of the Company	-	(372,068)	(372,068)
Total comprehensive income for the period	-	(372,068)	(372,068)
<b>Balance at 31 December 2011</b>	7,275,497	(1,130,708)	6,144,789

*The accompanying notes form an integral part of these financial statements.*

**STATEMENT OF CASH FLOWS**  
**For the half year ended 31 December 2011**

	31 December 2011	31 December 2010
	\$	\$
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	(499,304)	(414,780)
Interest received	105,918	56,541
Net cash used in operating activities	<u>(393,386)</u>	<u>(358,239)</u>
<b>Cash flows from Investing Activities</b>		
Payments for exploration and evaluation expenditures	(1,023,548)	(436,865)
Payments for property, plant and equipment	(4,453)	-
Net cash used in used in investing activities	<u>(1,028,001)</u>	<u>(436,865)</u>
<b>Cash flows from Financing Activities</b>		
Loan to INCA Minerals Limited	(100,000)	-
Net cash used in used in financing activities	<u>(100,000)</u>	<u>-</u>
Net (decrease) in cash held	(1,521,387)	(795,104)
Cash and cash equivalent at the beginning of the half-year	<u>3,041,635</u>	<u>4,373,736</u>
<b>Cash and cash equivalent at the end of the half-year</b>	<b><u>1,520,248</u></b>	<b><u>3,578,632</u></b>

*The accompanying notes form an integral part of these financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2011**

**1. Basis of Preparation**

These general purpose interim financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Condor Metals Limited (the company). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the company for the year ended 30 June 2011, together with any public announcements made during the following half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

**New and Revised Accounting Standards**

In the current year, Condor Metals Limited has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the entity's accounting policies.

**Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the half-year ended 31 December 2011, the Company incurred a loss of \$372,068 and net cash outflows of \$1,521,387.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The ability of the company to raise capital by the issue additional shares under the *Corporation Act 2001*;
- The potential to sell interest in exploration and evaluation assets for cash or for assets readily convertible into cash; and
- The ability to curtail administration and operational cash out flows as required.

**2. Exploration and Evaluation Expenditure**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	\$	\$
<b>At cost</b>		
Balance at beginning of the period	3,284,387	2,548,977
Expenditure incurred	1,188,188	735,410
Balance at end of the period	<u>4,472,575</u>	<u>3,284,387</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the half year ended 31 December 2011

**3. Issued Capital**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	\$	\$
<b>Ordinary shares</b>		
Issued and fully paid	65,400,000	65,400,000
Movement in fully paid ordinary shares:	<b>No. of Shares</b>	<b>\$</b>
At 1 July 2011	65,400,000	7,275,497
At 31 December 2011	65,400,000	7,275,497

**4. Segment Information**

The directors have considered the requirements of *AASB 8 Operating Segments* and the internal reports that are reviewed by the Board in allocating resources and have concluded that at this time there are no separately identifiable segments.

The Company operates in only one segment being mineral exploration in Australia.

**5. Events Subsequent to Reporting Date**

On 14 February 2012, the acceptances for the takeover of Inca Minerals Limited reached 91.95% of the total voting shares on issue and on the same day, the Company declared the takeover offer to be unconditional.

On 2 March, 2012, the takeover bid for Inca Minerals Limited closed with acceptances totalling 97.37% of the voting shares on issue.

On 6 March, 2012, the Company commenced the compulsory acquisition of the remaining 2.63% of Inca Minerals Limited shares.

The acquisition of Inca Minerals Limited's net assets, includes the assumption of the following tenement acquisition and exploration expenditure commitments:

	<b>31 December 2011</b>
	\$
Not later than 12 months	987,896
Between 12 months and 5 years	10,048,176
	<u>11,036,072</u>

A loan agreement between Condor Metals Limited and Inca Minerals was executed on 28 December 2011, with Condor Metals Limited advancing \$100,000 to Inca Minerals for working capital. The loan is secured by fixed and floating charge over Inca's assets. In the event that the loan is not repaid, Condor has the option to convert the unpaid loan value to share capital at \$0.11 per share. On 8 February 2012, the loan agreement was amended to include a further draw down of \$150,000. The total amount owed by Inca Minerals Limited to Condor at the date of this report is \$250,000.

There have been no other material items, transactions or events subsequent to 31 December 2011 which, although they do not relate to conditions existing at that date, have not been dealt with in this report and which would cause reliance on the information shown in this report to be misleading.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2011****6. Contingent Liabilities**

There are no contingent liabilities at the reporting date.

**7. Dividends**

No dividends were paid or declared payable during or since the half-year.

**8. Related party transactions**

As disclosed in the annual financial statements of the company for the year ended 30 June 2011, the company issued unsecured interest free-loans to two executives in order to fund the purchase of the company's shares by those executives. The company confirms that these loans are non-recourse against the borrower.

**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements and notes, are in accordance with the Corporations Act 2001, including :
  - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting; and
  - (b) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



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**Robert Schuitema**  
Director

Dated at Perth this 8<sup>th</sup> day of March 2012.

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GPO Box R1253 Perth WA 6844  
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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
CONDOR METALS LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Condor Metals Limited which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Condor Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Major Offices in:  
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*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Condor Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Condor Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*D J Wall*

D J WALL  
Partner

Perth, WA  
Dated: 8 March 2012