

STOCK EXCHANGE ANNOUNCEMENT



6 March, 2014

Condor moves forward in €10m to underpin South Africa Coking Coal and Marianas in Chile

ASX Release Stock Code: CDB

Highlights

- Condor has progressed with documentation for €10 million in funding to progress its South African Hard Coking Coal Projects and iron ore mining at its Marianas Magnetite Tailings Project in Chile.
- Work has neared completion of the full desk top review of The Duel Hard Coking Coal Project in the Limpopo province of South Africa. Coal washability data has shown The Duel produces exceptionally high yields (compared to rival projects) and strong other coking coal indicators, such as the maximum fluidity.

Hard Coking Coal Data Review Nears Completion

Condor Blanco Mines Limited (ASX: CDB; **Condor**, the **Company**) is pleased to announce that it is proceeding to secure €10 million in funding as it nears completion of the full desk top review of **The Duel Hard Coking Coal Project (The Duel)** in the Limpopo province of South Africa and to progress iron ore mining at its **Marianas Magnetite Tailings Project (Marianas)** in Chile.

Condor has entered into a Heads of Agreement with Hong Kong company **Signet Coking Coal Limited (Signet)** that will see it have the right to acquire a majority stake of up to 50.3% in **The Duel** and **Tshipise 2** projects held by Signet's South African subsidiaries **Subiflex Proprietary Limited** and the **Universal Annex Project** held by **Exotic Coal Exploration Proprietary Limited**. The acquisition is subject to several conditions precedent including 60 days technical due diligence and upcoming shareholder approval.

The desk top review of **The Duel** is being undertaken by an independent third party and will confirm geological information on the project. It is proceeding in parallel with drafting of a definitive agreement that could lead to Condor's acquisition of a majority position in Signet and its Soutpansberg Coalfield Projects in northern South Africa.

The four projects that make up Soutpansberg Coalfield of South Africa consist of five Prospecting Rights (PR) made up of a minimum of six farms each, most of which are contiguous. The details for the PRs are as follows:

a) THE DUEL

PR Reference No: LP/5/1/1/2/1041 PR & LP/5/1/1/2/1045 PR

Farms: Lotsieus 176 MT, Kranspoort 180 MT, Nairobi 181 MT, The DUEL 186 MT, Hardevlakte 152 MT, Meteor 141 MT and Alicedale 138 MT

Rights Holder: Subiflex (Pty) Ltd

Executed: November 2007

b) TSHIPISE 2

PR Reference No: LP/5/1/1/2/1264 PR

Farms: Nonsaing 127 MT, Protea 125 MT, Beatrice 124 MT, Cato Smuts 113 MT, Olympie 114 MT and Laura 115 MT

Rights Holder: Subiflex (Pty) Ltd

Executed: June 2011

c) UNIVERSAL ANNEX PROJECT

PR Reference No: LP/5/1/1/2/1594 PR

Farms: Vrienden 589 MS, Gruisfontein 368 MS, Renfrew 620 MS, Riebelton 488 MS, Thurso 619 MS and Mansfield 356 MS

Rights Holder: Exotic Coal Exploration (Pty) Ltd

Executed: June 2011

d) MOPANE PROJECT

PR Reference No: LP/5/1/1/2/1685 PR

Farms: Kaal Kraal 100 MS, Icon 95 MS, Hartz 233 MS, Kilgour 176 MS, Mirrior 111 MS and Rietfontein 109 MS

Rights Holder: Exotic Coal Exploration (Pty) Ltd

Executed: June 2011

The Heads of Agreement (HOA) provides for a performance triggered option by **Condor** to progressively acquire additional equity in the four projects that comprise **Signet**, with short term emphasis on the highly prospective **The Duel** and **Tshipise 2** projects.

The JORC compliant drill-out and definitive feasibility study (DFS) program for **The Duel** is expected to be funded by Condor with costs expected to range from €10m. The JORC-compliant drilling and resource definition program will be run in parallel and are expected to be completed by November 2014. Condor will then be able to continue with acquisition of additional interest in **Signet** subject to the terms of the Definitive Agreement.

South African geologist PC Meyers has provided a highly encouraging initial Project Exploration Report on **The Duel**. In this report it is stated: "Signet Coking Coal International Ltd, hold potentially multiple HCC projects within the southern and northern Tshipise sectors of the Soutpansberg Coalfield (DUEL and TSHIPISE 2 Projects). With the confirmation of the coking coal analysis from THE DUEL project, tied with the addition of the large amount of publicly released information from Coal of Africa Limited (Makhado, Makhado Extension (farms Grey and Telema) and Mount Stuart projects), the presence of premium hard coking coal in this particular sector is at its highest level," and in addition the report concludes: "The DUEL project could easily supply the majority of South Africa's (current) imported hard coking coal quota (between 3 to 4mtpa)."

Further initial data from the Coking Coal Quality Analysis (carried out by Advance Coal Technology, part of Bureau Veritas S.A. a global testing, inspection and certification services group) on **The Duel** coal collected from the previous drilling has revealed multiple fractions that would be classed as Hard Coking Coal, exhibiting excellent characteristics (see Figure 1 and the associated JORC Code appendix, sections 1 and 2). Potential Ash products were then calculated from the washability data. By way of comparison, Figure 2 presents a table comparing coal qualities identified through testing at The Duel against other global Hard Coking Coal projects. South African Semi-Soft project are also included as a baseline.

Based on all current available data **The Duel** project will likely produce two products, one a primary high-grade coking coal and the other a secondary high-grade thermal coal. The ability to produce a high-grade thermal coal as a middling product heavily reduces operational expenditure, increasing the primary product margin. The coal washability has shown exceptionally high yields compared to rival projects within the coalfield and other various coking coal indicators, such as the maximum fluidity, highlight this coal as potentially rivalling any other African or comparative global coking coals (see Figure 1).

In South Africa, every company holding rights under the Mineral and Petroleum Resources Development Act (MPRD Act) is required to have a minimum of 26% Black Economic Empowerment (BEE) shareholding. Both of

Signet's South African subsidiaries, **Subiflex Proprietary Limited** and **Exotic Coal Exploration Proprietary Limited**, comply with the requirements of the MPRD Act in that BEE shareholders hold 26% of the issued share capital of both companies. The BEE shareholders of both subsidiary companies are members of the royal families in the regions where the rights have been granted. The involvement of these local landowners provides a strong BEE supporter who will usefully assist in the approvals and permitting of the projects over time.

Condor Secures €10m Debt Facility

Condor proceeds with required documents to secure a five year limited recourse loan of €10m to allow completion of undertakings under the Signet HOA as well as to develop the Marianas Magnetite Tailings Project in Copiapo, Chile. The loan documents provide for an approximately 15% average interest rate for the term of the loan with the ability to repay it earlier at Condor's discretion.

Condor has sought a debt facility as it believes any form of equity participation in the **Signet** HCC projects would lead to lower valuations of the project compared to what will be obtained once the DFS is completed. Condor also wishes to quickly progress with these important opportunities that would otherwise be severely limited due to challenging conditions in Australian and global small caps equity markets.

Condor Chairman, Dr Paul Crosio, commented: "By funding the Marianas and Signet Hard Coking Coal initiatives through debt we can maintain our company structure as well as preserve the ability to capitalise on the re-evaluation of The Duel and other Signet assets once we have completed DFS. It is our intention to make it a priority to repay this debt through a trade sale or joint venture on The Duel project when we believe the optimal value of the project has been realised. If we went to the equity market at this stage there would inevitably be minimal or no allowance for this future upside potential of Signet. Similarly, with cash in the bank, our position on Marianas is improved and we can take a more aggressive position on joint venture operator negotiations or, if required, even operate it in our own capacity."

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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 compiled by Carl Swensson, who is a Member of the Australasian Institute of Mining & Metallurgy. Carl Swensson is a director of 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". Carl Swensson 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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	Volatile Matter (VM) AD	Crucible Swell Number (CSN)	Ash (A) AD	Sulfur (S) AD	Phosphorous (P)	Total Moisture (TM)	Inherent Moisture (IM) AD	Roga	Vitrinite	Gieseler Fluidity (ddpm)	Fixed Carbon (FC) AD	
Hard Coking Coal Parameters (PLATTS)	Min 17.5% Max 34.0%	Min 5.5	Max 10.5%	Max 1%	Max 0.08%	Max 10.5%	Max 2%		Min 48%	Min 0.90% Max 1.65%	Min 100 ddpm	
THE DUEL - Composite												
Duel 01/04-05 (F1.45)	27.5%	9	13.1%*	0.8%	0.040%		0.7%	56 - 75	75.3%	1.14%	4069	58.7%
Duel 01/06-08 (F1.45)	27.3%	9	13.4%*	0.8%	0.030%		0.7%	77 - 84	85.5%	1.17%	1882	58.7%
Duel 01/09-10 (F1.45)	28.3%	9	14.7%*	1.09%	0.010%		0.7%	76 - 88	85.8%	1.06%	25792	56.5%
THE DUEL - Potential 9.9% Ash Cutoff Products												
Duel 01/01	19.9%	8.5	9.9%	0.34%	0.258%		0.9%	53				69.3%
Duel 01/02	25.6%	9	9.9%	0.42%	0.114%		0.9%	71				63.6%
Duel 01/05	26.9%	9	9.9%	0.94%	0.030%		0.8%	70				62.4%
Duel 01/06	23.0%	2.5	9.9%	0.89%	0.030%		0.9%	18				66.2%
QUEENSLAND HCC												
Anglo Coal Australia - German Creek	19%	9	9%	0.70%		9%	2%			200		By diff
BM Alliance - Gregory	34%	9	6.5%	0.60%		8.5%	2%			7500		57.5%
BM Alliance - Norwich Park	17.8%	9	9.9%	0.65%		10%	1%			100		71.3%
BM Alliance - South Blackwater	28.9%	7	6.2%	0.39%		9%	2%			1300		62.9%
Gloucester Coal	34%	8	11%	1.00%		9%	1.5%			>5000		52.5%
Glennies Creek	38%	6	8.5%	0.65%		9%	2%			7500		50.0%
Rio Tinto Coal Australia - Kestrel	33.5%	9	6.5%	0.65%		8%	2%			>10000		58.0%
SOUTH AFRICAN HCC												
Exxaro - Tshikondeni	22.5%	9	12.3%	0.85%			0.8%					64.4%
Coal of Africa - Makhado (Middle Lower)	30.3%	9	12.1%	1.2%			0.9%	91	82.6%	1.01%	488	56.7%
Coal of Africa - Makhado (Bottom Upper)	29.2%	9	11.9%	0.8%			1.5%	89	77.9%	1.01%	485	57.4%
Coal of Africa - Makhado (Bottom Lower)	30.3%	9	12.3%	0.9%			0.8%	90	79.3%	0.98%	493	56.6%
MOZAMBIQUE HCC												
Rio Tinto (Riversdale) - Beniga	19% - 28%	9	10.5%	0.6% - 1.2%	0.01% - 0.13%	8	0.3% - 0.7%		75% - 85%	1.10% - 1.60%	>3	60% - 68%
Beacon Hill Resources - Minas Moatize	17.3%	9	9.5%	0.99%	0.12%	8	0.85%	37	85.0%	1.65%	0-20	71.3%
Vale - Moatize	21%	9	10.5%	1.0%	0.085%	8	0.81%		81.1%	1.20% - 1.26%	500	62.2%
SOUTH AFRICAN SEMI-SOFT												
Coal of Africa - Vele (Bottom Lower- West)	36.5%	8.5	12.8%	1.0%	0.008%		1.1%	87	83.4%	0.77%	6515	55% (Ave)
Universal Coal - Berenice	36.0%	7	11.7%	1.0%	0.009%		0.9% - 2.0%	85	85.0%		>20000	50.2%

Standard
Problematic
Require blending

Figure 2: Comparison of Quality Components for Hard Coking Coal Projects (including Washed 9.5% Ash Cut-off Output from The Duel)

Appendix 1: JORC Code Table 1 Details

Section 1: Sampling Techniques and Data

Criteria	Explanation
Sampling techniques	<ul style="list-style-type: none"> • Nature and quality: The sample technique was core sampling from diamond drilling. Composite samples were taken over each of the entire coal plies intercepted. These were submitted to Advanced Coal Technology, a subsidiary of Bureau Veritas S.A. for analysis. • Measures taken to ensure sample representivity: The entire core was logged, both visually and using downhole geophysical methods.
Drilling techniques	Reverse Circulation (2 holes) and Diamond Core (1 hole). Only the Diamond Core hole was sampled and submitted for washability analysis. The two RC holes were purely to test for the presence of coal prior to the diamond drilling.
Drill sample recovery	Over 95% recovery was achieved from the Diamond Core drilling and so the washed samples capture this recovery.
Logging	Graphic logs were produced for the lithology and coal intersections and combined with the Downhole Wireline geophysics (LAS files) for comparison.
Sub-sampling techniques and sample preparation	The coal samples for assay were crushed to -12.5 mm in size for good liberation and the -0.5 mm screen off and analysed on a "raw" basis only. Samples submitted for washability were not crushed prior to this.
Quality of assay data and laboratory tests	All economic coal plies (thicker than 0.8 m) were sent to the Bureau Veritas laboratory in Pretoria, South Africa for washability and coking analysis. This is an accredited laboratory with international recognition as a coking coal specialist testing facility.
Verification of sampling and assaying	Limited verification was utilized for this first exploratory work. Samples have been stored to allow future verification during later stages of exploration. No field duplicates were submitted.
Location of data points	A handheld GPS was used to identify the position of outcrops using WGS84 zone 50s datum. This was verified with aerial imagery of the plotted data points.
Data spacing and distribution	The information contained in this document is based on preliminary exploratory data and so is sparse in its nature. Drilling was undertaken from purposive points and no systematic spacing system was applied. Consequently, the data spacing and distribution is not sufficient to establish the degree of geological and grade continuity appropriate for estimation of a Mineral Resource or Ore Reserve.
Orientation of data in relation to geological structure	Drilling was perpendicular to the trend of the geological feature of interest. It is not expected that any bias has been introduced, though a consideration of this is not necessary at this time.
Sample security	Standard safety procedures were undertaken to maintain sample security. This included a careful labelling system, sufficient for these rock chip samples.
Audits or reviews	No audits or reviews were considered necessary. The sampling techniques were reviewed by an independent consulting geologist, who did not consider any additional steps necessary.

Section 2: Reporting of Exploration Results

Criteria	Explanation
Mineral tenement and land tenure status	Condor has entered into a Heads of Agreement with Hong Kong company Signet Coking Coal Limited (Signet) that will see it have the right to acquire a majority stake of up to 50.3% in Hard Coking Coal (HCC) projects held by Signet's South African subsidiaries, including the farm The Duel 186 MT. The Duel project is composed of PR Reference No: LP/5/1/1/2/1041 PR & LP/5/1/1/2/1045 PR (being farms: Lotsieus 176 MT, Kranspoort 180 MT, Nairobi 181 MT, The Duel 186 MT, Hardevlakte 152 MT, Meteor 141 MT and Alicedale 138 MT). Land tenure is secure under the mining titles system of South Africa. No impediment to renewal of licenses is expected, subject to usual compliance with rents due and expenditure expected.
Exploration done by other parties	No previous exploration is known on the tenements.
Geology	The project is positioned above a 30m to 40m thick carbonaceous zone of the Madzaringwe Formation, with potentially six (6) mineable horizons (as identified by CoAL and drill hole 01C). These zones comprise interbanded carbonaceous mudstones and coal. The coal component is generally brittle and contains a high proportion of vitrinite.
Drill hole Information	In relation to the washability studies, only a single diamond core hole was drilled and sampled.
Data aggregation methods	Aggregation was across entire plies intercepted. A minimum width cut-off was applied prior to analysis. Discontinuous but adjacent sections were treated as separate samples (i.e., aggregated separately).
Relationship between mineralisation widths and intercept lengths	Not applicable for this first exploratory drill hole.
Diagrams	Drilling locations were shown in an earlier announcement " Summary of Review Findings on The Duel Project" released 7 February 2014 (see Figure 1 of that release), this not has been reproduced as only washability results are discussed in the announcement (though the earlier reported results are included in a reference table).
Balanced reporting	Comprehensive reporting of full washability results for all coal bearing intercepts within the single hole are included.
Other substantive exploration data	All other relevant and material obligations have been noted.
Further work	<ul style="list-style-type: none"> • The nature and scale of planned further work: Further drilling will form the central part of the newly formed joint venture. This will target the establishment of a resource and mineability analysis. • Diagrams in the earlier 7 February 2014 announcement referenced above show the area holding the exploration target, which covers the areas of possible extensions: