



Letter to Condor Shareholders

18 January, 2012

ASX Code: CNK

www.condormetals.com

Share Capital

65.4 million ordinary shares

Current Share Price: \$0.07

Market Capitalisation: A\$4.6 million

Cash: \$1.5 million

Board

Laurence Freedman AM, Chairman
Ross Gillon, Non Exec Director
Robert Schuitema, Company Secretary
and Non-Exec Director

Senior Management

John McKinstry, Chief Operating Officer
Andrew Jones, Exploration Manager

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Dear Shareholder,

I am writing to bring you up to date with an important matter which should have a substantial long term positive effect on the future of Condor Metals Limited.

In early December Condor entered into negotiations with Inca Minerals Limited, an Australian company with the rights to acquire highly prospective copper-gold concessions in Peru.

John McKinstry, Condor's COO and geologist Wade Johnson travelled to Peru and spent a week examining the Inca concessions together with the Managing Director of Inca and other personnel. They returned highly enthusiastic with regard to the prospects and for one deposit in particular called Chanape, some 100 km from Lima, Peru's capital.

Located within a proven mineralisation province which contains the massive Chinalco copper-gold deposit and Nyrstar's gold-silver-copper mine. Chanape has, in the opinion of both Condor's and Inca's technical personnel, the potential for the discovery of a substantial mineral deposit, primarily copper-gold-silver, in a porphyry mineralisation. There has been some mining on this area in the past by locals and a number of holes have previously been drilled, the assays of which are highly promising.

Condor entered into negotiations with Inca in mid December. We recently announced via the ASX our intention to make a takeover bid for all of the shares in Inca. The Inca Directors, who between them own some 27%, have agreed to sell all their shares and their Board unanimously recommends that their shareholders do likewise.

We live in a global economic environment and the cost of finding a substantial base metal or copper-gold deposit in Peru is not substantially greater to finding one in Australia. However the high level of exploration in Australia now makes a reasonably priced acquisition and subsequent discovery of a significant deposit difficult for a small company like Condor, while the relatively low level of exploration in Peru and the particular opportunity presented to us by Inca gives us an increased possibility that we may find something of significance.

Since announcing our intention to proceed, the Condor share price has risen some 40%, albeit on small turnover. In the event that the deal is successful, a lot more shares will be on issue and this in itself should help to alleviate the problem of low liquidity and small turnover which has been typical of Condor shares in the past.

The deal, if successful will, we believe, make a positive contribution to Condor's future: in the event of positive results from the initial planned drilling program at Chanape, we would anticipate an appropriate adjustment to the Condor share price and therefore to the value of your investment. Furthermore, we anticipate that, on the completion of the transaction and the issuance of Condor shares to existing Inca shareholders, there will be a freer flow of trades; this in itself should encourage new investors and enable the share price to better reflect the underlying assets of your company.

While I do not expect every Condor shareholder to be in favour, this is an opportunity which your Board and the geological and technical staff of the Company deem to be highly prospective, with potential over time, to become a substantial asset if the current geology and data can be proven by drilling, assaying and development work.

Our Bidder's Statement will be released to the ASX shortly. This contains detailed information regarding the transaction and the reasons behind it.

I will keep you informed as to progress both via ASX releases as well as emails and letters to shareholders.

Yours sincerely,

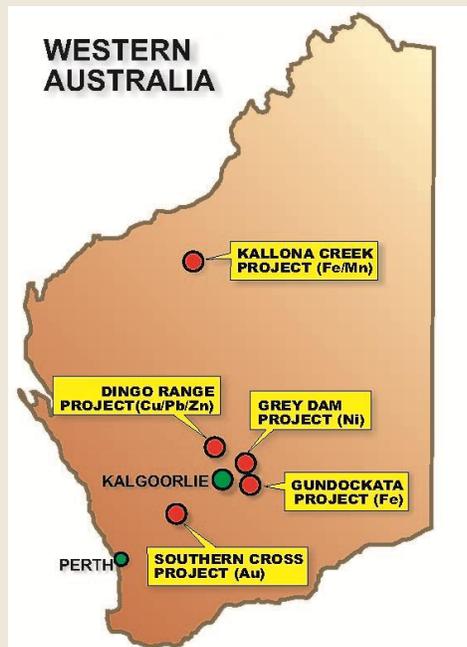
Laurence Freedman AM
Chairman

About Condor Metals Limited

Condor Metals Limited is an Australian listed company (ASX code: CNK) focused on multi-commodity projects in Western Australia.

The Company's priority targets are:

- Dingo Creek base metals project
- Grey Dam Nickel prospect
- Gundockata Iron Ore prospect
- Kallona Creek Iron / Manganese project
- Southern Cross Nickel prospect (application)
- Milly Milly Iron / Manganese / Copper project (application)
- Mt James base metals / gold / uranium (application)
- Andes copper / lead / zinc (application)



Condor currently has a portfolio of promising exploration properties in Western Australia. The company has recently made an all script bid of a Australian company with the rights to acquire highly prospective copper-gold concessions in Peru

Condor has approximately \$1.5 million in cash and no debt.

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 and the Australian Institute of Geoscientists. Mr Jones is a fulltime employee of Condor Metals 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.