

# **CONDOR RESOURCES PLC**

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**CONDOR RESOURCES PLC**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

<b>DIRECTORS:</b>	N M Ferguson M L Child K P Eckhof
<b>SECRETARY:</b>	Breams Registrars and Nominees Limited
<b>NOMINATED ADVISER:</b>	Nabarro Wells & Co. Limited Saddlers House Gutter Lane Cheapside London EC2V 6HS
<b>BROKER:</b>	Mirabaud Securities Limited 21 St. James's Square London SW1Y 4JP
<b>SOLICITORS:</b>	Wedlake Bell 52 Bedford Row London WC1R 4LR
<b>BANKERS:</b>	HSBC Bank Plc 39 Tottenham Court Road London W1T 2AR
<b>REGISTRARS:</b>	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN
<b>REGISTERED OFFICE:</b>	52 Bedford Row London WC1R 4LR
<b>REGISTERED NUMBER:</b>	05587987 (England and Wales)
<b>AUDITORS:</b>	Mazars LLP 3 Sheldon Square London W2 6PS

**CONDOR RESOURCES PLC**  
**HIGHLIGHTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**Highlights**

- Successful listing of the Company on the Alternative Investment Market (AIM) of the London Stock Exchange on 31<sup>st</sup> May 2006 - £4.85m raised.
- Commissioning of the Nicaraguan and London offices.
- Awarded the El Gigante licence in El Salvador, further consolidating the Pescadito Project area which covers several significant historical workings.
- Commenced diamond drilling at the Loma del Caballo Prospect, El Salvador.
- Secured the Kuikuinita and Columbus Projects in Nicaragua for an initial cost of US\$300,000. Indications of porphyry copper-gold style mineralisation are present. A further US\$200,000 to be paid after full due diligence completed.
- Global Resources up 32% from those quoted at IPO through reporting a maiden JORC mineral resource of 112,600 ounces of gold and 97,300 ounces of silver at La Calera, El Salvador. A further 193,000 ounces of gold and 155,000 ounces of silver are contained within the block model over an initial strike length of some 700 metres.
- Completed 1,500 metres of trenching at the Pescadito Project, El Salvador where an extension program is underway at the Santo Thomas - Protectora - Carolina - Divisidero structure. The directors believe that trench results reported at Corozal include 14 metres @ 1.01g/t gold and 19.9g/t silver; 2 metres @ 2.19g/t gold and 50.2g/t silver; 2 metres @ 2.59g/t gold and 12.5g/t silver and 1 metre @ 8.61g/t gold and 491.1g/t silver.
- Completion of technical reviews of four licences within Nicaragua. Results of these reviews of the Chachagua, Cerro de Oro, Guapinol and El Gallo licences resulted in the the licences being returned to the vendors, Chorti Holdings with no further work commitments to Condor.

**Post Period Highlights**

- Payment made of a further US\$200,000 to secure the Kuikuinita and Columbus projects after completion of a favourable technical due diligence process.
- Significant initial trench results reported from the Company's 100% owned El Cacao Project in Nicaragua showing excellent width and grade and continuity of mineralization over at least 400 metres strike length on a virgin epithermal vein discovery. Further trenching is in progress on a potential 2,000 metres of mineralised strike.
- Released significant trenching results on its San Albino Project in northern Nicaragua, close to the historical high grade San Albino Mine, with high grade trenching results including 18 metres at 6.77g/t gold. Mineralisation remains open along strike in both directions and the width remains unconstrained at the thickest intersection in the south-east.
- Two additional parallel mineralised structures have been identified at the same prospect. Both parallel systems are open along strike and returned the following assay results: 3 metres at 2.94g/t gold and 3 metres @ 20.11g/t gold respectively.

**CONDOR RESOURCES PLC**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**Chairman's Statement**

Dear Shareholder,

I am pleased to present Condor Resources PLC's annual report for the 12 month financial period to the 31<sup>st</sup> December 2006. It has been a busy year for your Company. The main corporate event was the listing of your Company on the 31<sup>st</sup> May 2006 on the Alternative Investment Market of the London Stock Exchange. On Admission to AIM the Company raised £4.85 million. I joined the Board as Chairman immediately prior to listing.

Condor is an exploration company, focused on the discovery of gold, silver and base metals in Central America. The Company currently has 5 explorations licences in El Salvador and 5 explorations licences in Nicaragua with an additional two licences under application. Condor has been operating in Central America countries since June 2003. Condor has a JORC Compliant Inferred Resource of 467,104 ounces of gold and 18.4 million ounces of silver.

Condor's strategy is to secure 100% ownership of licences in under explored mineral rich resource areas, which have a history of mining. Condor evaluates each project via a process of rock chip sampling, trenching and mapping, at which stage a decision is made whether to discard the project or embark on a drill campaign. To this extent, Condor has discarded five concessions during the period and added a further five. The objective of this strategy is to focus on a lead project in each country and drill up resources and reserves to a JORC standard, which are commercial in quantity. Condor's stated objective is to prove a resource of 1 to 2 million ounces of gold and 50 million ounces of silver within approximately 2 years of Admission to AIM.

In order to execute the strategy your executive management has assembled a small, highly focused team of geologists and mining executives with proven exploration, project development and business analysis expertise. Condor has a team of 20 personnel in Central America, including 4 expatriate and 6 national geologists and associated senior management personnel. The year has not been without challenges. Initially there was difficulty securing a suitable drilling rig and technical staff, but these issues have been overcome. More recently, in El Salvador the Ministry of the Environment (MARN) has delayed issuing environmental permits to drill. This has delayed drilling on a key project. However, Condor is still drilling on other licences where an environmental permit to drill has been granted. The Board is carefully monitoring the situation and is seeking clarification from MARN and will inform shareholders of developments in due course.

Looking to the future, Condor has produced very encouraging results from several of its concessions in El Salvador and Nicaragua and the Board is confident that one of these concessions can be developed into a commercial deposit of at least 1 million ounces of gold.

I would like to thank shareholders for their confidence and support during the year. My thanks also go to my fellow directors and to a loyal, motivated and hard working team who are equally excited by the discoveries they are making in Central America.

Mark Child  
Non-executive Chairman

**CONDOR RESOURCES PLC**  
**MANAGING DIRECTOR'S REVIEW**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**Managing Director's Review**

Dear Shareholder,

In this, my first Annual Report as Chief Executive Officer of Condor Resources PLC, I would like, at the outset, to thank shareholders for their confidence and support to my team and me, shown throughout a more difficult than expected year. Your support has ensured that Condor is well funded and strategically positioned to take advantage of the under developed opportunities in the resources sector within Central America at this very positive time in the commodities cycle.

Condor has assembled a small, highly focused team with proven exploration, project development and business analysis and evaluation expertise, ensuring that the Company's growth vision will not be impeded by the skills shortage being experienced across the industry. In addition, Condor's board includes a balanced spread of experienced and accomplished financial, mining executives and geologists with the capability of delivering on our focused long-term growth strategy in the minerals sector.

At 31<sup>st</sup> December 2006, Condor had £3.4 million in cash reserves and a strong, long-term investor and shareholder base. A comprehensive review of the Company's existing projects in El Salvador and Nicaragua is continually being undertaken to evaluate the most appropriate projects to enable Condor to achieve its stated objectives and to maximize long term value for its shareholders from these assets. At the same time we are assessing a broad range of opportunities predominantly in gold and base metals in Central America, with a focus on securing 100% ownership of under explored areas or advanced projects with possible production.

Our first new projects are through an exploration farm-in and joint-venture with Chorti Holdings of Nicaragua on the Columbus and Kuikuinita Concessions in the RAAN of north eastern Nicaragua, which was announced in November 2006 last year. This farm-in and joint venture represents a very attractive gold and base metals exploration opportunity of considerable size for Condor within a region that is one of Nicaragua's major metal producing areas. An initial field program of grid establishment, mapping and trenching is underway and is to be followed by a maiden drilling program to test the depth and extent of the mineralization outlined already. Further details of this are contained within the Review of Operations section of this Annual Report.

Although Condor's primary aim is to meet its stated resource targets, the assessment of more advanced or production opportunities will continue to be diligently analysed on a systematic basis.

We have a clear vision to build Condor into a substantial new resource company with a strong focus on securing and pursuing new exploration and development projects in Central America with a view to moving to production status as soon as possible. I hope that shareholders will continue to share this vision with us as we move forward into what promises to be an exciting stage of development for Condor.

My thanks go to my fellow directors for their support and as well to the loyal, motivated and hardworking team, most of whom have worked successfully building other resource companies in the past. This highly supportive and experienced team will undoubtedly underpin the future success of Condor Resources PLC.

Shareholders requiring additional information on the Company's activities are invited to contact me at any time during business hours or to access the Company's web site at [www.condorresourcesplc.com](http://www.condorresourcesplc.com).

Nigel Ferguson  
Managing Director

**CONDOR RESOURCES PLC**

**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**Operations Report**

During the year, exploration proceeded on a number of fronts with the main focus being the more advanced resource opportunities in El Salvador. Exploration in Nicaragua continued whilst two new, Condor managed gold exploration farm-in and joint ventures commenced at Columbus and Kuikuinita in the north eastern RAAN region of Nicaragua.

**Summary of Operations - El Salvador**

<b>Project</b>	<b>Licence</b>	<b>Ownership</b>	<b>Licence Area (km<sup>2</sup>)</b>	<b>Prospect</b>	<b>Exploration Stage</b>	<b>JORC Resource</b>
La Calera	La Calera	100%	42.00	La Calera	Resource Trenching and awaiting drilling, awaiting environmental permits	Yes
El Pescadito	El Pescadito	100%	50.00	Loma del Caballo	Resource	Yes
				Virginia Agua - Caliente	Trenching and drilling	No
				Corazal	Trenching	No
				El Tigre	Trenching and drilling	No
				Santo Thomas	Drilled	No
				Protectora	Awaiting drilling	No
				Pepe	Drilled	No
				Carolina	100%	40.50
El Gigante	100%	42.50	El Gigante	Mapping, trenching	No	
El Potosi	El Potosi	Earning 100%	48.00	El Potosi	Drilled	No
				El Capulin	Drilled	No

**Summary of Operations – Nicaragua**

<b>Project</b>	<b>Licence</b>	<b>Ownership</b>	<b>Licence Area (km<sup>2</sup>)</b>	<b>Exploration Stage</b>	<b>JORC Resource</b>
Segovia	San Albino	Earning 80%	87.00	Trenching and drill ready. Awaiting permits	No
	Potrerrillos	100%	12.00	Pending award	No
	El Golfo	100%	20.00	Pending award	No
Matagalpa	Cacao	100%	11.90	Drill ready awaiting drill rig.	No
	Las Morritas	100%	62.40	Pending first phase exploration	No

**CONDOR RESOURCES PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

Siuna	Kuikuinita	Earning 80%	136.00	Trenching, drill planning underway	No
	Columbus	Earning 80%	140.00	Trenching, drill planning underway	No

The Company released on the 29th November 2006, its unaudited Interim Results for the ten months ended 31st August 2006 and instigated the process of upgrading its accounting software to handle three operational areas.

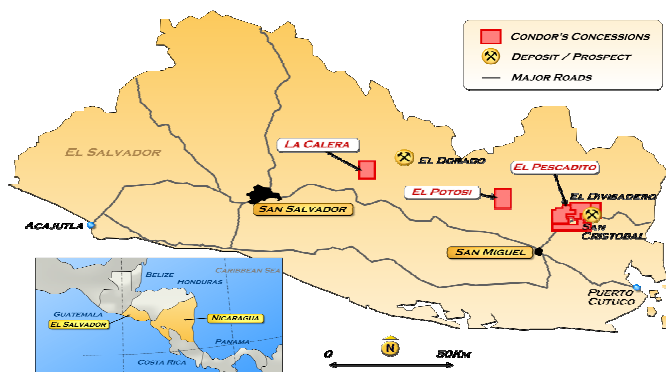
Condors' total global resources to Inferred JORC compliance are some 476,104 ounces of gold and 18.4 million ounces of silver.

**Central American Mineral Resources - Condor Resources plc**

Prospect	JORC Category	Gross Gold			Gross Silver		
		Tonnes	Grade (g/t)	Contained Metal (oz)	Tonnes	Grade (g/t)	Contained Metal (oz)
Loma del Caballo	Inferred	2,517,300	1.44	116,500	2,517,300	39.00	3,200,000
Divisadero	Inferred	2,748,200	2.70	238,000	2,748,200	171.00	15,100,000
La Calera	Inferred	1,692,000	2.07	112,604	1,692,000	1.79	97,373
<b>TOTAL</b>		<b>6,957,500</b>	<b>2.09</b>	<b>467,104</b>	<b>6,957,500</b>	<b>82.00</b>	<b>18,397,373</b>

**EL SALVADOR**

Condor, through its wholly owned El Salvador subsidiary, Minerales Morazan SA de CV, has been exploring for epithermal gold silver systems in Morazan Formation of El Salvador.



The area of interest lies within the Nicaraguan Graben that hosts several major gold and silver deposits along its 750 kilometre length including El Dorado, San Sebastian, El Limon and La Libertad. It is one of the areas best endowed gold provinces within the region yet, it remains relatively under explored.

Exploration during the year focused on the Pescadito and La Calera projects. At the Pescadito project, mapping, trenching, air photo interpretation and both reverse circulation and diamond core drilling has been completed to investigate broad zones of intense surface alteration with associated historical workings.

Drilling has confirmed that the Pescadito project's Divisadero structure comprises broad mineralized stockwork breccia zones with interstitial high grade quartz veins. Alteration in the form of silica flooding and pyritisation is evident over lateral widths of up to 60 metres in places. Gold and silver results indicate at least three extensive mineralised zones of greater than 1g/t gold and up to 1200g/t silver within the 3 kilometre structure coincidental to historical workings.

**CONDOR RESOURCES PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

At La Calera, a maiden JORC compliant mineral resource of some 112,600 ounces of gold and 97,300 ounces of silver was calculated and reported by the Company on 20<sup>th</sup> December 2006. Modelling of the deposit by Independent Geologist and Competent Person Ravensgate, also indicates a further 193,000 ounces of gold and 155,000 ounces of silver are contained within this block model covering a strike length of some 700 metres.

Work continues on the project with intensive trenching and mapping defining several new mineralised structures over a broader zone of defined mineralization.

Aerial Photography has been completed for all licences in El Salvador which allows regional targeting and topographical control within the project areas.

**Project Reviews**

**La Calera Project**

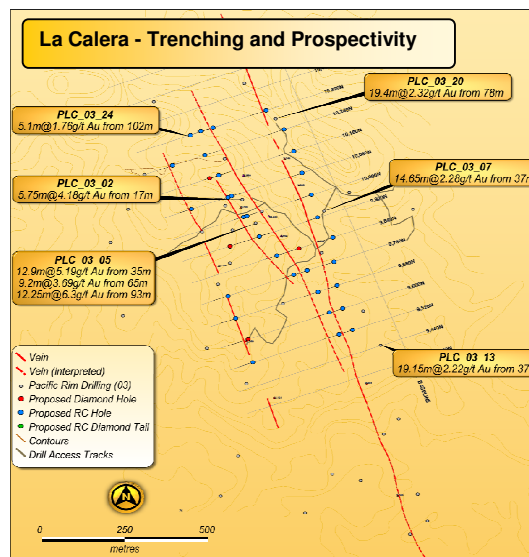
(Condor 100% ownership)

**Summary of Mineral Resources - La Calera Prospect**

Mineral Resources	Gross Gold			Gross Silver		
	Tonnes	Grade (g/t)	Contained Metal (oz)	Tonnes	Grade (g/t)	Contained Metal (oz)
Total	1,692,000	2.07	112,604	1,692,000	1.79	97,373
Inferred						

Up to the date 13th December 2006, the company continued with its aggressive trenching program utilising a local labour force of up to 100 at times. Several new mineralised zones were discovered and will be further tested by drilling. Our knowledge of the mineralised system has been greatly enhanced through this trenching program allowing better definition of drilling targets. Multiple mineral stockwork and vein systems have now been outlined and warrant further drill testing.

Highlights from the La Calera trenching program to year end include 5 metres @ 5.51g/t gold; 13 metres @ 8.57g/t gold including 6 metres @ 17.21g/t gold; 5 metres @ 4.29g/t gold; 6 metres @ 3.06g/t gold; 11 metres @ 3.15m gold; 7 metres @ 2.51g/t gold and 9 metres @ 2.26g/t gold. Several of these trenches contain open ended mineralisation and Condor has progressed to a further trenching program that will infill and extend the known mineralisation.



The culmination of the trenching program was the delivery of a maiden resource to the market on the 20<sup>th</sup> December 2006 of some 112,000 ounces of gold and 97,000 ounces of silver. This in itself was a significant increase in the company's Central American resources - up 32% from those quoted at IPO.

Independent Geologist Ravensgate's modelling of the deposit also indicates that using similar parameters for resource calculation, a further 193,000 ounces of gold and 155,000 of silver are contained within the prospect that do not however meet the strict criteria for JORC reporting and compliance.



**CONDOR RESOURCES PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

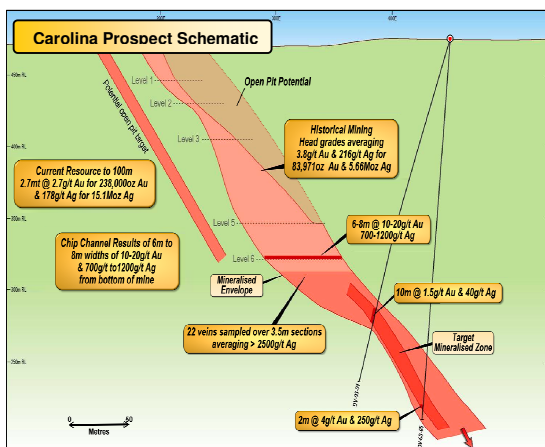
**Pescadito Project**

(Condor 100% ownership)

**Global Mineral Resources - Condor Resources plc**

Prospect	JORC Category	Gross Gold			Gross Silver		
		Tonnes	Grade (g/t)	Contained Metal (oz)	Tonnes	Grade (g/t)	Contained Metal (oz)
Loma del Caballo	Inferred	2,517,300	1.44	116,500	2,517,300	39.00	3,200,000
Divisidero	Inferred	2,748,200	2.70	238,000	2,748,200	171.00	15,100,000

Trenching has formed an integral part the Company's exploration tools and work progressed during the period at the Pescadito Project produced some significant and interesting intercepts. These included trench results at Corozal including 14 metres @ 1.01g/t gold and 19.9g/t silver; 2 metres @ 2.19g/t gold and 50.2g/t silver; 2 metres @ 2.59g/t gold and 12.5g/t silver and 1 metre @ 8.61g/t gold and 491.1g/t silver.



The mineralisation and alteration encountered within this trenching gave excellent confirmation of Condor's target model of broad stock work zones of gold mineralisation with inter-fingering high grade quartz veins. This suggests that open pit mining may be possible, with subsequent underground mining of higher grade mineralised zones.

Additionally, an initial 1,500m trenching programme was completed and an extension program is still underway at the Santo Thomas - Protectora - Carolina - Divisidero structure, within the Pescadito Project.

Condor was also awarded the El Gigante licence in El Salvador which forms the third licence within the Pescadito project. The El Gigante licence, contains a

number of historical workings and exhibits a geological setting similar to that of the San Sebastian Gold Mine area to the south east, which is recorded as El Salvador's most prolific and richest gold producer.

Condor was also awarded the El Gigante licence in El Salvador which forms the third licence within the Pescadito project. The El Gigante licence, contains a number of historical workings and exhibits a geological setting similar to that of the San Sebastian Gold Mine area to the south east, which is recorded as El Salvador's most prolific and richest gold producer.

Historical underground workings from circa 1935, indicate the average grade of underground sampling at El Gigante was 5.33g/t gold (max. 37.32g/t gold) and 228g/t silver (max 1,023g/t silver). A 6 diamond drill hole program was completed in 2004 by Intrepid Minerals Corp. of Canada with significant intercepts including 3.35m @ 15.61g/t gold and 1393g/t silver from 29.9m depth; 0.2m @ 44.86g/t gold and 2516g/t silver from 24.65m depth and 9.65m @ 4.00g/t gold and 231g/t silver from 48.45m depth.

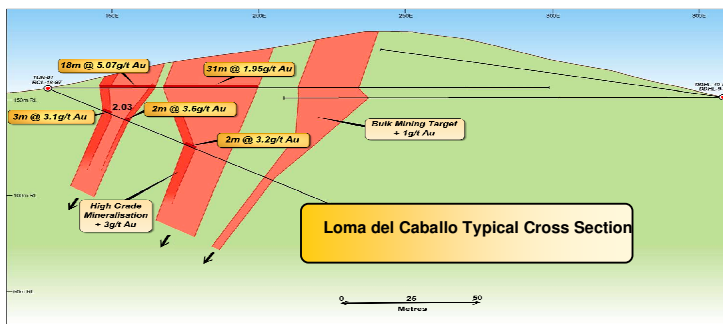
These drill results show at least two parallel structures that have never had follow up work completed on them. Condor completed only reconnaissance rock chip sampling on the licence which confirms gold mineralisation on a structure 1,000m long and 2m to 5m wide. The limited sampling program includes values up to 4.83g/t gold; with channel chip results of some 5m @ 2.51g/t gold and 4m @ 1.33g/t gold. The structure remains open in all directions.

**CONDOR RESOURCES PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

Further significant results were reported from trenching at the Loma del Caballo Prospect in line with those disclosed in the Admission Document, and confirming the width and nature of mineralization in the resource area. These included 8m @ 0.57g/t gold and 46.94g/t silver; 7m @ 1.88g/t gold and 17.61g/t silver; 15m @ 3.24g/t gold and 41.96g/t silver including 2m @ 17.53g/t gold and 229.25g/t silver.

**El Potosi Project**  
(Condor earning 100%)

Encouraging assay results were received from exploration work at the Potosi Project in El Salvador where highlights included 5.0 metres @ 9.23 g/t gold including 1m @ 30.93g/t gold, and 5.35 metres @ 22.15g/t gold including 0.38m @ 98.6g/t gold and 41.1g/t silver from diamond and reverse circulation drilling completed on the main project area.



Further drilling was undertaken and results indicate that similar mineralised zones are evident within the Potosi workings zones at depths of plus 120 metres. The Company is assessing further work and may complete further drilling on the project should it be warranted.

**NICARAGUA**

Condor has progressed with exploration of the licences within Nicaragua with the aim of getting all prospects to the drilling stage within a 12 to 18 month period from listing. The Nicaraguan licences are presently secondary to the more advanced El Salvador package and will require further preparatory work to ensure that exploration funds are spent in a diligent manner testing structures with significant potential to add value to the company.



General field work including operational setup of offices and field camps was followed by mapping and sampling of prospective areas of the company's licences. Trenching of most highlighted areas of gold anomalism has been undertaken and progress has been made in defining drilling targets for late 2007 early 2008.

The Company secured two new exciting prospects in November of 2006; the Kuikuinita and Columbus projects. These will form an integral part of the strategy to develop and build value for shareholders as the Directors believe that they hold significant as yet untested potential.

Under the terms of the agreement for these two licences Condor has made cash payments totalling US\$290,000 and must expend US\$1 million on each licence over a three year term to earn an 80% interest.

The Company also completed its initial review of four licences within Nicaragua through field verification of anomalous zones as defined by previous exploration programs. The Company considered the results of the verification program on the four licences, Chachagua, Cerro de Oro, Guapinol and El Gallo, to fall short of the criteria for further work commitments. It was therefore decided to return the licences to the vendors; Chorti Holdings.

**CONDOR RESOURCES PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

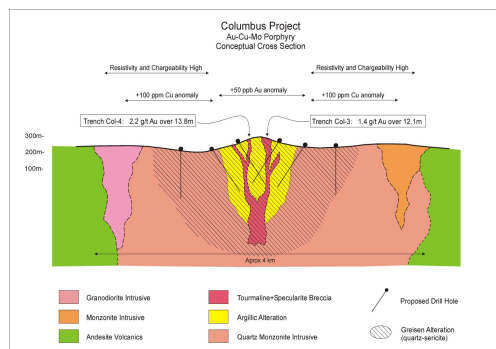
**Project Reviews**

**Columbus Project**

(Condor earning up to 80%)

The Columbus Concession includes Cerro Columbus, which extends west to another zone of greisen alteration with associated breccia pipes with gold occurring in a quartz-specularite breccia pipe. Trench results by previous explorers include 19.5 metres at 2.26g/t gold. Gold is also associated with the quartz-tourmaline breccia pipes in oxide zones after sulphides, with results of 13.35 metres at 1.43g/t gold being reported from this zone.

The presence of highly anomalous molybdenum, averaging 682ppm Mo over 35.4 metres in trench COL-04 and associated copper and silver mineralisation may indicate a proximal intrusion related system consistent with the previously proposed theory that there are multiple intrusive phases, indicating a favourable environment for porphyry hosted mineralization.



Significant results from previous diamond drilling completed by Pila Gold includes 8.68m @ 2.52g/t gold including 1.52metres @ 6.5g/t gold, 22.3g/t silver, 0.12% Copper and 0.2% molybdenum; 19.8metres @ 3.14g/t gold; 2.58metres @ 18.37g/t gold; 22.4metres @ 1.07g/t gold including 3.05metres @ 2.46g/t gold, 12.3g/t silver, 0.23% copper.

Condor's objective is to discover a substantial deposit capable of underpinning a stand alone mining operation. To this end, Condor commenced its field operations late in 2006 with initial work including cutting and assaying of previous drill core to confirm previous assay tenor, mapping on a re-established grid plan and planning future work.

**Kuikuinita Project**

(Condor earning up to 80%)

The Kuikuinita Project contains Tertiary aged dacitic tuffs overlaying an Ultramafic sequence intruded by coeval dacite dykes. A trenching programme carried out by Pila Gold in late 2002 demonstrated that gold mineralisation in the Loma Los Indios area occurs either in the Dacite dykes or adjacent to them in the surrounding intruded units.

Trench sampling by Pilar Gold in the San Antonio area in an oxidized and weathered Ultramafic returned 5 metres at 17.3g/t gold. The most significant gold mineralisation intercepted in the Pilar exploration program included 2.8 metres at 12.85g/t gold, 0.86 metres at 16.2g/t gold and 82.6g/t silver and 1.52 metres at 8.6g/t gold. Both these and Pila trenches were duplicated by Condor and the results have shown a high level confidence in the sampling process.

Additionally, silver and base metal mineralisation associated with a fault zone was intercepted in drill hole KUDH-7. Oxide mineralisation occurs in mafic volcanics adjacent to a dacite dyke suggesting a genetic association with the dyke. This intercept averaged 20.9 metres at 226g/t silver, 0.82g/t gold, 0.6% copper, 3.35% lead and 1% zinc, with a high of 774g/t silver, 2.2g/t gold, 12.48% lead and 1.9% copper over 2.74 metres.

Condor believes that further investigative work is required to determine the projects full potential which the company has commenced in an infill trenching program to be followed by exploration reverse circulation drilling.

**CONDOR RESOURCES PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**San Albino Project**

(Condor earning 80% at San Albino and has 100% of El Golfo and Potrerillos)

During the year, steady progress has been made with field work focussed on reconnaissance chip sampling and follow up trenching of anomalous areas. A total of 110 chip grab samples were taken in the course of mapping 89 kilometres of tracks and grid lines with results as high as 100g/t gold returned. Visible gold was seen in several samples and follow up trenching commenced late in the year. A total of 336 metres of hand excavated trenches were completed and 1 metres samples submitted to the laboratory for analytical determinations.

Results for the majority of trenching samples were outstanding at the end of the year however ongoing trenching based on geological results continues.

The San Albino Project has the ability to provide several high grade quartz veins within close proximity of each other with high grade gold results of up to one or two ounces per tonne. It is expected that the average grade will be well above 5g/t gold.

**Cacao and Las Morritas Projects**

(Condor 100% ownership)

Two new licences were applied for directly to Government by Condor Resource's subsidiary in country, Condor SA. Full environmental clearances and investigations for initial exploration work were carried out simultaneously and the licences were awarded early in 2007 post end of year.

**Juan Sebastian Project**

(Condor earning up to 80%)

During the year, a total of 20km<sup>2</sup> of mapping was completed with a view to investigate the anomalous copper mineralisation within the licence area. A zone to the southern boundary was defined as the greater area of anomalism however further investigation revealed that copper mineralisation was contained within a basaltic flow with an expected thickness of 120m. This negated easy exploration of the anomalous areas and it was decided that the licence would be returned to the vendor.

**CONDOR RESOURCES PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**Post Period Highlights**

Post period highlights include the delivery of several significant assay results to Company. These include the following:

On the 1st March, 2007, Reverse Circulation drilling commenced at El Pescadito in El Salvador after a substantial delay in the ability to secure a suitable drilling rig for El Salvador.

On the 11 May, 2007, significant trenching results from the Company's 100% owned El Cacao Project in Nicaragua were released for the initial phase of trenching. These assay results show excellent width and grade and establish a continuity of mineralization over at least 400m strike length on a virgin epithermal vein discovery.

The Company completed 290.6m of an ongoing programme exposing gold-bearing epithermal quartz veins as well as testing for possible strike extensions and additional parallel zones. Mineralised veins up to 3.1m wide at grades of 2.58g/t gold were reported, including a one metre wide, higher grade zone of greater than 10g/t gold.

Selected highlights include:

Trench Number	Width	Gold Grade
CCTR0004	1.0 metre	11.54g/t
CCTR0005	2.8 metres	3.06g/t
CCTR0006	3.1 metres	2.58g/t
CCTR0007	1.2 metres	1.17g/t
CCTR0007	2.0 metres	1.19g/t
CCTR0009	2.4 metres	2.18g/t

These results define a highly gold anomalous area with a strike length of 400 metres containing several parallel quartz veins and associated wide alteration zones that will require further follow up work, including an extensive drilling program. Mapping of lag and float material suggests that the Cacao vein could extend for a further 2km to the west, partially buried beneath a thin cover of alluvium. Further trenches are being excavated to test the western strike extent of the structure.

On 18th May 2007, the Company released significant news on its San Albino Project in northern Nicaragua close to the historical high grade San Albino Mine where high grade trenching results included 18 metres at 6.77g/t gold.

Significant gold intercepts in four adjacent trenches approximately 50 metres apart, define a mineralised corridor greater than 200 metres long and varying between 3 metres width in the northeast to over 18 metres width towards the south-west. Mineralisation remains open along strike in both directions and the width remains unconstrained at the thickest intersection in the south-east.

In addition, two parallel mineralised structures have been identified in trench SATR010 which was extended further to the south-east than the other trenches to test for such parallel mineralised structures. Both parallel systems are open along strike and returned the following assay results from SATR010: 3 metres at 2.94g/t gold and 3 metres @ 20.11g/t gold respectively.

All the significant uncut intersections are summarised in the table below:

Trench Number	Width	Gold Grade	Silver Grade
SATR003	12 metres	5.59g/t	23.11g/t
SATR010	18 metres	6.77g/t	11.84g/t
SATR010	3 metres	2.94g/t	5.40g/t
SATR010	3 metres	20.11g/t	31.07g/t
SATR011	16 metres	7.89g/t	10.23g/t
SATR013	3 metres	4.99g/t	24.37g/t

**CONDOR RESOURCES PLC**  
**REVIEW OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

The gold mineralization is hosted by a south-east dipping shear zone of chloritic and locally graphitic quartz-bearing schist that cuts through a package of medium to high grade metamorphic rocks. Width and grade of the gold mineralization increases to the south-east, where both width and strike extent have not yet been constrained.

Extensions to existing trenches and further trenching to test the strike extent are planned. An initial reverse circulation program to test continuity of mineralization at depth is also being planned for commencement after receipt of Government Environmental Permits and on securing a suitable drilling rig. The wide intersections indicated in trenching to date suggest that the San Albino Prospect may be amenable to low cost open pit bulk mining.

The Company is very excited about the recent results and prospectivity of the licence and looks forward to continue excellent results from the field through additional trenching and subsequent drilling of the highly mineralised structures.

**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**DIRECTORS REPORT**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2006.

**INCORPORATION**

The company was incorporated in England and Wales on 10 October 2005. It re-registered as a public limited company on 7 April 2006 and floated on the AIM stock market on 31 May 2006.

**PRINCIPAL ACTIVITY**

The principal activity of the group in the year under review was that of exploration of gold and silver concessions in El Salvador and Nicaragua.

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The group's financial performance for the year was in line with Directors' expectations. The group loss after taxation for the year to 31 December 2006 amounted to £690,464.

The record of the business during the year and an indication of likely further developments may be found in the Chairman's statement (page 3) and the Managing Director's Review (page 4).

**DIRECTORS**

The directors shown below have held office during the period:

N M Ferguson – appointed 24 March 2006  
M L Child – appointed 24 May 2006  
S Dobson – appointed 24 March 2006 – resigned 13 September 2006  
K P Eckhof – appointed 24 March 2006  
T L Wall – resigned 7 April 2006  
Gower Nominees Limited – resigned 22 March 2006

**DIRECTORS INTERESTS**

The directors in office during the period under review and their interests in ordinary shares and unlisted options of the company at 31 December 2006 were:

Directors	Holding	31 December 2006	
		Number of shares	Number of options
M L Child	Direct	2,000,000	1,250,000
	Indirect	Nil	Nil
N M Ferguson	Direct	Nil	Nil
	Indirect	800,000	4,500,000
K P Eckhof	Direct	Nil	Nil
	Indirect	240,000	1,750,000

**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

The interests of the Directors, financial advisers and staff in options to subscribe for ordinary shares of the company were:

	Exercise price (p)	Latest exercise date	As at 1 January 2006	Granted during the year	Lapsed in the year	As at 31 December 2006
<b>DIRECTORS</b>						
M L Child	15	30 May 2011	Nil	1,250,000	Nil	1,250,000
N M Ferguson	15	30 May 2011	Nil	4,500,000	Nil	4,500,000
K P Eckhof	15	30 May 2011	Nil	1,750,000	Nil	1,750,000
<b>FINANCIAL ADVISERS</b>						
Nabarro Wells	15	30 May 2011	Nil	2,000,000	Nil	2,000,000
<b>OTHERS</b>						
	15	30 May 2011	Nil	2,250,000	Nil	2,250,000
			Nil	11,750,000	Nil	11,750,000

**SUBSTANTIAL SHAREHOLDERS**

Shareholders	Number of ordinary shares	Holding %
Pershing Keen Nominees Limited	17,865,600	13.7
Roy Nominees Limited	11,000,000	8.4
Teawood Nominees Limited	8,840,000	6.8
ISI Nominees Limited	7,100,000	5.5
Chase Nominees Limited	6,000,000	4.6
T. Hoare Nominees Limited	5,140,000	3.9
S. Dobson	5,000,000	3.9
Vidacos Nominees Limited	4,745,000	3.6
HSBC Global Custody Nominee (UK) Limited	4,400,000	3.4
Bear Sterns Securities Corp	4,275,000	3.3
Chase Nominees Limited	4,000,000	3.1
Giltspur Nominees Limited	3,917,000	3.0

**FINANCIAL RISK MANAGEMENT**

The group's operations expose it to financial risks that include liquidity risk, interest rate and foreign exchange risk. The group does not have any debt and is not therefore required to use derivative financial instruments to manage interest rate costs nor is hedge accounting applied.

**1. Price Risk**

The directors do not consider there is a price risk to the business. The group has no exposure to equity securities price risk as it holds no other listed or equity investment

**2. Credit Risk**

At this early stage of the group's development, in the absence of customers, it does not have credit risk.

**3. Liquidity Risk**

The group actively manages its working finance to ensure the group has sufficient funds for operations and planned expansions.



**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**4. Interest Rate Cash Flow Risk**

The group does not have interest-bearing liabilities. Interest bearing assets are only cash balances that earn interest at a floating rate.

The directors do not consider there to be a material cash flow risk.

**5. Foreign Exchange Risk**

The group principally operates in US Dollars. It does not currently consider the risk of exposure to be material. As such the directors do not currently consider it necessary to enter into forward exchange contracts. This situation is monitored on a regular basis.

**Corporate Governance**

**Corporate Policies**

Condor takes its health, safety, environmental and community responsibilities seriously, and has developed policies and systems to ensure that it explores in a safe, low impact and consultative manner, maximising the sustainability of its present and future operations for the benefit of all stakeholders.

**Health and Safety**

Condor takes the health and safety of its employees and contractors seriously, and strives to exceed statutory obligations and achieve best practice. To this end, a new safety management system has been implemented for its exploration operations.

**Environment**

Condor operates in strict adherence to local and Governmental standards with regard to environmental impact on the local community. This procedure includes pre-exploration checks and post-exploration remediation programs.

**Community**

Condor is committed to working consultatively and co-operatively within the communities in which it operates, which includes local subsistence farmers and pastoralists and firmly believes that future mining operations should be to the benefit of all. To this end, Condor personnel participate in cultural awareness programs and have forged close ties with landholders and maintain a constructive dialogue with the Department of Environment and local community representatives. Condor is also a sponsor of many community development and aid programs currently in place including the provision of clean water through drilling water wells, tree planting, the supply of school books and training of locals in both technical and non technical skills to assist their personal development.

**Compliance with the Combined Code**

The directors recognise the value of the Combined Code on Corporate Governance, and whilst under AIM rules full compliance is not required, the directors believe that the company applies the recommendations insofar as is practicable and appropriate for a public company of its size.

**Board of Directors**

The board of directors comprises one executive director and two non-executive directors who qualify as independent non-executive directors as defined by the Combined Code. The directors are of the opinion that the board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The board, through the chairman and executive director in particular, maintain regular contact with its advisers and public relations consultants in order to ensure that the board develops an understanding of the views of major shareholders about the company.

**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

The board meets regularly throughout the year and met 10 times during the period to 31 December 2006. The board is responsible for formulating, reviewing and approving the company's strategy, financial activities and operating performance. Day-to-day management is devolved to the executive director who is charged with consulting with the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among directors concerned where necessary and appropriate.

All necessary information is supplied to the directors on a timely basis to enable them to discharge their duties effectively, and all directors have access to independent professional advice, at the company's expense, as and when required.

The participation of both private and institutional investors at the Annual General Meeting is welcomed by the board.

**Committees**

Each of the following committees has its own terms of reference.

**Audit Committee**

The Audit Committee comprises the non-executive director and the non-executive chairman. Its terms of reference indicate at least two regular meetings per year and its formal meeting, to review the findings of the 2006 audit work, took place on 19 June 2007. All directors received a copy of the audit committee report prior to the meeting and had an opportunity to comment. The meeting was attended by the auditors.

The chief financial officer and a representative of the external auditors are normally invited to attend meetings. Other directors or staff may be invited to attend, as considered beneficial by the committee.

The Audit Committee's primary responsibilities are to review the effectiveness of the company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors.

**Remuneration Committee**

The Remuneration Committee plans to meet at least twice in each year. Its members are M L Child (chairman) and K Eckhof, both of whom were in attendance at the meeting.

The company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the chairman, the executive directors and the senior management of the company. The principal objective of the committee is to ensure that members of the executive management of the company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company. Non-executive fees are considered and agreed by the Board as a whole.

**Service Contracts**

The company has service contracts with its executive and non-executive directors.

The service contracts also provide that the directors and parties related to the directors are entitled to participate in the share option arrangements operated by the Company as well as consultancy payments.

Details of the contracts currently in place for directors and related parties are as follows:

	Annual salary £'000	Consultancy payments £'000	Date of Contract	Unexpired term	Notice period
M. L. Child	12	24	24 May 2006	-	6 months
N. M. Ferguson	24	100	24 May 2006	-	6 months
K. P. Eckhof	12	24	24 May 2006	-	6 months

**CONDOR RESOURCES PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

Subject to the notice requirements described above, there is no provision in the service agreements for compensation to be payable on early termination of the contract.

**Supplier payment policy**

It is the group's policy to pay suppliers in accordance with the terms of business agreed with them. The number of days' purchases outstanding for the group as at 31 December 2006 was 30 days.

**Change of fiscal year end**

Condor Resources Plc changed its fiscal year end from 31<sup>st</sup> October to a 12 month period ending 31<sup>st</sup> December to align its reporting period with that of its subsidiary companies.

**Annual general meeting**

Your attention is drawn to the Notice of Meeting enclosed with this report convening the Annual General Meeting of the company at 10 a.m. on 25 July 2007 at the offices of the company at 1 Warwick Row, London SW1E 5ER. The Notice of Meeting sets out and explains the special and ordinary business to be conducted at the meeting.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Reporting Standards as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit and loss of the group for that period. In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

The auditors, Mazars LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**

26 June 2007

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
CONDOR RESOURCES PLC**

We have audited the group and parent company financial statements (the “financial statements”) of Condor Resources plc for the year ended 31 December 2006, which comprise the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Company Cash Flow Statement and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors’ responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors’ Report is consistent with the financial statements. In addition we report to you, if in our opinion, the company has not kept proper accounting records, if we have not received all the information we require for our audit, or if information specified by law regarding directors’ remuneration and transactions with the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors’ Report, Chairman’s Statement and Operational and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by use by the European Union, of the state of the group’s and company’s affairs as at 31 December 2006 and of the group’s result for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors’ Report is consistent with the financial statements.

Mazars LLP  
Chartered accountants  
Registered auditors  
3 Sheldon Square  
London  
W2 6PS

26 June 2007

**CONDOR RESOURCES PLC**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	Year Ended 31.12.06 £	Period 10.10.05 to 31.12.05 £
<b>CONTINUING OPERATIONS</b>			
Revenue	2	-	-
Administrative expenses		<u>(807,565)</u>	<u>-</u>
<b>OPERATING LOSS</b>		<b>(807,565)</b>	<b>-</b>
Finance income	4	<u>117,342</u>	<u>-</u>
<b>LOSS BEFORE TAX</b>	5	<b>(690,223)</b>	<b>-</b>
Tax	6	<u>(241)</u>	<u>-</u>
<b>LOSS FOR THE YEAR</b>		<b><u>(690,464)</u></b>	<b><u>-</u></b>
Attributable to:			
Equity holders of the parent		<u>(690,464)</u>	<u>-</u>
Earnings per share expressed in pence per share:			
Basic	8	(0.72)	-
Diluted		<u>(0.72)</u>	<u>-</u>

**CONDOR RESOURCES PLC**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

	Notes	Year Ended 31.12.06 £	Period 10.10.05 to 31.12.05 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	69,473	-
Intangible assets	11	4,464,040	-
Trade and other receivables	13	<u>170,076</u>	<u>-</u>
		<u>4,703,589</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	40,818	-
Cash and cash equivalents	14	<u>3,456,183</u>	<u>-</u>
		<u>3,497,001</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	176,934	-
Tax payable		<u>241</u>	<u>-</u>
		<u>177,175</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>		<u>3,319,826</u>	<u>-</u>
<b>NET ASSETS</b>		<u>8,023,415</u>	<u>-</u>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	18	1,298,118	-
Share premium	19	7,306,486	-
Legal reserves	19	60	-
Share options reserve	19	109,275	-
Retained earnings	19	<u>(690,524)</u>	<u>-</u>
Total shareholders' equity		<u>8,023,415</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u>8,023,415</u>	<u>-</u>

The financial statements were approved by the Board of Directors on ..... and were signed on its behalf by:

.....  
Director

**CONDOR RESOURCES PLC**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

		Year Ended 31.12.06 £	Period 10.10.05 to 31.12.05 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	11	234,807	-
Investments	12	3,606,021	-
Trade and other receivables	13	<u>1,018,330</u>	<u>-</u>
		<u>4,859,158</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	22,345	-
Cash and cash equivalents	14	<u>3,405,764</u>	<u>-</u>
		<u>3,428,109</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<u>166,707</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>			
		<u>3,261,402</u>	<u>-</u>
<b>NET ASSETS</b>			
		<u>8,120,560</u>	<u>-</u>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	18	1,298,118	-
Share premium	19	7,306,486	-
Share options reserve	19	109,275	-
Retained earnings	19	<u>(593,319)</u>	<u>-</u>
Total shareholders' equity		<u>8,120,560</u>	<u>-</u>
<b>TOTAL EQUITY</b>			
		<u>8,120,560</u>	<u>-</u>

The financial statements were approved by the Board of Directors on ..... and  
were signed on its behalf by:

.....  
Director

**CONDOR RESOURCES PLC**

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	Year Ended 31.12.06 £	Period 10.10.05 to 31.12.05 £
<b>Cash flows from operating activities</b>			
Loss before tax		(690,223)	-
Share based payment		109,275	-
Depreciation charges		4,332	-
Exchange rate differences		11,310	-
Profit on disposal of fixed assets		(690)	-
Finance income		<u>(117,342)</u>	<u>-</u>
		(683,338)	-
Increase in trade and other receivables		(208,454)	-
Increase in trade and other payables		<u>176,934</u>	<u>-</u>
Gross cash payments from operations		<u>(714,858)</u>	<u>-</u>
Net cash from operating activities		<u>(714,858)</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Purchase of subsidiaries		(55,570)	-
Purchase of intangible fixed assets		(234,807)	-
Purchase of tangible fixed assets		(74,736)	-
Increase in exploration costs		(354,327)	-
Sale of tangible fixed assets		4,710	-
Interest received		<u>117,342</u>	<u>-</u>
Net cash from investing activities		<u>(597,388)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		5,545,000	-
Less issue costs		<u>(776,571)</u>	<u>-</u>
Net cash from financing activities		<u>4,768,429</u>	<u>-</u>
<b>Increase in cash and cash equivalents</b>		3,456,183	-
<b>Cash and cash equivalents at beginning of year</b>	1	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at end of year</b>	1	<u><u>3,456,183</u></u>	<u><u>-</u></u>



**CONDOR RESOURCES PLC**

**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

1. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

**Year ended 31 December 2006**

	31.12.06	1.1.06
	£	£
Cash and cash equivalents	<u>3,456,183</u>	<u>-</u>

**Period ended 31 December 2005**

	31.12.05	10.10.05
	£	£
Cash and cash equivalents	<u>-</u>	<u>-</u>

**CONDOR RESOURCES PLC**

**COMPANY CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

		Year Ended 31.12.06 £	Period 10.10.05 to 31.12.05 £
<b>Cash flows from operating activities</b>			
Loss before tax		(593,319)	-
Share based payment		109,275	-
Finance income		<u>(117,184)</u>	<u>-</u>
		(601,228)	-
Increase in trade and other receivables		(744,719)	-
Increase in trade and other payables		<u>166,707</u>	<u>-</u>
Gross cash payments from operations		<u>(1,179,240)</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(234,807)	-
Purchase of fixed asset investments		(65,802)	-
Interest received		<u>117,184</u>	<u>-</u>
Net cash from investing activities		<u>(183,425)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		5,545,000	-
Less issue costs		<u>(776,571)</u>	<u>-</u>
Net cash from financing activities		<u>4,768,429</u>	<u>-</u>
<b>Increase in cash and cash equivalents</b>		3,405,764	-
<b>Cash and cash equivalents at beginning of year</b>	1	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at end of year</b>	1	<u><u>3,405,764</u></u>	<u><u>-</u></u>

**CONDOR RESOURCES PLC**

**NOTES TO THE COMPANY CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

1. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

**Year ended 31 December 2006**

	31.12.06	1.1.06
	£	£
Cash and cash equivalents	<u>3,405,764</u>	<u>-</u>

**Period ended 31 December 2005**

	31.12.05	10.10.05
	£	£
Cash and cash equivalents	<u>-</u>	<u>-</u>

## CONDOR RESOURCES PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 1. ACCOUNTING POLICIES

##### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The accounts have been rounded to the nearest pound.

##### **Basis of consolidation**

The group accounts consolidate the accounts of its wholly owned subsidiaries; Minerales Morazan S.A. De C.V. and Condor S.A. under the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

##### **Acquisitions**

On the acquisition of a subsidiary, fair values are attributed to the group's share of net assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchase goodwill, which is capitalised and amortised over its estimated useful life. Where the cost of acquisition is less than the value attributable to such net assets, the difference is treated as negative goodwill and is recognised immediately in the income statement.

##### **Property, plant and equipment**

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold Property	- The rental property is being completely refurbished and will be depreciated over its useful economic life once work is finished.
Plant and machinery	- 20% on cost
Fixtures and fittings	- 50% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 50% on cost

##### **Financial instruments**

Financial assets and financial instruments are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known cash amount and are subject to an insignificant risk of changes in value.

##### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by the group are classified according to the substance of contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments issued by the company are recorded at the proceeds received, net of direct costs.

##### **Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

1. **ACCOUNTING POLICIES - continued**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits.

**Intangible assets - exploration costs, licences and minerals resources**

Exploration expenditure comprises costs which are directly attributable to researching and analysing data. Licences includes the costs incurred in acquiring mineral rights and, the entry premiums paid to gain access to areas of interest. Mineral resources includes amounts paid to third parties to acquire interests in existing projects.

When it has been established that a mineral deposit has development potential, all costs (direct and applicable overhead) incurred in connection with the exploration and development of the mineral deposits are capitalised until either production commences or the project is not considered economically viable.

In the event of production commencing, exploration costs, licences and mineral resources are amortised through administrative expenses, over the expected life of the mineral reserves on a unit production basis. Other pre-trading expenses are written off as incurred. Where a project is abandoned or is considered to be of no further interest, the related costs are written off.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

On consolidation of a foreign operation, assets and liabilities are translated at the balance sheet rates, income and expenses are translated at rates ruling at the transaction date. Exchange differences on consolidation are taken to the income statement.

**Share based payments**

The fair value of equity instruments granted to directors, employees and consultants is charged to the income statement with a corresponding increase in equity. The fair value of share options is measured at grant date, using the Black-Scholes model, and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest, except where forfeiture is due to criteria, as stated in the share option agreements.

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**2. REVENUE AND SEGMENTAL REPORTING**

The group has not generated any revenue during the period.

The group's operations are located in England, El Salvador and Nicaragua.

The following is an analysis of the carrying amount of segment assets, and additions to plant and equipment, analysed by geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant & equipment and intangible assets		Depreciation charged in the year		Carrying amount of liabilities		Result for the year	
	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended
	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
	£	£	£	£	£	£	£	£	£	£
England	3,872,977	-	234,807	-	-	-	166,707	-	(593,319)	-
El Salvador	2,414,781	-	2,219,887	-	3,906	-	9,709	-	(57,063)	-
Nicaragua	1,912,832	-	1,806,131	-	426	-	759	-	(40,082)	-
<b>Total</b>	<b>8,200,590</b>	<b>-</b>	<b>4,260,825</b>	<b>-</b>	<b>4,332</b>	<b>-</b>	<b>177,175</b>	<b>-</b>	<b>(690,464)</b>	<b>-</b>

**3. EMPLOYEES AND DIRECTORS**

	Year Ended	Period
	31.12.06	10.10.05
	£	to
		31.12.05
	£	£
Wages and salaries	51,657	-
Social security costs	2,259	-
	<u>53,916</u>	<u>-</u>

The average monthly number of group and company employees during the year was as follows:

	Group		Company	
	Year ended	Period ended	Year ended	Period ended
	31.12.06	31.12.05	31.12.06	31.12.05
	£	£	£	£
Directors'	3	2	3	2
Employees	34	-	1	-
	<u>37</u>	<u>2</u>	<u>4</u>	<u>2</u>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

3. **EMPLOYEES AND DIRECTORS - continued**

	Salary payments		Termination payment		Personal consultancy payment		Related party payments *		Total	
	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended
	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
	£	£	£	£	£	£	£	£	£	£
T Wall	-	-	-	-	-	-	21,000	-	21,000	-
M Child	7,000	-	-	-	-	-	43,475	-	50,475	-
N Ferguson	14,000	-	-	-	33,785	-	66,664	-	114,449	-
K Eckhof	7,000	-	-	-	-	-	14,000	-	21,000	-
S Dobson	12,000	-	36,000	-	-	-	24,000	-	72,000	-
<b>Total</b>	<b>40,000</b>	<b>-</b>	<b>36,000</b>	<b>-</b>	<b>33,785</b>	<b>-</b>	<b>169,139</b>	<b>-</b>	<b>278,924</b>	<b>-</b>

\* = Refer to note 22 for listing of related parties

The Company has adopted a discretionary bonus scheme by which bonuses are paid to directors, employees and consultants and used by the recipients to subscribe for new Ordinary Shares at market value. A total of up to 10 percent of the total share capital in issue from time to time will be made available for this purpose without the Board having first obtained the consent of the Shareholders. The amount of any bonus payable under this scheme will be subject to approval by the remuneration committee. At the year end no bonuses were paid.

The interests of the Directors in options to subscribe for ordinary shares of the company were:

	Exercise price (p)	Latest exercise date	As at 1 January 2006	Granted during the year	Lapsed in the year	As at 31 December 2006
<b>DIRECTORS</b>						
M L Child	15	30 May 2011	Nil	1,250,000	Nil	1,250,000
N M Ferguson	15	30 May 2011	Nil	4,500,000	Nil	4,500,000
K P Eckhof	15	30 May 2011	Nil	1,750,000	Nil	1,750,000

4. **NET FINANCE INCOME**

	Year Ended 31.12.06	Period 10.10.05 to 31.12.05
	£	£
Finance income:		
Deposit account interest	<u>117,342</u>	<u>-</u>

5. **LOSS BEFORE TAX**

The loss before tax is stated after charging/(crediting):

	Year Ended 31.12.06	Period 10.10.05 to 31.12.05
	£	£
Depreciation - owned assets	4,332	-
Auditor's remuneration	14,100	-
Non-audit fees	34,768	-
Profit on disposal of fixed assets	(690)	-
Foreign exchange differences	<u>61,633</u>	<u>-</u>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

6. **TAX**

**Analysis of the tax charge**

	Year Ended 31.12.06 £	Period 10.10.05 to 31.12.05 £
Current tax: Tax	241	-
Total tax charge in income statement	<u>241</u>	<u>-</u>

**Reconciliation of the tax charge**

The tax assessed for the period is different than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	Year Ended 31.12.06 £
Loss before tax	(690,464)
Loss before tax multiplied by standard rate of Corporation tax in the UK of 19%	(131,188)
Effects of: Deferred tax not provided Tax charge relating to Minerales Morazan S.A	131,188 241
Total tax charge in income statement	<u>241</u>

7. **LOSS OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was (£593,319) (2005 - £nil).

8. **EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

A reconciliation is set out below:

**Basic EPS**

Loss for the period	(690,494)
Weighted average number of shares	<u>95,744,592</u>
Loss per share (in pence)	(0.72)

In accordance with IAS 33 and as the group has reported a loss for the period, the share options are not dilutive.



**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

9. **STATEMENT OF CHANGES IN EQUITY**

Group

	Profit and loss reserve £	Share capital £	Share premium £	Share option reserve £	Total £
At 1 January 2006	-	-	-	-	-
Loss for the period	(690,464)	-	-	-	(690,464)
New shares issued	-	1,298,118	8,083,057	-	9,381,175
Transaction costs	-	-	(776,571)	-	(776,571)
Share based payment	-	-	-	109,275	109,275
	<u>(690,464)</u>	<u>1,298,118</u>	<u>7,306,486</u>	<u>109,275</u>	<u>8,023,415</u>

	Profit and loss reserve £	Share capital £	Share premium £	Share option reserve £	Total £
--	---------------------------------	--------------------	-----------------------	------------------------------	------------

Company

At 1 January 2006	-	-	-	-	-
Loss for the period	(593,319)	-	-	-	(593,319)
New shares issued	-	1,298,118	8,083,057	-	9,381,175
Transaction costs	-	-	(776,571)	-	(776,571)
Share based payment	-	-	-	109,275	109,275
	<u>(593,319)</u>	<u>1,298,118</u>	<u>7,306,486</u>	<u>109,275</u>	<u>8,120,560</u>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

10. **PROPERTY, PLANT AND EQUIPMENT**

**Group**

	Freehold property £	Plant and machinery £	Fixtures and fittings £
<b>COST</b>			
Additions	951	8,707	6,984
Exchange differences	<u>-</u>	<u>-</u>	<u>(149)</u>
At 31 December 2006	<u>951</u>	<u>8,707</u>	<u>6,835</u>
<b>DEPRECIATION</b>			
Charge for year	<u>-</u>	<u>-</u>	<u>2,189</u>
At 31 December 2006	<u>-</u>	<u>-</u>	<u>2,189</u>
<b>NET BOOK VALUE</b>			
At 31 December 2006	<u>951</u>	<u>8,707</u>	<u>4,646</u>
	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>			
Additions	54,486	3,745	74,873
Exchange differences	<u>(919)</u>	<u>-</u>	<u>(1,068)</u>
At 31 December 2006	<u>53,567</u>	<u>3,745</u>	<u>73,805</u>
<b>DEPRECIATION</b>			
Charge for year	<u>1,762</u>	<u>381</u>	<u>4,332</u>
At 31 December 2006	<u>1,762</u>	<u>381</u>	<u>4,332</u>
<b>NET BOOK VALUE</b>			
At 31 December 2006	<u>51,805</u>	<u>3,364</u>	<u>69,473</u>

11. **INTANGIBLE ASSETS**

**Group**

	Exploration costs £	Mineral resources £	Licences £	Total £
<b>COST</b>				
Additions	628,790	3,600,443	234,807	4,464,040
At 31 December 2006	<u>628,790</u>	<u>3,600,443</u>	<u>234,807</u>	<u>4,464,040</u>
<b>NET BOOK VALUE</b>				
At 31 December 2006	<u>628,790</u>	<u>3,600,443</u>	<u>234,807</u>	<u>4,464,040</u>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

11. **INTANGIBLE ASSETS - continued**

**Company**

	Licences £
<b>COST</b>	
Additions	<u>234,807</u>
At 31 December 2006	<u>234,807</u>
<b>NET BOOK VALUE</b>	
At 31 December 2006	<u>234,807</u>

The JORC inferred reserves of the company are as follows:

Gold 467,000 contained metal ounces  
Silver 18.4m contained metal ounces.

12. **INVESTMENTS**

**Company**

	Shares in group undertakings £
<b>COST</b>	
Additions	<u>3,606,021</u>
At 31 December 2006	<u>3,606,021</u>
<b>NET BOOK VALUE</b>	
At 31 December 2006	<u><u>3,606,021</u></u>

The company's investments at the balance sheet date in the share capital of companies include the following:

**Subsidiaries**

Name	Country of incorporation	Interest	Class of shares	Nature of the business	Share capital and reserves	Profit/(loss) for the year
					£	£
Minerales Morazan S. A. de C. V.	El Salvador	100.00%	Ordinary shares	Gold and silver exploration	4,209	211
Condor S. A.	Nicaragua	100.00%	Ordinary shares	Gold and silver exploration	(32,454)	(34,049)

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

12. **INVESTMENTS - continued**

On 24 March 2006 the company entered into an Asset Sale Agreement with Condor Resources Limited, a company incorporated in Australia, for the acquisition of the assets held by that company, which comprised other receivables and investments in subsidiaries.

The acquisition of the net assets of those subsidiaries have been accounted for in accordance with IFRS3, Business Combinations, using the purchase method. The remainder of the assets acquired were accounted for at their fair value.

The total consideration of the Asset Sale Agreement was paid by way of a cash payment amounting to £50,000 and the issue of 35,383,230 Ordinary Shares at 10p each. The fair value of the net assets acquired with the subsidiaries was as follows:

	<b>Minerales Morazan S.A. de C. V.</b>		<b>Condor S. A.</b>		<b>Total Assets</b>
	<b>£</b>		<b>£</b>		<b>£</b>
Property, plant & equipment	8,106		-		8,106
Mineral resources	1,800,221		1,800,222		3,600,443
Exploration costs	274,463		-		274,463
Trade and other receivables	10,576		1,595		12,171
Cash and cash equivalents	10,232		-		10,232
Trade and other payables	(299,394)				(299,394)
					<b><u>3,606,021</u></b>
Satisfied by:					
Cash payment					50,000
Issue of 35,383,230 Ordinary Shares at 10p each					3,538,323
Transaction costs					17,698
					<b><u>3,606,021</u></b>

13. **TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	31.12.06	31.12.05	31.12.06	31.12.05
	£	£	£	£
Current:				
Other debtors	25,222	-	19,995	-
Other taxes	5,474	-	-	-
Prepayments	<u>10,122</u>	-	<u>2,350</u>	-
	<b><u>40,818</u></b>	<b><u>-</u></b>	<b><u>22,345</u></b>	<b><u>-</u></b>
Non-current:				
Amounts owed by group undertakings	-	-	947,771	-
Loans receivable	36,534	-	-	-
Accounts receivable	43,613	-	-	-
Other debtors	<u>89,929</u>	-	<u>70,559</u>	-
	<b><u>170,076</u></b>	<b><u>-</u></b>	<b><u>1,018,330</u></b>	<b><u>-</u></b>
Aggregate amounts	<b><u>210,894</u></b>	<b><u>-</u></b>	<b><u>1,040,675</u></b>	<b><u>-</u></b>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

14. **CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	31.12.06	31.12.05	31.12.06	31.12.05
	£	£	£	£
Bank accounts	<u>3,456,183</u>	<u>-</u>	<u>3,405,764</u>	<u>-</u>

15. **TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	31.12.06	31.12.05	31.12.06	31.12.05
	£	£	£	£
Current:				
Trade payables	121,736	-	120,727	-
Social security and other taxes	6,012	-	-	-
Other creditors	10,602	-	10,602	-
Accrued expenses	<u>38,584</u>	<u>-</u>	<u>35,378</u>	<u>-</u>
	<u>176,934</u>	<u>-</u>	<u>166,707</u>	<u>-</u>

16. **LEASING AGREEMENTS**

**Group**

	Non-cancellable operating leases	
	31.12.06	31.12.05
	£	£
Within one year	16,076	-
Between one and five years	<u>8,737</u>	<u>-</u>
	<u>24,813</u>	<u>-</u>

The group lease all of its properties, the terms of the which vary from country to country.

**Company**

	31.12.06	31.12.05
	£	£
Within one year	<u>4,200</u>	<u>-</u>

17. **CAPITAL COMMITMENTS**

	<b>Group</b>		<b>Company</b>	
	31.12.06	31.12.05	31.12.06	31.12.05
	£	£	£	£
Within one year	344,546	-	344,546	-
Between one and five years	<u>3,866,571</u>	<u>-</u>	<u>3,866,571</u>	<u>-</u>
	<u>4,211,117</u>	<u>-</u>	<u>4,211,117</u>	<u>-</u>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**17. CAPITAL COMMITMENTS - continued**

Capital Commitments is comprised of licence option fees, land surface taxes, exploration and development costs made under two licence option agreements entered into in Nicaragua.

This assumes that all licences in Nicaragua covered by option agreements are considered viable by the board, and all future option payments to maintain Condor's interest in these projects are maintained. The option agreements in place, however, permit Condor to discontinue exploration and development of any licence at any time at its sole discretion; with concurrent reduction in liability without penalty should the management believe this licence will not lead to economic exploitation.

**18. CALLED UP SHARE CAPITAL**

Authorised Number:	Class:	Nominal value:	31.12.06 £	31.12.05 £
1,000,000,000	Ordinary shares	1p	<u>10,000,000</u>	<u>1,000,000</u>

2005: 1,000,000,000 Ordinary shares of 0.1p each

Alloted and issued Number:	Class:	Nominal value:	31.12.06 £	31.12.05 £
129,811,753	Ordinary shares	1p	<u>1,298,118</u>	<u>-</u>

2005: 2 Ordinary shares of 0.1p each

The following shares were allotted at par during the period:  
 39,999,998 Ordinary shares of 1p each

The following were allotted during the period at a premium as shown below:  
 89,811,753 Ordinary shares of 1p each at 10p per share

On 17 January 2006 the nominal capital was increased by £9,000,000 and on the same date it was consolidated on from £10,000,000 divided into 10,000,000,000 ordinary shares of £0.001 each to £10,000,000 divided into 1,000,000,000 ordinary shares of £0.01 each.

**19. RESERVES**

Group	Retained earnings £	Share premium £	Legal reserve £	Share option reserve £	Total £
Deficit for the year	(690,464)	-	-	-	(690,464)
Transfer to legal reserve	(60)	-	60	-	-
Cash share issue	-	7,306,486	-	-	7,306,486
Share based payment	-	-	-	109,275	109,275
At 31 December 2006	<u>(690,524)</u>	<u>7,306,486</u>	<u>60</u>	<u>109,275</u>	<u>6,725,297</u>
		Retained earnings £	Share premium £	Share option reserve £	Total £
Company					
Deficit for the year		(593,319)	-	-	(593,319)
Cash share issue			7,306,486	-	7,306,486
Share based payment			-	109,275	109,275
At 31 December 2006		<u>(593,319)</u>	<u>7,306,486</u>	<u>109,275</u>	<u>6,822,442</u>

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

19. **RESERVES - continued**

Retained earnings represent the cumulative net gains and losses recognised in the consolidated income statement.

Share premium reserve represents the amounts subscribed for share capital in excess of the nominal value of the shares issued, net of cost of issue.

Legal reserve represents the El Salvadorean statutory reserve calculated on results declared.

Share options reserve represents the cumulative fair value of share options granted.

20. **RECONCILIATION OF MOVEMENTS IN RESERVES**

**Group**

	31.12.06	31.12.05
	£	£
Loss for the financial year	(690,464)	
Share capital	1,298,118	-
Share premium	7,306,486	-
Share option	109,275	-
	8,023,415	-
<b>Net addition to reserves</b>	8,023,415	-
Opening reserves	-	-
	8,023,415	-
	8,023,415	-

**Company**

	31.12.06	31.12.05
	£	£
Loss for the financial year	(593,319)	
Share capital	1,298,118	-
Share premium	7,306,486	-
Share option	109,275	-
	8,120,560	-
<b>Net addition to reserves</b>	8,120,560	-
Opening reserves	-	-
	8,120,560	-
	8,120,560	-

21. **EQUITY-SETTLED SHARE OPTION SCHEME**

The company has a share option scheme for directors, employees and consultants to the group.

Details of the share options outstanding during the year are as follows:

Date of Grant	1-Jan-06		Forfeit or lapsed in year	31-Dec-06		Date from which options are first exercisable	Lapse date	Price per share
	No. of shares	Issued in year		No. shares	No. shares			
24/03/2006	0	15,000,000	3,250,000	11,750,000	31-May-06	30-May-11	15p	

**CONDOR RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**21. EQUITY-SETTLED SHARE OPTION SCHEME - continued**

The estimated fair value of the options granted in 2006 is £109,275 and has been fully recognised within administration expenses. This fair value has been calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	<b>2006</b>
Weighted average share price	6.0p
Weighted average exercise price	15.0p
Expected volatility	45%
Expected life	4
Risk free rate	5.9%
Expected dividend yield	Nil

Expected volatility was determined with reference to the historical volatility of the company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The weighted average remaining contractual life of the share options outstanding at the end of the period is 4.5 years.

**22. RELATED PARTY TRANSACTIONS**

During the year the company received consultancy advice for an amount of £66,664 from Ridgeback Holdings Pty Limited, a company incorporated in Australia in which Nigel Ferguson, a director, has an interest. There was £nil outstanding at the year end.

During the year the company received consultancy advice for an amount of £14,000 from Iguana Resources Pty Limited, a company incorporated in Australia, in which Klaus Eckhof, a non-executive director, has an interest. There was £nil outstanding at the year end.

During the year the company received consultancy advice for an amount of £43,475 from Axial Associates Limited, a company incorporated in England and Wales, in which Mark Child, a non-executive director, has an interest. There was £nil outstanding at the year end.

During the year the company received consultancy advice for an amount of £24,000 from Fortview Capital Management Pty Limited, a company incorporated in Australia, in which Stephen Dobson, a director, has an interest. There was £nil outstanding at the year end.

During the year the company received consultancy advice for an amount of £21,000 from Horseford Limited, a company incorporated in England and Wales, in which Tim Wall, a director, has an interest. There was £nil outstanding at the year end.

**23. NON-CASH TRANSACTIONS**

During the year, the group acquired Minerales Morazan S. A. de C. V. and Condor S. A. The consideration was partly satisfied by the issue of 35,383,230 ordinary shares of 1p each. This is the only major non-cash transactions.

**24. CONTROLLING PARTY**

There is no ultimate controlling party.