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Condor Blanco signs Heads of Agreement for production & processing for Marianas Iron Ore project in Chile

ASX Release Stock Code: CDB

Highlights
- Condor has signed a Heads of Agreement (“HOA”) for production and processing of tailings at the Marianas project in Chile.
- Trial mining and shipping of 200 tonnes of Iron Ore for commercial scale processing is to commence immediately.
- Formal applications for mining, permitting and environmental clearances are currently being completed by the Company’s lawyers for official lodgement.
- Under the terms of the HOA, processing will commence at 10,000t/month of 60-63% Fe with the plan to double this output within six-twelve months.
- Significant cash flows are expected as a result of the HOA and commencement of production to fund drilling of Condor’s Northern Chile Gold and Copper projects.

The Agreement
Chilean focused Condor Blanco Mines Limited (ASX:CDB) (“Condor”, “the Company”) is pleased to announce that it has entered into a Heads of Agreement (“HOA”) with Lacerta Finance and Mining Spa (“Lacerta”) for the production and processing of Iron Ore to be produced from Condor’s 50%-owned Marianas Tailings Project in Northern Chile.

Lacerta is a local, well established, mining contractor that currently operates magnetite tailings re-processing projects in northern Chile.

The Marianas Project covers the mining and upgrading of a known supply of magnetite and hematite tailings located just outside the mining city of Copiapo.

The HOA provides a period of 30 days to allow final due diligence and completion of a contractual agreement.

Figure 1: Project Location Plan
Condor Blanco examined all processing options for the Marianas tailings, and in view of the history and strong relationship with Lacerta, following a successful initial processing of two 40 tonne bulk samples that resulted in a positive magnetite recovery up to 63% iron (Fe), the Directors of Condor Mines believe this agreement will provide the greatest benefits to its shareholders and will allow fast tracking of production of this high margin project.

Under the long term agreement, Lacerta will manage, operate, process and deliver the final Iron tailings on-site at Marianas. Lacerta already has a significant investment in plant and equipment and is well regarded locally with a proven track record for efficient and profitable processing of magnetite. Lacerta also has a history of developing and operating tailings retreatment in the region. As a result, they are ideally positioned to start production at Marianas.

A commercial scale 200 tonne mining trial is to be extracted and shipped to Lacerta at its processing plant at La Serena, Chile within two weeks. Following the final larger scale recovery test and receipt of mine permits, Lacerta would relocate its magnetite processing plant and all necessary mining equipment (including trucks, excavators and dozers) and experienced production staff to Marianas.

Condor Mines Managing Director, Mr Glen Darby, commented: “We are very pleased to finalise the HOA with Lacerta. By Lacerta relocating their magnetite plant and mining equipment directly to the Marianas Project is an exciting step forward for Condor to move Marianas straight into production. Lacerta has the people, the plant and the machinery ready for immediate production.”

“Importantly, this removes the need for Condor to have to source upfront funding for plant and machinery. This is a significant milestone in moving the Company towards being cash flow positive, which will fund the drilling of our exciting Northern Chile copper and gold projects,” Mr Darby said.

**Key Steps**

The key aspects of the ongoing development of Marianas are:

- A 200 tonne bulk sample will be collected and trucked to La Serena where previous bulk samples/metallurgical work took place within the next two weeks.
- Lacerta has already started change-over work for this commercial scale processing of the Marianas material. In particular, the plant is in the process of having the iron removal circuit updated to increase the recovery and concentration volumes of hematite.
- The processed concentrate extracted from the 200 tonne trial will be stockpiled for later shipping once full commercial production commences.
- Condor has completed internal environmental assessment work and generated the data needed to support its applications for mining permitting and environmental clearance. Formal applications for these are now being completed by the Company’s lawyers for official lodgement.
- Permitting will allow for production of up to 60,000 tonnes per month of iron (Fe) concentrate (from 250,000 tonnes of unprocessed Iron Ore tailings). This will allow for substantial expansion and working towards a confirmed production timeline.
- The HOA will be upgraded to a full long term agreement including nominating Lacerta as Operator of production and processing at Marianas following due diligence.
Key Terms

- Under the HOA, Lacerta is to commence 60,000 tonnes a month production of ore within 3 months of permitting with 100,000 tonnes per month (15,000t/month Fe concentrate) to be reached before the expiry of 12 months.

- Lacerta will be remunerated as Condor Mines official ‘Operator’ through an agreed fixed percentage of profits generated by the project. The profit share percentage is currently being negotiated taking into consideration the advantage that Condor Mines will not incur any processing capital or staffing or ongoing contingency costs.

Financial projections indicate the Marianas Iron Tailings project will generate significant cash flows for Condor once full production is reached. This has important long term revenue stream benefits which will assist Condor’s extended exploration programs throughout its highly prospective epithermal gold-silver and porphyry copper-gold projects in Chile.

The Marianas Project

The Marianas Project is a tailings retreatment project, which exploits a combination of positive metallurgical, economic and environmental aspects of an estimated 11 million tonnes of magnetite-bearing historical tailings within the city of Copiapo in northern Chile.

The Marianas project will provide a rapid start up, fast-payback, low-capex, cash-generating project to support Condor’s over-riding strategy to develop its larger and highly prospective projects. The tailings are dry and occupy a series of connected impoundments over a contiguous area of 24ha (See Figure 1 below).

Figure 2: Setting of the Marianas Iron Ore Tailings Project
This significant resource has attracted the attention of a number of assessments in the past with significant bulk sampling being conducted by adits, trenches and pits. However, the inability of previous companies to amalgamate the titles under a single entity precluded the exploitation of the Marianas resource until now, where Condor Blanco has succeeded in exercising an option to acquire the entire resource.

The project is favorably located with access to: ports, power, water, experienced workforce and engineering support. In addition to being amenable to very cheap mining and treatment by magnetic separation to produce a high grade, direct marketing magnetite concentrate, the tailings also contain potentially economic extractable concentrations of gold and molybdenum. The feasibility of commercially extracting these additional minerals through secondary processing will be the subject of a separate feasibility study once magnetite production is underway.

Condor Mines Managing Director, Mr Glen Darby, commented: “All the effort put into Marianas is finally coming to fruition for Condor. With permitting underway, we look forward to finalising the schedule for mobilising the equipment to site and announcing our production plans. Not many companies successfully shift from exploration to revenue generating production, and we are proud to be so close to being one of those few.”

For more information, visit www.condormines.com or Contact:

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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 2004 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.