Nicaraguan prospects cheer Condor Gold

BY ROBERT TYERMAN I FRIDAY 27 JUNE 2014

Mark Child, the former corporate financier who steers Central America-focused AIM company Condor Gold (CNR), draws encouragement from latest trenching results at the company's La India mine re-launch project in the east of Nicaragua. He and his fellow directors now await the completion of a pre-feasibility study, expected in September. Condor, where Child and the Hong Kong-based Regent Pacific mining group hold around 10 per cent each, says a preliminary economic assessment last year suggested La India, an epithermal gold deposit from which US miner Noranda produced up to 40,000 oz. a year until 1956, still held 2.33 million oz. This is with an average 3.8grams of gold per tonne of ore, of which the firmer 'indicated' category was 1.1 million oz. with 3grams a tonne. Child argues the trenching has confirmed previous work done by the Americans and high-grade artisanal miners' workings.

Condor, where Regent co-chairman and entrepreneur Jim Mellon sits on the board, picked up the La India project four years ago and reckons there is significant scope for expansion of the resource and its 'feeder' deposits. Low in sulphur, the deposit has straightforward metallurgy, insists Child, who speaks of 91 to 93 per cent potential recoveries and suitability for carbon in pulp treatment and stresses the project's good access to infrastructure.

Of particular interest is the open pit section, which contains an estimated 920,000 oz., 840,000 oz. of them in the 'indicated' category. Child says this forms the 'base case' for potential production of 80,000 oz. a year, with would rise to 110,000 oz. annually, with other parts of the project included.

According to Child, if all goes well, the company, which is spending around $2 million (£1.2 million) on the pre-feasibility study, reckons a full bankable feasibility study could take six to 12 months after the pre-feasibility, with first production on the cards between two and three years thereafter. But Condor, which envisages capital expenditure of $120 million (£71 million) for the 'base case' 840,000 oz., with cash operating costs of perhaps below $600 an ounce, against today's gold price of around $1,300 an ounce, does not particularly want to go to production itself.

To do so could involve seeking a financing package, with, ideally, 60 per cent debt, linked to an off-take deal, and 40 per cent equity. With Condor's shares at 84.5p, down from a 144.5p year's high, valuing the company at £32.3 million and its gold in the ground at only $20 man ounce, such a deal, if available, would involve significant dilution.

Child hints that a corporate bid, at the right price, would offer a suitable exit -- provided Condor has by then established its potential worth. He maintains Nicaragua, the largest and poorest country in Central America, has buried its Sandanista and Contra past and now encourages mining, while taking a 3 per cent royalty.

If gold strengthens, Condor, though not risk-free, could repay a bold speculation.