



## MORNING COMMENT

Conroy Gold and Natural Resources plc (CGNR.L)\* 26 Feb 2021

- **Price:** 29.0p
- **MCp:** £9.4m
- **Tck:** CGNR.L
- **Sector:** Gold
- **Areas:** Ireland
- **Recommendation:** BUY
- **Target Price** 138p.

### New Joint Venture LOI.

Late yesterday afternoon, **Conroy Gold and Natural Resources plc** (CGNR.L) announced it had signed a Letter of Intent (LOI) for a proposed JV over twelve of its exploration licences in Ireland with Demir Export A.S, a Turkish mining company. In the announcement, we also learnt that discussions with Anglo Asian Mining plc (AAZ) over the same gold prospective exploration properties had been ended by CGNR.

The earn-in period under the JV is structured over three phases, which would give Demir Export an interest up to 57.5% to the point of mine-construction ready status (e.g. a bankable feasibility study) for the expenditure of at least €9m. Further funds could be committed after this stage on a pro-rata basis to commercial production. In addition, a cash payment of €1m would become payable to CGNR when the LOI is converted into a definitive JV agreement.

## **FEL Comment.**

The potential JV with Demir Export is a much better deal for Conroy than the previously planned link up with Anglo Asian Mining plc, as it could see at the very least €10m flow into the project's development compared to what would have been a minimum of €4m from the Anglo Asian deal.

Moreover, Demir Export is a significantly larger organisation than Anglo Asian, with mining production interests spanning many commodities, along with gold. Demir Export is owned by the Koç Group, a large industrial conglomerate controlled by the uber wealthy multi-billion dollar Turkish Koç family.

The negative and knee jerk market reaction to yesterday's news is somewhat surprising, which appears to be more focused on the exiting of the proposed JV with Anglo Asian and pushing back of timescales by a few months, than the fact that CGNR now has a much better proposed JV with an organisation that is of blue-chip size proportions and more capable of advancing the Group licence towards production.

Yesterday afternoon and this morning's dip in CGNR's share price provides an excellent opportunity to buy back into the shares to benefit from the bounce, as the importance of this potential new deal is absorbed and understood by investors. We therefore continue to rate the shares as a **'Buy'** with a price target of 138p, as stated in our 20 October 2020 Research Note.

*Jason Robertson*

*D: +44 (0)20 7330 1883*

*E: jasonrobertson@firstequitylimited.com*

*\*First Equity Limited act as Joint Broker to the Company.*

**This communication is best viewed via a PC desktop or laptop device.**

**DISCLAIMER**

This is a non-independent marketing communication under the FCA Conduct of Business Rules. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of dissemination of the investment research. First Equity Limited (FEL) has procedures in place to manage any conflicts which might arise in the production of investment research, including Chinese Wall procedures. The views expressed in this marketing communication are those of FEL's Analyst. They are based on information believed to be reliable but no warranty or representation, express or implied, is made about the accuracy or completeness of this information, which may be subject to change without notice. Any opinion given reflects the analyst's judgement as at the date of this document's publication. Any or all statements about the future may turn out to be incorrect. This marketing communication is designed for information purposes only and does not constitute a personal recommendation, offer or invitation to buy or sell any investment referred to within it. Investors should form their own conclusions and/or seek their own advice to determine whether any particular transaction is suitable for them in the light of their investment objectives, the benefits and risks associated with the transaction and all other relevant circumstances.

FEL's investment research products are paid by corporate clients as part of their broker retainer fee. Therefore, this document comes under the scope of Article 123(b) of the European Commission's Delegated Directive of 7 April 2016 and thus qualifies as an 'acceptable minor non-monetary benefit' and does not qualify as 'chargeable research'. FEL can therefore send this document to investors without the requirement for any compensation to be paid to FEL from the recipients – it is hence available without charge. .

**This document is not for distribution into the United States, Japan, Canada or Australia**

Neither this document nor any copy of it may be taken or transmitted into the United States of America, or distributed, directly or indirectly, in the United States of America or to any US person as defined in Regulation S under the United States Securities Act of 1933. Any failure to comply with this restriction may constitute a violation of United States securities laws. Neither this document nor any copy of it may be taken or transmitted into or distributed in Japan or to any resident thereof for the purpose of solicitation or subscription or offer for sale of any securities. Any failure to comply with this restriction may constitute a violation of Japanese securities laws.

Neither this document nor any copy of it may be taken or transmitted into Canada or distributed in Canada or to any individual outside Canada who is a resident of Canada, except in compliance with applicable Canadian securities laws. Neither this

document nor any copy of it may be taken or transmitted into or distributed in Australia or to any resident thereof except in compliance with Australian securities laws. Any failure to comply with this restriction may constitute a violation of Australian securities laws.

**First Equity Limited, its clients and staff members may be share and warrant holders in Conroy Gold and Natural Resources plc.**