



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.

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