



**CONROY**

GOLD AND NATURAL RESOURCES

**Half-Yearly Report 2012**

## **CHAIRMAN'S STATEMENT**

Dear Shareholder,

I have great pleasure in presenting your Company's Interim Report for the six months ended 30 November 2012. This was a period of further very positive progress for your Company during which time prefeasibility metallurgical tests began in relation to Conroy's planned gold mine at Clontibret, there were indications that your Company's Clay Lake Target in Co. Armagh could host a large gold deposit and a series of further large gold targets were discovered at Slieve Glah in Co. Cavan.

### **Clontibret**

Work continues on the planned development of a gold mine on 20 per cent. of the Clontibret target including an agreement with Gold Fields Limited to undertake mineralogical characterisation and prefeasibility metallurgical test work. The proposed process - BIOX® is a well-established bacterial oxidation process. Gold Fields Limited is a world leader in this environmentally friendly, proven technology

A comprehensive series of composites were constructed from drill core to create samples of lode and stockwork material selected from different locations within the proposed pit shell. The samples total over 350 kilogrammes of drill core and have been dispatched to South Africa for testing. The samples are comprised of ore grade material with a 10 per cent dilution factor and represent a similar grade to that expected for run of mine.

The pre-feasibility metallurgical test work comprises Comminution, Flotation and BIOX® Test work. The test work is being managed and executed by SGS South Africa (Pty) Ltd. under the supervision and direction of Gold Fields Ltd. BIOX® is a well-established bacterial oxidation process and Gold Fields Ltd is a world leader in this environmentally friendly proven technology with a number of plants currently in operation worldwide including South Africa, Ghana, Brazil, China and Australia.

Tetra Tech, which conducted the Scoping Studies on behalf of your Company will review the metallurgical studies on your Company's behalf and compile the metallurgical report for the metallurgical section in the Feasibility Studies for the proposed mine.

These results relate to the Comminution test work being undertaken by Goldfields Limited ("Goldfields") including grinding, crushing and other factors in relation to mill design. The test work undertaken included Bond Rod Work Index (BRWi), Bond Ball Work Index (BBWi), Bond Abrasion Work Index (Ai) and SAG Mill Comminution Test (SMC). The latter was carried out on behalf of Goldfields by JKTech which specialises in SAG Mill techniques.

The Abrasion Index was lower than anticipated and the ore is harder. The test sample was classified in the SMC test by JK Tech as being moderately hard.

The results suggest that a combination of Semi-Autonomous Grind ("SAG")/Ball Mill or "HPGR"/Ball Mill or a larger Ball Mill for the process plant be considered. Preliminary indications are that a "SAG"/Ball Mill combination may be the preferred choice.

The gold flotation recovery, at 90 per cent, is higher than assumed in the Scoping Study. This is encouraging both technically and financially.

The results also indicate an 8 per cent sulphur grade in concentrate whereas in the Scoping Study a grade of 12 per cent had been assumed. The lower sulphur grade in the concentrate is highly advantageous as it will reduce process operating costs.

The concentrate mass recovery at 5 per cent was the same as predicted in the Scoping Study which is also very satisfactory.

The Company estimates that the effect of these results would increase the IRR from 49.4 per cent (in the Scoping Study) to over 55 per cent and would increase the NPV8 from \$72.3 million to over \$90 million using the base case gold price of \$1,372 per ounce as used by Tetra Tech in their Scoping Study and thus substantially increase the overall financial attractiveness of the project.

The laboratory flotation full locked cycle tests were also completed and the results positive. The importance of these tests is that they simulate what might be achieved when the processing plant of the mine is in continuous operation. Steady state conditions were achieved in the fifth and sixth cycles. This is a very satisfactory outcome as the results suggest an efficient and smooth running flotation process.

### **Clay Lake Gold Target**

A ground geophysical survey at Clay Lake has now been conducted by Golder Associates on your Company's behalf, totalling 960 line metres in four survey lines over the Northern area of the Clay Lake target. The survey was performed to determine the geophysical signature of the mineralisation and hosting lithologies, together with geological information on the subsurface features.

Strong features were seen in all four lines and interpretation of the results depicted an anticlinal folding sequence of the gold bearing black carbonaceous stockwork zone, which had been seen in the drill holes previously.

These geophysical results, combined with the drilling results, provide highly relevant information for understanding the geology of the area, planning future drilling and in particular regarding the apexes of the anticlinal structures. Mineralisation tends to accumulate in the anticlinal structures and supports the view that the Clay Lake gold target could host a large gold deposit.

### **Slieve Glah Gold Target**

A series of further large gold-in-soil targets have been discovered within your Company's Slieve Glah licence areas in County Cavan following a detailed gold-in-soil survey.

Two new targets (Targets 3 and 4), each over 3 km (1.9 miles) in length, were discovered. In addition the assay results of the survey, which comprised over 900 soil samples, extended the surface area of the two known gold targets (Targets 1 and 2) at Slieve Glah by over 1 km (0.6 miles) resulting in both now also totalling over 3 km in length.

Anomalous gold values returned from the assay analysis ranged from 4 ppb (parts per billion) Au to over 300ppb Au. In Ireland, over 10ppb Au is considered highly anomalous in soil samples and during follow-up drilling and/or trenching over that anomaly typically proves positive for gold-in-bedrock.

In one of the newly discovered targets (Target 4) a highly anomalous area has been identified which measures approximately 1,000 metres in length by 500 metres in width, trending Northwest to Southeast. The area has been defined by over a hundred soil samples collected on a 100m grid.

Assay analysis returned maximum gold values of up to 140ppb Au with over 30 per cent. of the soil samples returning elevated gold values of greater than 10ppb Au.

Gold has previously been confirmed in bedrock in the Slieve Glah target area through trenching and diamond core drilling by your Company.

The gold in soil targets identified by the soil sampling survey appear to be structurally controlled and to occur as a series of right angle zones adjacent to the Orlock Bridge Fault, a major sinistral fault believed to be an influencing factor on mineralisation in the region. In the Slieve Glah area the Orlock Bridge Fault undergoes a marked swing from its normal Northeast - Southwest strike, producing a dilatational zone allowing greater permeation and circulation of mineralising fluids, which also may assist in concentration of mineralisation and thus can be associated with substantial accumulations of minerals.

The new Slieve Glah gold targets lie at the southern end of the 50km (30 miles) gold trend discovered by your Company, which stretches from Co. Armagh in Northern Ireland to Co. Cavan in the Republic of Ireland, and are located approximately 40km (25 miles) south of the Clontibret Gold Project.

### **Finance**

The loss after taxation for the half-year ended 30 November 2012 was €197,683 (2011: loss of €203,752) and the net assets as at 30 November 2012 were €12,555,277 (2011: €12,381,024).

### **Outlook**

Your Company looks forward to continued progress with its planned gold mine at Clontibret and its highly promising exploration targets.

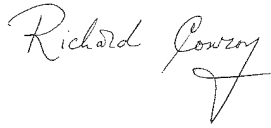
### **Directors and Staff**

I am delighted that Mr Seamus FitzPatrick has agreed to become Deputy Chairman. Mr Seamus FitzPatrick, with his business ability and wide ranging experience in corporate and financial matters, has already played a major role in the ongoing success and development of the Company. I look forward to his advice and support over the coming years as the Company moves from exploration to production.

Mr FitzPatrick, who has been a Non-Executive Director of Conroy for the past five years, has worked in both corporate finance and private equity in London and New York with Morgan Stanley International, J.P. Morgan Capital Partners and Bankers' Trust. In 1999 he co-founded CapVest Associates LLP, which has raised funds in excess of £2.0 billion. He is chairman of the Mater Private Hospital and Valeo Foods Limited, and is a board member of Reno Norden AB. He is also a member of the board of Karelian Diamond Resources plc.

I would like to thank all of my fellow directors, staff and consultants for their support and dedication, which has enabled the continued success of the Company. I look forward to the future with confidence.

Yours faithfully,



**Professor Richard Conroy**  
Chairman

28 February 2013

**INCOME STATEMENT  
FOR HALF-YEAR ENDED 30 NOVEMBER 2012**

|  | <b>Six months ended<br/>30 November<br/>2012<br/>(Unaudited)<br/>€</b> | <b>Six months ended<br/>30 November<br/>2011<br/>(Unaudited)<br/>€</b> | <b>Year ended<br/>31 May<br/>2012<br/>(Audited)<br/>€</b> |
|--|--|--|---|
| <b>OPERATING EXPENSES</b>                    | <b>(191,884)</b>   | <b>(199,802)</b>   | <b>(524,888)</b>  |
| Finance income – bank interest receivable    | <b>0</b>   | 542  | 779   |
| Finance costs – interest on shareholder loan | <b>(5,799)</b>   | <b>(4,492)</b>   | <b>(9,153)</b>  |
| <b>LOSS BEFORE TAXATION</b>                  | <b>(197,683)</b>   | <b>(203,752)</b>   | <b>(533,262)</b>  |
| Taxation                                     |  | -  | -   |
| <b>LOSS FOR THE YEAR</b>                     | <b>(197,683)</b>   | <b>(203,752)</b>   | <b>(533,262)</b>  |
| Loss per ordinary share – basic and diluted  | <b>(€0.0007)</b>   | <b>(€0.0009)</b>   | <b>(€0.0022)</b>  |

**STATEMENT OF COMPREHENSIVE INCOME  
FOR HALF-YEAR ENDED 30 NOVEMBER 2012**

|   | <b>Six months ended<br/>30 November<br/>2012<br/>(Unaudited)<br/>€</b> | <b>Six months ended<br/>30 November<br/>2011<br/>(Unaudited)<br/>€</b> | <b>Year ended<br/>31 May<br/>2012<br/>(Audited)<br/>€</b> |
|---|--|--|---|
| <b>LOSS FOR PERIOD</b>  | <b>(197,683)</b>   | <b>(203,752)</b>   | <b>(533,262)</b>  |
| Total income and expense recognised in other comprehensive income                                 | -  | -  | -   |
| <b>TOTAL COMPREHENSIVE INCOME<br/>FOR THE PERIOD – ENTIRELY<br/>ATTRIBUTABLE TO EQUITYHOLDERS</b> | <b>(197,683)</b>   | <b>(203,752)</b>   | <b>(533,262)</b>  |



**STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2012**

|                                      | <b>30 November<br/>2012<br/>(Unaudited)<br/>€</b> | 30 November<br>2011<br>(Unaudited)<br>€ | 31 May<br>2012<br>(Audited)<br>€ |
|--------------------------------------|---|---|----------------------------------|
| <b>ASSETS</b>                        |   |   |                                  |
| <b>Non-current Assets</b>            |   |   |                                  |
| Intangible assets                    | 14,226,967  | 12,845,738                              | 13,603,186                       |
| Investment in Subsidiary             | 2   | 2                                       | 2                                |
| Property, plant and equipment        | 8,913   | 17,306                                  | 10,688                           |
|                                      | <b>14,235,882</b>                                 | 12,863,046                              | 13,613,876                       |
| <b>Current Assets</b>                |   |   |                                  |
| Trade and other receivables          | 116,802   | 68,464                                  | 73,940                           |
| Cash and cash equivalents            | 42,768  | 412,951                                 | 238,647                          |
|                                      | <b>159,570</b>                                    | 481,415                                 | 312,587                          |
| <b>Total Assets</b>                  | <b>14,395,452</b>                                 | 13,344,461                              | 13,926,463                       |
| <b>EQUITY AND LIABILITIES</b>        |   |   |                                  |
| <b>Capital and Reserves</b>          |   |   |                                  |
| Called up share capital              | 8,112,257   | 7,534,625                               | 8,112,257                        |
| Share premium                        | 7,872,573   | 7,897,784                               | 7,872,573                        |
| Capital conversion reserve fund      | 30,617  | 30,617                                  | 30,617                           |
| Share based payments reserve         | 955,221   | 806,195                                 | 880,709                          |
| Retained losses                      | (4,415,391)                                       | (3,888,197)                             | (4,217,708)                      |
| <b>Total Equity</b>                  | <b>12,555,277</b>                                 | 12,381,024                              | 12,678,448                       |
| <b>Non-current Liabilities</b>       |   |   |                                  |
| Financial Liabilities                | 994,314   | 588,097                                 | 665,318                          |
| <b>Total Non-current Liabilities</b> | <b>994,314</b>                                    | 588,097                                 | 665,318                          |
| <b>Current Liabilities</b>           |   |   |                                  |
| Trade and other payables             | 845,861   | 375,340                                 | 582,697                          |
| <b>Total Current Liabilities</b>     | <b>845,861</b>                                    | 375,340                                 | 582,697                          |
| <b>Total Liabilities</b>             | <b>1,840,175</b>                                  | 963,437                                 | 1,248,015                        |

**Total Equity and Liabilities**

**14,395,452**

13,344,461

13,926,463

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**CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 30 NOVEMBER 2012**

|   | <b>Six months ended<br/>30 November<br/>2012<br/>(Unaudited)<br/>€</b> | Six months ended<br>30 November<br>2011<br>(Unaudited)<br>€ | Year ended<br>31 May<br>2012<br>(Audited)<br>€ |
|---|--|---|--|
| <b>Cash flows from operating activities</b>                 |  |   |  |
| Cash generated by/(used in) operations                      | 15,444   | (194,641)   | (211,386)                                      |
| Tax paid  |  | -   | -  |
| <b>Net cash generated by/(used in) operating activities</b> | <b>15,444</b>  | <b>(194,641)</b>  | <b>(211,386)</b>                               |
| <b>Cash flows from investing activities</b>                 |  |   |  |
| Investment in exploration and evaluation                    | (563,515)  | (1,026,444)   | (1,687,013)                                    |
| Payments to acquire property, plant and equipment           | -  | (883)   | (938)  |
| <b>Net cash used in investing activities</b>                | <b>(563,515)</b>   | <b>(1,027,327)</b>  | <b>(1,687,951)</b>                             |
| <b>Cash flows from financing activities</b>                 |  |   |  |
| Issue of share capital                                      | -  | 862,446   | 1,414,867                                      |
| Advances of shareholder loan                                | 352,192  | 22,472  | -  |
| Repayment of shareholder loan                               | -  | -   | -  |
| Bank interest received                                      |  | 542   | 779  |
| Interest paid on shareholder loan                           | -  | -   | (27,121)                                       |
| <b>Net cash generated from financing activities</b>         | <b>352,192</b>   | <b>885,460</b>  | <b>1,388,525</b>                               |
| <b>(Decrease)/Increase in cash and cash equivalents</b>     | <b>(195,879)</b>   | <b>(336,508)</b>  | <b>(510,812)</b>                               |
| Cash and cash equivalents at beginning of period            | 238,647  | 749,459   | 749,459  |
| <b>Cash and cash equivalents at end of period</b>           | <b>42,768</b>  | <b>412,951</b>  | <b>238,647</b>                                 |

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 30 NOVEMBER 2012**

|                            | Capital               |                       |                                    |  |  | Total<br>Equity<br>€ |
|----------------------------|-----------------------|-----------------------|------------------------------------|--|--|----------------------|
|                            | Share<br>Capital<br>€ | Share<br>Premium<br>€ | Conversion<br>Reserve<br>Fund<br>€ | Share-based<br>Payment<br>Reserve<br>€ | Retained<br>Earnings<br>(Deficit)<br>€ |                      |
| <b>At 1 June 2012</b>      | <b>8,112,257</b>      | <b>7,872,573</b>      | <b>30,617</b>                      | <b>880,708</b>                         | <b>(4,217,707)</b>                     | <b>12,678,448</b>    |
| Share-based payments       | -                     | -                     | -                                  | 74,513                                 | -                                      | 74,513               |
| Loss for the period        | -                     | -                     | -                                  | -                                      | (197,684)                              | (197,684)            |
| <b>At 30 November 2012</b> | <b>8,112,257</b>      | <b>7,872,573</b>      | <b>30,617</b>                      | <b>955,221</b>                         | <b>(4,415,391)</b>                     | <b>12,555,277</b>    |

|                            | Capital               |                       |                                    |  |  | Total<br>Equity<br>€ |
|----------------------------|-----------------------|-----------------------|------------------------------------|--|--|----------------------|
|                            | Share<br>Capital<br>€ | Share<br>Premium<br>€ | Conversion<br>Reserve<br>Fund<br>€ | Share-based<br>Payment<br>Reserve<br>€ | Retained<br>Earnings<br>(Deficit)<br>€ |                      |
| <b>At 1 June 2011</b>      | <b>6,913,935</b>      | <b>7,656,028</b>      | <b>30,617</b>                      | <b>731,682</b>                         | <b>(3,684,445)</b>                     | <b>11,647,817</b>    |
| Share issue                | 620,690               | -                     | -                                  | -                                      | -                                      | 620,690              |
| Share premium              | -                     | 241,756               | -                                  | -                                      | -                                      | 241,756              |
| Share-based payments       | -                     | -                     | -                                  | 74,513                                 | -                                      | 74,513               |
| Loss for the period        | -                     | -                     | -                                  | -                                      | (203,752)                              | (203,752)            |
| <b>At 30 November 2011</b> | <b>7,534,625</b>      | <b>7,897,784</b>      | <b>30,617</b>                      | <b>806,195</b>                         | <b>(3,888,197)</b>                     | <b>12,381,024</b>    |

Notes to the Financial Statements

### 1. Basis of preparation

The half-yearly financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and their interpretations adopted by the International Accounting Standards Board (IASB). The accounting policies used in the preparation of the half-yearly financial information are the same as those used in the Company's audited financial statements for the year ended 31 May 2012.

### 2. Earnings per share

The calculation of the loss per ordinary share of €0.0007 (2011 - €0.0009) is based on the loss for the financial year of €197,683 (2011 - €203,752) and the weighted average number of ordinary shares in issue during the period of 270,408,542 (2011 - 237,361,005).

Since the Company incurred a loss the effect of share options and warrants would be anti-dilutive.

### 3. Dividends

No dividends were paid or are proposed in respect of the period ended 30 November, 2012.

#### **4. Copies of Accounts**

A copy of the Half-Yearly Report will be available on the Company's website [www.conroygoldandnaturalresources.com](http://www.conroygoldandnaturalresources.com) and will be available from the Company's registered office, 10 Upper Pembroke Street, Dublin 2.