

**MINING FLASHNOTE**
**Conroy Gold and Natural Resources plc** (CGNR AIM)

21 July 2020

**Stock Data**

Share Price:	21.00p
Market Cap (M):	£5.57
EV (M):	£8.9

**Price Chart**

**52 Week Range**

29p	21.00p
4.00p	

**Company Summary**

Conroy Gold and Natural Resources is an AIM listed Irish exploration company, primarily interested in exploring for gold in the Republic of Ireland.

MAIN SHAREHOLDERS	HOLDING
O'Sullivan Patrick	11.44%
Conroy Prof. R	10.66%
Hannigan Philip	7.67%
Johnson Paul	6.43%
Sanderson Capital	3.18%

Source: Bloomberg and Conroy Gold and Natural Resources

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## Conroy Announces Proposed JV With Anglo-Asian Mining PLC

### Event

Conroy Gold and Natural Resources plc ("Conroy Gold") has announced that it has entered into a non-binding Heads of Terms ("HoT") regarding a proposed joint venture between the Company and Anglo Asian Mining PLC ("Anglo Asian") (the "Joint Venture Agreement"). The Joint Venture's goal is the development of a gold mine and further exploration and development of a series of gold targets along the 65km (40 mile) district scale gold trend that the Company has discovered in the Longford – Down Massif in Ireland.

### Highlights

The highlights of today's release are:

- Heads of Terms signed for proposed Joint Venture with Anglo Asian Mining to focus on the district scale gold trend which the Company has discovered in Ireland and development of a mine at Clontibret
- Anglo Asian Mining to acquire an initial 17.5% working interest in the Joint Venture for committing to spend €2M on a primary expenditure programme
- Option to increase working interest to 25% by spending a further €2M to complete the Primary Expenditure Programme of a minimum of €4M
- Further option to acquire a total 55% working interest in exchange for committing to meet the expenditures of the Secondary Expenditure Programme in order to advance the Clontibret Gold Deposit to mine construction ready status and certain further exploration expenditures
- 325,000 Warrants to acquire ordinary shares in Conroy Gold at 16p issued to Anglo Asian with further warrants proposed to be issued upon completion of the final Joint Venture Agreement.

### Comment

- This is an excellent outcome for Conroy. Conroy has held a strong portfolio and this JV should unlock material value through exploration upside which has been constrained by financial support.
- Conroy has entered into a JV with a proven team that have built mines and are likely to move far quicker than a "major" particularly as they are motivated to build their own production profile
- All investors are focused on "money in the ground" and the JV spend of €4M to reach 25% will unlock a lot of catalysts with drilling likely by end of Q3
- Conroy market cap of £5.6M (at 21p) continues to offer substantial upside for patient investors that wish to see this programme unfold.

## HoT

The HoT entered into today will be formalised in the forthcoming 4-6 weeks, with both parties determined to proceed as quickly as possible. In the Republic of Ireland it only takes 2 weeks to obtain a permit to drill and we anticipate that drilling will commence before the end of Q3 To make the initial financing under the proposed Joint Venture and will deposit a minimum of a further €250,000 into such account on signing of the final Joint Venture Agreement.

Anglo-Asian also wanted to invest in Conroy, and concurrent with the signing of the HoT Conroy Gold has today issued to Anglo Asian warrants to subscribe for 325,000 ordinary shares of €0.001 each in the capital of the Company ("Ordinary Shares") at an exercise price of 16 pence per Ordinary Share, with an initial exercise period of 6 months from the date of the HoT (the "HoT Warrants"). The HoT Warrants will vest immediately.

On the completion of the final Joint Venture Agreement, the Company will issue further warrants to Anglo Asian to subscribe for 1,625,000 Ordinary Shares, 975,000 at an exercise price of 16 pence per Ordinary Share and 650,000 at an exercise price of 26 pence per Ordinary Share (the "JV Agreement Warrants"). The JV Agreement Warrants will have an exercise period of 3 years from the signing of the commencement of the field work protocol for the Primary Expenditure Programme and the exercise period of the HoT Warrants will, on the entering into of the final Joint Venture Agreement, be extended from 6 months to align with the exercise period for the JV Agreement Warrants. The JV Agreement Warrants will vest in three tranches, as cumulative expenditure targets are met pursuant to the Joint Venture agreement of, respectively, one million Euro, two million Euro and three million Euro.

## Why Anglo Asian?

Anglo-Asian is interested in establishing a mine outside of Azerbaijan and the pro-mining stance of the Irish government, the fact that the Republic of Ireland rates very highly in the Fraser Institute surveys plus the fact that Conroy holds huge prospective areas in urgent need of further exploration probably swayed the decision process.

BHC believes that Anglo-Asian see this as an opportunity to grow the size of their company into a mid-tier gold producer and for this reason we believe that their immediate focus will be on the Clontibret area. BHC believes that Anglo-Asian will want to expand the existing 0.5M resource and move much of the Inferred material into the Indicated or Measured categories.

Currently, Anglo-Asian is debt free and with positive cashflows that enable the company to pay dividends. BH believes this JV to be a good fit as Anglo-Asian will move far more quickly than "majors" typically move and the results of the JV will prove far more material to a company the size of Anglo- Asian.

## Structure of the Proposed Joint Venture Transaction

Under the terms of the HoT, for the purposes of the Joint Venture, the twelve Prospecting Licences held by Conroy Gold in the Longford – Down gold trend be split into three groups of licences held by three separate joint venture companies (the "Joint Venture Companies"):

- Clontibret Licence – Republic of Ireland;
- Two Northern Ireland Licences ("the Clay lake" project and
- Nine other Republic of Ireland Licences in the Longford-Down gold trend.

The expenditure requirements in respect of all three Joint Venture Companies will be in two work programme phases to be set out in detail in the Joint Venture Agreement. Anglo Asian will acquire up to a 55% interest in each company through the following stages:

- A 17.5% interest in each joint venture company will be issued to Anglo Asian on signature of the final agreement in exchange for Anglo Asian committing to spend €2M on the Primary Expenditure Programme. This minimum interest of 17.5% will be retained by the fulfilment of the expenditure commitment of €2M.

- Anglo Asian will have the option to increase its minimum interest by a further 7.5% in each Joint Venture Company issued on a pro rata basis in exchange for spending a further €2M on the Primary Expenditure Programme (in aggregate across the three companies) such that a minimum expenditure of €4M is met for the Primary Expenditure Programme to secure an interest of 25% in each company.
- Anglo Asian will have the option to acquire 55% in each Joint Venture Company in exchange for committing to meet certain of the expenditures of the Secondary Expenditure Programme.

In the event that these work programmes are not carried out in full, Anglo Asian will retain a reduced interest in the Joint Venture Companies dependent on the total amount of its investment.

## Primary Expenditure Work Programme – minimum spend of €4M

Under the HoT Anglo Asian is required to spend a minimum of €2M in order to earn and retain a 17.5% working interest in the proposed Joint Venture and an additional €2M to earn and retain a 25% working interest. The Primary Expenditure Programme is targeted to be completed 18 months from the date of the final Joint Venture Agreement. Anglo Asian will fund all licence commitments required across the licences over the 18 month Primary Expenditure Programme period.

## Secondary Expenditure Work Programme to bring to Fully Permitted Mine Status

Under the HoT Anglo Asian has the option to meet certain necessary expenditures, including drilling and other technical requirements, environmental studies, final feasibility studies, land acquisition (up to an amount to be agreed), planning application and permission and mining permitting to bring the gold deposit at Clontibret (or at any other agreed location on the Company's licences in the Longford – Down Massif) to a fully permitted mine construction ready status and spend a further €3M on exploration work across the other Joint Venture Companies (including meeting certain expenditure commitments over the next three years across the licence portfolio) to fully earn and retain a 55% working interest in the Joint Venture Companies.

Operatorship on the Clontibret Licence will remain with Conroy Gold until the Clontibret gold deposit is brought to fully permitted mine status. Operatorship on the other licences shall also remain with Conroy Gold until all secondary programme commitments are met with regard to each respective Joint Venture Company.

A management committee with equal representation from both Anglo Asian and Conroy Gold will be established to run the three Joint Venture Companies. Final control of the management committee shall in principle rest with Anglo Asian until either Anglo Asian does not proceed to, or does not complete, the Secondary Expenditure stage.

## Research Disclosures

### Peter Rose

Peter has 34 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 13 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 21 July 2020

<u>Company Name</u>	<u>Disclosure</u>
Conroy Gold (CGNR AIM)	2, 7

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