

Anglo-Asian JV sets Conroy onto path towards Producer Status?

Back in July 2020, **Conroy Gold and Natural Resources (CGNR.L)** announced a landmark proposed JV with mid-tier mining company **Anglo-Asian Mining**, which could see an acceleration of the Group's Irish gold projects towards resource definition and mining at its flagship Clontibret project, and possibly other nearby gold targets.

In this First Equity Limited initiation note, we examine this JV link up, its significance and evaluate its potential value across Conroy Gold's project portfolio for shareholders to derive a share price target.

- The objective of the **Anglo-Asian Mining** JV will be the development of a gold mine at Clontibret and on an extensive exploration and development programme on other gold targets along 65 km of the Orlock Bridge Fault Zone in the Longford-Down Massif.
- A staged work programme is set out as part of the proposed JV, in which to attain a 55% interest in the project, Anglo-Asian would spend all expenditure required to bring the Clontibret Gold Deposit to a 'fully permitted mine construction ready status'.
- JORC resource of **0.5m ounces** gold already defined at **Clontibret**. This could represent circa 20% or less of Clontibret's potential, considering the deposit is open to depth and in all directions and most drilling so far on the Clontibret deposit is less than 200 metres in depth, to a maximum depth of 350 metres. There is also a vast wealth of other gold exploration targets still to be tested, some of which have already demonstrated gold in bedrock.
- The (JORC) exploration target over Conroy Gold's Clontibret, Clay Lake and Glenish gold-in-soil anomalies in the northeast area alone (and excluding the 517,000 ounce Clontibret deposit) has an estimated potential of **8.8m ounces** of gold (*Prof Earls 2018 Study*). This underlines the enormous upside and value that could be unlocked from an accelerated work programme led by JV partner in waiting Anglo-Asian Mining.

Recommendation & Valuation

The market we believe has not priced in the importance of the Anglo-Asian JV. Investors may be wise to position themselves in the stock ahead of the JV being formalised from a 'proposed' agreement. Such an announcement, against the background of a continuing strong gold price could propel CGNR's shares considerably higher. The current market cap of £9.4m assumes CGNR is an early stage exploration company rather than a junior which can add exploration value and is on the cusp of moving swiftly along the development path towards producer status.

We have modelled our valuation, by updating key price parameters in the 2011 Scoping Study, such as the long-term gold price (est. \$1,800, prev. \$1,372) and by making a small increase for capex and ongoing mine costs. At the base case benchmark NPV8 level we estimate a mining operation of around 411,200 ounces of gold at Clontibret is now worth US\$115.7m, a 60% increase on 2011's figure of US\$72.3m. Various risk factors for financing, environmental, resource and development risks are applied at a NPV10 to arrive at a total risked attributable US\$45.9m. Along with an exploration target value upside of US\$9.2m, a final value of **US\$55.1m** (£42.7m) is computed, equating to **138p** per share, representing potential upside of 352% on today's share price, which thus supports our '**Buy**' Recommendation.



MARKET DATA:

Name:	Conroy Gold and Natural Resources plc
Ticker:	CGNR.L
Price:	30.50p
Market Cap:	£9.4m
SI:	30.87m
Sector:	Resources
Listing:	AIM – London
Domicile:	Ireland

FINANCIALS:

Cash:	£700K (FEL est. 01/10/20)
Last Placing:	Aug '20 - £800K @ 25p
Last Results:	27/02/20 – Half Year Report to 30 Nov '19.

ACTIVITIES:

Exploration & Development of gold and base metals in Ireland and Finland.

KEY PROJECTS / ASSETS:

Clontibret
Clay Lake
Glenish
Slieve Glah

DIRECTORS & MANAGEMENT:

Prof. Richard Conroy (Chairman)
Maureen Jones (MD)
Prof. Garth Earls (Non-ex)
Brendan McMorow (Non-ex)
Howard Bird (Non-ex)

SHAREHOLDINGS: (>3%)

Patrick O'Sullivan	9.7%
Prof Richard Conroy	9.1%
Philip Hannigan	6.5%
Paul & Michelle Johnson	5.5%

**First Equity Limited acts as Joint Broker to Conroy Gold and Natural Resources Plc.*

ANALYST

Jason Robertson
+44 (0)20 7374 2212
jasonrobertson@firstequitylimited.com

Overview & Introduction

Conroy Gold and Natural Resources (CGNR.L) is focused on the exploration and development of gold and base metal prospective projects in Ireland (both Republic of Ireland and Northern Ireland) and Finland.

Since its foundation in 1995 it has been led by Chairman Professor Richard Conroy, along with founding director (*and since 1998, Managing Director*) Maureen Jones. CGNR has been listed on the London Alternative Investment Market since May 2000.

CGNR's core focus is on the exploration of a 65 km long district-scale gold trend along a geological structure known as the 'Orlock Bridge Fault Zone' in the 'Longford-Down Massif', upon which most of Group's projects covering around 800 sq. km are located, including its key Clontibret gold deposit in County Monaghan and nearby gold targets at Clay Lake, Glenish and 40 km to the south-west Slieve Glah.

Landmark JV Deal

In July 2020, CGNR announced what could prove a landmark Joint Venture (JV) with Anglo Asian Mining plc, that may move CGNR rapidly towards producer status. For the moment, the JV is 'proposed', with non-binding Heads of Terms signed, but is expected to become fully approved within the next few months once final due diligence and legal work is completed.

Anglo Asian Mining plc is a £126m market cap AIM listed company (AAZ.L) with production and exploration assets in Central Asia and Azerbaijan, focused on gold, copper and silver.

The objective of the proposed JV will be the development of a gold mine and further exploration and development of CGNR's key gold projects.

The JV is configured around three licence groups, outlined below which encompass 12 CNGR's licences in the Longford-Down Massif. Only one licence in County Clare which is not in the Longford-Down trend is excluded from the proposed JV, along with all Finland permits.

- Clontibret Licence;
- Clay Lake Project (NI) – 2 licences;
- Other Longford-Down Massif projects (ROI) – 9 licences.

Various expenditure commitments are required to be met by Anglo Asian Mining to retain certain JV interest levels.

Work Programme	Anglo Asian JV % Earnt	Expenditure Commitment
Primary Expenditure (A)	17.5%	Commitment to spend €2m
Primary Expenditure (B)	25%	Expenditure of further €2m
Secondary Expenditure	55%	All expenditure required to bring the Clontibret Gold Deposit to a 'fully permitted mine construction ready status'

Fig 1: Anglo-Asian JV deal Summary.

On signing the proposed JV deal in July, Anglo Asian were issued with 0.325m warrants exercisable at 16p for six months. A further 1.625m three-year warrants will be issued when the JV agreement is completed (0.65m ex 26p & 0.975m ex 26p).

Longford-Down-Massif

The CGNR licence area, which covers around 800 sq. km, is in a geological area termed the 'Longford-Down Massif', within Counties Monaghan and Cavan in the Republic of Ireland and County Armagh in Northern Ireland. The Longford-Down Massif includes part of the Orlock Bridge Fault Zone, which stretches from Ireland into Scotland, upon which most of the Group's gold targets lie (the 65 km gold trend).

Gold was first discovered in the Massif in 1956, when sampling in an antimony mine in Co. Monaghan, close to Clontibret, with grades of up to 34.98 g/t gold recorded. Subsequent drilling proved disappointing with poor recovery rates hampering grade assessment.

In the mid-1980's the area's gold potential was further demonstrated following the discovery of a 30.05 grams gold nugget, with gold content of 28 grams found in a stream bed close to Clay Lake 'Clay Lake Nugget', which is currently exhibited in the Ulster Museum in Belfast. Conroy Gold acquired its first exploration licences in 1996. Along with gold and antimony, the Longford-Down Massif is also prospective for lead and zinc.

Within the Longford-Down Massif, based on just the Clontibret, Clay Lake and Glenish targets, an exploration target of 8.8m ounces of gold has been estimated (not including the current 517,000 ounces JORC resource). This is based on a study by consulting geologist Professor Garth Earls, published in August 2018. It used a number of parameters, including a 5% drilling success, a 2 g/t gold grade comparator at Clontibret for other gold-in-soil-anomalies, gold to a depth of 200 metres and current gold-in-soil-anomalies of over 10 parts per billion gold.

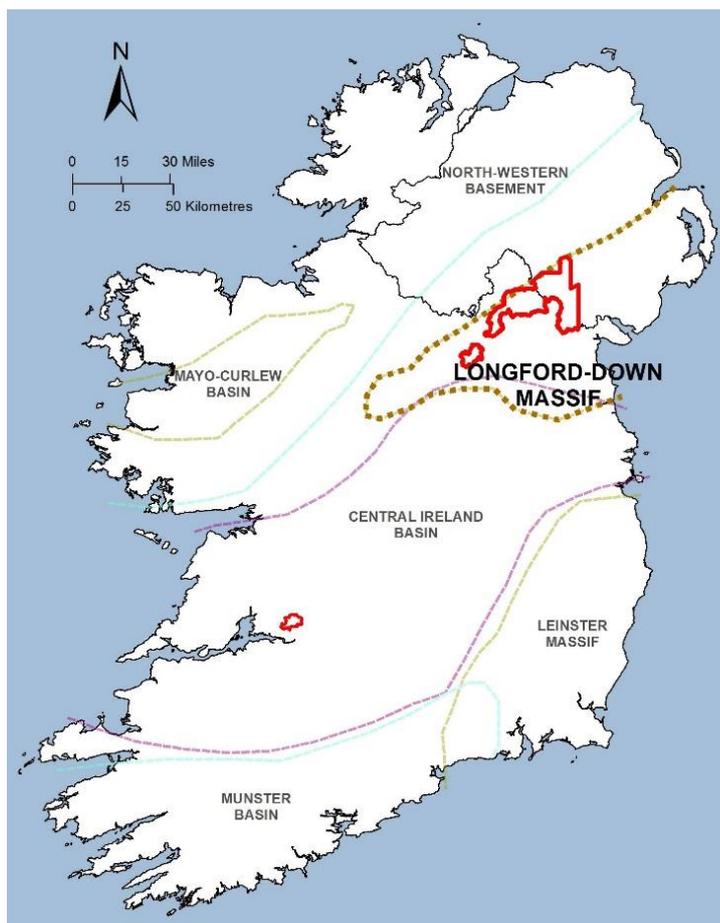


Fig 2: Longford Down Massif, showing Conroy Gold licences and other geological terrains in Ireland (Source: Conroy Gold and Natural Resources plc).

Clontibret Gold Deposit

Clontibret (Co. Monaghan) is the most advanced of the Group’s gold projects, upon which a JORC resource of 517,000 ounces of gold is estimated by consultants Coffey (Tetra Tech). The deposit is composed of two styles of mineralisation, ‘lodes’ and ‘stockwork’, of which the former makes up most of the estimated resource as illustrated in Fig 4.

The area near Clontibret has a history of mining in a region known as the Armagh-Monaghan Mining District, in which lead, zinc, copper and antimony mining has taken place in the past. A gypsum open-pit and underground mine is currently producing in South Monaghan.

Clontibret – JORC Resource Est.				
Category	Zone	Tonnage	Gold Grade (g/t)	Contained Gold
Indicated	Lodes	4,460,000	2.1	301,000
	Stockwork	500,000	1.2	19,000
Indicated Total		4,960,000	2.0	320,000
Inferred	Lodes	2,980,000	2.0	193,000
	Stockwork	110,000	1.2	4,000
Inferred Total		3,090,000	2.0	197,000
Est Total				517,000

Fig 3: Clontibret JORC Resource est. Tetra Tech Canada Inc, July 2017, 1% cut-off.

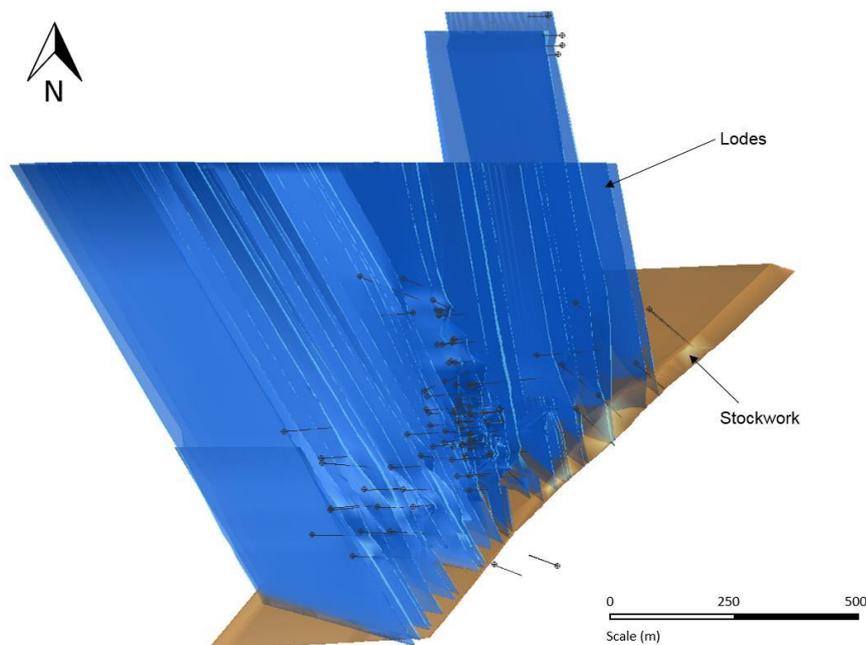


Fig 4: Location of known stockwork and lodes gold mineralisation (Source: Conroy Gold and Natural Resources plc).

The JORC resource defined to date is believed to constitute only around 20% of the overall Clontibret gold target area (Fig 5 & Fig 6). Most of the exploration drilling to date has been to depths of less than 200 metres, with a maximum depth of 350 metres.

There could be enormous potential to find gold mineralisation at much deeper levels, considering that Dalradian Gold’s deposit at Curraghinalt in County Tyrone extends to 1,200 metre depths, on which over 6m ounces of gold are defined.

Although the current JORC resource has a gold grade of 2.0 g/t, drilling results at Clontibret have shown high gold grades and intersections, such as;

- 24.4 g/t over 1 metre (from 185.9m – CDG-18-07),
- 21.6 g/t – 1.2 metres (from 50.4m – CDG-18-04),
- 14.2 g/t – 2.0 metres (from 50.0m – CDG-18-01),
- 13.9 g/t – 1.5 metres (from 94.0m – CDG-04-14),
- 13.1 g/t – 3.3 metres (from 37.2m – CDG3).

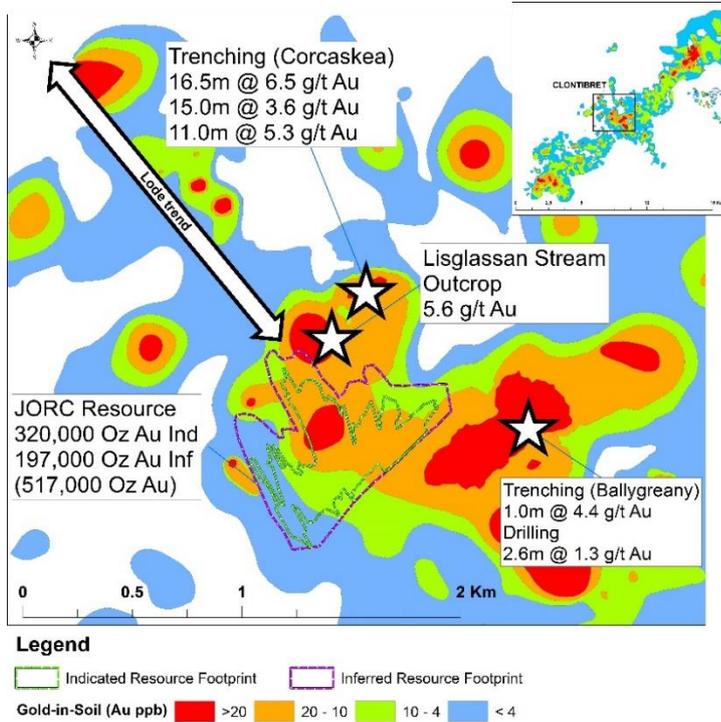


Fig 5: Clontibret Gold Target, with the resource footprint outline from 2017 Resources update, gold intersections outside resources area and parts per billion (ppb) gold areas. (Source: Conroy Gold and Natural Resources plc).

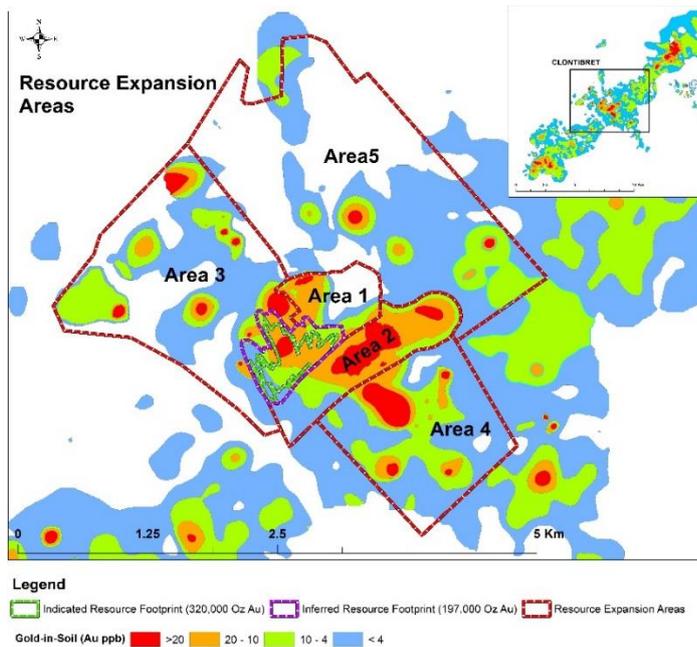


Fig 6: Clontibret Resource Expansion Areas (Source: Conroy Gold and Natural Resources plc).

An independent **preliminary economic assessment** produced by consultants Coffey (Tetra Tech) in 2011 showed the financial and technical mining viability of a potential mine at Clontibret based on a 601,104 ounce gold resource at 1.6 g/t (*Indicated 259,956 oz at 1.64 g/t and Inferred 341,148 oz at 1.56 g/t*) and a much lower long term gold price of US\$1,372 per ounce than today's spot price. Coffey's study provides the basis for our valuation, as explained later in this research note, using some more updated estimates for costs and long-term gold prices. Fig 7 summarises Coffey's estimates from the 2011 study.

Encouragingly the study also went into immense detail on a suggested technical mining process. This involves pre-treatment of ores via a bio-oxidation process, prior to conventional gold recovery leaching. The technical details of this are beyond the scope of this report but can be found for reference on CGNR's website.

2011 Scoping Study Parameters	
Mining Operation	Open Pit
Long Term Gold Price	US\$1,372 per oz.
Scoping Study Grade	1.6 g/t
Gold Head Grade	1.5 g/t
Process Rate	800,000 tonnes p.a.
Recovery Rate	85%
Mine Life	11.2 years
Production Rate	44,200 oz p.a. - Yr1 to Yr5
Financial Estimates	Base Case
Capital Costs (inc. sustaining costs)	US\$77.8m
Payback Period	2.0 Years
NPV (8% discount rate), pre-tax	US\$72.3m
IRR	49.4%

Fig 7 2011 Scoping Study Summary.

The management believe Clontibret is geologically comparable to the **Fosterville deposit** in Victoria, Australia. Production at Fosterville began in 2005 from near surface, low-grade mineralisation in an open pit operation. This was later expanded after 2015, following the discovery of higher-grade gold at deeper depths of up to 800 metres. Fosterville is now one of the world's highest-grade and most profitable gold mines. Production in 2019, amounted to 619,366 oz of gold at an astonishing grade of 39.6 g/t, with a high 98.8% recovery rate.

OTHER GOLD TARGETS

In the Longford-Down Massif and on trend to Clontibret, CGNR has located several other gold targets, as illustrated in Fig 8, which underlie the target rich exploration area in which CGNR's management have been smart enough to position themselves.

Clay Lake Gold Target just to the north-east of Clontibret covers c.500 acres and is close to where the famous Clay Lake Gold Nugget was discovered. Soil sample results include grades of up to 1.53 g/t gold.

Drilling at the north-east of the Clay Lake Gold Target (Derryhennet), returned values of 100 metres at 0.6 g/t, including 11.8 metres at 1.4 g/t (believed to be the longest gold intersection in the British Isles). Gold comes to surface with trenching intersecting 5 metres at 3.0 g/t.

Drilling at the south-west of the Clay Lake Gold Target (Cargalisgorran), returned values of 6.6 metres at 6.2 g/t, again gold comes to surface with trenching intersecting 12 metres at 2.2 g/t.

The management believe the Clay Lake target is a black carbonaceous shale hosted gold deposit and contains many of the geological attributes of a major sediment-hosted gold deposit. The Muruntau mine in north-west China's Tien Shan, is one example of a sediment hosted gold deposit, with 169.3m ounces of gold and is the largest gold deposit in the world.

Glenish Gold Target, a larger gold geochemical anomaly than Clontibret, which lies 7 km south-west of Clontibret, with gold proven in the bedrock from grab samples of 9.4 g/t gold and drilling intersection of 2.3 metres at 2.7 g/t. Glenish lies at the intersection of two major faults, namely the Glenish Fault and Orlock Bridge Fault Zone.

Slieve Glah Gold Target contains a series of gold-in-soil targets that lie c.40 km to the south-west of Clontibret, each extending c.3 kms in length.

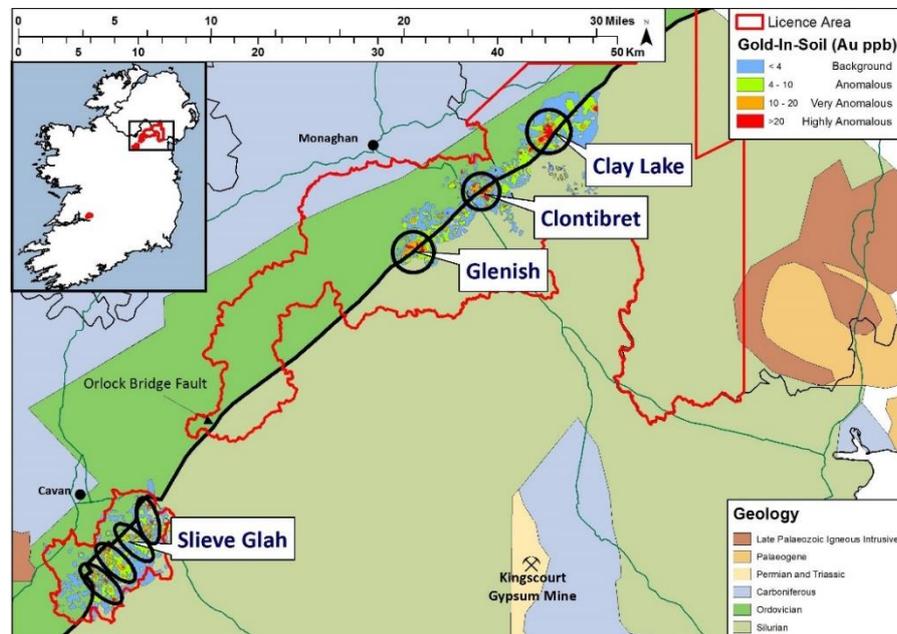


Fig 8: Key Gold Targets (Source: Conroy Gold and Natural Resources plc).

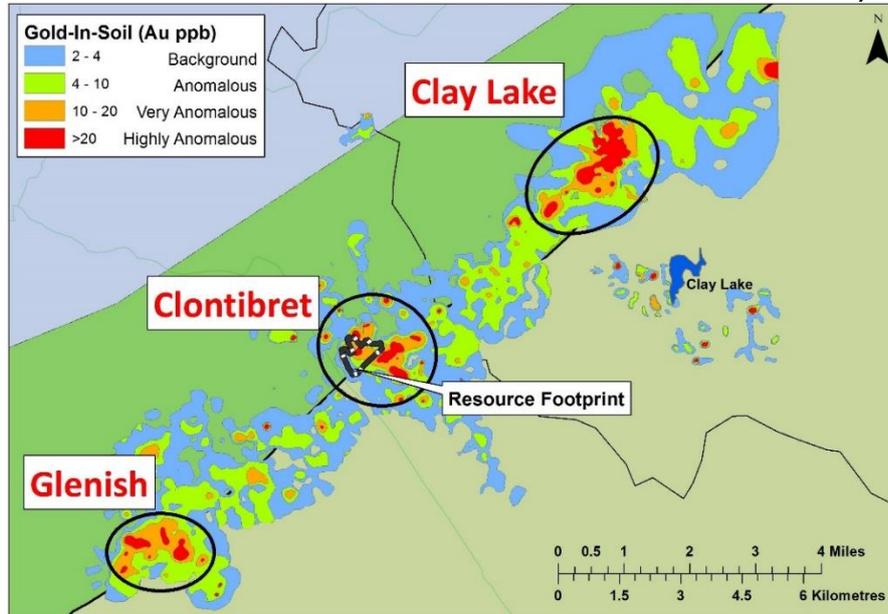


Fig 9: Glenish, Clontibret and Clay Lake gold targets. (Source: Conroy Gold and Natural Resources plc).

BASE METAL TARGETS

To the south-east of Clontibret and Clay Lake, the Company has found an extensive zinc-in-soil anomaly in a historic lead mining area, which is known as the 'Armagh-Monaghan Mining District'.

FINLAND

CGNR's gold exploration licence area is located in the Lapland gold belt which hosts Europe's largest gold mine. CGNR believes the area over which it holds licences in Finland is prospective for iron oxide copper gold (IOCG) style mineralisation.

Valuation Analysis

To arrive at a valuation for Conroy Gold's project's, we have used the 2011 Scoping Study estimates at Clontibret and mining of 441,200 oz, as a reference point.

Some of the figures relating to this analysis have been updated, most significantly an improved long-term gold price of US\$1,800 (prev. US\$1,372).

Although inflation has increased by around 27% since 2011, the capital and ongoing costs used in our valuation model are only 4.3% higher to factor in the favourable metallurgical results conducted after the 2011 scoping study (15 Jan 2014 - RNS) which indicated a reduction in CAPEX and OPEX costs of around 10% and further improvements to the mine economics.

Unless otherwise stated below, other parameters, such as production rates, head grades, etc, remain the same per the 2011 Study.

	2011 Scoping Study est.	2020 FEL est.
Long Term Gold Price	US\$1,372 per oz.	US\$1,800 per oz.
Capital Costs (inc. sustaining costs)	US\$77.8m	US\$81.1m
Oz Produced	441,200	441,200
Mine Life	11.2 years	11.2 years
NPV8 (pre-tax)	US\$72.3m	US\$115.7m
NPV10 (pre-tax)		US\$104.0m

Fig 10: 2011/2020 Scoping Study estimates (Source: First Equity Limited).

We use a higher discount rate of 10%, as opposed to the 8% discount rate in the 2011 Study, to provide a better comparative with other development mining projects.

Using our NPV10 estimate of \$104.0m, we have applied several risk factors to derive a risked project value estimate of US\$45.9m for the existing Clontibret resource, based on the Scoping Study report.

Environmental Risk – 0.7 (risk minimal given history of mining in area),

Development and Resource Risk- 0.7 (risk likely reduces once Anglo-Asian JV is formalised and advances),

Financing – 0.9 (low risk due to buoyant gold price and low cost of borrowing).

Assuming each risked ounce of gold from our estimate is worth US\$103.9 (US\$45.9m / 441,200 oz's.) and a 1% value for each ounce of gold in the ground, we have computed a rudimentary exploration value of US\$9.2m for the remaining potential exploration target upside of 8.8m oz of gold (just over \$1 per ounce).

A total project value for Conroy Gold's Ireland projects of US\$55.1m is derived, equating to a value per share of 138p. For the moment, we have assumed no value for the Group's Finland projects.

Our estimated value is based upon the current 100% interest over the Ireland projects, which in time, assuming the finalisation of the Anglo-Asian JV would reduce to 83%, 75% and then 45% as the work programme progresses. We would expect considerable value to be added as exploration, development and resource definition is accelerated during the JV, thereby more than compensating for this stake reduction.

Est. Conroy Gold Value		
NPV10 (Clontibret Open Pit)	US\$104.0m	
<i>Less Environmental Risk (x0.7)</i>	US\$72.8m	
<i>Less Development & Financing Risk (x0.7)</i>	US\$50.9m	
<i>Less Financing Risk (x0.9)</i>	US\$45.9m	
Total Risked NPV10 (Clontibret Open Pit)		US\$45.9m
Risked Value Per Ounce (Clontibret Open Pit)	US\$ 103.9 per ounce	
Implied 1% Target Exploration Value Per oz. Gold	US\$ 1.04 per ounce	
Target Exploration Upside, 8.8m oz. Gold Value		US\$9.2m
Total Project Value		US\$55.1m
		£42.7m
	<i>(ex £/US\$1.30)</i>	
Value Per Share (SII 30.87m)		138p

Fig 11: Conroy Gold and Natural Resources plc Valuation Summary (Source: First Equity Limited).

Regulatory Disclaimers and Disclosures

This document is non-independent research and a 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 the dissemination of the investment research. FEL does have procedures in place to manage any conflicts which might arise in the production of investment research, including Chinese Wall procedures.

This research note 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.

The views expressed in this note are those of First Equity's analyst. They are based on information believed to be reliable from mainly primary sources 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 document is not for distribution into the United States, Canada, Australia or Japan

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 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 Australian 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.

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.

Important Declarations

First Equity Limited acts as Joint Broker to Conroy Gold and Natural Resources plc. First Equity Limited, its clients and employees may hold shares and warrants in Conroy Gold and Natural Resources plc.

First Equity Limited is a member of the London Stock Exchange

Salisbury House,
London Wall,
London, EC2M 5QQ
United Kingdom

Tel: 020 7374 2212

www: firstequitylimited.com tw: [FirstEquityLtd](https://twitter.com/FirstEquityLtd)

Authorised and regulated by the Financial Conduct Authority
(FCA No. 124394)

Registered in England and Wales, No: 2019652 / VAT No: 283 0100 45