

Initiation of Coverage

29th October 2012

Key Statistics

Code : CGNR
 Listing : AIM
 Sector : Mining
 Market Cap : £3.6m
 Share in issue : 270.4m
 Current Price : 1.325p
 12 mnth. High/Low: 4p/1.15p

Stock Performance



Source: Fidessa

Financials

£ '000	FY 09A	FY 10A	FY 11A	FY 12E
EBT	-298	-290	-428	-508

Source: Annual reports and Hybridan LLP

Company description

Conroy Gold and Natural Resources is a gold exploration and development company primarily focused on Ireland. The Company holds exclusive 100% owned licenses to explore for both gold and base metals in Northern Ireland and the Republic of Ireland (aggregate areas of c. 450 sq. miles) in a geological structure called the Longford-Down Massif. Conroy's most detailed appraisals have been at Clontibret, where a JORC compliant mineral resource of 1 million+ ounces of gold has been identified on 20 per cent. of the target. There is also ongoing investigative activity in Finland.

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Deeply undervalued

We believe that at a paltry current market capitalisation of £3.58m, Conroy Gold provides the most compelling value in the gold equity sector. In return, investors get a 30 mile gold trend, a series of significant gold targets with 15-20m ounce potential and a technically and financially viable open pit project valued at US\$72.3m NPV at 8% discount rate and based on a gold price of only US\$1372/oz. This has all been achieved in what is by industry standards, a short space of time and at a minimal expenditure of £12m.

Investors also get exposure to Ireland, which is and will be increasingly seen as an investor friendly country for mining and a reliable source for gold as the cost and difficulties of doing business in traditional major gold producing countries is rising sharply.

However, if the intrinsic value generated so far fails to be appreciated fully by the market, then the Company may decide to farm-out or joint venture as a means to access finance. We believe this will provide validation of the underlying value.

▪ Base case valuation of 4p share....

On an EV per ounce of resource multiple of 6x, Conroy compares favourably with almost all of the London listed companies, particularly given that its 0.6m ounces JORC resource is based on a cut-off grade 0.6 g/t, which is higher than its peers. We have attributed a base case valuation of 4p per share using an industry EV/resource average multiple of 36 times and a 50% probability of success of bringing existing plans to production given the execution, financing and dilution risks.

▪but considerable potential for further uplift

We expect additional resources to be delineated in accordance with JORC standards and brought to production. The current JORC compliant mineral resource of 0.6m ounces. is based on a scoping study done on just 20% of the Clontibret target. Conroy has identified four other primary gold targets namely Clay Lake, Glenish, the Central Structural Zone and Slieve Glah contained within 100% owned licenses extending over c. 450 sq. miles, running across County Armagh in Northern Ireland to Counties Monaghan and Cavan in the Republic of Ireland. Conceptual in-house studies imply gold potential of over 15-20m oz.

▪ Funding requirement

The Company needs more cash to finance exploration of its prospects and to complete the remaining steps for the 20 per cent of the Clontibret gold project. We estimate that the cost of pre-feasibility and feasibility studies, and mine permitting on the 20 per cent of Clontibret, will require £10-12m. If the market continues to undervalue Conroy, we expect the management to farm out or joint venture its project to raise funds and highlight the underlying value of the Company.

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1. Investment Case

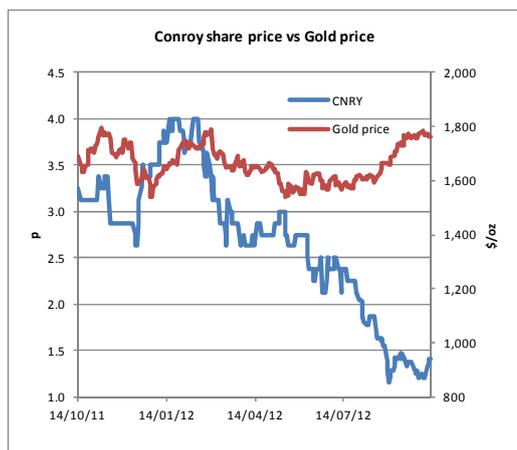
1.1 No recognition or reward yet for achievements

No investment in a junior mining company is without risk but we believe that, at today's share price, investment in Conroy Gold and Natural Resources (Conroy) provides multiple upside potential and very limited downside risk.

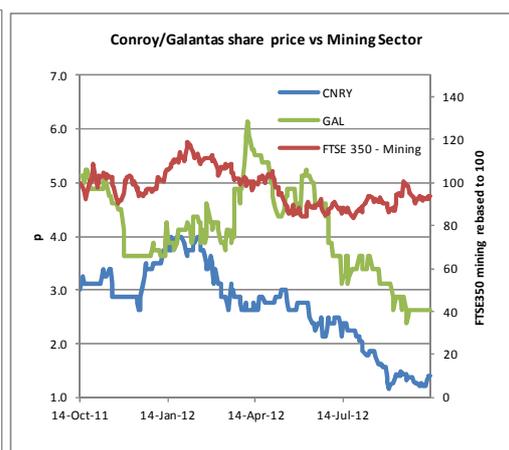
Decoupling gold stocks from physical gold

Shares in Conroy Gold and Natural Resources have lost 57% of their value in the past year, and the entire equity of the Company is today worth just £3.58m. One could attempt to justify this sharp fall by pointing to almost all other junior gold stocks such as Galantas GOLD (GAL), which have decoupled from the physical gold, whose price is likely to remain underpinned by favourable economic conditions - the broken banking system, rising sovereign yields, unprecedented quantitative easing, exploding inflation and negative real interest rates.

Or one could say that Conroy, after what seems like years of exploration and fundraises has "failed" to deliver a producing mine or even a feasibility study.



Source: Fidessa



Source: Fidessa

In 2012, Conroy has achieved several milestones

These are, however, in our opinion, very superficial views which fail to recognise the outstanding achievements of the Company and its major potential. We, therefore, believe that there is little justification for the current market apathy towards, or share price of, Conroy. It can take up to 17 years even for a large company with deep pockets and vast human resources to discover and bring even a single prospect to production. Conroy, which listed on AIM in 2000 and has raised just €14.7m (£12m) to date, has not only discovered a 30 mile gold trend with a series of significant gold targets along the trend but is also on target to develop the first of what could be a series of producing gold mines. This has all been achieved in what is by industry standards, a short space of time and at a minimal expenditure.

This year alone has seen the continuation and acceleration of progress. In March, drilling results at its first mine target, Clontibret, confirmed good continuity with the known mineralisation in the area and in September, it announced an agreement with Gold Fields Ltd to undertake pre-feasibility mineralogical characterisation and metallurgical testwork on drill core samples, a crucial step in the development of pre and full feasibility studies for the mine. This was followed in October by the announcement of the discovery, following a detailed gold-in-soil survey, of a series

of further large gold-in-soil targets within its Slieve Glah licence areas in County Cavan 25 miles away from its Clontibret prospect, but still within the Company's licence area, further confirmation of the sheer scale of its discoveries. Yet, this has not been reflected in the market which has responded with a decline in share price.

1.2 All this gold for just £3.58m!

Let's just consider what the market is valuing at only £3.58m:

*30 mile gold
trend....five
primary targets*

1. A 30 mile gold trend and the identification of five primary gold targets namely Clay Lake, Clontibret, Glenish, the Central Structural Zone and Slieve Glah contained within 100% owned licenses extending over c. 450 sq. miles, running across County Armagh in Northern Ireland to Counties Monaghan and Cavan in the Republic of Ireland. These licences provide exclusive rights to seek a mining license in Ireland, which has a favourable business climate, excellent infrastructure and pragmatic environmental controls.
2. Gold potential of over 15-20m ounces based on conceptual in-house studies by Conroy. This projection is based on the 1m ounce JORC-compliant resource outlined in only 20 per cent of the Clontibret target, the potential of the remaining 80 per cent of that target, where gold has also been intersected, the discovery at Clay Lake of a large carbonaceous stockwork zone and other large gold-in-soil anomalies including Glenish and Slieve Glah where gold has also been proven in bedrock. The studies were done before the recently announced large targets at Slieve Glah were discovered. As realisation of the potential grows, sooner or later it is likely to trigger not only a rise in share price but the interest of one or more of the major gold companies or a company wishing to expand by increasing its exposure to significant gold resources.
3. At the Clontibret gold target a JORC compliant mineral resource of 0.6m ounces of gold using a minimum mining width of 2 metres at a cut-off grade of 0.6g/t Au and concentrating on the high grade portions of the stockwork has been identified in an area which forms just 20% of the Clontibret target and where the first mine, probably a conventional open pit, has been planned. A Scoping Study prepared by independent consultants Tetra Tech Wardrop demonstrated that the project was technically and financially viable with an NPV of US\$72.3m using a discount rate of 8%, and an IRR of 49.4% at a gold price of US\$1372. In September 2012, an agreement was signed with Gold Fields Ltd. to undertake pre-feasibility metallurgical testwork on 350kgs of drill core samples, a key step towards bringing a mine into operation on 20% of the Clontibret target.
4. A highly experienced natural resources team. Professor Conroy, the Executive Chairman, established Trans-International Oil in 1974 which focused largely on Irish offshore oil exploration and initiated the Deminex Consortium (which included Deminex, Mobil, Amoco and DSM). Professor Conroy also founded Conroy Petroleum and Natural Resources Plc in 1980, which in 1986 discovered the Galmoy zinc deposit in Ireland. Conroy Petroleum was also a founding member of the Stone Boy consortium which discovered the Pogo gold deposit in Alaska in 1994, now in production as a major gold mine. Conroy Petroleum acquired Atlantic Resources in 1992, whereupon it was renamed ARCON International Resources Plc (ARCON). The oil interests in ARCON were split off to form Providence Resources which has recently made a significant oil discovery in Irish offshore waters. Professor Conroy served as Chairman and CEO of ARCON from 1980-1994. Conroy's MD, Miss Maureen Jones was a director of Conroy Petroleum and Natural Resources and ARCON before Conroy Gold and Natural Resources.

5. A base case valuation of 4p using an industry EV/resource average multiple of 36 times and a 50% probability of success of bringing existing Clontibret plans to production given the execution, financing and dilution risks. We expect additional resources to be delineated in accordance with JORC standards and brought to production. However, we have to attach a lower probability of success on additional volumes until we have more visibility. As the table below shows, we are assuming a 20% success rate for additional production of 4.6m ounces and 5% on a further 15m ounces. By all accounts, the current share price appears to be discounting all downside risks.

Conroy's valuation scenarios

	Base case	Scenario 1	Scenario 2
JORC Resource, m oz	0.6	5	20
Applied multiple	36	36	36
Implied EV (£m)	21.6	180.0	720.0
Less net debt (£m)	0.0	0.0	0.0
Implied Equity (£m)	21.6	180.0	720.0
Probability of success*	50%	24%	10%
Risk-adjusted Equity (£m)	10.8	42.5	69.5
No. of shares	270.41	270.41	270.41
Implied share price (p)	4.0	15.7	25.7
Current share price	1.4	1.4	1.4
Upside	185%	1022%	1735%

*Source: Fidessa, Hybridan LLP estimates, * weighted average*

6. The Company has achieved this progress on a spend of only £12m to date- a remarkable achievement which has avoided an excessive number of shares being issued and thus allows the possibility of significant growth without necessarily further major dilution.
7. There is also potentially highly significant upside should Conroy decide to bring in joint venture partners to its projects, thus reducing execution and financing risks.
8. The positive results of the scoping study economics were based on a gold price of only US\$1,372, compared with a current gold price of US\$1,718. (A difference of approximately 25 per cent).

1.3 Achievements so far

Exploration can take up to 17 years

Exploration is commonly the longest and riskiest stage of the road to establishing a gold mine, and can take up to 17 years for each project. We have identified 14 steps in order to describe the complexity of the process and how far down the road Conroy already is in relation to its first gold mine and the other gold discoveries which it has made along trend.

Steps from exploration to discovery to production

- Step 1 Exploration Objective
- Step 2 Identify Prospects
- Step 3 Acquire Exploration Rights
- Step 4 Preliminary Field Survey
- Step 5 Select Drill Targets
- Step 6 Discovery
- Step 7 Selection among Discoveries
- Step 8 Deposit Delineation
- Step 9 Preliminary Economic Evaluation (Scoping Studies)
- Step 10 Pre-Feasibility Study
- Step 11 Feasibility Study
- Step 12 Mining Permit
- Step 13 Development & Construction
- Step 14 Commissioning

Source: Hybridan LLP

Assuming availability of funds it can be producing in 2015

Based on the milestones achieved so far, we believe that Conroy has completed Step 9 for the 20% of the Clontibret gold project and has embarked on Step 10 and has also achieved Step 6 at a series of other gold targets, some of which may be larger than Clontibret. Assuming it can successfully raise sufficient funds, we would expect the Company to begin production of gold in Clontibret in 2015/16. Scarce resources have also been invested to identify other gold and base metal prospects. The search for gold was maintained throughout the gold bear market that featured prior to the strong price rally that commenced in 2001 and this gave the Company a very considerable advantage by enabling it to secure the entire acreage covering the 30 mile gold trend.

The table below provides a selection of milestones reached. The significant and sustained progress by the Company becomes clearly evident as one views the table.

Key historic milestones

Date	Event	Comments
1995	Conroy established in April	Subsequently assessed historic and open file data before applying for any licences
1996	First licenses acquired	Exploration commenced
1997	OFEX listed	
2000	AIM listed	Raised funds for continuing exploration from Placing of 4.90m shares @25p
Jan-01	Gold discovered in County Armagh	Successful trenching followed by drilling 6.5km North East of Clontibret
Apr-01	30 mile gold trend indicated	Following geochemical sampling in the Slieve Glah area 30 miles (50km) South West of the Armagh discovery
Jun-03	Gold in bedrock identified at Slieve Glah	Following trenching programme
Sep-04	SRK Report indicates potential to find several similar or bigger deposits than Clontibret	SRK states that results from the Company's exploration activities in Ireland are 'positive' and 'advance its intention to find 1m+ ounces of gold in the Longford-Down Massif licences'.
Sep-05	Demerger of Karelian Diamond Resources Plc	Upon demerger issued 10.257m shares to Conroy shareholders on a 1 for 6 basis. Karelian (focussed on Finland) listed on AIM on 1/9/05
Jun-06	Airborne geophysical survey	Detailed multi-component airborne geophysical survey over licence area
Nov-06	Purchase Finnish gold exploration operations	Acquired from Conroy Plc via the issue of 19.294m new shares @3.5p to meet the €1m independent valuation
Dec-06	Identified gold anomaly in Finland	Shallow 750m x 300m gold-in-soil anomaly
Jan-07	First 1m oz JORC compliant resource outlined by CSA	500,000 oz of inferred gold + 64,000 oz indicated. Both at a cut off grade of 1g/t but related to sub 20% of Clontibret area. (1m oz @ 0g/t cut off)
Jul-08	Upgraded 1m oz JORC compliant resource at Clontibret	Indicated resource 440,000oz. Inferred resource now 590,000 oz. Both at a cut off grade of 0.75 g/t and again sub 20% of Clontibret area
Feb-09	Identified a gold-in-soil anomaly larger than Clontibret	Clay Lake target discovered with the best gold-in-soil values yet encountered
Feb-09	Potential for 15-20m ounces of gold on Irish licences	Suggested by in-house conceptual studies.
Jun-09	Extensive zinc in soil anomaly discovered	South of Clay Lake
Jan-10	Successful drilling results from Clay Lake	63 metres @ 0.62g/t gold and 1g/t silver including 9 meters of 1.48g/t gold
Feb-10	Scoping study commenced at Clontibret	Wardrop Engineering appointed to undertake to JORC standards. Plus to consider other nearby discoveries including Clay Lake
Apr-10	Fund raising	Raised c £1.9m via the issue of 47.6m shares to Kenglo One @ 4p
Jul-10	Golder Associates appointed	As Environmental Consultants for the scoping study at Clontibret
Oct-10	Fund raising	Raised £1.8m through a placing and subscription @ 6p, debt capitalisation of £0.6m @ 6p
Jan-11	Change of Name	From Conroy Diamonds and Gold to Conroy Gold and Natural Resources
Feb-11	Results of Scoping Study	Positive results on both financial and technical grounds
Mar-11	Positive results on Clay Lake Drilling	Step out drilling programme in the north corner; three further holes intercept gold mineralisation including 11.5 metres of 1.44 g/t gold
Apr-11	Positive results from Clontibret infill drilling	10.15 metres of 4.38g/t gold, including 2 metres of 11.24 g/t gold, at start of 3,550 metres drill programme
Dec-11	Scoping Study Update	Mine life increased to 11.2 years, in situ mining over 50,000oz gold per annum in first 5 years of mine life
Mar-12	Further positive drilling results at Clontibret	These results completed latest phase of infill drilling totalling 3,258 metres
Sep-12	Clontibret Gold Project – Metallurgical Testwork	Agreement with Gold Fields Limited to undertake testwork; 350 kilogrammes of drill core samples to be tested
Oct-12	Slieve Glah - further gold targets discovered	The discovery of a series of further large gold-in-soil targets within its Slieve Glah licence areas in County Cavan following a detailed gold-in-soil survey

Source: Company reports

*Raise funds...or
joint venture*

We see several catalysts for the share price to improve over the coming months. In particular, a growing realisation of the scale of the discovery which Conroy has made and the significance of the potential within the industry is in our opinion likely to be a major catalyst for the share price and as news releases are issued on further progress in relation to the development of a mine at Clontibret this should also benefit the share price. At Clay Lake, we may also get positive news flow regarding drilling results. There is also the possibility of further discoveries elsewhere within the Company's licence areas.

Clearly however, if these events fail to be appreciated fully by the market, then the Company may well decide not to raise significant funds from the market to complete development on a solo basis with an acceptable dilution but to farm-out or joint venture as a means to access finance and at the same time provide validation of the value it has generated.

1.4 The Irish card

*Ireland investor
friendly for
mining*

We believe that another source of upside catalyst for Conroy is the growing realisation among the investment community, not only that Ireland is an investor friendly country for mining but also that as the cost and difficulties of doing business in traditional major gold producing countries is rising sharply. In particular, the major gold producing areas of South Africa and South America have been hit hard by rising wage and power costs and indirect costs of the social and political instability.

With commodities having come off their peaks, investors are focusing and becoming increasingly concerned with production costs and the impact on margins. Costs are going up across the board. Bumper profits have fuelled labour unrest, driving unions to demand higher wages. An explosion of new taxes and royalties is pushing up regulatory compliance costs. The price of haul truck tyres alone have tripled in the past decade to \$100,000. Energy and power prices are also on the rise. Capital expenditures, too, are reaching a new peak. In the rush to produce, mining companies continue to expand in more challenging provinces. This not only triggers expenditure on new equipment, but significant long-term infrastructure investments including railways, ports, housing and schools. To exacerbate the situation, political uncertainties and currency volatility are making it exceptionally difficult to contain costs in dollar terms.

One of the main battles to maintain profitability is with government taxes - resource sector profits have long been tempting to governments. In recent years, mining royalties have increased in Australia, Chile, Peru, South Africa, Ghana, Tanzania and Burkina Faso, while new export duties have been introduced in India, Kazakhstan and Russia. In Indonesia, mines are now obliged to help the country meet its energy commitment before they can access export markets.

Notably, the bid to increase national revenues now extends beyond the introduction of new tax legislation. In addition to royalties, which tend to be charged against revenues, many governments have begun to impose super-profit taxes, discovery bonuses, resource rents, license fees, environmental levies and reconstruction tolls. Amid these rising levels of resource nationalism, some countries are even threatening to renegotiate existing tax stability agreements, throwing mining company financial projections into disarray and heightening political risk.

For companies already invested in potentially fiscally-unstable regimes, this new level of taxation is bound to affect profitability. At the same time, it is spurring mining companies and investors to think long and hard about where to invest in

the future. To maximise returns and manage political uncertainty, the financial models must strike the right balance of jurisdictions, social and economic imperatives.

In this context, China's dominant role both as a producer and consumer of gold, both at home and abroad, has clear implications. As a growing consumer of precious and rare earth metals, China has shown tendencies to restrict exports to ensure that there is sufficient supply for its technology industries. It is also influencing the supply of gold from African countries, in particular with a focus on the mining belt of central southern Africa, an area well endowed with copper, iron, gold, manganese and other base metals. China has made large equity and debt investments not just in mining but also supporting infrastructure.

For major consumers of gold outside China, there is a risk that they are increasingly cut off from a large proportion of suppliers controlled by Chinese companies. They are likely to look at more stable sources of supply of gold such as Ireland.

For any industry in general, Ireland remains a good place to do business in terms of availability of skills and infrastructure, and stability in corporate taxation and other fiscal policies, and is very competitive in worldwide terms being ranked 9th in attractiveness by the prestigious Fraser Institute.

The corporation tax rate for mining companies in Ireland is 25%, twice that of the general level for manufacturing, but still very competitive in mining terms and has been stable which ensures that mining companies can invest without worrying about sudden changes in fiscal policies. There has been no attempt by the Irish government to impose additional taxes and royalties to exploit rising profits in recent years. There is minimal intervention from the government on wages like in several African countries. The Irish Government does not demand a stake holding and has publicly made clear that the mining industry has the full support of the Government.

*Ireland...a new
Minerals Act*

In fact, existing producing mines have limited lives (e.g. Galmoy and Lisheen are scheduled to close over the next two to three years), underlining the need to continue to promote exploration and at least maintain employment levels. Currently approximately one quarter of Ireland's land area is under about 500 active exploration licences.

2 Company Description

Conroy is an AIM listed junior exploration company primarily focussed upon gold. Operations are predominantly conducted in Ireland. The Company holds exclusive 100% owned licences to explore for both gold and base metals in Northern Ireland and the Republic of Ireland (aggregate areas of c. 450 sq. miles (c. 1166sq km)) in a geological structure called the Longford-Down Massif. An exploration licence confers an absolute preferential right to any subsequent mining licence. The NI licences are located in County Armagh, whilst the ROI licences in the Massif are in Counties Cavan and Monaghan.

The Company has also acquired licences in Counties Clare, Tipperary and Kilkenny which have similar geology to Armagh, Monaghan and Cavan area where gold has also been discovered. Conroy also has a licence in Northern County Cavan off trend that it is evaluating for mineral potential. There is also ongoing investigative activity in Finland.

Conroy's most detailed appraisals have been at Clontibret, where a JORC compliant mineral resource of 1 million+ ounces of gold has been identified on 20 per cent. of the Clontibret target. A subsequent Scoping Study undertaken using a cut off width for mining purposes of 2 metres and a cut off grade of 0.60g/t gold gave a tonnage of 11,709,700 tonnes and a total of over 600,000 oz of gold at 1.60g/t gold (Indicated 259,956 oz gold, Inferred 341,148 oz gold) was positive both technically and financially.

Overall in the 30 mile gold trend, on the basis of in-house conceptual studies some 15-20m ounces of gold are felt likely to exist within the Company's licence area.

It must be remembered that when Conroy took over the Clontibret licence, the non JORC compliant estimated resource at Clontibret amounted to only 4,530 oz gold. Conroy, through its exploration and delineation has not only discovered an independently estimated 1,000,000 oz JORC compliant resource on 20 per cent of the Clontibret target but has also discovered a 30 mile gold trend with a series of other major gold targets (Glenish, Clay Lake and Slieve Glah) all with gold proven in bedrock and all lying within Conroy's licence area.

2.1 Clontibret Gold Target

The Clontibret gold target, which lies c. 120 km North-West of Dublin and c. 80 km South-East of Belfast was for historic reasons the most explored and documented of Conroy's Armagh-Monaghan-Cavan gold targets. An old antimony mine was located there in which gold was identified in back channel samples when the mine shafts were dewatered in 1950's. The results included 34.98 g/t gold over 0.92m, 10.29g/t gold over 2.44m, 12.69g/t gold over 1.88m. Subsequent drilling in the vicinity confirmed the presence of gold but was hampered by poor recovery, however, Conroy implemented modern drilling techniques which led to improved recovery.

Until Conroy acquired licences in the area and commenced exploration, Clontibret was the only significant known gold occurrence in the area and was thought simply to be a small isolated deposit of 4,530oz of gold. Its actual size was unknown, as was the fact that it was but one part of the thirty mile gold trend that Conroy subsequently discovered. It remains the case that as yet only 20% of Clontibret has been appraised even by Conroy. Gold intersections have, however, been encountered in the remaining 80 per cent of Clontibret including 11m @ 5.34g/t gold and 21m @ 1.82g/t gold.

An updated Resource and Evaluation prepared by Tetra Tech Wardrop Engineering Inc on the 20 per cent portion of the Clontibret gold target was published in December 2011. The evaluation was based on a long-term gold price of US\$1,372 per oz gold and used a minimum mining width of 2m and a cut-off grade of 0.60g/t gold and concentrating on the high grade portions of the stockwork zones. This gave a tonnage of 11,709,700 tonnes and over 600,000 oz at 1.60 g/t gold (Indicated 259,956 oz gold, Inferred 341,148 oz gold). The mineral resource was evaluated for mining potential using Whittle pit optimisation software.

The Whittle evaluation showed within a conventional open pit configuration, a stripping ratio of 9.4, a production rate of 800,000 tonnes per annum, a gold head grade of 1.53g/t gold, an assumed overall recovery rate of approximately 85% using a bio-oxidation process; in-situ gold averaging over 50,000 oz per annum in the first five years of mine life and a mine life of 11.2 years with capital costs of US\$77.8m and a payback period of two years.

The economic evaluation was based on a pre-tax financial model, taking a base case commodity price for gold of US\$1,372 per ounce, giving an IRR of 49.4% and a NPV, at an 8% discount rate, of US\$72.3m.

In March 2012, the Company announced further results from its infill drilling programme at its Clontibret gold project, which completed infill drilling totalling 3,258 metres. This phase of the infill drilling programme concentrated on further defining the resource area within the pit area as proposed in the scoping study by Tetra Tech Wardrop. Both lode zones and the stockwork zone were identified. The results confirmed good continuity with the known mineralisation in the area. These drill holes and the previous infill drill holes also provided geotechnical information for mine design purposes together with ore material for metallurgical test work.

In September 2012, the Company announced that it had signed an agreement with Gold Fields Ltd to undertake mineralogical characterisation and metallurgical testwork on drill core samples provided from its Clontibret gold project. The samples total over 350 kgs of drill core and have been dispatched to South Africa for testing. The samples are comprised of ore grade material with a 10% dilution factor and represent a similar grade to that expected for run of mine. The pre-feasibility metallurgical testwork will comprise Comminution, Flotation and BIOX® Testwork. The testwork will be 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.

*Goldfields to
undertake
testwork*

2.2 Clay Lake Gold Target

This gold target area includes the Cargallisgoran prospect as well as the Clay Lake prospect which gives its name to the entire anomaly/target area.

Conroy Gold discovered the Cargalisgorran Gold Target in January 2001 which lies approximately 1Km South-West of the Clay Lake Gold Target and is now considered a satellite of the Clay Lake target.

A detailed programme of soil sampling and geological mapping and interpretation at Cargalisgorran led to a successful trenching programme identifying a series of mineralised zones in the bedrock.

A follow up drilling programme intersected the extension of these zones and returned mineralised intercepts of 6.94m grading 4.14g/t gold and 9.27m grading 1.88g/t gold.

Subsequently, Conroy discovered the Clay Lake Gold Target which is a very large gold target extending for 2 km by 1 km, (c.140 ha / 350 acres) 4.5 miles to the North-East of the Clontibret gold target. The anomaly is named after the Clay Lake Nugget; a 30.05g nugget with a gold content of 28g found in the 1980's which is now in the Ulster Museum.

Gold-in-soil values averaging over 50 ppb, with the highest gold-in-soil value seen to date in the Company's licence area of 1,531 ppb gold (1.53g/t gold) were recorded in the soil samples collected over the target area. The surface area of the discovery is greater than that of Clontibret (c.125 ha / 310 acres) and the gold-in-soil concentrations are double the average of those recorded at Clontibret.

Rock chip samples identified gold in bedrock which comes to surface in the Northern part of the Clay Lake target in the form of a black carbonaceous stockwork. The rock chip samples in the exposed rock returned 18 metres at 0.47 g/t gold and included 3 metres at 1.30 g/t gold before the exposure ceased.

In 2010, Conroy announced that a drilling programme, in the North-Western corner of the Clay Lake target, had returned positive results identifying a 450 metre open ended zone of black carbonaceous stockwork with the second drill hole intersecting 63 metres @ 0.62 g/t gold including 9 metres @ 1.48 g/t gold. Some other highlights from this drilling included 11 metres @ 1.44g/t gold, 53metres of stockwork @ 0.60g/t gold including 10.25 metres @ 1.37g/t gold and 8 metres @ 0.93g/t gold including 3 metres @ 2.13g/t gold.

The management believes Clay Lake is even more prospective than Clontibret.

2.3 Slieve Glah Gold Target

*New targets
identified at
Slieve Glah*

Slieve Glah is c.40km South-West of Clontibret. This month, the Company announced the discovery of a series of further large gold-in-soil targets within its 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), both now also totalling over 3 km (1.9 miles) in length. Anomalous gold values returned from the assay analysis ranged from 4 ppb gold to over 300ppb gold. In Ireland, over 10ppb gold is considered highly anomalous in soil samples and during follow-up drilling and/or trenching over such anomalies 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 c. 100m grid. Assay analysis returned maximum gold values of up to 140ppb gold with over 30 per cent. of the soil samples returning elevated gold values of greater than 10ppb gold. Gold had previously been confirmed by the Company in bedrock in the Slieve Glah target area through trenching and drilling.

The gold in soil targets identified by the soil sampling survey appear to be structurally controlled and 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.

2.4 Glenish Gold Target

The Glenish Gold Target is an extensive gold geochemical anomaly discovered by the Company 7km (4.5 miles) to the South-West of Clontibret and has gold proven in bedrock. The gold target is located on the intersection of two major faults, the Glenish Fault and the Orlock Bridge Fault. Though still at an early stage initial exploration work has produced grab samples up to 9.4 g/t gold in bedrock and drilling of 2.2 metres at 1.32 g/t gold.

3 Valuation

We believe Conroy is significantly undervalued compared with comparable gold exploration companies, many of which are located in countries where production and costs are subject to political and economic uncertainties. There is a plethora of gold explorers with which Conroy can be compared, with the number rising apace following the long gold price bull market. We have examined only those which have compliant resource numbers so that earlier stage explorers are ignored.

On an EV per ounce of resource basis, Conroy compares favourably with most of London listed concerns, particularly given that its resource is based on a cut-off grade 0.6 g/t, which is higher than its peers. Independent scoping studies have shown that a mine on a 20 per cent section of one target – Clontibret, is viable on both technical and financial grounds.

Valuation of mining companies with only gold resource

Company	Country	Enterprise Value (£ m)	Gold resource (m oz)	EV/ounce of resource (£)	Cut-off grade g/t
Ortac resources	Slovakia	6.0	1.4	4.4	0.4
Bullabulling	Western Australia	11.0	3.2	3.4	0.5
Conroy Gold and Natural Resources	Ireland	4.0	0.6	6.7	0.6
Kryso	Tajikistan	94.0	5.0	18.7	0.5
Shanta Gold	Tanzania	90.0	2.6	34.3	0.5
Galantas	Northern Ireland	9.0	0.2	38.4	0.5
Red Rock Resources	Kenya & Greenland	29.0	0.6	45.0	0.5
Goldplat	Kenya, Burkina Faso and Ghana	22.0	0.3	64.5	0.5
EMED	Cyprus, Turkey, Slovakia & Spain	110.0	1.1	104.1	0.5
Sector Average				35.5	

Source: Fidessa, Company reports, Hybridan LLP estimates

4 Investment risks

The prominent risks are financing, dilution and execution of the various projects. The Company needs more cash to finance exploration of its prospects and to complete the remaining steps for the 20 per cent of the Clontibret gold project. We estimate that the cost of pre-feasibility and feasibility studies, and mine permitting on the 20 per cent of Clontibret will require £10-12m.

In May this year, the Company secured up to £2.75m (€3.4m) by way of a Standby Equity Distribution Agreement (SEDA) with YA Global, an investment fund managed by Yorkville Advisors, LLC. This equity facility has the benefit of being discretionary but does enable the Company to have convenient further access to capital to advance the project should the Company deem it appropriate.

5 Financials

Balance Sheet

Year-end May, €	2009A	2010A	2011A	2012E
Assets				
Non Current Assets				
Intangible Assets	8,736,915	9,802,468	11,759,028	13,509,028
Investment in Subsidiary	2	2	2	2
Property, Plant and Equipment	24,791	14,424	23,849	16,000
	8,761,708	9,816,894	11,782,879	13,525,030
Current Assets				
Trade and Other Receivables	24,982	56,381	81,323	81,323
Cash and Other equivalents	61,744	1,648,160	749,459	198,409
	86,726	1,704,541	830,782	279,732
Total Assets	8,848,434	11,521,435	12,613,661	13,804,762
EQUITY AND LIABILITIES				
Capital and Reserves				
Called up share capital	3,170,649	5,713,935	6,913,935	8,112,257
Share premium	5,491,037	6,273,383	7,656,028	7,897,784
Capital conversion reserve fund	30,617	30,617	30,617	30,617
Share based payments reserved	433,630	582,656	731,682	875,000
Retained losses	-2,966,030	-3,256,475	-3,684,445	-4,348,164
Total Equity	6,159,903	9,344,116	11,647,817	12,567,494
Non-current Liabilities				
Financial Liabilities	1,928,473	1,636,661	646,673	588,097
Total Non-current Liabilities	1,928,473	1,636,661	646,673	588,097
Current Liabilities				
Trade and other payables	760,058	540,658	319,171	649,171
Total Current Liabilities	760,058	540,658	319,171	649,171
Total liabilities	2,688,531	2,177,319	965,844	1,237,268
Total Equity and Liabilities	8,848,434	11,521,435	12,613,661	13,804,762

Source: Conroy Gold & Natural Resources plc, Hybridan LLP estimates

Income Statement

Year-end May, €	2009A	2010A	2011A	2012E
Operating Expenses	-298,155	-151,793	-364,356	-500,000
Finance income – bank interest receivable	0	77	5,764	1,000
Finance costs – interest on shareholder loan	0	-138,729	-69,378	-9,000
Other income	36	0	0	0
Loss Before Taxation	-298,119	-290,445	-427,970	-508,000
Taxation	0	0	0	0
Loss retained for the year	-298,119	-290,445	-427,970	-508,000
Loss per ordinary share	-0.0025	-0.0021	-0.002	-0.002

Source: Conroy Gold & Natural Resources plc, Hybridan LLP estimates

Cash Flow Statement

Year-end May, €	2009A	2010A	2011A	2012E
Cash Flows from Operating Activities				
Operating Expenses	-298,155	-151,793	-364,356	-500,000
Working Capital/other movements	454,011	1,624	-203,202	330,000
Cash used in operations	155,856	-150,169	-567,558	-170,000
Tax paid	0	0	0	0
Net cash used in operating activities	155,856	-150,169	-567,558	-170,000
Cash flows from investing activities				
Investment in exploration and evaluation	-786,164	-945,021	-1,836,028	-1,750,000
Payments to acquire property, plant and equipment	-5,409	-206	-24,158	-1600
Net Cash used in investing activities	-791,573	-945,227	-1,860,186	-1,751,600
Cash flows from financing activities				
Shareholder loan	588,029	0	0	0
Issue of share capital	0	3,000,632	1,895,105	1,347,078
Advances of shareholder loan	0	190,000	0	22472
Repayment of shareholder loan	0	-508,897	-42,424	0
Bank interest received	0	77	5,764	1,000
Interest paid on shareholder loan	0	0	-329,402	0
Net cash generated from financing activities	588,029	2,681,812	1,529,043	1,370,550
(Decrease)/Increase in cash and cash equivalents	-47,688	1,586,416	-898,701	-551,050
Cash and cash equivalents at beginning of year	109,432	61,744	1,648,160	749,459
Cash and cash equivalents at end of year	61,744	1,648,160	749,459	198,409

Source: Conroy Gold & Natural Resources plc, Hybridan LLP estimates

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