

Irish Gold Report



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Digging for gold in the Emerald Isle

Ireland has once again become a new gold frontier. Ratings such as “significant” are being linked to its gold resources for the fourth time in its long mining history.

Ireland is already a world player in minerals for zinc (44% of EU27 production) and lead (25% of EU27 production). In 2011 total mineral exploration spend was around US\$38m (up over 30%) and the 595 exploration licences covered 25% of the country according to the **US Geological Survey**.

Currently the north and south together find themselves hosting five international stock market listed gold companies. Gold is in production again and there is even talk of a potential boom!

Over the last decade the price of gold has risen steadily from under \$300 dollars an ounce in 2000 to around \$1,900 in 2011 and currently sits at around \$1,250. With burgeoning demand from emerging economies around the world (India, China and the Far East in particular) and continuing concern over the global economic situation the long term fundamentals look set for strong gold prices for many years to come. Such is the environment encouraging operators to look to this non-traditional location.

Another major attraction being, as the global incidence of resource nationalism rises, Ireland’s history of minimal intervention stands out in the industry. It is a mining friendly country.

More encouragement comes from Ireland’s tax regime, social development and mining skills. Everything a miner needs is already in place (roads, power, etc) and that makes costs relatively low. High investment climate marks also give Ireland No.6 position in Canada’s influential **Fraser Institute of World Mining** survey’s ranking of 96 Mining Jurisdictions.

There is plenty of proof that gold exists in Ireland. Evidence of the first Irish gold boom is still around today in the form of incredibly beautiful Bronze Age (2,000BC-400 AD) artefacts in the National Museum in Dublin. Archaeologists believe that most were made with local gold.

More inspirational, as the records are better, is the second phase - the gold rush of the 18th and 19th centuries. Alluvial gold was panned widely, notably in what is now called the **Gold Mines River** area in Co. Wicklow. Attempts to locate the bedrock source of that gold have yet, even in the 21st century, to find success; though two 21st century mining companies are now exploring the region.

Then in the 1980-90s, a further 130 gold occurrences and six small deposits were discovered, though the 1990s witnessed a halt to much of the work as the gold price fell and regulations tightened.

Today the world is a very different place and Ireland’s current economic woes would certainly prescribe a re-evaluation of its priorities. And with gold’s economic status in the ascendancy the prospects for Ireland as a gold producing region certainly look compelling and there is no doubt that, these days, companies certainly take greater care as to how they manage their environmental risks. In fact, Ireland’s world class zinc mines are internationally respected for their high environmental standards.

Conroy Gold is one company which was quick to realise Ireland’s gold potential using modern exploration techniques; with multiple prospects believed to contain multimillion ounce potential along a 50km (30 mile) gold trend stretching across the Republic of Ireland and Northern Ireland.

With any investment, timing is always a crucial factor. So perhaps for investors following the Irish gold story, this time round it could well be a case of being in the right place at the right time!

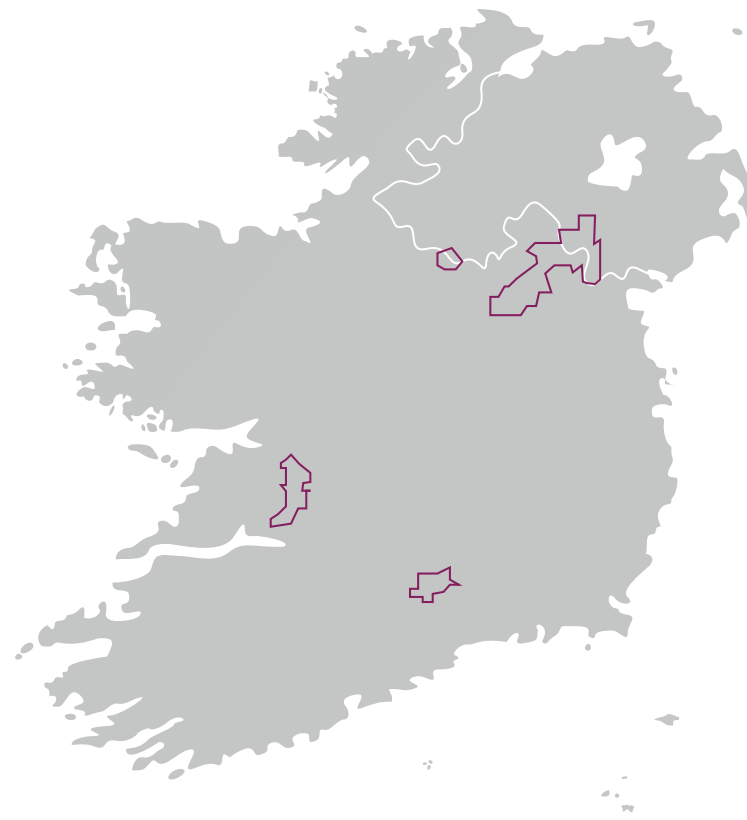


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Date	July 2013
Price	1.35p
Market Cap	£3.93m
Code	CGNR
Listing	AIM
Shares in issue	291m



Conroy Gold and Natural Resources

Prof. Richard Conroy: the concept, conviction and confidence

Conroy Gold and Natural Resources (LON:CGNR), the Irish AIM-quoted gold explorer and developer, is a tribute to one man's conviction and the dedication and commitment of the team around him. Remembering his Irish history, Professor Richard Conroy decided to search for Irish gold in the mid-1990s, taking the exploration company he set up to London's OFEX market in 1997 and then, in 2000, onto the AIM market.

His conviction and confidence, track record in successful exploration and the case built for Conroy's Irish gold concept, have gained backing from Irish and UK investors totalling around £12m to date. Now, getting on for 16 years in, Conroy Gold has progressed a long way. The company has discovered a 30 mile gold trend along which it has identified a series of highly prospective targets and it has secured the licences covering the area.

When Conroy acquired the Clontibret licence, the non-JORC compliant resource amounted to just 4,530 oz/Au. In 2007 an indicated resource figure of 1.3m

tonnes grading 1.4g/t (64,000oz contained) at 1g/t cut-off was assessed by international mining consultants CSA. The company subsequently determined a JORC compliant resource exceeding 1m ounces and, in 2011, a scoping study undertaken by TetraTech utilising a mining focused assessment with a cut-off grade of 0.6g/t Au and a minimum mining width of 2 metres gave a total of over 0.6m oz of gold at 1.60g/t Au. The Scoping Study was positive both technically and financially.

"This has all been achieved in what is by industry standards a short space of time and at minimal expenditure," comments brokers Hybridan.

Conroy has commenced the technical and environmental studies required to obtain mining and planning permits to bring the first gold mine on the trend into production and is now poised to take the crucial step of securing partners – the choice could be a joint venture or a farm-out. With his usual scrupulous attention to detail and research, Professor Conroy has already lined up options.

A professor of physiology (he is now Professor Emeritus) Professor Conroy has established an impressive record – new partners can be assured that, commercially, he delivers. His first steps were to make his fortune, elsewhere than gold but still in Irish resources, which have been a hothouse for entrepreneurs.

He also, along the way, took the time to serve as a Fianna Fáil senator in parliament for two terms in the '70s, 80s and 90s, acting at times as government spokesman in the upper house on energy, industry, commerce and foreign affairs.

His initial commercial move came in the mid-1970s when he established Trans International Oil to explore for oil off the Irish coastline and then merged it with Aran Energy in 1979. He led the formation of the Deminex Consortium, which included international giants such as Mobil and Amoco. He created Conroy Petroleum and Natural Resources in 1980 (working with two of his current Conroy Gold board, Maureen Jones and James Jones). The company was renamed Arcon International Resources after taking over Atlantic Resources in 1992.

With Conroy Petroleum the three built a successful record of exploration at Galmoy in Ireland and found commercially viable zinc metal deposits (Arcon was bought in 2005 by Lundin Mining of Canada). Outside of Ireland, he also enjoyed success as part of the Stone Boy Consortium, which discovered the Pogo gold deposit in central Alaska subsequently developed by Teck Cominco as a major gold mine and now run by Sumitomo Metal Mining.

Highly knowledgeable of the anatomy of a good business case, he has always ensured that Conroy Gold has had the backing of the best possible international names. Thus the company's auditors are Deloitte and advisors have included major consultancy firms in the resource field such as world renowned environmental group Golder Associates, US-based global consulting engineers Tetra Tech and South African giant Gold Fields' and environmental business, BIOX.

When it comes to negotiating with new partners, Professor Conroy can demonstrate his commitment. As an investor holding 24% of the company's equity he remains by far Conroy Gold's largest shareholder and has supported the company's capital raisings with his own money.

What you get for your Money with Conroy Gold

Conroy Gold's current market cap is a mere £3.93m. That gets you:

- Exploration Assets – principally a 30 mile gold trend
- Million+ oz JORC-compliant gold resource on just 20% of one target (Clontibret)
- Potential of 15-20m ounces in a series of significant gold targets
- A technically and financially viable open pit surface mine gold project with an NPV of U\$72.3m
- Probability that licence areas could also host significant zinc potential
- A stake in one of the world's safest and most investor friendly mining jurisdictions
- A severely under-priced investment opportunity created on selling by two distressed funds, alongside the fallout from a bottoming precious metals mining sector

Clontibret

Clontibret is where it all began for Conroy Gold and where it hopes to have a producing mine within three years. Latest metallurgy test results augur well, “fitting in” with this schedule, says Professor Conroy. Most importantly they indicate improving financial returns.

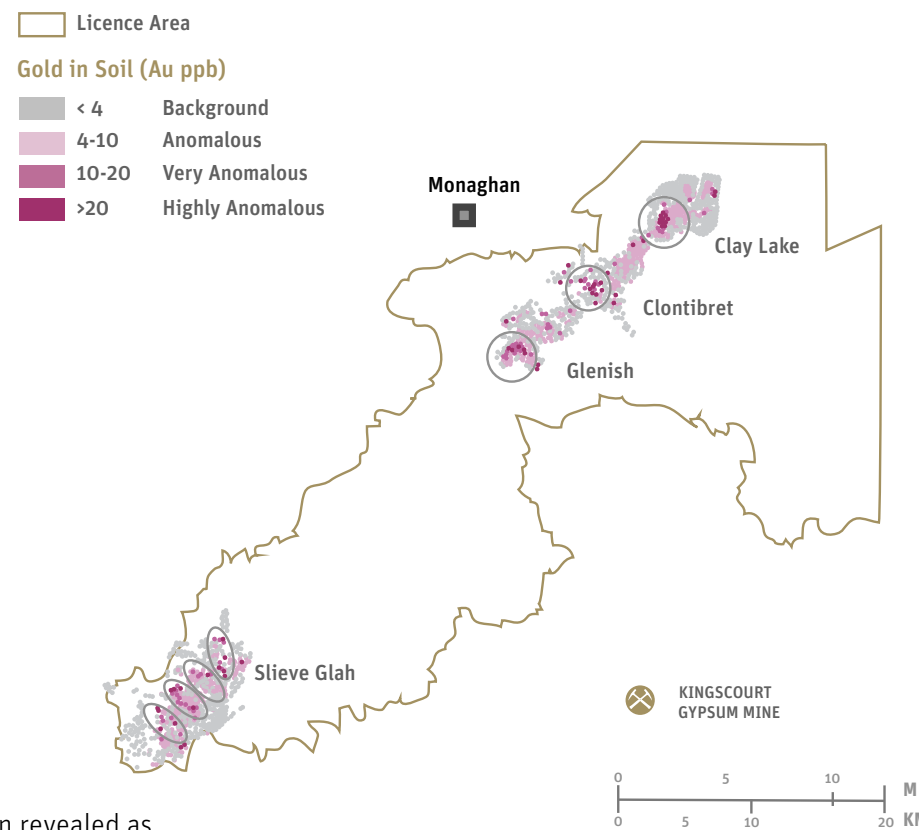
While still the flagship, but not now the largest of the company’s Armagh-Monaghan-Cavan targets, Clontibret’s first attraction was the head start given by its good documentation. An old antimony mine was located there in which gold was identified when the shafts were dewatered, then subsequent drilling confirmed the presence of gold.

However, it needed Conroy Gold to acquire the licences and begin exploring with modern techniques to discover its true value. The Clontibret deposit has been revealed as not a small isolated one, but just one part of a vast 30 mile gold trend along the borders of Northern Ireland and the Republic.

Now, Conroy Gold believes, on the basis of in-house conceptual studies, some 15-20m ounces of gold could well exist within the company’s 100%-owned licence areas which cover this trend. Underlying these figures is the fact that at Clontibret itself an independently appraised JORC compliant mineral resource of 1m+ ounces has been estimated on just 20% of the target – this assessment gives an idea of the resource on which reasonable prospects exist for eventual economic extraction.

A geologically more narrowly focused assessment, limiting the area of analysis to the high grade vein zones, has been carried out as a base for mine costing and to provide an outline of work needed through to construction. This was the **2011 Scoping Study** undertaken by US-based global mining consultants, Tetra Tech Wardrop, which showed that there is a compelling case for a technically and financially viable open-cast mine. It brought a significant upgrade, raising the contained gold by over 120% and lowering costs by 9%.

The study used a minimum width of two metres and a cut-off of 0.60 g/t gold. This gave a total of 601,104 oz of gold at 1.60g/t, of which 259,956 oz gold was indicated and 341,148 oz gold inferred.



The mineral resource was then evaluated for mining potential. That was based on a conventional open pit configuration, a stripping ratio of 9.4, a production rate of 800,000 tonnes a year, a gold head grade of 1.53g/t gold and an assumed over-all recovery rate of around 85% using a bio-oxidation process. The in-situ gold average was over 50,000 oz a year in the first five years of mine life, with a total of 11.2 years. Capital costs were put at US\$77.8m and the pay-back at two years.

Using a base case for gold of \$1,372 the study showed an IRR of 49.9% with a Net Present Value (NPV), at an 8% discount rate, of \$72.3m.

“We believe that there is little justification for the current market apathy,” comments broker Hybridan on Conroy Gold’s share price. In the remaining 80% of Clontibret, gold intersections encountered have been encouraging, including 11m@5.34g/t gold and 21m@1.82g/t gold.

Last year saw further confirmation of Clontibret’s attraction from infill drilling to help define the resource within the pit area proposed in the Tetra Tech Wardrop scoping study. These showed good continuity with known mineralisation in the area.

2013 opened with positive results from metallurgical test work by mining giant Gold Fields’ technical arm, showing that the ore was amenable to conventional grinding processes. Then came the good news that the flotation test undertaken by Gold Fields showed 90% recovery rates, which is higher than the figure allowed for in the scoping study. Equally good is a figure of 8% for the sulphur grade in concentration against the 12% in the scoping study.

“This is most encouraging both technically and financially,” Professor Conroy commented at the time. Estimates put the effect of these results as increasing the IRR from the 49.4% in the Scoping Study to over 55% and raising the net present value from \$72.3m to over \$90 million, even when using the same base gold price.

Further positive mineralogical testwork was announced in June 2013 with regard to the amenability of the Biox® process proposed in the Scoping Study and the extent of potential gold recovery.

These figures are extremely important as broker Hybridan’s analyst Sanjay Jha points out, Conroy Gold needs more cash to complete the remaining steps for this first mine at Clontibret “We estimate that the cost of pre-feasibility and feasibility and mine permitting on the 20% of Clontibret will require £10-12m,” he comments. The company recently raised £573,183 (at 2.75p and a premium to the market), but that is to carry out existing programmes at the Clontibret Project and also at the Clay Lake and Slieve Glah gold targets.

Not that Conroy Gold, in his view, is short of options. “If the market continues to undervalue Conroy, we expect the management to farm out or joint venture its project to raise funds.”

Hybridan expects success on the funding front to “highlight the underlying value of the company.” There is plenty of justification for this optimism – after all, the Professor has a good track record to show he can find top quality partners and his other quoted mining company, Karelian Diamonds, currently has a joint agreement with mining giant Rio Tinto.

It is not, Professor Conroy is at pains to point out, that he couldn’t arrange partnerships before now. It is just that he was “not prepared to be diluted at an early exploration stage”. Having made so much progress, the timing may now be right.

Other targets

Conroy Gold’s notable scores include four exciting primary gold targets in addition to its flagship, Clontibret, along its 30-mile gold trend on the Longford-Down Massif. The company has been steadily expanding its licence areas and has opened up the possibility of a multi-deposit gold strategy. Exploration at other targets along its 30 mile trend, though at an early stage, have shown exciting results.

Clay Lake

Auspiciously named after a 30.05g nugget found in 1980, this target is even larger than Clontibret, with the highest gold-in-soil values recorded on Conroy Gold’s licences so far. The site is just 5km northeast on the other side of the border in County Armagh.

Clay Lake is a carbonaceous shale hosted gold deposit and encompasses many of the geological attributes of major sediment-hosted gold deposits. The widths encountered in initial drilling suggests the potential for very high tonnage and overall gold content.



Slieve Glah

Sited around 40 km south-west of Clontibret in Co. Cavan, this has shown to contain a series of large gold-in-soil targets. In October last year two new targets, each over three kilometres in length, were discovered. One target showed assay values of up to 140ppb with over 30% of the soil samples returning gold values of greater than 10ppb gold.

In addition assay results, comprising over 900 samples, extended the surface area of two known gold targets by over a kilometre so that these also total over three kilometres. Anomalous gold values returned from the assay ranged from 4ppb gold to over 300ppb gold. (In Ireland over 10ppb gold is considered highly anomalous in gold samples, points out broker Hybridan).

Glenish

Exploration work at this project is still at a preliminary stage. A very promising and extensive gold geochemical anomaly, larger than that at the Clontibret target, has been discovered, with the presence of gold verified in the bedrock. Initial work has produced grab samples of up to 9.4g/t gold in bedrock, and drilling of 2.2 metres at 1.32 g/t gold.

Zinc Anomaly

Adjacent to the gold trend is a historic lead-mining area, the “South Armagh-Monaghan Mining District”. To the south of this district the Company has discovered an extensive zinc-in-soil anomaly of which 100km² is above 200ppm Zn, including an area of 20km² with zinc-in-soil values in excess of 500ppm. These are highly anomalous zinc-in-soil levels. The zinc discovery further expands the metallurgical potential of the area.



Core drilling on one of the company's gold targets

Environmental de-risking

Risk is inescapable in mining, but **Environmental Risk** is an area that Conroy Gold is taking great pains to minimise. Ireland, like most nations is keen to encourage new industries capable of supporting the livelihoods of a multitude of workers. And Conroy Gold's proposed Clontibret mine would do just that. But there is also a clear demand for the highest environmental protections to ensure the safety and security of the people, wildlife and natural environment at large. Responsiveness to environmental standards and corporate stewardship is high on the agenda of any serious resource developer and Conroy Gold is absolutely committed to address the environmental requirements of all their operations. In particular Conroy Gold has been testing out some world-leading new biomining techniques.

As part of the on-going feasibility work for the Clontibret project Conroy Gold has brought in Gold Fields and its specialist international metallurgical partners **SGS South Africa**. Gold Fields owns the **BIOX biological process**, which uses a mixture of bacterial cultures to break down the sulphide minerals and liberate occluded gold for cyanidation. This process is an excellent alternative to less environmentally-friendly roasting with its attendant toxic gases.

BIOX offers a key advantage over alternative processes for refractory gold recovery which, according to **Mining Magazine**, includes “low impact on the environment”. There are bottom-line benefits, too. It offers improved rates of recovery, lower CAPEX and running costs.

Conroy Gold has also been evaluating pressure oxidation. Here toxic elements, such as arsenic and sulphuric acid, are produced in solution and thus more easily rendered environmentally harmless. Other environmental de-risking already carried out relates to any potential threats to the water table, a key hurdle requirement for successful mining projects. International consultants Golder Associates have checked out the ecology of Clontibret and even established a weather station.



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Management Team

Conroy Gold fields a highly experienced resources team under Professor Conroy's executive chairmanship. The directors' skills and experience give Conroy Gold a head-start on building and managing resources businesses in Ireland.

Maureen Jones has been managing director since 1998 and a board member since 1994. Prior to that, she worked with Professor Conroy at Conroy Petroleum and Natural Resources from 1980, serving as a director from 1986.

Similarly **James Jones**, who has been finance director since 1994, moved from Conroy Petroleum where he fulfilled the same role.

Seamus FitzPatrick, who has a finance background, has just stepped up to become the non-executive deputy chairman and has been on the board for the past five years. He founded and is managing partner of CapVest Associates which has raised over €2bn and past roles include corporate finance and private equity with Morgan Stanley International, JP Morgan Capital Partners and Bankers Trust.

Senior geologist is **Kevin McNulty**, MSc, BSc, P.Geo, who was previously involved in the successful development of Pioneer's (now Ashanti's) Teberebie gold mine in Ghana and on gold exploration projects in several West African countries.

There are five other Non-Execs:

Louis J. Maguire has particular expertise in the purchase of mineral rights and in land acquisition for mining.

Michael E. Power, a professional engineer and chartered financial analyst, has over 40 years of experience in the mining industry in Canada.

David Wathen has a finance and business background and was previously a partner at Sheffield stockbrokers Redmayne Bentley.

Geologist **Henry H. Rennison** worked with Burmah Oil for 30 years and then as a consultant with international consultants De Golyer and McNaughton.

Dr. Sorca Conroy has a broking background, specialising in biotechnology, first at Hoodless Brennan, then Canaccord Adams before joining ING Bank.



What brokers are saying on Conroy:

Hybridan

“deeply undervalued” at the end of distressed selling

Location: “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.”

Deeply undervalued -base valuation of 4p a share: “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 in bringing existing plans into production....” Conroy compares favourably with most of London listed concerns, particularly given that its resource is based on a cut-off grade of 0.6 g/t, which is higher than its peers.

Market overhang is abating: We have identified two significant sellers (total 24.5m shares) that may have had a negative impact on the shares in recent months. We believe the sellers have sold the majority, if not all, of their stakes.

Shore capital

Far below our valuation

Significant potential: Conroy Gold’s share price is far below our valuation of 4.7p a share fully diluted.

De-risking: “..an investment in Conroy Gold will become progressively de-risked as Clontibret advances to production...” First gold pour could occur by end H1 CY2016.

SP Angel

Valuation looks interesting

Location: “In a world where grades are falling and costs are rising Ireland is becoming better liked. Conroy’s valuation looks interesting.”

First Columbus

Under-priced: “Conroy’s resources are under-priced given that it has “made headway into demonstrating the economic feasibility of the reserves.”



Company core shed in Cremartin, Co. Monaghan

MiningMaven View

With Ireland emerging as a new gold mining frontier, among the quoted companies exploring in this one of the world’s safest and most investor-friendly mining jurisdictions, Conroy Gold and Natural Resources stands out for several reasons.

Here is a speculative investment opportunity with a million+ oz JORC-compliant gold resource at just one target. The company estimates there is the potential of 15-20m ounces in its series of significant gold targets.

Conroy Gold’s notable scores include numerous exciting primary gold targets in addition to its flagship, Clontibret, along its 30-mile gold trend on the Longford-Down Massif. In fact further additional targets have just been identified and it seems likely that even more target opportunities will be uncovered as the company’s work continues.

The flagship project at Clontibret has been rated as a technically and financially viable open gold pit project with a Net Present Value (NPV) of US\$72.3m.

Brokers’ views include a base valuation of 4p a share, but there remains significant opportunity for upside as the move toward mining continues and as the company’s exploration work continues to expand along its outstanding 30 mile gold trend.



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