No Recommendation

Price 1.3p

Mining

United Kingdom

AIM	685
Reuters/Bloomberg	CGNR
No. of shares in issue (m)	270.4
Market Cap (£m)	3.5
www.conroydiamondsandgold.com	

Conroy Gold and Natural Resources+*

Potential for new gold district in Ireland

Conroy Gold and Natural Resources (Conroy Gold) is a gold explorer/developer with multiple prospects which we believe to have multi-million ounce potential along a 50km trend stretching across the Republic of Ireland and Northern Ireland. (The company has also an exploration programme in Finland.) These are politically stable jurisdictions with good infrastructure. Conroy Gold boasts an experienced management team with a track record of delivering base metal and gold projects (e.g. Galmoy, Ireland; Pogo, Alaska), and of establishing successful joint ventures with major companies. A Pre-Feasibility Study (PFS) on 20% of the flagship Clontibret project is underway and we believe first gold pour could occur by end H1 CY2016. In our opinion, there is scope for a longer-life and/or higher-volume operation than that envisaged by the company's December 2011 updated scoping study (mining 50koz/year and recovering 42.4koz/year during the first five years of 11.2-year life). While an investment in Conroy Gold will become progressively de-risked as Clontibret advances towards production, we believe that it already offers a more robust, lower-risk investment with the prospect of better returns than typical of its peers.

Clontibret could host at least 2-3Moz: Given the work that has already been undertaken on the other 80% of the Clontibret Gold Target, we believe that further drilling could easily see Clontibret's 1.03Moz JORC resource lifted to at least 2-3Moz. This suggests to us the potential for improved project economics arising from higher volume, higher head grade and/or longer life of mine (LoM).

Clay Lake could overshadow Clontibret: Clay Lake boasts Conroy Gold's highest Irish gold-in-soil values (average values are twice Clontibret's). It appears to be a black carbonaceous shale-hosted deposit; such deposits can be very large indeed. Intersections of 63m @ 0.62g/t Au and 50.75m @ 0.61g/t Au have been recorded, suggesting the potential for very high tonnage and overall gold content, albeit at a low average grade. If this proves the case, Clay Lake could be a bulk mine in the mould of Kinross's Paracatu Mine in Brazil.

Zinc potential: Although not currently a company priority, we are intrigued by a large (100km^2) zinc-in-soil anomaly to the south. Ireland is currently a major producer of zinc, but the Galmoy and Lisheen mines are scheduled to close over 2012-2014. Globally, we are expecting a medium-term supply-related zinc deficit.

Significant potential for still greater upside: Conroy Gold's current share price is far below our $NPV_{5\%}$ valuation of 4.7p/share fully diluted. Peer EV/resource comparisons support our impression that Conroy Gold is undervalued. Conroy Gold should de-risk as it moves from exploration to production. We expect the share price to rise in time towards peer values and our DCF valuations.

Shore Capital Stockbrokers Limited acts as Broker to Conroy Gold.

Disclosures of potential conflicts of interest as required by regulatory bodies are shown on page 55.

+Conflicts of interest:
The analyst who has prepared this report is aware that Shore Capital Stockbrokers and/or another member of the Shore Capital Group has a relationship with the company covered in this research report. Accordingly, Shore Capital may have a conflict of interest and this research report should be viewed as being non-objective. A copy of our policy for managing conflicts of interest can be found on our website at www.shorecap.co.uk.

Research Analyst

Yuen Low
yuen.low@shorecap.co.uk
+44 (0) 207 647 8152

Corporate Broking

Jerry Keen
jerry.keen@shorecap.co.uk
+44 (0) 207 468 7964

Contents

Investment case: multiple multi-Moz potential, favourable jurisdictions 3
Valuations: significant upside potential 4

EV/oz below peer values; premium justifiable 4
Good potential for longer life; dramatically improves NPV 6
Summary: undervalued with significant upside potential 8

Overview: new gold district in Ireland 9

Investor-friendly Ireland is prospective for gold 10
Permitting should not be problematic 10
BIOX® should yield good recoveries from refractory ores 11
Company strategy successful: new gold district identified 12
Conclusions: better odds, lower risk 13

Company description 14

Brief history and corporate structure 14
Management team and board of directors 15
Financial analysis 18

Assets: a highly prospective package 22

Ireland: potential for new gold province 22
Clontibret: current flagship 26
Clay Lake and other Armagh-Monaghan Gold Belt targets 34
Zinc anomaly – suggestive of porphyry system? 38
Glenish 40
Other target areas along the Longford-Down Massif – regional potential 41
Finland: underexplored shield area 43

Risks 45
Appendix I: Gold price outlook – bullish at least into the medium term 47
Appendix II: Mineral rights & tax regimes 49

The Republic of Ireland 49
Northern Ireland 49
Finland 50

Appendix III: Glossary 51

Investment case: multiple multi-Moz potential, favourable jurisdictions

- **Very encouraging site visit:** In October 2012, Shore Capital visited Clontibret, Clay Lake and Slieve Glah in the Republic of Ireland (henceforth referred to as Ireland) and Northern Ireland, all three of which we believe to have multi-million ounce potential (let alone Conroy Gold's other Irish targets – whereas many of the company's peers cannot claim to possess even one deposit with such potential). The extreme ease of access and availability of infrastructure (e.g. power and water) were immediately and very strikingly apparent, comparing very favourably with many projects in other parts of the world (e.g. West Africa) – and this is even before we consider the issues of political and legislative stability (Ireland and Northern Ireland being very stable – unlike, say, Mali), which have become particularly topical of late.
- **Highly experienced management team:** Conroy Gold's board and management team possess varied, complementary and relevant skills, with a track record of delivering gold and base metal projects (e.g. Galmoy in Ireland; Pogo in Alaska), and of establishing successful joint ventures or relationships with major companies (e.g. with Sumitomo at Pogo and Rio Tinto at Karelian Diamonds).
- **Potential for much more at flagship Clontibret:** A Pre-Feasibility Study (PFS) on the flagship Clontibret project in Ireland has commenced and we believe first gold pour could occur by end H1 CY2016. In our opinion, there is scope for a longer-life and/or higher-volume operation than that envisaged by the company's December 2011 updated scoping study (mining 50koz/year and recovering 42.4koz/year during the first five years of 11.2-year life). Clontibret's current 1.03Moz JORC Indicated & Inferred resource is based on only 20% of the Target's area, and we believe further drilling on the remaining 80% could easily see this rising to 2-3Moz.
- **Multiple other targets on 50km trend with multi-million ounce potential:** Conroy Gold possesses multiple other prospects, which we believe to have multi-million ounce potential in five target areas along a 50km trend stretching across Ireland and Northern Ireland.
- **Significant potential for still greater upside:** Conroy Gold's current share price is far below our DCF $NPV_{5\%}$ valuation of 4.7p/share fully diluted. Peer EV/resource comparisons support our impression that Conroy Gold is undervalued. Conroy Gold should de-risk as it moves from exploration to production. For this and other reasons discussed later in this document, we expect the share price to rise in time towards peer values and our DCF valuations.

Valuations: significant upside potential

EV/oz below peer values; premium justifiable

We believe Conroy Gold deserves a premium to the peer average EV/oz given its resource upside potential and numerous other advantages

Conroy Gold has an EV/oz of US$5.8/oz, versus peer median and average EV/oz values of US$21.5/oz and US$35.2/oz, respectively. This represents a significant undervaluation versus its European junior gold company peers in our view, which we believe to be unjustified. In fact, we are of the opinion that Conroy Gold actually deserves a premium rating, given:

- Clontibret's resource is shallow and amenable to open-pit mining, which should translate into relatively low unit mining costs.
- There is clear potential for significant resource expansion at Clontibret, with the current 1.03Moz JORC Indicated & Inferred resource based on only 20% of the Clontibret Target. This suggests to us the potential for improved project economics arising from higher volume, higher head grade and/or longer life of mine.
- Clontibret itself is only one of a number of targets that we believe to have multi-million ounce potential along a 50km trend, which straddles the border of Ireland and Northern Ireland, which are politically stable and boast excellent infrastructure – in stark contrast to the more difficult and unstable jurisdictions in which other junior gold companies typically operate (e.g. Mali, Kyrgyzstan, Zimbabwe – and even Australia!).

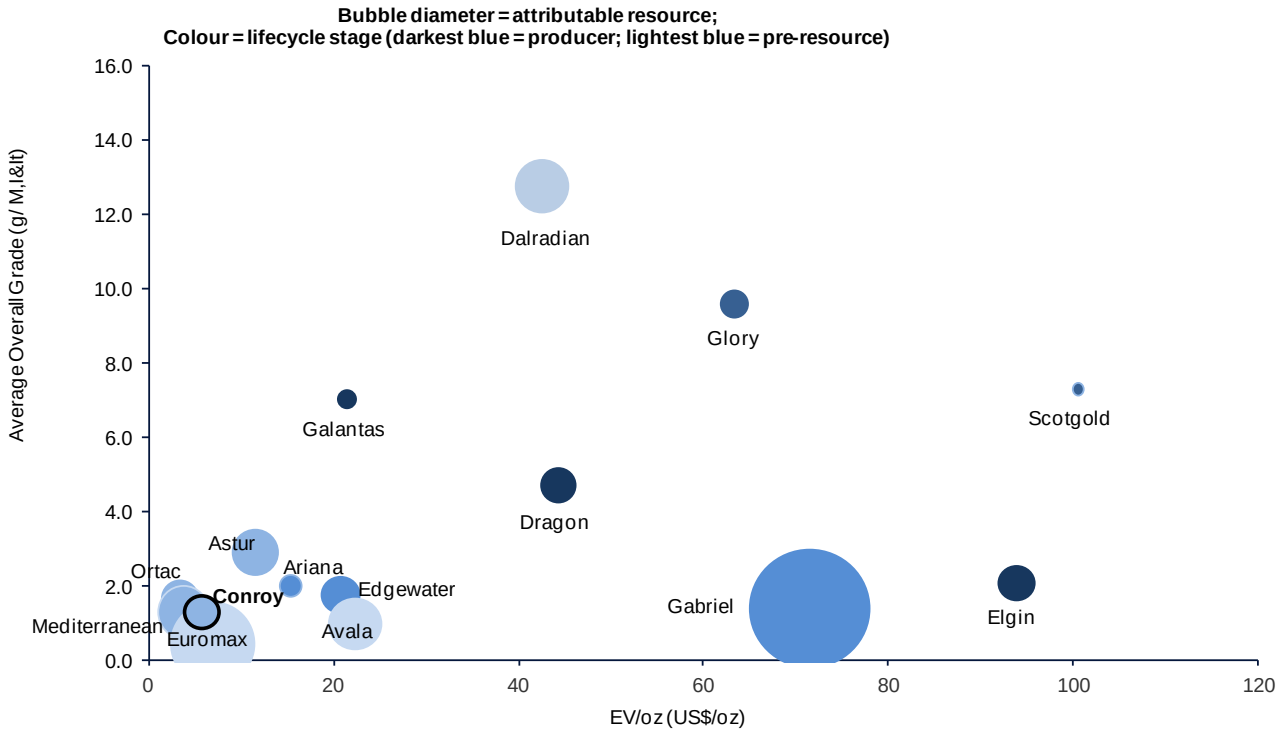
We believe Clontibret has the potential for a medium-term total resource of c5Moz; we regard 2-3Moz as a reasonably conservative range

Should the remaining 80% of the Clontibret Target be similarly mineralised (and results to date appear to suggest this), Clontibret's resource could grow to c5Moz (we see 2-3Moz as a reasonably conservative range). Clay Lake has the potential to be even larger, and there are still further opportunities (Glenish and a significant zinc anomaly) in the vicinity and elsewhere in the company's extensive Irish licences (i.e. the Central Structural Zone and Slieve Glah, where the company recently identified four major targets).

Applying peer EV/oz values to 2.5Moz suggests a valuation range of 6.0-9.8p/share; the shares could potentially be worth up to 78p/share if in-house concept studies of 15-20Moz prove true

Simply applying peer median and average EV/oz values to the mid-point of our 2-3Moz estimate of Clontibret's total resource potential (i.e. 2.5Moz) suggests a valuation range of US$53.6-87.9m, or 6.0-9.8p/share, which seems very reasonable to us. However, it is worth pointing out that Conroy Gold's in-house concept studies have suggested that its Irish licences could host 15-20Moz of gold. Assuming the latter can be demonstrated, we estimate Conroy Gold could be worth up to 78p/share based on the peer average.

Fig 1: European junior gold companies



[1] Priced as of 20th November 2012.
[2] Measured, Indicated & Inferred.

Source: Bloomberg, Company reports, Shore Capital estimates

Good potential for longer life; dramatically improves NPV

Our base-case Conroy Gold valuation is 4.7p/share fully diluted, based on 20% of the company's Clontibret project

We calculate a DCF $NPV_{5\%}$ valuation for Conroy Gold of 4.7p/share fully diluted (£26.5m) on our base-case scenario (based on the December 2011 scoping study update) for 20% of the company's Clontibret gold project.

- Our base-case model differs from the revised scoping study principally in our more conservative assumption of higher cash costs (US$715/oz) and capex (US$86.0m), longer commissioning period and a much more gradual ramp-up to full production, plus our inclusion of a further £10m in costs for feasibility and other studies, permitting, and land acquisitions.
- The scoping study scenario's key parameters were: 800ktpa milled, mined 1.53g/t head grade, 85% recovery, initial US$650/oz cash cost and US$77.8m capex. For comparison, inputting the scoping study cash cost and capex numbers into our model yields an $NPV_{5\%}$ of 8.3p/share (£47.1m).

Assuming the total resource rises to 2-3Moz and mine life can be extended 50% or 100%, our valuation would rise to 9.7p/share or 13.3p/share

However, as previously mentioned, Clontibret's current 1.03Moz overall resource is based on only 20% of the Clontibret Target area and we believe the total resource could easily rise to at least 2-3Moz, given the mineralisation already known to occur on other prospects there. We derive $NPV_{5\%}$ valuations of 9.7p/share (£55.1m) and 13.3p/share (£72.9m) if life of mine (LoM) can be extended 50% (Scenario 2) and 100% (Scenario 3) at the base case LoM head grade, respectively.

There is scope for further upside to our valuation from processing of stockpiled low-grade material and underground mining

In any case, it should be noted that both the scoping study and our base case leave a large volume of lower-grade stockwork material unprocessed, which could potentially be processed later but for which we are currently attributing no value. Furthermore, mineralisation remains open down-dip, suggesting the potential for future underground mining of the higher-grade lode zones (and potentially also of higher portions of the stockwork zones). Again, we are conservatively attributing this no value.

We have also attributed no value to Conroy Gold's other assets

We also opted to conservatively assign no value to Conroy Gold's other Irish or Finnish properties, despite our belief that the former at least have the potential to host several multi-million ounce deposits (in addition to Clontibret).

Fig 2: Base-case 4.7p/share valuation; 9.7p/share or 13.3p/share if LoM can be extended by 50% or 100%, respectively

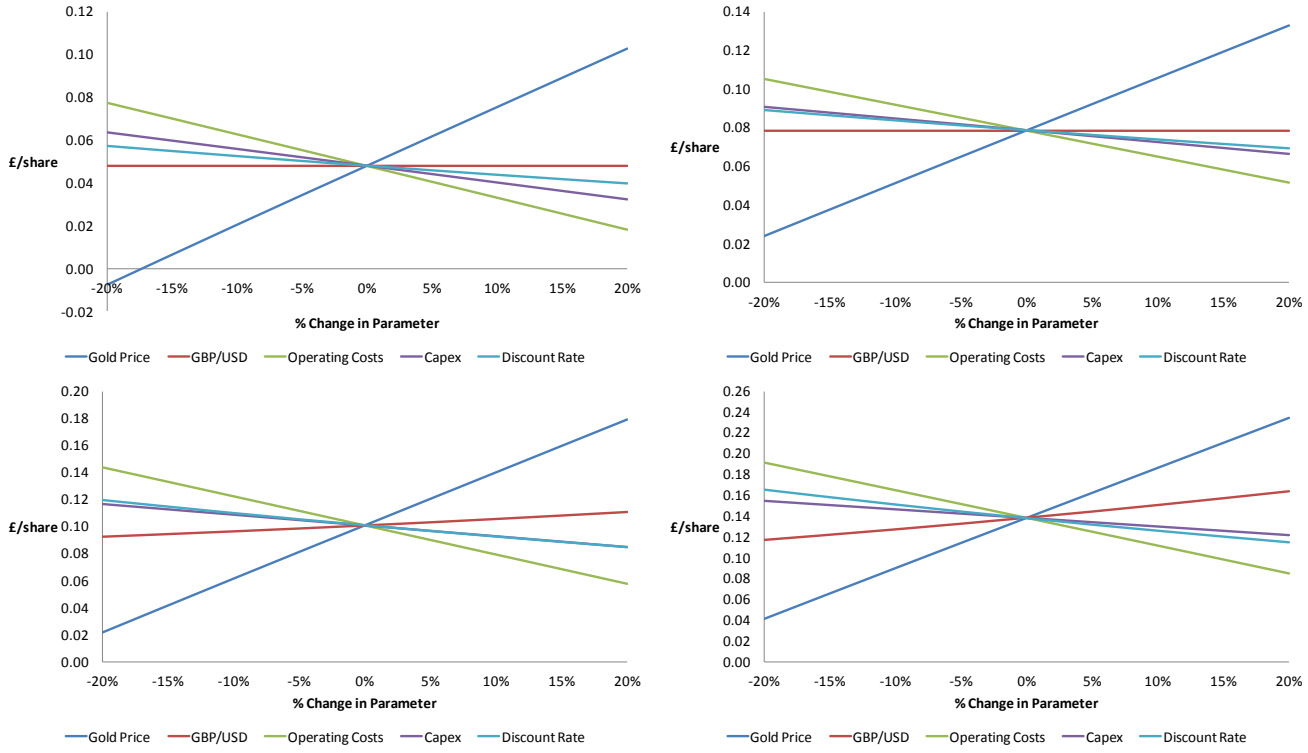
Asset	Interest	Disc. Rate	GBPm	GBP/share	%NPV
Clontibret	100%	5%	24.1	0.042	100.0%
Net Operating Assets			**24.1**	**0.042**	
Cash			0.1	0.000	
Debt			(0.5)	(0.001)	
Corporate G&A		10%	(2.2)	(0.004)	
Options & Warrants			5.1	0.009	
Net Asset Value			**26.5**	**0.047**	

Source: Shore Capital estimates

Sensitivity analyses suggest that our DCF model is most sensitive to the gold price and operating costs

Our analyses reveal that the Clontibret base-case model is most sensitive to the gold price and operating costs – a 10% increase in gold prices increases our valuation by 57.1%, whereas a 10% rise in operating costs decreases it by 31.0%. Increasing life of mine decreases magnitudes, e.g. in Scenario 2, sensitivities to gold prices and operating costs are 41.2% and 22.5%, respectively.

Fig 3: Base-case (T-L), scoping study (T-R), Scenarios 2 and 3 (B-L, B-R) sensitivities: gold price and opex are key



Source: Shore Capital estimates

Summary: undervalued with significant upside potential

Conroy Gold's EV/oz US$5.8/oz is significantly below the peer median and average – whereas we believe a premium is warranted

In summary, Conroy Gold's EV/oz of US$5.8/oz is significantly below the median and average of peer European junior gold companies (US$21.5/oz and US$35.2/oz, respectively). This represents a significant undervaluation, which we believe to be unjustified. In fact, we are of the opinion that the company is actually deserving of a premium valuation given Clontibret's expected low unit mining cost; its clear and significant resource expansion potential; the other targets on Conroy Gold's Irish licences, which we believe to have multi-million ounce potential; and the fact that Ireland and Northern Ireland are mining- and investor-friendly, politically stable jurisdictions with excellent infrastructure.

We believe that the resource at Clontibret could rise to c2-3Moz, suggesting a valuation range of 6.0-9.8p/share

Simply applying peer median and average EV/oz values to the mid-point of our 2-3Moz estimate of Clontibret's ultimate resource potential (i.e. 2.5Moz) suggests a valuation range of US$53.6-87.9m, or 6.0-9.8p/share, which seems very reasonable to us. However, Conroy Gold's in-house concept studies have suggested that its Irish licences could host at least15-20Moz of gold; the latter suggests Conroy Gold could be worth up to 78p/share based on the peer average.

Our base-case attributable valuation for Conroy Gold is 4.7p/share

Conroy Gold's share price is similarly significantly below our conservative base-case DCF $NPV_{5\%}$ valuation of 4.7p/share fully diluted. It is worthwhile re-emphasising our belief that Clontibret could easily host 2-3Moz, and we derive $NPV_{5\%}$ valuations of 9.7p/share and 13.3p/share if life of mine (LoM) is extended 50% (Scenario 2) or 100% (Scenario 3), respectively.

Conroy Gold should de-risk as it moves from exploration to production. For this and other reasons discussed later in this document, we expect the share price in time to rise towards peer values and our DCF valuations.

Overview: new gold district in Ireland

Conroy Gold has multiple prospects which we believe to have multi-million ounce potential in Ireland and Finland, and an accomplished management team; Clontibret should be in production by end H2 CY2015 or H1 CY2016

Conroy Gold is a gold explorer/developer with multiple prospects which we believe to have multi-million ounce potential along a 50km trend stretching across the politically stable jurisdictions of Ireland and Northern Ireland. (The company also has an exploration ground programme in Finland.) Additionally, Conroy Gold boasts an experienced management team with a track record of delivering mining projects (e.g. Galmoy in Ireland; Pogo in Alaska).

- A Pre-Feasibility Study (PFS) on the flagship Clontibret project in Ireland has commenced and we believe first gold pour could occur by end H2 CY2015 or H1 CY2016.
- In our opinion, there is scope for a longer-life and/or higher-volume operation than that envisaged by the company's December 2011 updated scoping study (mining 50koz/year and recovering 42.4koz/year during the first five years of 11.2-year life).
- Clontibret's 1.03Moz JORC Indicated & Inferred resource is based on only 20% of the Target's area.
- Conroy Gold's in-house concept studies have suggested that its Irish licences could host 15-20Moz of gold, i.e. it would appear that Conroy Gold has an entire new major gold district in its hands, all to itself. If just a fraction of this potential can be demonstrated, the assets should prove extremely attractive to major gold companies, in our opinion.

Shore Capital visited Conroy Gold's key Irish assets in October 2012; we were struck by how favourably access and infrastructure compare with, say, West Africa

Shore Capital visited Clontibret and Slieve Glah in Ireland and Clay Lake in Northern Ireland in October 2012. The ease of access and availability of infrastructure (e.g. power and water) were immediately and strikingly apparent, comparing very favourably with many projects in other parts of the world (e.g. West Africa) – and this is even before we consider the issues of political and legislative stability (Ireland and Northern Ireland being very stable – unlike, say, Mali), which have become particularly topical of late.

We thus regard the Conroy Gold story as a highly exciting and compelling one, but the share price does not reflect this

Given the above, we regard the Conroy Gold story as a highly exciting and compelling one. Yet, in our opinion at least, the share price is not remotely reflective of a company that is not only developing a potential mine but on the road to proving up a new major gold province in a mining- and investor-friendly jurisdiction that is politically stable and boasts comparatively good infrastructure.

We believe that much of the recent share price weakness can be attributed to drip-selling of a large position in unfavourable markets

We believe that much of the weakness in the share price since mid-2012 can be attributed to the (drip-)selling of a large position by a fund following a change of manager. Unfortunately, this took place in especially unfavourable markets, significantly exacerbating the resulting downwards pressure of such an overhang on the shares. The resulting fall in market cap also had a double-whammy effect in a risk-off environment where liquidity is prized, with fewer funds able to hold the company's shares.

We expect the shares to recover as market conditions improve, and thereafter to re-rate as the company de-risks

We expect Conroy Gold's marked down share price to recover towards levels seen in early 2012 as market conditions improve. Thereafter, we expect it to re-rate to higher levels over time as the company advances (and thereby de-risks) the Clontibret project, particularly if the gold price environment continues to be favourable.

Over the following pages, we attempt to address and dispel a number of commonly heard misconceptions and (what we believe to be unfounded) concerns regarding the company which we believe may also be holding back the share price.

Investor-friendly Ireland is prospective for gold

Ireland is famed for its zinc deposits but not generally known as a major gold province, but this is changing

We believe Conroy Gold has been overlooked by the investment community at least partially because Ireland, whilst famed for its zinc deposits, is not generally regarded as a major gold province (areas like West Africa, South Africa and West Australia more typically springing to mind). The country has a relative lack of gold mining history despite some evidence of gold having been mined and worked there since as early as c2,500BC (indeed, prehistoric Ireland is famed for its gold artefacts, examples of which are exhibited in the National Museum of Ireland in Dublin).

Members of the Conroy Gold team were instrumental in the revival of Ireland's base metals industry via the Galmoy discovery and is now doing the same with gold; investor-friendly Ireland was ranked 9th in the 2011/2012 Fraser Institute survey

That said, we stress that this is not an issue we have found to be of particular import (and in fact is one of declining importance as more gold deposits are being identified by Conroy Gold and other Ireland-focused explorers). Rather, we raise it in order to highlight two key points:

- Members of the Conroy Gold board and management are credited as having been instrumental in the revival in fortunes of Ireland's base metals industry via the discovery of the Galmoy deposit. This team is doing the same with gold: perception is slowly but surely changing as a result of Conroy Gold's activities, with more and more gold explorers applying for licences on the island.
- Ireland compares very favourably with other mining destinations; it was in fact ranked 9th in the 2011/2012 Fraser Institute survey. The country is investor friendly, politically stable and has a competitive tax regime and excellent infrastructure.

Permitting should not be problematic

We believe concerns surrounding the obtaining of approvals for a rural open-pit operation in Ireland to be without sound foundation

The key concern/objection we hear voiced by investors about Clontibret is whether or not the requisite approvals for a rural open-pit operation can be secured. We believe such concerns to be unfounded:

- Irish Gypsum (part of the Saint-Gobain Group) mines gypsum at Knocknacran, a large (1km-wide) opencast operation near Kingscourt, Co. Monaghan, i.e. only c30km from Clontibret and in the same county). This operation has been granted planning permission extensions in recent times.
- The Clontibret pit as currently envisaged would be smaller than that of some quarries in Ireland, and certainly smaller than the Knocknacran gypsum mine.
- Conroy Gold's management, who are familiar with the permitting requirements of a rural mine (given its involvement in the planning and construction of the Galmoy zinc mine), is confident that permission will be granted for Clontibret after due process.
- The governments of Ireland and Northern Ireland are highly supportive of the mining industry. The Irish Government has undertaken to make decisions on major new mining projects within 18 months, where the mineral(s) to be mined are state-owned (as is the case of gold).

Conroy Gold's Irish licences are not in areas especially noted for tourism or agriculture

It can be seen from our site visit photos that the area is not of especially remarkable scenic value, and tourism is not a major source of local income. Furthermore, despite the apparent greenery, the soil in Cos. Armagh, Monaghan and Cavan is actually of relatively poor agricultural potential (unlike that in Co. Meath to the south) – it is clayey and stony, with poor drainage and frequent steep slopes (so-called 'drumlin country', which hampers the use of machinery) and this limits its agricultural usage (being mainly suitable for summer livestock grazing, sheep farming, poultry or mushroom growing).

Environmental studies have not identified any potentially critical issues; modern practices should mitigate concerns surrounding cyanide use in gold extraction

Initial environmental studies by consultants Golder Associates have not identified any potentially critical issues, and none have as yet been unearthed by more detailed studies currently underway. Another source of permitting-related concern surrounds the use and, in particular, the disposal of cyanide in the proposed gold plant. We note that the combination of cyanide detoxification prior to disposal in tailings waste and the use of impermeable liners in tailings dams is now generally regarded as effective and accepted in most parts of the world. Furthermore, we expect Conroy Gold to adhere to guidelines provided by the International Cyanide Management Code.

Fig 4: Saint-Gobain's c1km-wide Knocknacran gypsum open-pit operation near Kingscourt, just 30km from Clontibret

Source: Conroy Gold

BIOX® should yield good recoveries from refractory ores

A sometimes-heard concern relates to the refractory nature of Clontibret's ore

A concern sometimes heard from investors relates to the refractory nature of Clontibret's sulphide ore. Simply put, gold is described as 'refractory' when it remains 'trapped' in a matrix of sulphide minerals (even after milling to around 53-75µm), preventing its dissolution into cyanide leach solution.

Gold can be efficiently extracted from refractory ores by pre-treating the ore (or flotation concentrates) in an autoclave, roaster or BIOX® plant

Gold can be extracted from such ores if the sulphide coating is removed or at least degraded sufficiently as to expose the gold. Typically, this is achieved by pre-treating the ore (or flotation concentrates) in an autoclave, roaster or BIOX® plant. Autoclaving is carried out at high pressure and temperature; it poses technical challenges, requires significant operating skill and the equipment is costly. Meanwhile, roasting is no longer permitted in

many countries because it is environmentally unfriendly (air pollution in the form of sulphur dioxide emissions).

Conroy Gold is considering utilising the BIOX® process which has many advantages over pressure oxidation and roasting

Conroy Gold is considering utilising the BIOX® process (testwork is currently being conducted for the company by Gold Fields in South Africa), which involves the use of mixed bacterial cultures to promote oxidation reactions (i.e. bio-oxidation). This process possesses many advantages over pressure oxidation and roasting, including lower capital and operating costs, lower levels of required operating skill (bacterial populations are controlled relatively simply, by maintaining pH and temperature within specified ranges) and greater environmental friendliness (no sulphide emissions and stabilisation of arsenic as arsenate).

Company strategy successful: new gold district identified

Detractors of Conroy Gold fail to acknowledge the company's success in identifying and securing for itself a new gold district in the face of severe financial constraints; directors have repeatedly demonstrated their faith in the company by reaching into their own pockets to help fund the company's continued activities

We have occasionally heard accusations from investors that Conroy Gold is a so-called 'lifestyle company', on the basis that it has only recently completed a scoping study after around a decade-and-a-half of exploration. In our view, such detractors typically fail to acknowledge or recognise the well thought out and successful exploration strategy that the company has followed. This strategy is based on a careful assessment of exploration risks and rewards with an emphasis on major targets, an ability to spot such opportunities before others and a measured and systematic approach at minimal cost:

- Conroy Gold has effectively been acting as a modern-times first-mover, opening up a new gold district – this takes time, given relatively little in the way of historical data to guide the company's activities.
- The company has achieved this despite severe financial constraints on the pace and scope of its activities (financing for gold exploration in much of the 2000s was difficult given the low gold prices of the era). In fact, it turned its timing to its advantage, securing licences over the entire 50km gold trend that it had discovered at a time when competition was limited (by the gold price and lack of Irish gold mining history). We understand that Conroy Gold had intended to conduct a £10-15m equity raise (with which to significantly accelerate activities) following the spike in the gold price to US$1,000/oz over late 2007-early 2008, but the company's plans were scuppered by the global financial crisis in H2 2008. Although markets subsequently recovered somewhat, particularly over 2010-2011, they were never sufficiently favourable for the likes of Conroy Gold to conduct significant fund raises. Indeed, over the years, directors have repeatedly demonstrated their faith in the company by reaching into their own pockets to help fund the company's continued activities.

In our view, the key to realising the significant potential of Conroy Gold's licences is getting Clontibret into production and generating cash flows as quickly as possible

As mentioned already, because of its strategy, Conroy Gold has an entire new gold district to itself, with the potential to host significant mines, each potentially with multi-million ounce resources. This implies significant upside – the key to realisation of which we believe is getting Clontibret into production as early as possible in order to generate cash flows with which to fund further exploration and development.

We currently favour a joint venture at project level to minimise dilution and retain shareholder upside in other targets; management is prepared to consider this and in fact has considerable experience in the matter

Clearly, equity funding Clontibret's construction at current low share prices would be very dilutive. It seems apparent to us (and we believe many followers of the company), therefore, that Conroy Gold's best option would be to conclude a joint venture agreement at project level and based on project valuation (rather than the company's share price). While this would entail giving up some upside in the Clontibret project, importantly, shareholders should retain their full interests in the other targets.

- Management is on record as being prepared to consider this and, indeed, has considerable experience of successful joint ventures or relationships with major companies in the past (e.g. with Sumitomo at Pogo and with Rio Tinto at Karelian Diamonds).
- We agree that securing a credible partner could be a catalyst for a share price rally. However, shareholder value is unlikely to be best served by inappropriate haste in our opinion. We do not believe having a partner is absolutely essential at the PFS stage; if anything, we would favour a staged buy-in approach in taking on-board any partner, which would secure project financing while maximising value for Conroy Gold.
- Nonetheless, we have heard some rumblings of discontent about the lack of a joint venture partner thus far. We understand from the company that contacts exist with a number of companies, which could be potential partners. Our impression is that management is well aware of the potential benefits and pitfalls, and that it will strive to secure the right partner at the right stage and at an appropriate price.

Conclusions: better odds, lower risk

Conroy Gold's prospects are better and yet less risky than typical of its peers, in our opinion

Investing in gold companies is by nature a speculative and relatively high-risk activity. The chances of winning a minor prize, let alone hitting a jackpot (multi-million ounce deposit) are generally low. In our opinion, Conroy Gold is a better, less-risky investment than most, in our view:

- Conroy Gold has already delineated a 1.03Moz resource on 20% of Clontibret, and we believe this could rise to 2-3Moz or more with the other 80%. The company has multiple other targets with gold proven in bedrock and prospects which we believe to have multi-million ounce potential along a 50km trend.
- In October 2012, Shore Capital visited Clontibret, Clay Lake and Slieve Glah, all three of which we believe to have multi-million ounce potential (let alone Conroy Gold's other Irish targets – whereas many of the company's peers cannot claim to possess even one deposit with such potential). The ease of access and availability of infrastructure compare very favourably with many projects elsewhere in the world – and this is even before we consider Ireland's and Northern Ireland's political and legislative stability.
- Conroy Gold's board and management have track records of delivering gold and base metal projects in Ireland and Alaska, and of establishing successful joint ventures or relationships with major companies (e.g. with Sumitomo at Pogo and Rio Tinto at Karelian Diamonds).

Company description

Brief history and corporate structure

Conroy Gold listed on AIM in 2000 and the ESM in 2009

Incorporated in 1995 as Conroy Diamonds and Gold, the company changed its name to Conroy Gold and Natural Resources (Conroy Gold) in January 2011 to reflect the increasing importance of its gold and base metal interests. Conroy Gold listed on London's AIM (ticker: CGNR) in 2000, having previously been trading on OFEX since 1997. The company also listed on the Irish Stock Exchange's Enterprise Securities Market (ESM: CGNR.I) in December 2009.

Established in the belief that Ireland is prospective for gold; results to date convinced the company to acquire licences covering the entire area of interest along the Longford-Down Massif

Conroy Gold was established in the belief that Ireland is prospective for gold, particularly along the Longford-Down Massif, which straddles the border of Ireland and Northern Ireland. Indeed, the company's exploration efforts along the Massif in the 1990s were sufficiently fruitful (a NE-striking gold trend potentially stretching 50km from County Armagh in the northeast to County Cavan in the southwest) as to convince it to acquire licences for gold and base metals covering the entire area of interest (c1,100km^2) between then and 2007.

The company has also obtained prospecting licences in other parts of Ireland with similar geology

In December 2011, Conroy Gold obtained additional prospecting licences in Counties Clare, Tipperary and Kilkenny in the southern portion of Ireland. According to the company, gold has been previously reported in these licences, all of which are in lithologies similar to that of the Armagh-Monaghan Gold Belt.

Conroy Gold also has a gold exploration programme in Finland

Although primarily focused on Ireland, Conroy Gold also has an exploration programme in Finland. In 2006, it acquired Conroy PLC's exploration licences (and an extensive geological and geophysical database) for €1m (£0.675m), paid for in the form of 19.3m shares (3.5p/share).

The company transferred its Finnish diamond assets to Karelian Diamond Resources in 2004

Meanwhile, in 2004, Conroy Gold transferred its Finnish diamond interests to Karelian Diamond Resources in exchange for 29.5% of Karelian's shares (Karelian's combined assets having been valued at €2.66m on a 100% basis). The 10.26m Karelian shares were distributed to the company's shareholders at a ratio of one Karelian share for every six Conroy Gold shares held.

Management team and board of directors

Conroy Gold boasts a proven, tight-knit board and management team with an impressive track record

Professor Richard Conroy, ably assisted by experienced lieutenants Maureen Jones and James Jones, leads a proven, tight-knit board and management team with a good track record of discovering and developing mines. The team's (and company's) philosophy is that board makeup should reflect the needs and requirements of company strategy (rather than some simplistic, arbitrary number), and believes that this policy has contributed significantly to its successful record in exploration and development.

Members of the team were instrumental in the revival in fortunes of Ireland's base metals industry via the discovery and development of Galmoy

Members of this team were instrumental in the revival in fortunes of Ireland's base metals industry via the discovery and development of the Galmoy deposit over the 1980s-1990s, and Ireland is now recognised as an international base metals province. At Galmoy, the team obtained invaluable hands-on experience in bringing a mine from discovery right through to permitting and financing. In fact, Galmoy was the first mine in Ireland to be brought into production under the EU environmental rules and set the standards for subsequent mining developments in Ireland such as the Lisheen mine.

Their company at the time was renamed ARCON after an acquisition; Galmoy was subsequently acquired by Lundin

Their company at the time, established in 1980 as Conroy Petroleum and Natural Resources (Conroy Petroleum), was renamed ARCON International after its takeover of Atlantic Resources in 1991. The petroleum interests were spun off as Providence Resources (which recently made a significant oil discovery in Irish offshore waters) and the mineral interests acquired by Lundin Mining Corporation.

Conroy Petroleum was also part of the Stone Boy consortium that discovered the major producing Pogo gold mine in Alaska

Conroy Petroleum was also involved in the Stone Boy consortium (which included Sumitomo Corporation, Hemlo Gold and Noranda), an exploration group which discovered the major Pogo gold mine in central Alaska. Pogo was subsequently developed by Teck Cominco and is now wholly owned by Sumitomo.

Conroy Gold was established in 1995, shortly after Professor Conroy and his team left ARCON

In 1995, shortly after leaving ARCON, acting on their belief that Ireland is prospective for gold, Professor Conroy and his team decided to establish Conroy Gold. The company has since discovered a 50km gold trend, all of it within the company's licence area in the Longford-Down Massif, which straddles the border of Ireland and Northern Ireland.

Board and management currently own around 26.99% of Conroy Gold.

Fig 5: Board of directors and senior management

Prof. Richard Conroy Chairman	Professor Richard Conroy has been involved in natural resources for many years. He established Trans-International Oil, which was primarily involved in Irish offshore oil exploration, and initiated the Deminex Consortium (which included Deminex, Mobil, Amoco and DSM). Trans-International Oil was merged with Aran Energy in 1979 (which was later acquired by Statoil). Professor Conroy founded Conroy Petroleum and Natural Resources which (as well as being involved in oil production and exploration) in 1986 discovered the Galmoy zinc deposit in Ireland. Conroy Petroleum was also a founding member of the Stone Boy consortium, an exploration group which discovered the Pogo gold deposit in Alaska, now a major producing gold mine. Conroy Petroleum acquired Atlantic Resources in 1992 and was renamed ARCON International Resources. Professor Conroy was Chairman and Chief Executive of Conroy Petroleum/ARCON from 1980 to 1994 before founding Conroy Gold and Natural Resources in 1995. An Emeritus Professor of Physiology in the Royal College of Surgeons in Ireland, Professor Conroy served in the Irish Parliament as a Member of the Senate and was at various times front bench spokesman for the government party in the Upper House on Energy, Industry and Commerce; Foreign Affairs; and Northern Ireland.
Maureen Jones Managing Director	Maureen Jones has over 20 years' experience at senior level in the natural resource sector. She has been Managing Director of Conroy Gold since 1998 and was a founding director of the company. Also a director of Karelian Diamond Resources, she joined Conroy Petroleum and Natural Resources on its foundation in 1980 and was a director and board member of Conroy Petroleum/ARCON from 1986 to 1994. Ms. Jones has a medical background and specialised in the radiographic aspects of Nuclear Medicine before becoming a manager with International Medical Corporation in 1977.
James Jones Finance Director	James Jones has been associated with the natural resources industry for many years. A Chartered Accountant, he was finance director of Conroy Petroleum and Natural Resources/ARCON from its formation until 1994. He was a founding director of Conroy Gold and Natural Resources and has served as Finance Director and secretary of the company since its inception. He is also a director of Karelian Diamond Resources.
Louis Maguire Non-Executive Director	An auctioneer by profession and a land valuation expert, Mr. Maguire has particular expertise in the purchase of mineral rights and in land acquisition for mining. He is a founding director of Conroy Gold and a director of Karelian Diamond Resources.
Michael Power Non-Executive Director	A professional engineer and Chartered Financial Analyst with over 40 years' experience in the mining industry in Canada and internationally, Mr. Power was formerly Vice President of Corporate Development at Hemlo Gold Mines (now Newmont Gold Corporation).
Henry Rennison Non-Executive Director	A geologist by training, Mr. Rennison is a founding director of Conroy Gold and Natural Resources and was a director of Conroy Petroleum and Natural Resources. He worked with Burmah Oil for 30 years and later as a consultant with the International Petroleum Consultancy firm De Golyer and McNaughton.

David Wathen Non-Executive Director	Mr. Wathen has been involved in business and finance throughout his career, most recently as a stockbroker managing private client portfolios at Redmayne Bentley Stockbrokers in Sheffield. Recently appointed as an independent Chairman of the Skipton Business Improvement District, he has also previously served as a director of several quoted and private companies in the UK, Ireland and the United States, including a number of natural resources companies.
Seamus FitzPatrick Non-Executive Director	Mr. FitzPatrick has worked in corporate finance and private equity in London and New York with Morgan Stanley, JP Morgan and Banker's Trust. He co-founded CapVest (which has over £2.0bn assets under management) in 1999. He is also currently a director of Karelian Diamond Resources and Chairman of the Mater Private Hospital and of Valeo Foods.
Dr. Sorċa Conroy Non-Executive Director	Dr. Conroy was recruited to ING Bank in 2006 and whilst there was ranked second in the Extel Survey for Biotechnology Specialist Sales. She had previously been at Canaccord Adams (2005-2006; where she ranked fourth in the 2006 Extel survey) and Hoodless Brennan (2004-2005). A medical graduate of The Royal College of Surgeons in Ireland, she held a number of clinical positions in between her graduation in 1995 and joining Hoodless Brennan.
Kevin McNulty Senior Geologist	Mr. McNulty has over 15 years' international exploration experience, primarily in the gold industry. He was involved in the successful development of Pioneer's (now AngloGold Ashanti's) Teberebie gold mine in Ghana, and with other gold exploration projects in Ghana (including Sefwi and Nangodi). He also worked in Niger and Burkina Faso and South America prior to joining Conroy Gold in 2005. He is a past President of the Irish Association of Economic Geologists.

Source: Conroy Gold

Financial analysis

Like most explorer-developers, Conroy Gold is reliant on capital market financing

Like most other explorer-developers, Conroy Gold does not yet generate revenues; at this stage, it is instead reliant on capital market financing with which to cover exploration expenses and working capital requirements.

As of H1 FY2012, Conroy Gold had €0.4m cash and €0.59m debt

As of H1 FY2012, Conroy Gold had €0.4m cash and €0.59m debt on its balance sheet (past advances to the company by Professor Conroy, who has undertaken not to demand repayment unless the company has sufficient resources; 8.25% annual interest).

In May 2012, the company raised £0.4m (€0.5m) via the placing of 16.15m new shares at 2.5p/share; a £2.75m (€3.43m) SEDA facility was also agreed with YA Global

In May 2012, Conroy Gold raised £0.4m (€0.5m) via the placing of 16.15m new shares at 2.5p/share towards the ongoing development of Clontibret, work at Clay Lake and other gold projects, and working capital. The company also agreed a Standby Equity Distribution Agreement (SEDA) for up to £2.75m (€3.43m) with YA Global, an investment fund managed by Yorkville Advisors. Yorkville received 3.1m Conroy Gold shares as an advisor fee (which we have expensed in our model).

In an impressive demonstration of faith in the company's prospects, directors and YA Global accounted for 14.2m of the placing shares

In what we regard as an impressive demonstration of their faith in Conroy Gold's prospects, directors and YA Global accounted for 9.2m and 5m of the shares in the placing, respectively. Overall, 19.3m new shares were issued, bringing the total number of Conroy Gold shares in issue to 270.4m.

The SEDA facility allows funds to be drawn down at Conroy Gold's discretion in exchange for shares in the company

The SEDA facility's terms are as follows:

- Conroy Gold can draw down tranches of 200% (or more, if agreed) of the volume-weighted average (VWA) value of the company's shares over the five trading days immediately prior to the drawdown request.
- Importantly, drawdowns will be at Conroy Gold's discretion (except that YA Global is not obliged to permit drawdowns if they result in YA Global owning more than 2.99% of the company, or 0.99% if the drawdown occurs during an offer period).
- In exchange, YA Global will receive shares priced at a 5% discount to the lowest daily VWA price during the 10 trading days following the drawdown notice (although the parties can agree to vary the period to anywhere between 5 to 15 days).

We assume that the Clontibret PFS will cost £2m to complete, implying that it could be funded by drawing down the SEDA facility

We are assuming that the Clontibret PFS will cost £2m to complete (including some infill, sterilisation and hydrogeological drilling), implying it could be fully funded simply by drawing down the SEDA facility. Of course, should market conditions improve, Conroy Gold could opt to raise equity in the usual way for this purpose and/or to accelerate exploration activities, saving the SEDA facility for a 'rainy day'.

We have conservatively modelled drawdown of the SEDA in FY2013 at 1.3p/share

For the purposes of our model, we have conservatively assumed drawdown of the SEDA over the course of FY2013 at the current 1.3p/share (priced as of November 20th, 2012), resulting in issued and fully diluted shares rising to 464.6m and 568.2m shares, respectively. As a result, we forecast FY2013 year-end cash of €0.1m.

Fig 6: Financial statements

All EUR unless otherwise noted					Fiscal May 31st
Average Shares OS	m	210.46	250.44	367.48	464.56
Average Shares FD	m	295.00	343.78	471.17	568.25
INCOME STATEMENT		**FY2011A**	**FY2012F**	**FY2013F**	**FY2014F**
Net Revenue	**EURm**	**0.00**	**0.00**	**0.00**	**0.00**
Operating Costs	EURm	(0.36)	(0.40)	(0.42)	(0.44)
EBITDA	**EURm**	**(0.36)**	**(0.40)**	**(0.42)**	**(0.44)**
Depreciation	EURm	0.00	(0.10)	(0.59)	(0.77)
EBIT	**EURm**	**(0.36)**	**(0.51)**	**(1.01)**	**(1.21)**
Finance Income	EURm	(0.06)	(0.02)	(0.04)	(0.11)
Pre-Tax Profit	**EURm**	**(0.43)**	**(0.53)**	**(1.05)**	**(1.32)**
Taxes	EURm	0.00	0.00	0.00	0.00
Minorities	EURm	0.00	0.00	0.00	0.00
Attributable Net Income	**EURm**	**(0.43)**	**(0.53)**	**(1.05)**	**(1.32)**
EPS	**EUR/share**	**(0.20)**	**(0.21)**	**(0.29)**	**(0.29)**
BALANCE SHEET		**FY2011A**	**FY2012F**	**FY2013F**	**FY2014F**
Cash & Equivalents	EURm	0.75	0.50	0.11	(12.06)
Other Current Assets	EURm	0.08	(0.03)	(0.03)	(0.03)
Current Assets	**EURm**	**0.83**	**0.47**	**0.07**	**(12.09)**
PP&E	EURm	11.78	13.11	15.94	26.83
Other	EURm	0.00	0.00	0.00	0.00
Total Assets	**EURm**	**12.61**	**13.58**	**16.01**	**14.74**
Short-term Debt	EURm	0.00	0.00	0.00	0.00
Other Current Liabilities	EURm	0.40	0.38	0.38	0.38
Current Liabilities	**EURm**	**0.40**	**0.38**	**0.38**	**0.38**
Long Term Debt	EURm	0.57	0.61	0.66	0.72
Other Long Term Liabilities	EURm	0.00	0.00	0.00	0.00
Total Liabilities	**EURm**	**0.97**	**0.99**	**1.04**	**1.10**
Shareholder Equity	EURm	14.57	15.97	19.40	19.40
Retained Income	EURm	(3.68)	(4.22)	(5.27)	(6.59)
Other	EURm	0.76	0.84	0.84	0.84
Total Liabilities & Equity	**EURm**	**12.61**	**13.58**	**16.01**	**14.74**
CASHFLOW STATEMENT		**FY2011A**	**FY2012F**	**FY2013F**	**FY2014F**
Net Income	EURm	(0.43)	(0.53)	(1.05)	(1.32)
DD&A	EURm	0.00	0.00	0.59	0.77
Other	EURm	(0.63)	0.15	0.05	0.06
Change in Working Capital	EURm	0.49	(0.01)	0.00	0.00
Cash Flow from Operations	**EURm**	**(0.57)**	**(0.39)**	**(0.41)**	**(0.50)**
	EURm				
Capital Expenditure	EURm	(1.86)	(1.28)	(3.42)	(11.67)
Other	EURm	0.00	0.00	0.00	0.00
Cash Flow from Investments	**EURm**	**(1.86)**	**(1.28)**	**(3.42)**	**(11.67)**
	EURm				
Equity Issues (Net of Costs)	EURm	1.90	1.40	3.43	0.00
Net Borrowings	EURm	(0.04)	0.02	0.00	0.00
Other	EURm	(0.32)	0.00	0.00	0.00
Cash Flow from Financing	**EURm**	**1.53**	**1.42**	**3.43**	**0.00**
Net Cashflow	**EURm**	**(0.90)**	**(0.25)**	**(0.40)**	**(12.16)**
FX Adjustments	EURm	0.00	0.00	0.00	0.00
Cash at End of Year	**EURm**	**0.75**	**0.50**	**0.11**	**(12.06)**

Source: Conroy Gold, Shore Capital estimates

That said, we believe it unlikely that Conroy Gold would seek equity funding at current unfavourable share prices

This is something of a worst case scenario: in our opinion, Conroy Gold is unlikely to seek equity funding at current unfavourable share prices, given how dilutive it would be. Rather, we believe that the company will attempt to conclude a joint venture agreement at project level and based on project valuation (rather than the company's share price).

Management is on record as being prepared to consider joint ventures and has considerable experience of successful joint ventures or relationships with major companies

While this would entail giving up some upside in the Clontibret project, importantly, shareholders should retain their full interests in the other targets. Management is on record as being prepared to consider this and, indeed, has considerable experience of successful joint ventures or relationships with major companies in the past (e.g. with Sumitomo at Pogo and with Rio Tinto at Karelian Diamonds).

In the meantime, we would not be surprised if directors continued to advance loan funding towards working capital rather than issue any shares at unfavourable prices.

We have also been more conservative in other modelled assumptions, e.g. costs, gold price, timeline

We have also been more conservative in our other modelled assumptions, notably:

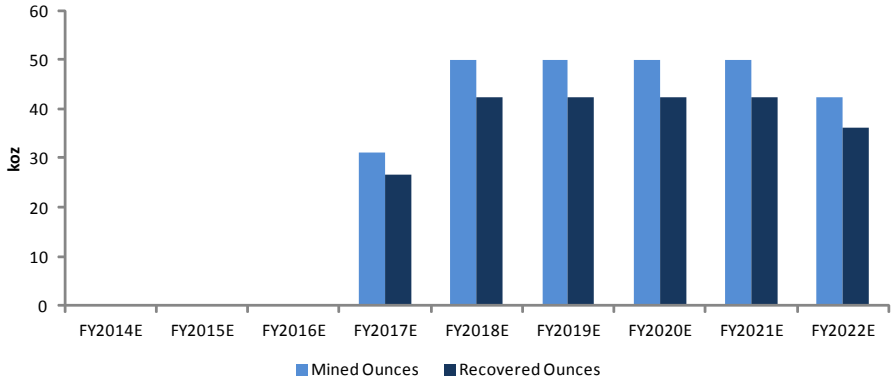
- As previously mentioned in the valuation section, we have assumed significantly higher cash costs (US$715/oz) and capex (US$86.0m) than does the revised Clontibret scoping study (US$650/oz cash cost and US$77.8m capex).
- Gold is currently trading at over cUS$1,700/oz, significantly above our flat US$1,372/oz. These respectively imply cash margins of >US$1,050/oz and US$722/oz at the scoping study's US$650/oz cash cost; and still very impressive cash margins of US$985/oz and US$657/oz, respectively, on our US$715/oz cost assumption.
- Conroy Gold is targeting commissioning and first gold pour at Clontibret in H2 CY2015, whereas we have modelled first gold pour as occurring in June 2016 (i.e. at the start of FY2017) to allow for any unforeseen slippages.
- In a similar vein (pun intended), the company expects to mine c60koz from high grade lodes in Year 1 of Clontibret's operations, while our model incorporates a much more gradual ramp-up.
- Our base case, which is based on 20% of the Clontibret Gold Target, also leaves a large amount of lower-grade material unprocessed, and mineralisation remains open down-dip. The former could be processed later while the latter suggests potential for future underground mining of higher-grade lode zones, but we have attributed no value to either.

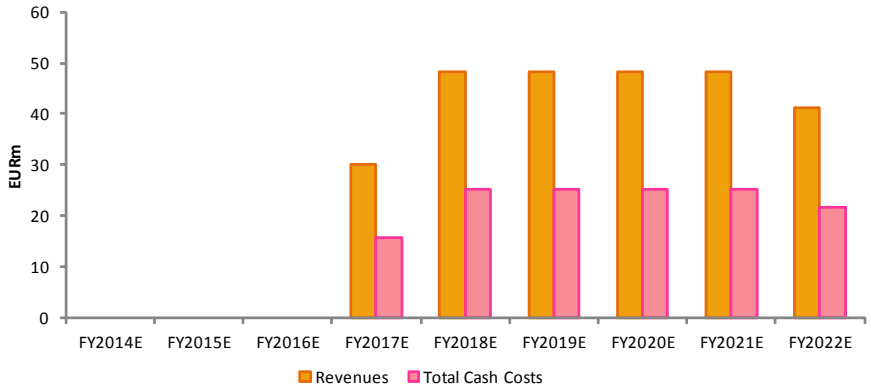
We believe there to be ample room for our assumptions to be bettered, suggesting multiple potential sources of upside to our base case

Despite all the above, we still arrived at a base case scenario DCF $NPV_{5\%}$ valuation for Conroy Gold (4.7p/share fully diluted; £26.5m) that is significantly higher than the current share price. We believe there to be ample room for the above assumptions to be bettered, implying multiple potential sources of significant upside to our Clontibret base case scenario (e.g. higher gold prices; faster production commencement and ramp-up; lower costs) - let alone the extended life scenarios and Conroy Gold's other Irish targets.

Fig 7: Assumptions (note: fiscal years shown*, not calendar years)

MODEL ASSUMPTIONS		FY2011A	FY2012F	FY2013F	FY2014F
Gold Price	US$/oz	1,494	1,372	1,372	1,372
USD/GBP	US$/£	1.61	1.60	1.60	1.60
USD/EUR	US$/EUR	1.36	1.29	1.20	1.20
EUR/GBP	EUR/£	1.18	1.24	1.33	1.33
Production	koz	0	0	0	0
Cash Cost	US$/oz	n.a.	n.a.	n.a.	n.a.





*All EUR unless otherwise noted; Conroy Gold's fiscal year ends on May 31st

Source: Shore Capital estimates

Assets: a highly prospective package

Conroy Gold has assets in Ireland and Finland

Conroy Gold's key assets are in Ireland, including the flagship Clontibret project; the company also has gold interests in Finland.

Ireland: potential for new gold province

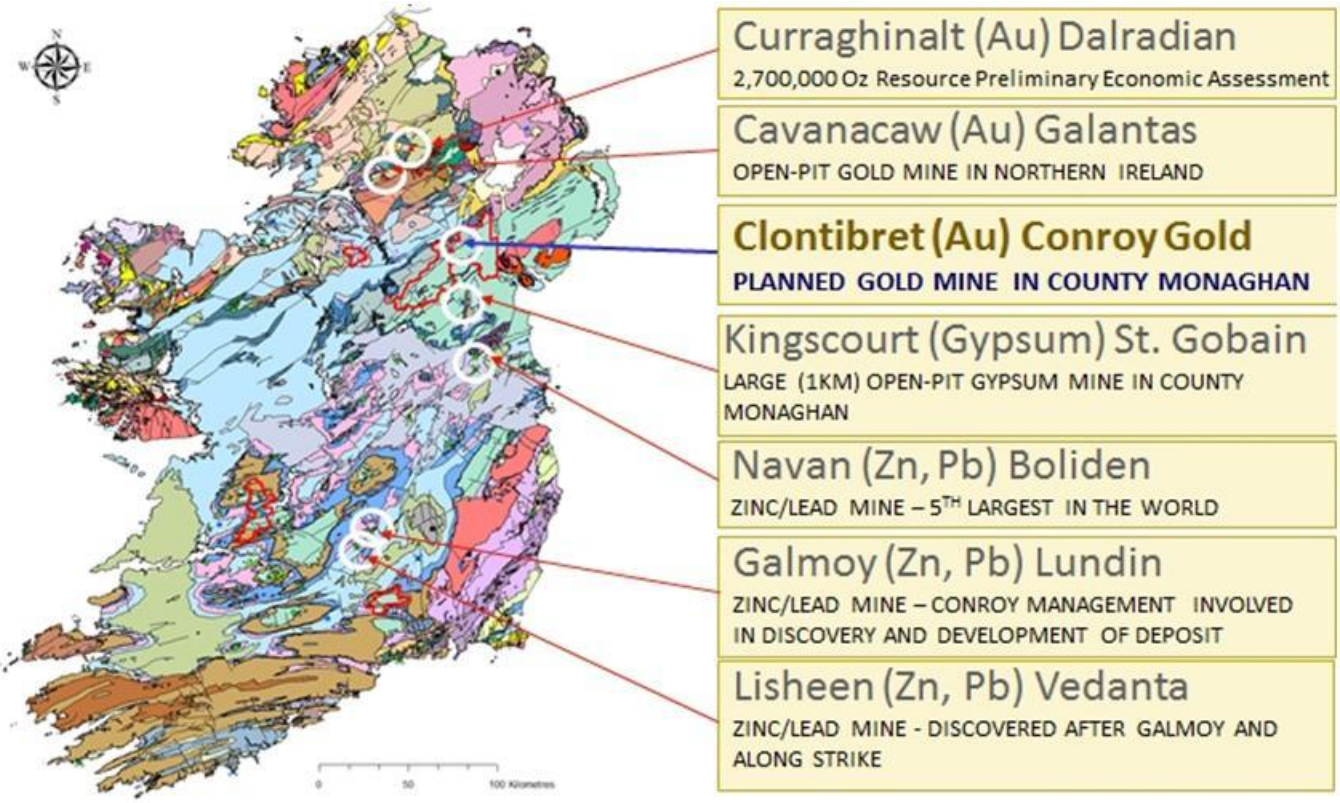
The reappraisal of historical exploration data convinced Conroy Gold that exploration was merited on the Longford-Down Massif

In 1995, Conroy Gold acquired and reappraised historical exploration data held by the Geological Survey of Ireland (including drill core). It concluded that exploration was merited on the Longford-Down Massif, a geological structure stretching from Co. Longford in Ireland to Co. Down in Northern Ireland.

It thus set about systematically acquiring and exploring some 1,100km^2 of wholly owned licences

The company thus set about systematically acquiring and exploring licence areas, amassing between 1996 and 2007 some 1,100km^2 of wholly owned licences in Ireland and Northern Ireland.

Fig 8: Conroy Gold's licences (red outlines) and notable mines in Ireland and Northern Ireland



Source: Conroy Gold

Conroy Gold has additional prospecting licences in similar lithologies in Counties Clare, Tipperary and Kilkenny in the southern portion of Ireland

Conroy Gold has additional prospecting licences in Counties Clare, Tipperary and Kilkenny in the southern portion of Ireland. Gold has been previously reported in these licences, all of which are in lithologies similar to that of the Armagh-Monaghan Gold Belt. We do not yet regard these latest licences as material because of their very early nature, and thus do not discuss them further in this document.

Longford-Down Massif: part of the Appalachian-Caledonian Orogen

The Massif sits on a 7,500km-long Orogen which extends from Scandinavia to North America

The Longford-Down Massif was formed as part of an accretionary prism in the collision zone between the Avalonia and Laurentian plates. It sits on the north-eastern arm of the 7,500km-long Appalachian-Caledonian Orogen, which extends from Scandinavia, through most of Scotland and the northern part of Ireland, to the Appalachians of North America.

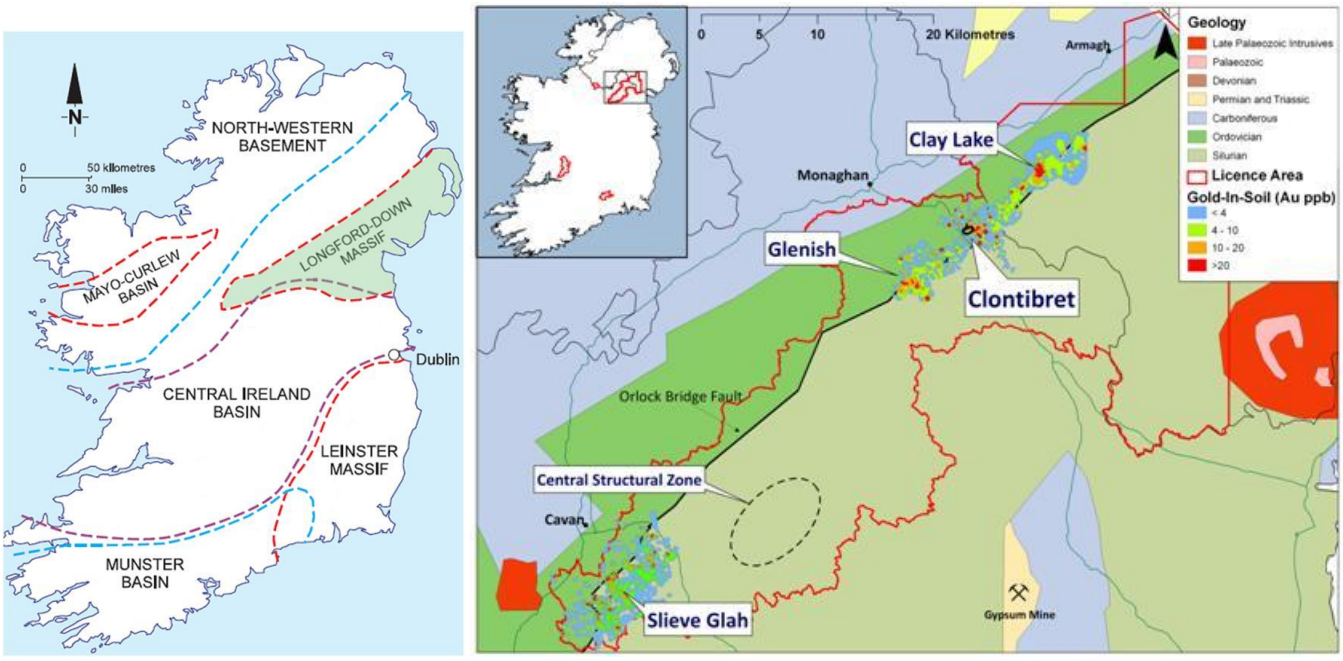
Gold and base metal deposits have been found throughout this Orogen

This Orogen has many parallels with, and a similar origin to, the younger Western Cordillera in western USA, which hosts major deposits (e.g. the Motherlode of California and the Carlin Trend in Nevada). Gold and base metal deposits have been found throughout the Appalachian-Caledonian Orogen, particularly in Newfoundland and Scandinavia.

Unsurprisingly, there have already been several base metals, iron and antimony mines on the Massif itself

Unsurprisingly, there have already been a number of small base metals, iron and antimony mines on the Longford-Down Massif itself. And, as already mentioned, Conroy Gold has made a series of gold discoveries in five target areas along the Massif, confirming the Orogen's potential to host significant mesothermal gold deposits.

Fig 9: The Longford-Down Massif (L); gold targets and prospects along the Orlock Bridge Fault (brown line) (R)



Source: Conroy Gold

The Orlock Bridge Fault is a key structural control

Areas around the Orlock Bridge Fault (which splits the Longford-Down Massif into northern and southern portions) are segmented into discrete fault blocks by several major parallel faults

The northern portion of the Longford-Down Massif comprises andesitic greywackes of Ordovician age; the southern portion, lithic and feldspathic greywackes of Silurian age. A major sinistral strike-slip feature, the regional-scale NE-SW-trending Orlock Bridge Fault, separates the two. These sedimentary rock types form tightly-folded, steeply-dipping beds ranging in thickness from a few centimetres to several metres, interbedded with siltstones and argillites, intruded by igneous plutons. A number of major parallel (N-S-striking) faults segment the areas around the Orlock Bridge Fault into discrete fault blocks.

The Orlock Bridge Fault is believed to be a major structural control, with gold mineralisation hosted in perpendicular, second-order fault structures

The Orlock Bridge Fault is believed to be a major structural control on mineralisation, with gold mineralisation hosted in perpendicular, second-order fault structures. Consequently, the company's exploration efforts have been based primarily on proximity to this fault, targeting such structures. This strategy was endorsed in 2004 in an independent review by consultants SRK.

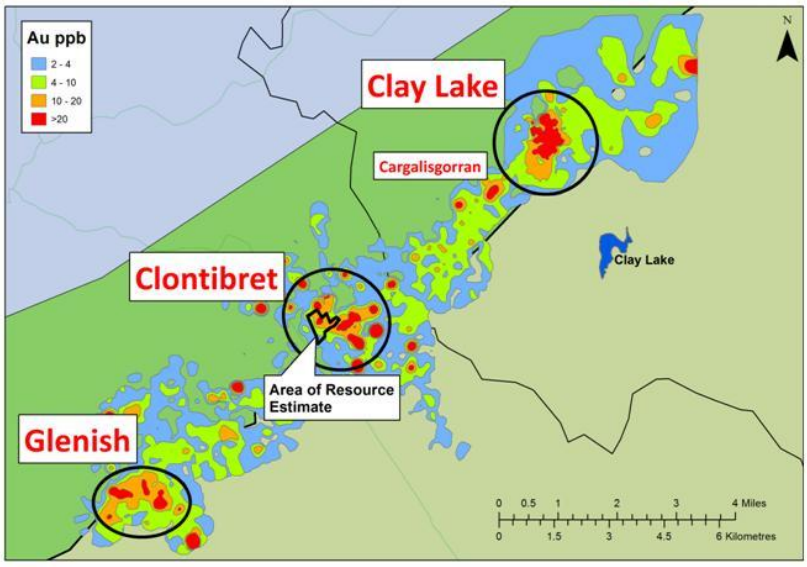
Five main target areas identified thus far along a 50km trend

Five main gold target areas have been identified along a 50km strike, four of which have gold proven in bedrock

Five main gold target areas have been identified along a 50km strike stretching across Co. Armagh in Northern Ireland and counties Monaghan and Cavan in Ireland, four of which have gold proven in bedrock. From NE to SW, they are:

- Clay Lake in Co. Armagh, Northern Ireland.
- Clontibret in Co. Monaghan, Ireland.
- Glenish in Co. Monaghan, Ireland.
- The Central Structural Zone.
- Slieve Glah (now four extensive targets) in Co. Cavan.

Fig 10: The Armagh-Monaghan gold targets



Source: Conroy Gold

There is good road access to the licences via highways from Dublin (Clontibret is just 120km from Dublin), with a dense network of secondary paved roads on the licences.

Fig 11: Shore Capital visit – M1, N33 and N2 to Cremartin core shed, then on to nearby Clontibret via N2 and local roads

Source: Shore Capital Stockbrokers

Clontibret: current flagship

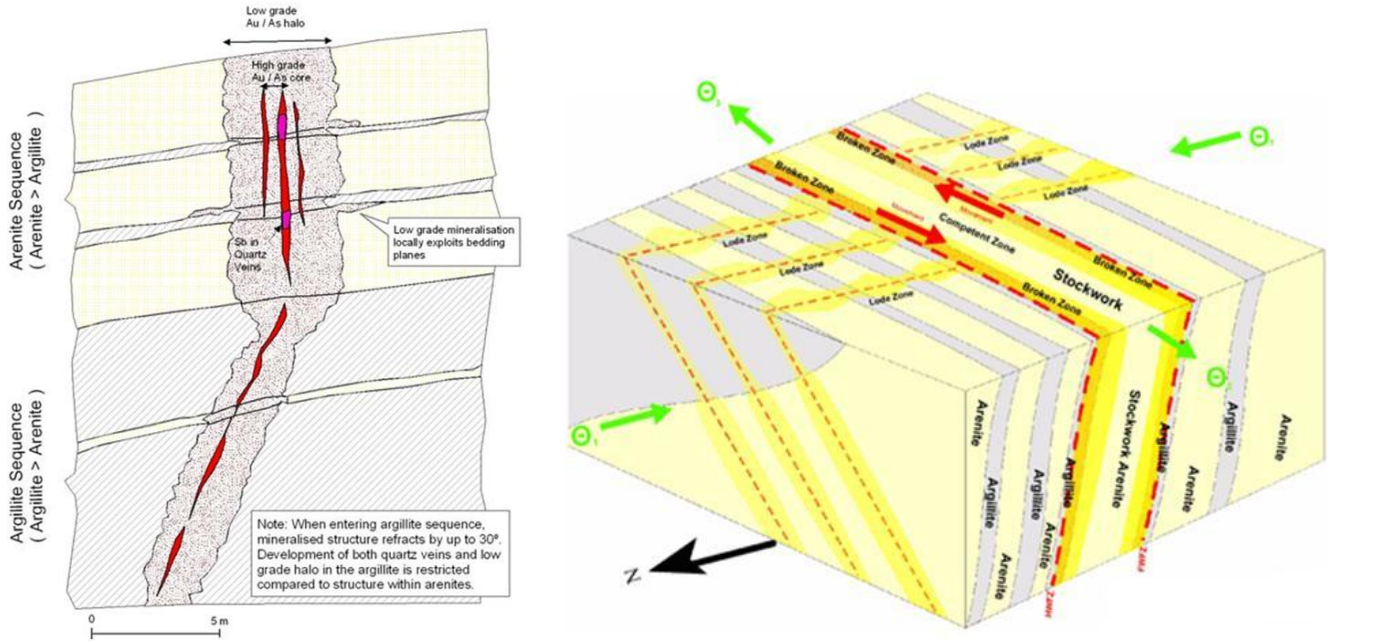
Clontibret has a 1.03Moz JORC-compliant resource on 20% of the target

The Clontibret Gold Target is located in Ireland's County Monaghan. There is a 1.03Moz JORC-compliant resource on 20% of the target, with significant gold intersections on the remaining 80% (including 11m at 5.34g/t Au and 21m @ 1.82g/t Au in the northern section).

Clontibret sits 1.5km north of the Orlock Bridge Fault

Clontibret sits around some 1.5km north of the Orlock Bridge Fault, and the local geology unsurprisingly features an NW-dipping sequence of Ordovician sedimentary rocks, with stratigraphically alternating units of argillite (shale or siltstone) and arenite (greywacke or sandstone) rocks.

Fig 12: Mineralisation better developed in arenites (L); gold is enriched at top and bottom of stockwork zone (R)



Source: Conroy Gold

There are two main styles of mineralisation: disseminated stockwork and lodes

As would be expected, gold mineralisation in the 20% area is hosted within a set of prominent, steeply WSW-dipping (65-75º) cross-cutting fault structures. There are two main styles of mineralisation:

- **Disseminated stockwork.** Lower-grade broad-bedded and arenite-hosted. Gold is associated with sulphides and enriched in the zone's top and base (the principal strain direction resulted in heavily broken areas through which mineralised fluids were able to flow more readily).
- **Lode-style zones.** Lode-style mineralisation cross cuts both argillite and arenite sequences above and below the stockwork zone. This style of mineralisation comprises a narrow (typically 1-2m), high-grade quartz-veined core (sporadic gold values of up to 10-20g/t) enveloped by a wider, lower-grade halo. The haloes can be tens of metres wide and are more laterally persistent than the high-grade veins. The former are traceable for up to 100-200m both laterally and down dip (and possibly more, as all structures are reportedly open along strike and down-dip), versus tens of metres for the

latter. Both cores and haloes tend to be better developed when hosted within arenite, which is more porous than argillites. To date, 38 mineralised lode structures/zones have been identified in the Clontibret area.

Fine gold is intimately associated with arsenopyrite and pyrite, with a consistent 700:1 As:Au ratio

Fine gold grains (typically 1-5µm) are intimately associated with the principal ore minerals arsenopyrite and pyrite. There is a notable association between arsenic and gold, with the two found across the prospect at a consistent 700:1 ratio.

The fineness of the gold was one reason that Clontibret's gold prospectivity was recognised only relatively recently

The fineness of the gold grains means they are not readily observable; one reason why the prospectivity for gold was not realised until the 1950s – this was despite the commencement over a century ago of antimony exploration and small-scale underground mining of a narrow, high-grade antimony vein in the area. It was only when back channel samples of the (now defunct) Clontibret antimony mine were analysed in the 1950s that the presence of gold was identified by The Mining Corporation of Ireland, even though shafts and levels passed through three gold-bearing structures.

Fig 13: Examining gold-bearing outcrop in stream; historic Tullybuck shaft entrance is on opposite bank not far upstream

Source: Shore Capital Stockbrokers

Following this, considerable exploration was undertaken by Can Erin Mines (1950s) and Munster Base Metals (1975-1992). The two companies drilled a total of 42 holes between them (4,799m). These encountered high grades of gold in narrow veins but core recoveries were often poor, due to the mineralised fault structures being very broken.

Munster declared a historical, non-code compliant gold resource of 4.5koz in 1976

Munster's work, which also included detailed soil sampling and trenching, resulted in the company declaring 4,500oz of non-code compliant gold resources in 1976, comprising 20kt @ 6.0g/t (3,058oz Au) and 19kt @ 1.1g/t (672oz Au).

Conroy Gold's analysis concluded that historical exploration would have been hampered by poor core recovery and erratic drilling patterns

Conroy Gold's analysis of the historical data led the company to conclude that poor core recovery was likely to have resulted in underestimation of widths and grades (particularly of the key high-grade lode zones). Furthermore, despite erratic drilling patterns, additional gold-bearing zones were observable over a 400x400m area, with mineralisation open at depth and along strike.

Conroy Gold has undertaken exploration programmes using more-effective modern techniques

The company has since undertaken several programmes of soil sampling. (In Ireland, >10ppb Au is considered highly anomalous; bedrock gold is usually discovered in follow-up drilling and/or trenching at such anomalies), trenching and drilling. (To improve core recoveries, the company uses triple-core barrels and core-stabilising additives, an approach which has increased core recovery and also yielded better grades and widths.)

To date, 15,000 soil samples have been analysed, 97 diamond holes drilled and airborne geophysics flown, amongst other things

Conroy Gold has collected and analysed to date over 15,000 soil samples (1-2km regional grid; 100m grid on major targets), trenched 3,058m and drilled 97 diamond holes for 11,908m. The company has also obtained satellite imagery, conducted an airborne geophysical survey over approximately 90% of the licence areas and performed topographic modelling.

Fig 14: Fragmented core recovered in triple-core diamond hole CDG14 (T); high-grade core with visible sulphides (B)

Source: Shore Capital Stockbrokers

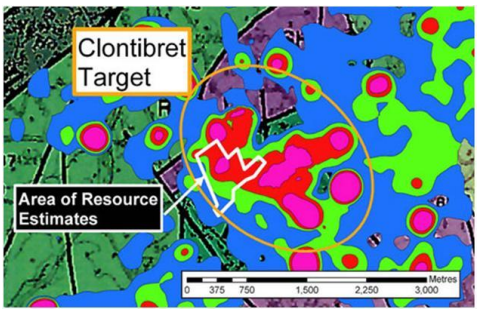
Clontibret has significant resource expansion potential

Clontibret currently has a c1.03Moz resource

There is currently a c1.03Moz JORC-compliant sulphide gold resource (Indicated: 11.0Mt @ 1.24g/t Au for 440koz; Inferred: 14Mt @ 1.32g/t for 590koz; 0.75g/t cut-off) on 20% of the Clontibret Gold Target.

Fig 15: Conroy Gold's 1.03Moz JORC-compliant resource is derived from less than 20% of the Clontibret Target area

			Mt	Total g/t	Moz
Clontibret	100%	Measured	0.00	0.00	0.00
		Indicated	11.00	1.24	0.44
		Total M&I	**11.00**	**1.24**	**0.44**
		Inferred	14.00	1.32	0.59
		Total M,I&I	**25.00**	**1.29**	**1.03**



Source: Conroy Gold

The resource was delineated over c800m of strike and from surface to depths of 450m

The resource was delineated over a c800m strike and from surface to depths of 450m. Roughly half the ounces are hosted in lode zones (34 lodes) and the remainder in stockwork.

Mineralisation remains open along strike and at depth; there is the potential for the resource to be increased as a result of infill and stepout drilling – we see 2-3Moz as a reasonably conservative estimate

We believe it noteworthy that:

- Mineralisation remains open along strike and at depth at the Clontibret Target.
- Infill drilling (3,258m as of March 2012) has confirmed mineralisation continuity. There is thus potential for an increase in the gold resource.
- The resource area represents <20% of the overall Clontibret Gold Target; we expect additional resources to be defined in the remaining 80%. The company believes that Clontibret could ultimately be shown to host up to 5-7Moz; it seems to us that 2-3Moz would be a reasonably conservative estimate.

There is also the potential for resources to be delineated at other targets

Given the above, we believe there to be very good potential for resource expansion – and this is before we even consider the other targets on the Armagh-Monaghan Gold Belt (i.e. Clay Lake and Glenish, both located within 7km of Clontibret) and the wider regional potential (Slieve Glah and the Central Structural Zone).

BIOX® testwork underway

Clontibret ore is refractory but could potentially be treated using the BIOX® process; Gold Fields is supervising the BIOX® testwork programme for Clontibret's PFS

Preliminary metallurgical testwork has indicated that Clontibret ore is refractory. According to consultants Tetra Tech, whose personnel have extensive experience with BIOX®, recoveries in the region of 85% are possible with BIOX®. In September 2012, Conroy Gold announced that Gold Fields would be supervising the BIOX® metallurgical testwork programme for Clontibret's Pre-Feasibility Study (PFS). The actual work (including work on comminution, flotation and the BIOX® process itself) is being conducted by SGS South Africa.

Testwork results should be available by end Q1 or Q2 2013

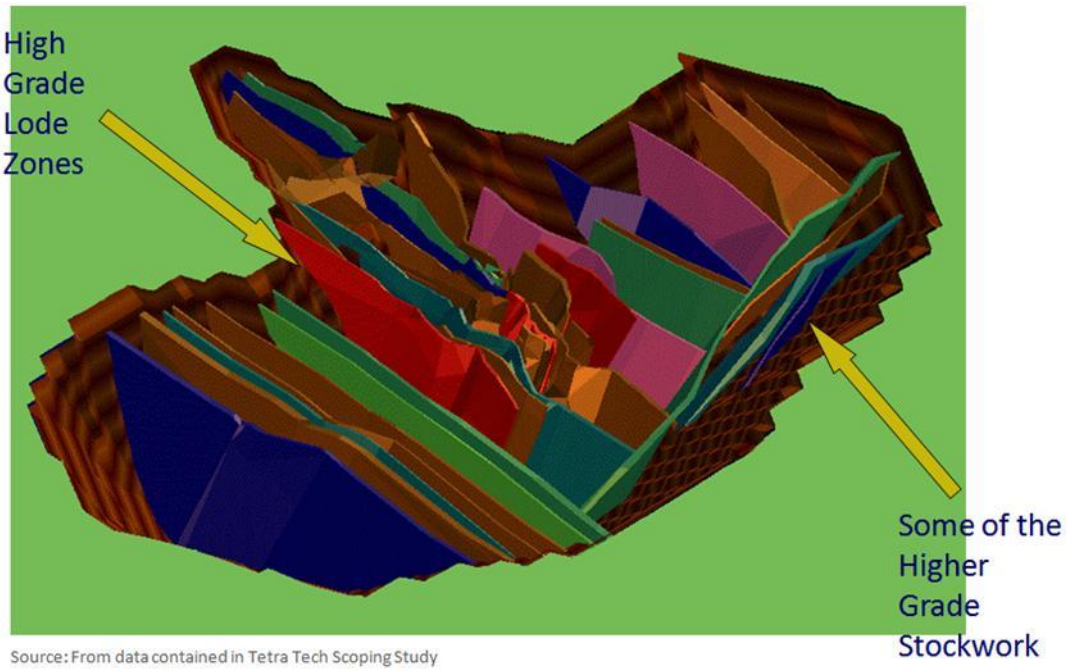
A comprehensive set of composite samples of lode and stockwork material (350kg, ore-grade, 10% dilution factor, representative of run-of-mine grade) from different locations within the proposed pit shell has already been dispatched to South Africa, and we believe results should be available by end Q1 or Q2 2013.

Updated scoping study completed in December 2011

A scoping study on Clontibret was completed in February 2011 and updated in December 2011

Positive technical and financial results on a conventional open-pit mine at Clontibret were received in a JORC-standard scoping study completed by independent consultants Tetra Tech in February 2011 and updated in December 2011.

Fig 16: Updated scoping study – the open-pit focused on high-grade lode and some higher-grade stockwork zones



Source: Conroy Gold

The updated study focused on 20% of Clontibret and was limited to high-grade lode zones and some higher-grade stockwork zones

The updated scoping study was conducted on 20% of the Clontibret Gold Target area (as the remaining 80% is still to be fully tested). It was limited to the high-grade lode zones and some higher-grade zones within the stockwork, using a minimum mining width of 2m and a cut-off grade of 0.60g/t Au, giving a gold resource of 11.7Mt @ 1.60g/t Au for 601koz (Indicated: 260koz; Inferred: 341koz). The evaluation was based on a long-term gold price of US$1,372/oz.

An 800ktpa open-pit operation mining 50koz/year during the first five years and recovering 42.4koz/year was envisaged

The mineral resource was evaluated for mining potential using Whittle pit optimisation software and again applying a gold price of US$1,372/oz. The Whittle evaluation had contained gold of 441koz within a conventional open-pit configuration, a strip ratio of 9.4, a production rate of 800ktpa, average head grade of 1.53g/t Au over a mine life of 11.2 years, mining over 50koz/year in the first five years of mine life and recovering 42.4koz/year based on an assumed overall recovery rate of approximately 85% using the BIOX® process. The capital cost was estimated at US$77.8m.

It calculated $NPV_{8\%}$ at US$73.2m (49.4% IRR) and a two-year payback

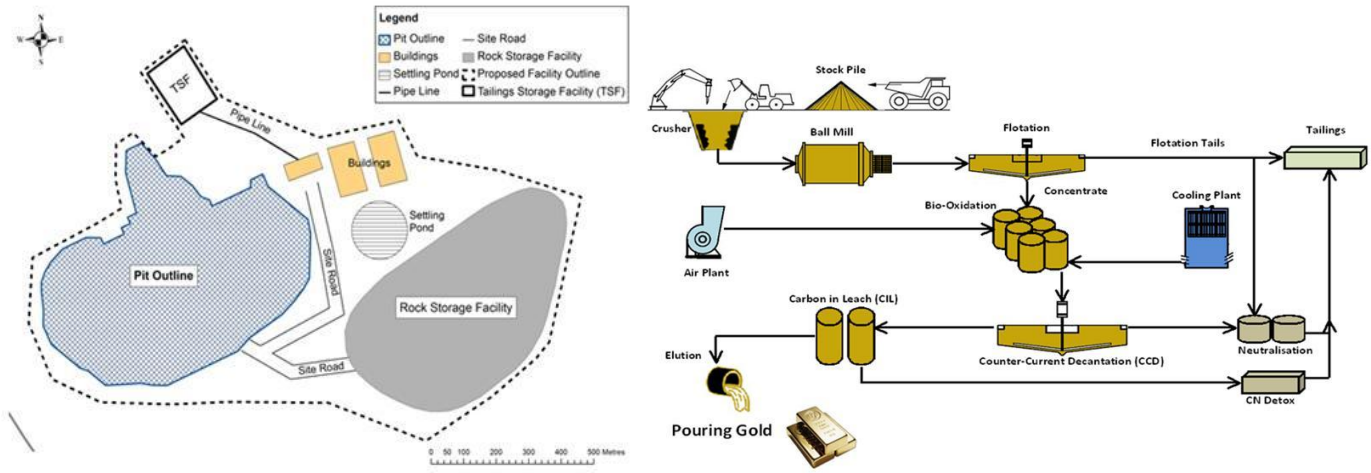
The economic evaluation was based on a pre-tax financial model and a gold price of US$1,372/oz. This gave an $NPV_{8\%}$ of US$73.2m, an IRR of 49.4% and a two-year payback period.

Testwork is underway (including on the BIOX® process) to fully assess the Clontibret ores' metallurgical characteristics

The scoping study concluded that BIOX® is an appropriate technology to be considered for treating Clontibret ore, which is refractory in nature (the bulk of the gold occurs as sub-microscopic inclusions within arsenopyrite). It was envisaged that conventional crushing, milling and flotation would produce a sulphide concentrate containing the majority of the gold; the BIOX® process would then convert most of the sulphides to oxide. This would permit a conventional Carbon-in-Leach (CIL) process for gold recovery. A comprehensive test work programme is underway to fully assess the Clontibret ores' metallurgical characteristics prior to finalising the process flowsheet.

The preliminary pit and mine plan has formed the basis of the infill drilling programme.

Fig 17: Clontibret mine – preliminary site layout plan (L) and conceptual flowsheet (R)



Source: Conroy Gold

There are a number of other potential sources of upside, e.g. lower dilution and higher head grade from narrower mining widths, and later processing of low-grade stockpiled material

There are a number of other potential sources of upside. For one, we regard the 2m mining width as conservative – we believe that, in practice, dilution could be reduced and head grade improved through the use of narrower mining widths (where appropriate). Furthermore, we suspect that at least a proportion of what the scoping studies treated as waste will in fact prove to contain low-grade mineralised material. Selectively stockpiled, this could potentially be treated economically in future.

Fig 18: Tullybuck-Lisglassan – lode zones (T – opposite hill; B – yellow) and stockwork zones (T – foreground; B – grey)

Source: Conroy Gold, Shore Capital Stockbrokers

Fast-track licensing to production commencement by H2 CY2015/H1 CY2016

We expect the Clontibret PFS by mid CY2013, subject to financing

We expect the Clontibret Pre-Feasibility Study (PFS) to cost c£2-3m and be completed by mid CY2013, subject to financing.

Conroy Gold plans to 'twin-track' its planning and mining licence applications; we expect this stage, including BFS, to cost £5-8m and be completed by end CY2014.

Conroy Gold intends to 'twin-track' its planning and mining licence applications, submitting them to the relevant authorities simultaneously. We expect this stage, including Environmental and Social Impact Assessment (ESIA) and Bankable Feasibility Studies (BFS), to cost c£5-8m and to be completed by end CY2014, followed by construction commencement. First gold could thus be poured by end H2 CY2015/H1 CY2016; we have conservatively modelled this as occurring in June 2016 (i.e. at the start of FY2017).

Excellent infrastructure

There is good-quality infrastructure on Conroy Gold's licences, e.g. roads, power, water

We have already mentioned that there is good-quality established infrastructure in the area of Conroy Gold's licences, which are criss-crossed by roads and power lines (the main power transmission line between Ireland and Europe runs close to Clontibret). Consequently, the company is confident that there should be ample available power and water for mining activities, and specifically for Clontibret.

Utilities, services and labour can be sourced from local towns; skilled personnel should be available from mines due to close over 2012-2014

Utilities, services and general labour can be sourced locally from the towns of Cavan, Monaghan and Armagh (Ireland has a 14.9% unemployment rate). An abundance of skilled personnel should also be available given that the Galmoy and Lisheen mines are scheduled for closure at the end of 2012 and circa 2014, respectively.

Bedrock gold has been shown to be present in Clontibret's remaining 80%

Bedrock gold in Clontibret's remaining 80% area has been confirmed by drilling and trenching

The existence of bedrock gold in several locations within the 80% area of the Clontibret Gold Target has already been confirmed by trenching and drilling, and Conroy Gold believes that formal resources can be declared at these prospects with further drilling.

Assuming the 80% area is similar in characteristics to the 20% area, it should be reasonably easy to model geologically

Assuming that the 80% area is hosted in similar rocks and exhibits comparable consistent Au:As ratios vis-à-vis the 20% resource area, it should be reasonably easy to model geologically. The 20% resource area's geological model is relatively straightforward and is based on the low-grade haloes (given their relative persistence), rather than on the narrow high-grade veins.

Fig 19: This photograph was taken in the 80% area where Conroy Gold intersected 11m @ 5.34g/t and 21m @ 1.82g/t

Source: Conroy Gold, Shore Capital Stockbrokers

Clay Lake and other Armagh-Monaghan Gold Belt targets

We believe there to be excellent exploration potential elsewhere on the Armagh-Monaghan Gold Belt

We believe there to be excellent exploration potential elsewhere on the Armagh-Monaghan Gold Belt. As mentioned earlier, Clontibret is but the most advanced of a series of gold targets in this belt, followed by Clay Lake in Co. Armagh, Northern Ireland, and Glenish in Co. Monaghan. There is also a large zinc-in-soil anomaly that we believe strongly merits follow-up, given the impending closures of the Galmoy and Lisheen zinc mines and our expectation of a medium-term structural zinc deficit.

Clay Lake and Glenish could act as satellite deposits to Clontibret, allowing for a larger plant and/or longer operational life

It should be noted that both Clay Lake and Glenish are located within close proximity, around 7km either side of the proposed Clontibret plant, and ore from these locations could be trucked to that plant. There is thus the possibility that either or both could act as satellite deposits, allowing for a larger plant and/or longer operational life.

Clay Lake's metallurgy differs from Clontibret: it may require a separate plant, albeit with scope for sharing of facilities and equipment

That said, it will be seen that the metallurgy at Clay Lake is different from that at Clontibret. Depending on the outcome of testwork, it may well prove that Clay Lake will require a separate plant. That said, there could be scope for sharing of facilities and equipment with Clontibret.

Clay Lake – could eventually overshadow Clontibret

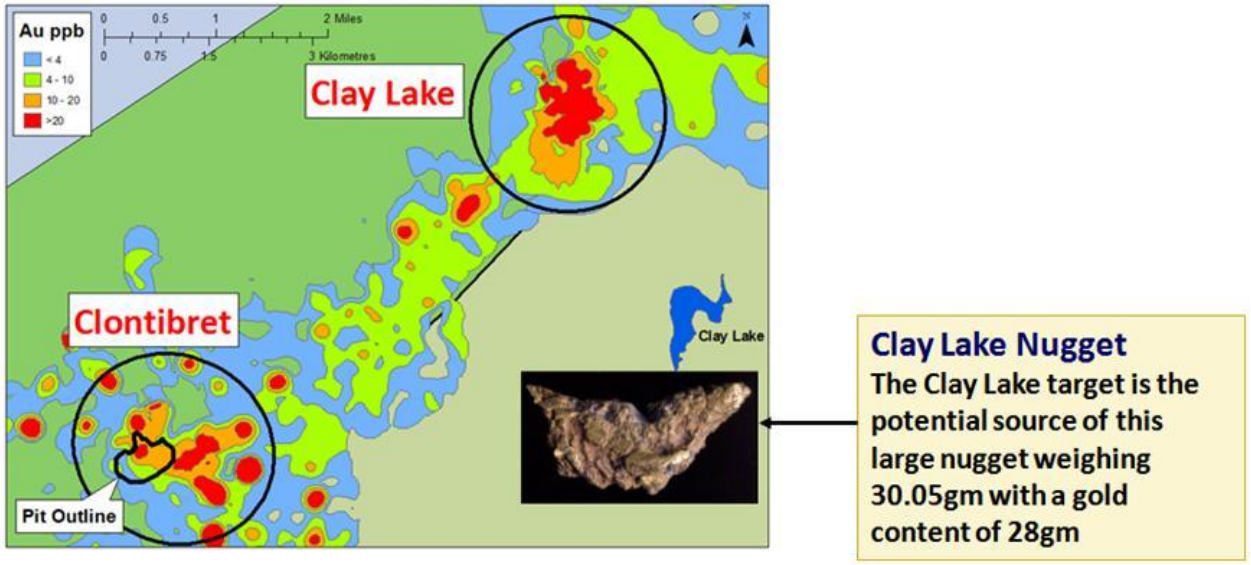
Clay Lake is named after a 28g nugget discovered in a streambed in the 1980s

The Clay Lake Target includes the large Clay Lake and the earlier-discovered but much smaller Tivnacree and Cargalisgorran satellite prospects (which we consequently do not discuss further). Located in Co. Armagh (Northern Ireland), 7km northeast of Clontibret, it is named after (and thought to be a potential source of) the 28g Clay Lake Nugget discovered in a streambed in the 1980s.

It appears at least as prospective as Clontibret, with average gold-in-soil values twice Clontibret's

Although still early days, Clay Lake already appears to be at least as prospective as Clontibret (if not more so). The Clay Lake anomaly boasts the highest gold-in-soil values (up to 1.53g/t Au) recorded by Conroy Gold at its Irish exploration licences, with average values (50ppb) twice that at Clontibret; at 141 hectares (2x1km), and is 12% larger than that at Clontibret (125ha).

Fig 20: Clay Lake is located just 7km northeast of Clontibret



Source: Conroy Gold

Exploration results to date suggest that Clay Lake is a black carbonaceous shale-hosted deposit, which could be very large indeed

In themselves, these attributes should be enough to whet appetites, in our view. However, Conroy Gold's geologists are particularly enthused about Clay Lake because rock chip sampling and drilling indicate that it is a black carbonaceous shale-hosted gold deposit. Such deposits can be very large indeed, e.g. the Sukhoi Log deposit in Russia (estimated at 64-95Moz) and the Muruntau mine in Uzbekistan (170Moz).

Rock chip sampling initially identified gold within a sequence of argillites and carbonaceous quartz stockwork, and the presence of silver (silver is absent at Clontibret)

First, some background: in 2009, rock chip sampling confirmed the presence of gold in two faulted, sheared and folded mineralised zones in streambeds in the northwest corner of the Clay Lake Target. In particular, an 18m-wide mineralised zone averaging 0.47g/t Au (up to 1.69g/t; sampled at 1m intervals) was identified within a sequence of argillites and carbonaceous quartz stockwork. (Intriguingly, silver values of up to 1.4g/t were also obtained, indicating that mineralisation here has different characteristics from that at Clontibret, where silver is absent.)

Drill results suggest that mineralisation occurs over several hundred metres along strike and remains open in all directions

In 2010, two inclined diamond holes (totalling 310m) were drilled 450m along strike from the outcrop zone. The results suggested that mineralisation continued both at depth and for several hundred metres along strike, and remained open in all directions. This was confirmed by drilling (four holes) later in 2010, which encountered 13 zones of mineralisation moving back towards the outcrop.

Fig 21: Outcrop at Clay Lake streambed (T-L, B-L); initial drill and rock chip locations (T-R); tight folds in drill core (B-R)

Source: Conroy Gold, Shore Capital Stockbrokers

Of particular note were drill intersections of 63m @ 0.62g/t Au and 50.75m @ 0.61g/t

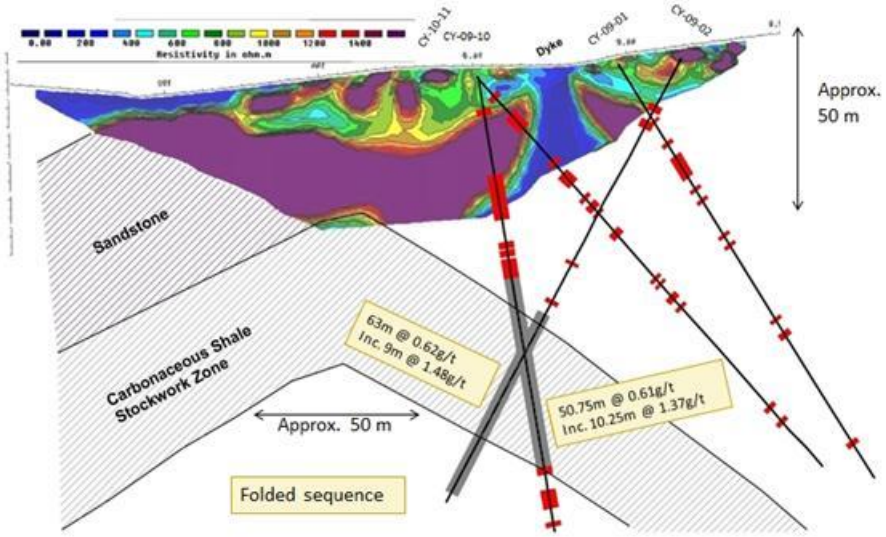
Of particular import, however, was that one of several intersections encountered in the initial holes was 63m @ 0.62g/t Au and 1g/t Ag from 90.5m (including 9m @ 1.48g/t Au and 1g/t Ag; there was also one of 50.75m @ 0.61g/t Au.) The 63m intersection occurred in a sequence of argillites with quartz stockwork, i.e. the same lithology as that in the aforementioned 18m-wide zone.

These results suggest that Clay Lake could be a low-grade bulk-tonnage mine along the lines of Kinross's Paracatu Mine in Brazil

Despite the apparent low grade, the widths encountered suggest the potential for very high tonnage and overall gold content, with minor silver credits. Should this prove the case, the usual 'grade is king' mantra would not be relevant; the economics of Clay Lake would be about bulk and another old mining mantra that grade is 'for show' and tonnage is 'for dough' would be more applicable. A successful precedent in a similar carbonaceous sediment-hosted setting would be Kinross's Paracatu Mine in Brazil. In 2011, it produced 453.4koz at a cost of US$720/oz from 17.4Moz of reserves grading (only) 0.41g/t.

Strong features were observed in a ground geophysics programme completed in November 2011 (IP and Resistivity surveys totalling 960 line metres in four survey lines over the Target's northern area). The results were interpreted as depicting an anticlinal folding sequence of gold-bearing black carbonaceous stockwork. As mineralisation tends to accumulate in the apexes of the anticlinal structures, we expect that Conroy Gold will be targeting these in particular.

Fig 22: Clay Lake cross-section



Source: Conroy Gold

Gold at Clay Lake is also more nuggety than at Clontibret, suggesting the prospect of a higher proportion of free gold

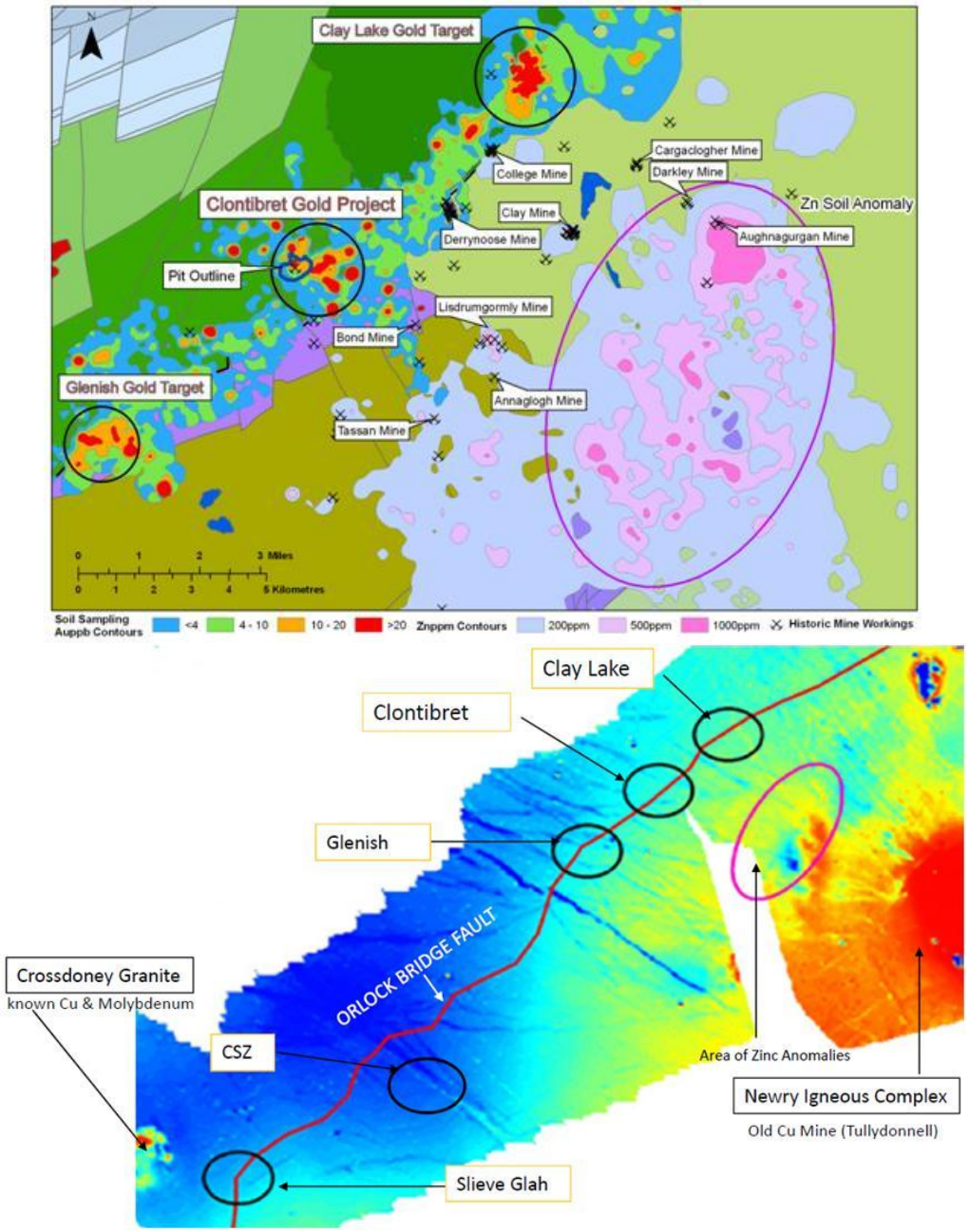
Apart from the presence of silver, Clay Lake also appears distinct from Clontibret in that the gold here appears more nuggety, suggesting the prospect of a higher proportion of free gold. These differences are despite the two only being 7km apart and despite the similarity of principal lithologies (arenites and argillites).

The area south of the Armagh-Monaghan Gold Belt appears prospective for base metals; there are a number of small, historical lead mines in that area

Zinc anomaly – suggestive of porphyry system?

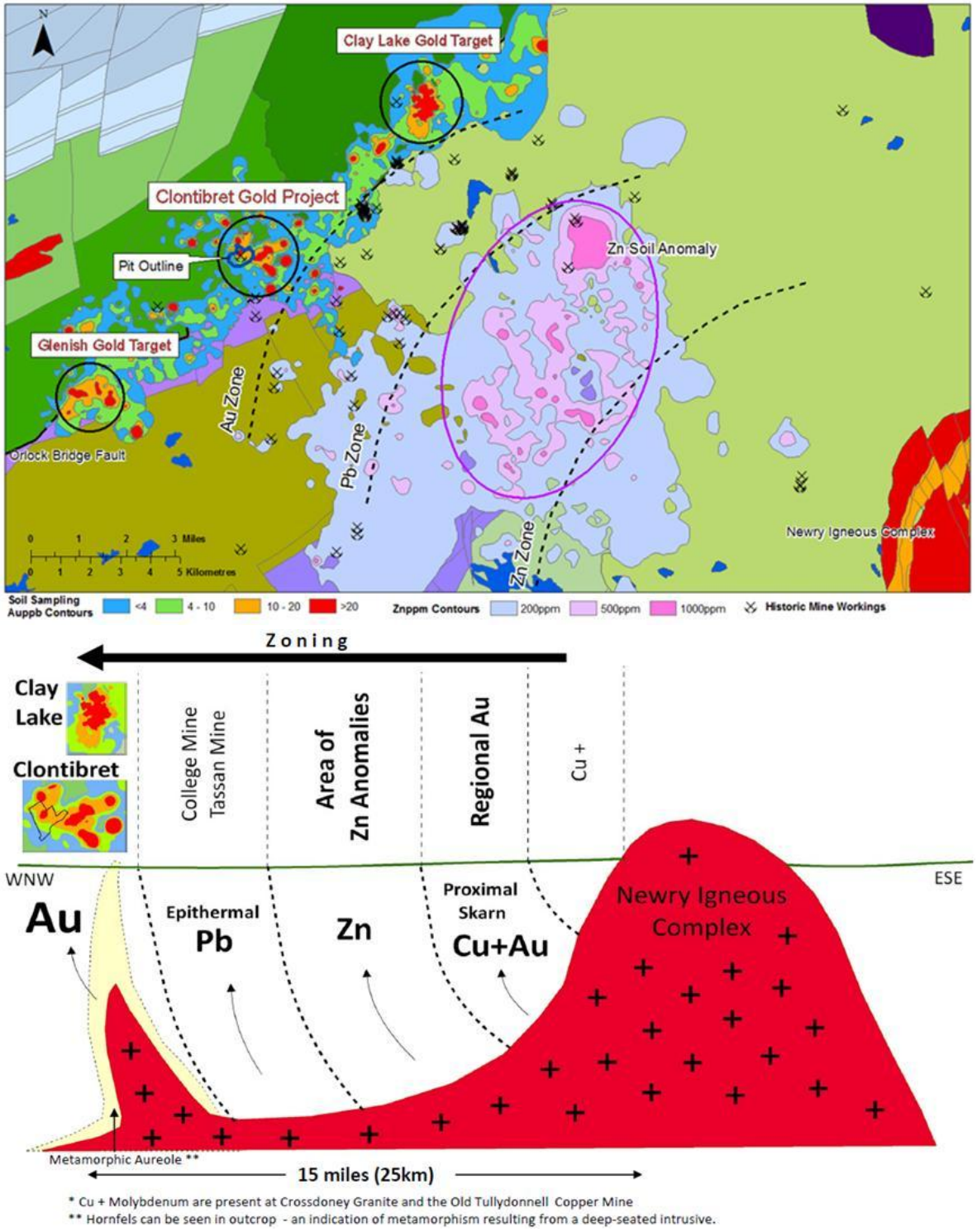
According to Conroy Gold, the area to the south of the Armagh-Monaghan Gold Belt is prospective for base metals: it is geologically similar to the Leadhills-Wanlockhead mining district in Scotland and the Caledonian geology of Scandinavia (which hosts major stratabound sulphide base metal deposits). Indeed, a number of historical (19th Century) small-scale near-surface lead mines worked veins in the Armagh-Monaghan area, notably the nearby Annaglogh, College and Clay mines.

Fig 23: Lead mines sit between gold targets and zinc anomaly, with Tullydonnell copper mine further southeast



Source: Conroy Gold

Fig 24: Porphyry-style metalliferous (Cu-Zn-Pb-Au) zonation system centred on Newry Igneous Complex?



Source: Conroy Gold

Conroy Gold has identified a large zinc anomaly; this find and the nature of the historical mines is suggestive of a porphyry system centred around the Newry Igneous Complex

Excitingly, but not unsurprisingly, in 2009 Conroy Gold identified a large zinc-in-soil anomaly (although initially it was thought to be multiple smaller anomalies) whose current known extent is 100km^{2}at over 200ppm Zn. This find and the nature of the historical mines suggest the existence of a significant, zoned metalliferous system radiating outwards from the Newry Igneous Complex, from a copper-rich central zone of the old Tullydonnell copper mine to distal alteration zones rich in zinc, lead and gold. Such a pattern can be seen in the Bingham porphyry system and is fairly typical of porphyry systems.

Glenish

Glenish is a large gold anomaly 7km southwest of Clontibret

Glenish, located in Co. Monaghan, 7km southwest of Clontibret, is a large NW-SE-trending gold-in-soil anomaly – at 147 hectares, 17% larger than the Clontibret anomaly.

The anomaly sits in an area of structural complexity where the Orlock Bridge Fault is offset by the Glenish Fault

The anomaly sits in an area of structural complexity, where the Orlock Bridge Fault is offset by another major fracture, the Glenish Fault. Gold mineralisation here (there is no silver) appears to be fault-controlled, found in lodes hosted by intensely sheared argillite with quartz/carbonate veining and pyrite, more similar to the Cargalisgorran prospect at Clay Lake.

Exploration has focused on only a small part of the anomaly to date, but results so far have included a 1m channel sample grading 9.4g/t

To date, overburden sampling and bedrock chip sampling have been carried out only over a small part of the original gold-in-soil anomaly. Bedrock investigations are more difficult than usual here due to the glacial till being up to 4m in the area. Nevertheless, results including a 1m channel sample grading 9.4g/t Au in a stream and bedrock grab samples of up to 2.45g/t Au have been obtained, and preliminary drilling encountered a 2.2m intercept grading 1.32g/t Au.

Other target areas along the Longford-Down Massif – regional potential

We believe there to be exceptional exploration potential elsewhere along the Longford-Down Massif

We believe there to be exceptional exploration potential elsewhere on the Longford-Down Massif. Apart from at the Armagh-Monaghan Gold Belt, major deep-seated lineaments are also known to intersect the Orlock Bridge Fault at the Slieve Glah and Central Structural Zone areas. As Armagh-Monaghan has been prioritised, these have been subject to comparatively little exploration, with Slieve Glah more advanced than the Central Structural Zone.

Slieve Glah

Slieve Glah, 40km southwest of Clontibret, is of particular interest because a marked swing in the Orlock Bridge Fault occurs here

Slieve Glah is located in Co. Cavan, some 40km southwest of Clontibret. It is of particular interest due to the occurrence here of a marked swing in the Orlock Bridge Fault's normal NE-SW strike. The sinistral strike-slip has resulted in a dilatational zone, which had been suspected – and results suggest – to be a good mineral trap (greater permeation and circulation of fluids and thus substantial concentration of mineralisation is possible).

Fig 25: Target 1 – Orlock Bridge Fault passes through Slieve Glah hill on horizon

Source: Shore Capital Stockbrokers

Slieve Glah was originally targeted as a potential copper deposit

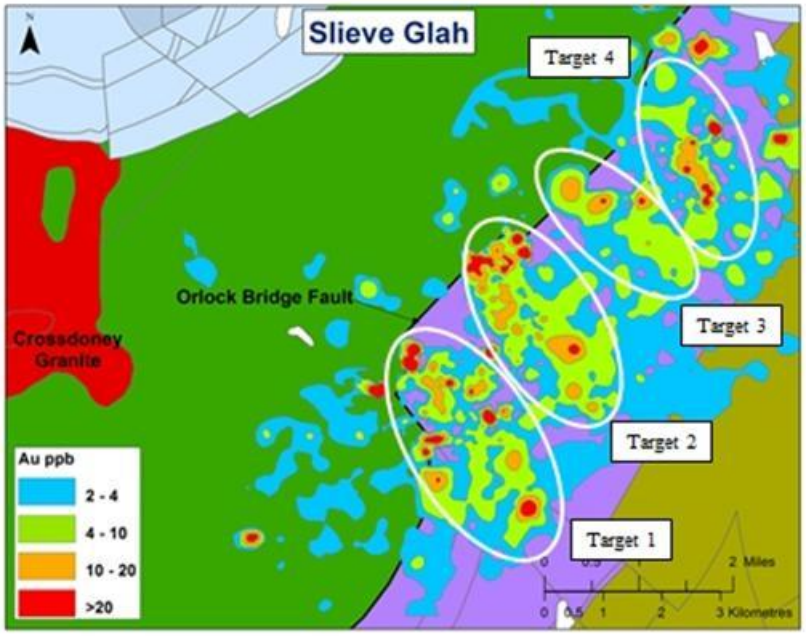
Conroy Gold's geologists originally targeted Slieve Glah as a potential copper deposit. This was due to its proximity to the Crossdoney Granite (which bears similarities with the Newry Igneous Complex), where copper and molybdenum are known to be present.

However, four large gold-in-soil targets (Targets 1-4) have been delineated, each over 3km long; bedrock gold has been demonstrated at Target 1

Instead, four large gold-in-soil targets have been delineated to date (each over 3km long), with Targets 3 and 4 only identified as recently as October 2012. According to Conroy Gold, the targets appeared to be structurally-controlled, occurring as a series of right-angle dilational shear zones adjacent to the Orlock Bridge Fault.

- The existence of bedrock gold mineralisation has been demonstrated at Target 1 through trenching and diamond drilling.
- Target 4 includes within it a highly anomalous 1km x 0.5km area trending NW-SE wherein over 30% of samples graded >10ppb, with maximum values of up to 140ppb Au.

Fig 26: Slieve Glah Targets 1-4



Source: Conroy Gold

The Central Structural Zone

The Central Structural Zone, between Clontibret and Slieve Glah, is an area of structural complexity

The Central Structural Zone, which covers an area of at least 50km^2, is located approximately mid-way between the Armagh-Monaghan Gold Belt and Slieve Glah. This is an area of structural complexity. It hosts a series of major cross-cutting faults – a confluence of lineaments, so to speak – an environment which is conducive to circulation of mineralised fluids.

Lineament studies have proven particularly useful in identifying targets here

Lineament studies, which have been successful in identifying structural targets not picked up by soil geochemistry, have proven particularly useful at identifying targets in this location. The studies were based on Enhanced Thematic Mapping (ETM; derived from Landsat data), Digital Terrane Modelling (DTM; based on radar data collected by NASA) and airborne geophysical surveys.

Finland: underexplored shield area

Conroy Gold is exploring for gold in the Central Lapland Greenstone Belt in Northern Finland

Finland is a mining-friendly country with well-developed infrastructure and favourable geology (prospective for gold, diamonds and base metals, amongst others). Conroy Gold is exploring for gold in the Central Lapland Greenstone Belt in Northern Finland.

Lapland boasts excellent infrastructure despite sitting mostly within the Arctic Circle

Although Lapland sits mostly within the Arctic Circle and is sparsely populated, it boasts excellent infrastructure. The area is easily accessible via the E63 and E75 euro-routes, while domestic flights and rail connections serve the major centres.

Prospective Finnish greenstones are comparatively underexplored

Finland has a number of Archaean greenstone belts

Much of Finland is underlain by the Baltic Shield, whose geology includes a number of Archaean greenstone belts. The rocks of the Baltic Shield form part of two major geological structures, the Archaean Karelian and Kola cratons. Lapland covers a significant part of the Karelian craton, which experienced sedimentation, rifting and magmatism throughout the Palaeoproterozoic.

We believe these belts to be prospective for gold mineralisation

We believe these belts to be prospective for gold mineralisation, as they possess characteristics similar to those of gold-hosting greenstone belts elsewhere in the world. Yet, they have seen relatively little in the way of gold exploration compared with those in other shield areas (e.g. Southern Africa, Western Australia and Canada). As a consequence, much of Finland's gold production currently takes the form of by-product from the mining of massive sulphide base metal deposits.

Three economic deposits have been identified on the Central Lapland Greenstone Belt

In the mid-20th Century, work by the Geological Survey of Finland (GTK) identified central Lapland as being highly prospective for gold. Indeed, this was followed by the discovery of three economic deposits on the Palaeoproterozoic Central Lapland Greenstone Belt: Saatopora (mined 1988-1995), Lappland Goldminers' small Pahtavaara mine (1996-present; current resources: 66koz @ 2.04g/t) and Agnico-Eagle's major Kittila mine (2008-present; estimated 2012 production: 155koz @ US$650/oz cash cost; reserves: 5.2Moz @ 4.7g/t).

Exploration results to date warrant further work

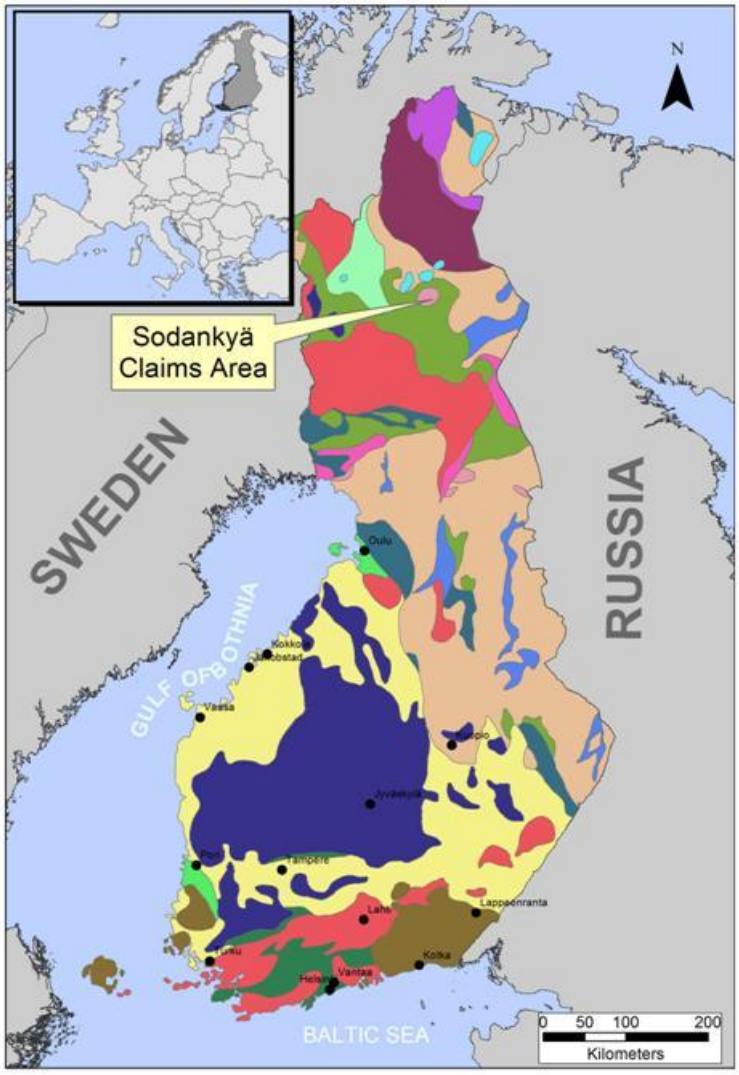
In 2006, Conroy Gold acquired an extensive database on gold occurrences on the Central Lapland Greenstone Belt; the company undertook an extensive sampling programme and other work

In 2006, Conroy Gold acquired an extensive GTK database on gold occurrences in the Central Lapland Greenstone Belt, including a review of said database by the previous owner and detailed aeromagnetic interpretation. The company has undertaken an extensive till sampling programme throughout Northern Finland. Combined with structural analysis from Landsat ETM and SRTM data, and interpretation of airborne geophysical data, a number of targets have been identified in major structural deformation zones which the company considers prospective for gold mineralisation.

Results to date make the case for further investigations, but Conroy Gold is correctly (in our view) prioritising its more-advanced Irish assets

Conroy Gold's results to date clearly suggest significant potential and make the case for further investigations. Indeed, applications for licences to conduct further work have been submitted and are being processed. That said, the company is correctly (in our view) prioritising its efforts and limited resources on the more-advanced Irish assets.

Fig 27: Conroy Gold's Sodankyä Claims Area in Finland



Source: Conroy Gold

Risks

We believe that Conroy Gold is less risky than junior gold company peers

We are of the opinion that Conroy Gold represents a better, less-risky investment than many of its junior gold company peers. The company's extensive licences are clearly prospective, with the potential to host multiple multi-million ounce deposits, in our view. Importantly, they are located in Ireland, Northern Ireland and Finland – mining- and investor-friendly, politically stable jurisdictions with excellent infrastructure.

Of course, Conroy Gold is not without its risks; key ones are listed here

Nonetheless, investing in Conroy Gold has its risks, amongst which we regard the following as key:

- **Commodity price and forex risks:** The value of gold properties will be related to the gold price, although the relationship tends to be less clear-cut for non-producing assets than that for producing mines. The prices of other commodities (e.g. diesel) are likely to impact Conroy Gold's operating costs. Given the current global geo-political and economic outlooks, we are of the opinion that the gold price risk is weighted to the upside, whereas that of other commodities is to the downside. Conroy Gold's valuation, revenues and costs will be influenced by changes in the US dollar, British pound and the euro.
- **Country/political risk:** Conroy Gold's key concessions are currently located in two European countries: Ireland and Finland. We view these countries as politically stable and mining- and investor-friendly. Indeed, Ireland was ranked 9th in the 2011/2012 Fraser Institute survey of mining jurisdictions. In other words, country and political risks are very low, in our opinion.
- **Succession risk:** Professor Conroy has been the driving force behind Conroy Gold. However, he has two proven, experienced lieutenants in Managing Director Maureen Jones and Financial Director Jim Jones who we believe will be able to take the company forward should Professor Conroy decide to retire.
- **Title and permitting risk:** With Ireland being Europe's largest zinc producer and the existence of stone quarries and a significant open-pit gypsum mine close to Clontibret, we believe that concerns about Conroy Gold's ability to obtain a mining licence are overblown. Furthermore, the team at Conroy Gold has had prior successful experience of navigating the Irish permitting process, albeit for an underground zinc mine, at Galmoy. Exploration title risk in Ireland is less than in many other countries: Conroy Gold already possesses extensive ground and recently obtained more; renewals can theoretically be made indefinitely with no requirement for ground relinquishments and the State does not take stakes in mines. In Northern Ireland, licences are renewable twice for further two-year periods; there is not automatic continuity in law between exploration and development, but mining leases are in practice usually granted to holders of prospecting rights. That said, there can be no guarantees that future licence applications or renewals in these countries will be granted.

- **Exploration risk:** There is the possibility that Conroy Gold's portfolio yields no further viable discoveries beyond the resources already outlined. However, given the results to date, we view the company's other targets and target areas as being highly prospective, and consequently believe this risk to be lower for Conroy Gold than for many of its peers. For example, we believe that Clontibret's current 1.03Moz resource could be increased to 2-3Moz by further drilling on the remaining 80% of the Clontibret Gold Target.
- **Geological/mineralogical/metallurgical/grade risk:** The sulphide ores at Clontibret are refractory. Incorporation of a BIOX® reactor in the plant flowsheet should see reasonably high recoveries, but will incur higher capital and processing costs than would be the case of a non-refractory deposit. Additionally, the head grades are currently relatively low, which implies higher vulnerability to lower gold prices. However, these factors were incorporated into the company's scoping studies, which it should be noted used a conservative gold price of US$1,372/oz. It is also clear that there are additional lode zones at Clontibret's other prospects; we expect that some additional drilling could see these incorporated into the resource, implying the possibilities of higher head grades, increased throughput and/or longer life of mine. Clay Lake mineralisation appears to be carbonaceous; testwork will be required to confirm whether or not this is preg-robbing.
- **Financing risk:** Conroy Gold will be reliant on the capital markets to fund the construction of Clontibret. Higher gold prices generally improve sentiment towards explorers and make the obtaining of funds easier. However, the cost of financing could vary with political risk. Political risk insurance could be required by banks, for debt financing. Debt financing could also require hedging some proportion of production, reducing the upside potential. Mine start-ups are notorious for taking longer and being more 'difficult' than anticipated, sometimes resulting in a cash shortfall during the ramp-up period. Conroy Gold will need to raise c£2m to complete the Clontibret PFS; this funding could potentially be covered entirely by drawdowns from the £2.75m SEDA facility, provided the facility's terms and conditions can be met and continue to be acceptable to the company.
- **Tax risk:** Irish corporation tax for mining companies, at 25%, is currently competitive. The applicable royalty rate is currently uncertain, as royalties are agreed on a case-by-case basis. However, we believe Lisheen's 3.5% serves as a reasonable guide. Unlike in many other parts of the world, there is no requirement for a government stake in mines. However, tax and royalty regimes can be rescinded or revised. Examples from elsewhere include the Mineral Resource Rent Tax in Australia and the eventually cancelled windfall taxes in Zambia. Such events tend to occur only once mines are in production and there is a significant hike in commodity prices, but this is not always the case (e.g. Axmin's experience in the Central African Republic).
- **Liquidity risk:** Entering into or exiting from significant positions in Conroy Gold could take time and result in sharp adverse share price movements.

Appendix I: Gold price outlook – bullish at least into the medium term

Gold usually benefits from political and economic uncertainty, inflation and dollar weakness. Given the current global turmoil, we would not be surprised if it breaches US$2,000/oz in 2013

Gold has gained 10.7% this year, hitting a year-to-date high of US$1,790/oz on 4th October 2012. We believe gold's upwards trend has been driven by concerns over ever-burgeoning US and Eurozone debt and deficits, and geopolitical uncertainties in the Middle East. Although we could expect a short-term dip should the Eurozone's issues be resolved successfully during the next few weeks or months, we would not be surprised if gold were to recover to breach US$2,000/oz by sometime in 2013. Gold traditionally benefits from political and economic uncertainty, rising inflation and dollar weakness; additionally, it should be supported by seasonal buying into H1 2013.

Fig 28: We expect the gold price's general upwards trend to continue into 2013, occasional pullbacks notwithstanding

Source: Bloomberg, Shore Capital estimates

Our positive outlook for gold is based on global political and macroeconomic conditions

Our positive outlook for the gold price is based on global political and macroeconomic conditions. In particular, it is our belief that the US dollar is likely to depreciate in the longer term against most major non-Western currencies. Historically, gold and the US dollar have been negatively correlated, suggesting positive implications for gold. The immediate outlook for the key dollar:euro relationship is unclear, being driven by the evolution of the Eurozone crises.

The Eurozone sovereign debt crisis continues to appear to us unlikely to be truly resolved anytime soon

Doubts continue over the sustainability not just of Greece's debt levels but also those of 'core' European economies such as Italy and Spain. The prospect of recession is now looming in many European countries that aren't already mired in it. Yet, the Eurozone sovereign debt crisis continues to appear to us unlikely to be truly resolved anytime soon. In any case, any new solutions that emerge will likely require months – if not years – to implement (particularly if they involve fiscal union).

QE3, launched in September 2012, is to continue indefinitely, or until US economic conditions improve; there is the possibility of a QE4 to replace Operation Twist, which expires end 2012

In the US, in September 2012, the Federal Reserve announced a third round of so-called quantitative easing (QE3). Some have labelled this 'QE Infinity' (or even 'QE Insanity'), as the Federal Reserve committed itself to an open-ended and unlimited programme whereby it would purchase US$40bn/month of mortgage-backed securities indefinitely, or until the economic conditions improve. The Federal Funds Rate is apparently to be kept near zero until at least mid-2015. We note also the possibility of a QE4 to replace Operation Twist, which expires at the end of 2012.

We do not see any prospects of monetary policy normalisation in the near term

Such an extended period of exceptionally ‘loose’ monetary policy would be consistent with our expectations of low growth and high unemployment in the US for the next few years – we do not see any prospects of monetary policy normalisation in the near term. Effectively, the US is attempting what it hopes will be controlled inflation in order to try to alleviate its debt crisis and ward off the spectre of deflation.

The looming US ‘fiscal cliff’ is another potentially very positive near-term event for gold; its materialisation could see the Federal Reserve intensifying further its QE efforts

In relation to this, another potentially very positive near-term event for the gold price is the looming US 'fiscal cliff'. The US Congress must agree a deficit reduction deal before January 2013; otherwise, US$500bn of tax hikes and US$100bn of government spending cuts automatically come into effect, which would likely tip the country’s economy into recession, in our opinion. We believe that materialisation of this scenario could result in the Federal Reserve intensifying further its QE efforts, with even more positive implications for gold.

We believe the gold price will continue trending upwards in reflection of money supply growth and debasement of fiat-based currencies

Despite all this easing, the dollar has not fallen significantly versus key currencies, we believe mainly because many other central banks have adopted similar tactics. The supply of gold, on the other hand, cannot be so easily inflated. Our opinion, and that of many market commentators, is that the gold price has been (and will continue to be) trending upwards in reflection of this growth in money supply and debasement of fiat-based currencies.

Other countries are likely to increasingly diversify into gold; central banks purchased 254.2t of gold in H1 2012; the IMF forecasts that central bank purchases in 2012 will outstrip those in 2011

Given such concerns, other countries are likely to increasingly diversify away from the dollar and euro as reserve assets, putting more of their reserves into gold, in our view. For example, South Korea’s central bank purchased 16t of gold in July 2012, increasing its gold reserves from 1.75Moz to 2.26Moz. Numerous other central banks have also been buying gold in 2012, including those of China, Russia and Turkey, to name a few. The World Gold Council estimated that central banks purchased 254.2t in H1 2012, and the IMF estimates that central banks' demand in 2012 will outstrip 2011’s 456.4t.

New participants are also entering the gold markets

More generally, such concerns should see more new participants into the gold markets. For example, in 2011, the Texas University Endowment Fund bought 20t of gold and had it physically delivered. Other hedge funds and institutions are known to have done likewise.

Gold will continue to be popular as a safe haven and hedge as long as global economic and political risks are perceived as significant

In summary, we do not expect the Eurozone sovereign debt crisis to be conclusively resolved anytime soon, although a short-term dip in the gold price could be expected if it is. However, there are plenty more problems on the horizon: in particular, we expect investors to be focused on the USA’s fiscal cliff, economic growth and debt issues, and on the ongoing troubles in the Eurozone, amongst other things. Gold has traditionally been viewed as a safe-haven asset and the best hedge against global economic and political risks. Consequently, gold demand could be expected to continue to grow for as long as investors perceive such risks as being significant.

Appendix II: Mineral rights & tax regimes

The Republic of Ireland

In Ireland, there is good security of tenure: Prospecting Licences are (theoretically indefinitely) renewable and only holders are eligible to apply for mining licences

In Ireland, Prospecting Licences (PLs) typically cover an area of c35km^2 and are granted for specified minerals for an initial six-year period. Security of tenure is good: PLs are normally (theoretically indefinitely) renewable subject to the holder having fulfilled agreed requirements (e.g. minimum expenditure and work programme requirements), with no ground relinquishments required. Furthermore, only holders of current PLs are eligible to apply for State Mining Facilities (SMF; i.e. mining licences).

The total application time for mining licences is usually <18 months, with terms currently agreed on a case-by-case basis; the State does not take stakes in mines

An SMF is granted when Planning Permission and an Integrated Pollution Control Licence have been obtained, with the total application time usually less than 18 months. Terms for each State Mining Facility are also currently agreed on a case-by-case basis, although they typically include a fixed term (related to predicted mine-life), annual fees, royalties (e.g. at the Lisheen lead-zinc mine, royalties were fixed at 3.5% of revenues, with concessionary rates during the first five years) and rehabilitation provisions. Unlike in many other parts of the world, the State does not take stakes in mines.

There are no restrictions on foreign investment and capital repatriation; corporate tax for mining is 25%

There are no restrictions on foreign investment and no difficulties with capital repatriation. Tax incentives for mining include immediate 100% write-off of development and exploration expenditure, and capital allowance of up to 100%. The corporate tax rate is 25% for mining companies (12.5% for other businesses).

Northern Ireland

Northern Ireland is pro-exploration; it received an award at Mines & Money 2008

Northern Ireland is pro-exploration and resource development, and has implemented initiatives to assist regional ground selection and exploration. The country received an award at the Mines & Money 2008 Conference for showing the most improvement to mining investors over 2007-2008.

DETI grants most prospecting and mining licences, but simultaneous applications to the CMA are required for gold and silver

Mining activities in Northern Ireland are governed by the 1969 Mineral Development Act (The Act) and subsequent subordinate legislation. The Act vested most minerals in the Department of Enterprise, Trade and Investment (DETI), for which DETI is able to grant prospecting and mining licences. However, gold and silver remain vested in the Crown, so companies wishing to explore for these must simultaneously apply to the Crown Mineral Agent (CMA) and DETI, and two concurrent licences are issued that require the same work programme and expenditure.

Prospecting licences are granted for two years and are renewable twice

Prospecting licences (which can be up to 250km^2) are normally granted for an initial period of two years, and may be renewed twice for further periods of two years, subject to completion of agreed work programmes and reporting.

Mining leases are usually granted to holders of prospecting licences, although there is not automatic continuity in law

To develop a deposit, a mining licence must be applied for. A company also has to apply separately for planning permission from the Department of the Environment (DOE). Unlike in Ireland, there is not in law automatic continuity between exploration and development. In practice, however, a mining lease is usually granted to the holder of a prospecting licence, provided agreed conditions are met.

Royalties are agreed with the CMA; the State does not take stakes in mines

Royalties on precious metals are agreed with the CMA. As with Ireland, the government of Northern Ireland does not take stakes in mines.

Finland

In Finland, prospecting is part of a so-called everyman's right, with certain exceptions and provisos

Under Finnish Mining Regulations, prospecting is part of a so-called everyman's right, which allows geological observations and measurements and limited sampling on any lands (with certain exceptions), provided: 1) no damage is done to the landowner's property or the environment (the landowner is often the government and the property a forestry), 2) the land owner or local registry office is informed about sampling beforehand and 3) any damage/inconvenience caused is compensated in full.

An applicant for a claim (exploration licence) can reserve first right to a mineral deposit by filing a 'reservation for claim'

Under Finnish regulations, before applying for an exploration licence, an applicant can reserve first right to claim any mineral deposit within a stated area by filing a 'reservation for claim'. The granting of a reservation, normally valid for one year (this can be reduced to four months at the discretion of the Ministry of Trade & Industry), does not permit drilling or sampling without the landowner's permission; neither does it prevent other parties from prospecting under the everyman's right.

A claim, valid initially for 2-5 years, provides exclusive rights in a specified area to carry out exploration, subject to certain conditions

On receipt of the claim (exploration licence; maximum 1km^2), the holder has the (exclusive) claim right within the claim area specified in the licence to carry out exploration for minerals and/or ore deposits with or without the landowner's consent, provided certain conditions are met (such as the payment of an annual claim fee to the Ministry of Trade & Industry and compensation to the landholders for any damage or inconvenience relating to exploration activities). Claims are initially valid for 2-5 years depending on the amount and type of work required, but an extension of up to three years can be granted.

Application for a Mining Concession must be made while a claim is still valid

To develop a mine, an application for a Mining Concession (also known as an Exploitation Concession) for the establishment of a Mining District must be made while the claim is still valid. Such a concession will only be granted if a mineral deposit is technically and economically exploitable, and its location and nature do not render its exploitation inappropriate. An environmental impact assessment (EIA) must be filed at the same time and affected landowners compensated.

The Finnish corporation tax rate is 26%

In Finland, the corporation tax rate is 26%. Tax losses may be carried forward 10 years but cannot be carried back.

Appendix III: Glossary

Ag	Silver
Alkaline	Igneous rock containing a high proportion of sodium and potassium
Alteration	Change in rock mineralogical composition due to hydrothermal reactions or pressure-related changes
Archaean	A principal geologic aeon, from 3.8Ga to 2.5Ga
Arcuate	Bow-shaped, curved
Arenite	Sandstones; sedimentary clastic rock with 0.0625-2mm grain size and <15% matrix material
Argillite	Shales; fine-grained sedimentary rock composed predominantly of indurated clay particles
As	Arsenic
Au	Gold
BFS	Bankable Feasibility Study
Boudinage	Sausage-shaped structures (boudins) formed by extensional forces; typical of shear zones
Breccia	Rock composed of broken fragments of rocks cemented together by a fine-grained matrix (whereas conglomerates comprise rounded clasts)
CEC	Crown Estate Commissioners
Clastic	Rocks composed of fragments (clasts) of pre-existing rock
Co.	County
Conglomerate	Rock consisting of clasts cemented together within a finer-grained matrix; sedimentary rocks comprising rounded clasts (whereas breccias comprise angular clasts)
Craton	Stable sections of continental plate that have remained relatively undisturbed that have survived aeons of cycles of merging and rifting of continents; composed of ancient crystalline basement rocks, generally found preserved in the interiors of tectonic plates
Cu	Copper
DCF	Discounted Cash Flow
DETI	Department of Enterprise, Trade & Investment
DFS	Definitive Feasibility Study
Diamond drilling	Drilling technique used to extract uncontaminated cylindrical cores of rock using a diamond-impregnated drill bit; core is gathered in a core tube
Dip	Angle at which a planar geological feature is inclined from the horizontal
Dolerite	Medium-grained basic intrusive rock composed mainly of pyroxenes and sodium-calcium feldspar
Dyke	Intrusive igneous rock, vertically or subvertically emplaced
ENE	East-northeast
ESE	East-southeast
Fault	A displacement of rock strata, both laterally and vertically
Fe	Iron
Feldspar	Alumino-silicate minerals that form the bulk of granitic rocks
Felsic	Rock containing an abundance of feldspars, felspathoids or silica
Flotation	A process of concentrating valuable ore using induced differences in surface tension to float the valuable fraction to the surface

Footwall	Underlying side of a stratigraphic unit, fault, orebody or stope
g	Gram
g/t	Grams per ton
Ga	Giga annum – one billion years
Gabbro	Coarse-grained igneous rock comprising feldspar, pyroxene and/or olivine
Gangue	Valueless rock associated with an ore
Gneiss	Rock formed by high-grade regional metamorphic processes from pre-existing igneous or sedimentary rocks
Graben	Depressed block of land bordered by parallel faults
Granite	Medium-to-coarse grained felsic intrusive rock containing 10-50% quartz
Greenstone belt	Zones of variably-metamorphosed volcanic sequences and associated sedimentary rocks occurring within Archaean and Proterozoic cratons
Greywacke	Sandstone composed of poorly-sorted angular grains of quartz, feldspar and other small rock fragments in a fine, clay-like matrix
GW	Gigawatt
GWh	Gigawatt hour
ha	Metric hectare (100m x 100m)
Hanging wall	Overlying side of a side of a stratigraphic unit, fault, orebody or stope
Horizon	Tabular layer containing mineralisation
Hydrological	Pertaining to water either above or below the surface
I&I resources	Indicated & Inferred resources
Igneous rocks	Rocks formed by solidification from a molten magma
Indicated resource	Mineral resource where quantity, grade/quality, densities, shape and physical characteristics can be estimated with sufficient confidence for application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. Based on reliable, detailed exploration where sampling is sufficiently closely spaced for reasonable assumption of geologic or grade continuity
Inferred resource	Mineral resource where quantity and grade/quality can be estimated based on geological evidence and limited sampling, and reasonably assumed (but not verified) geological and grade continuity
Intrusion/intrusives	Igneous rock invading older rocks
Ir	Iridium
IRUP	Iron Rich Ultramafic Pegmatite
JORC	Joint Ore Reserves Committee, the Australasian Code for reporting of mineral resources and ore reserves
kg	Kilogram (1,000g)
km	Kilometre
koz	Thousand troy ounces
ktpa	Thousand tonnes per annum
kWh	Kilowatt hour
Lithology	Structure and composition of a rock formation
Lode	Primary mineralised deposit that fills a fissure in a rock
LoM	Life of Mine
m	Metre
Ma	Mega annum – one million years

Matrix	Finer-grained mass of material in which clasts are embedded
Measured resource	Mineral resource where quantity, grade/quality, densities, shape and physical characteristics are sufficiently well established as to allow their estimation with sufficient confidence for application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit Based on reliable, detailed exploration where sampling is sufficiently closely spaced for reasonable assumption of geologic or grade continuity
Metasediment	Metamorphosed sedimentary rock
M&I resources	Measured & Indicated resources
M,I&I resources	Measured, Indicated and Inferred resources
Milling	Grinding of ore into fine particles to liberate valuable minerals
MoU	Memorandum of Understanding
Moz	Million troy ounces
Mtpa	Million tonnes per annum
MVA	Megavolt amperes
MW	Megawatt (1,000 kilowatts)
MWh	Megawatt hour
N	North
NE	Northeast
Ni	Nickel
NI 43-101	Canadian National Instrument 43-101
NNE	North-northeast
NNW	North-northwest
NPV	Net Present Value of future cash flows discounted at an appropriate risk rate
NSR	Net Smelter Return, the revenue the owner of a mining property receives from the mineral sales to a smelter
NW	Northwest
oz	Troy ounce (31.1034768g)
pa	Per annum
Pb	Lead
ppb	Parts per billion
ppm	Parts per million
Preg-robbing	The preferential absorption of gold from solution by carbonaceous materials during processing, resulting in reduced gold recoveries
Probable reserve	Economically mineable Indicated resources (and/or Measured resources, in some circumstances), as demonstrated by at least a Preliminary Feasibility Study
Proterozoic	Geological aeon, from 2.5Ga-542Ma
Proven reserve	Economically mineable Measured resources, as demonstrated by at least a Preliminary Feasibility Study
Quartz	Mineral species composed of crystalline silica
Quartzite	Metamorphosed sandstone composed almost entirely of crystalline silica
RAB drilling	Rotary Air Blast drilling – a relatively inexpensive but less accurate drilling technique using a blade or roller bit; drill cuttings are brought to the surface by compressed air flow between drill rods and hole wall
RC drilling	Reverse Circulation drilling; pneumatic hammer and drill bit pulverises rock with resultant chips brought to the surface inside drill rods by compressed air,

	thereby reducing contamination
Reef	An economically-mineralised horizon
Refractory Gold	Gold that is resistant to recovery by the usual cyanidation and carbon adsorption processes as a result of being 'trapped' in sulphide minerals and/or the presence of 'preg-robbing' carbon. Refractoriness can often be overcome by pre-treatment in an autoclave, roaster or BIOX® plant.
Regolith	Layer of loose, unconsolidated residual or transported material (e.g. soil, broken rock) covering the bedrock
(Mineral) Reserve	Economically mineable Measured and/or Indicated resources, as demonstrated by at least a Preliminary Feasibility Study. Includes diluting materials and allowances for mining losses
(Mineral) Resource	Concentration of mineral in such form, quantity and grade/quality that there are reasonable prospects for economic extraction
S	South
Sb	Antimony
SE	Southeast
Sedimentary rock	Rocks formed by deposition of particles carried by water or ice
Shale	The most abundant sedimentary rock. Fine-grained, clastic sedimentary rock formed from compaction of silt and clay-size particles ('mud'). Distinguished from other 'mudstones' by laminae (i.e. it comprises many thin layers) and fissility (it splits readily into thin pieces along laminations). Other mudstones are not fissile
Sill	Horizontal sheet of igneous rock intruded between older rock beds
Smelting	The extraction of metal from ore by heating
SSE	South-southeast
SSW	South-southwest
Stratigraphic unit	A body or layer of rock classified as a unit based on some characteristic, property or attribute
Strike	The horizontal direction of a stratigraphic unit; the extent of the strike is the strike length
Sulphides	Minerals consisting of sulphur chemically combined with metals
SW	Southwest
t	Metric tonne (1,000kg)
Tailings	Finely ground rock from which valuable minerals have been extracted
Tailings dam/dumps	Dams/dumps created from waste material arising from processing of ore
TWh	Terrawatt hour
tpa	Tonnes per annum
USD or US$	US dollar
Volcanoclastic	Pyroclastic rocks which have been transported and mechanically reworked (e.g. by wind, water)
Volanosedimentary	Rocks formed from volcanic sediments
W	Depending on context, Watt (joule per second), or West (direction)
WNW	West-northwest
WSW	West-southwest
Zn	Zinc

CONFLICTS

+ Non-Independent Marketing Communication:
This is a non-independent marketing communication. The analyst who has prepared this report is aware that Shore Capital Stockbrokers Limited and/or another member of Shore Capital has a relationship with the company covered in this report. Accordingly, 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 the dealing ahead of the dissemination of investment research.

DISCLOSURES

It is the policy of Shore Capital Stockbrokers Limited not to make recommendations on companies for which it acts in an advisory capacity.
Research recommendations:
Stock recommendation definitions:
Buy 10%+ absolute performance within 3-months or otherwise as specified
Hold +/- 10% absolute performance on a 3-month basis or otherwise as specified
Sell -10% absolute performance on a 3-month basis or otherwise as specified
Research distribution:
In the period 2nd July 2012 to 28th September 2012, Shore Capital Stockbrokers covered 155 'non-house' stocks. There was a Buy recommendation on 80 (52%) stocks, a Hold recommendation on 58 (37%) stocks, a Sell recommendation on 17 (11%) stocks and a total number of 155 (100%). The breakdown above only applies to 'non-house' stocks.
Lead analyst:
The lead analyst with respect to each research item is the first and most prominent name. Please note that more than one analyst may work on a specific research item.
Recommendation history:
For details of recommendation history on a specific stock please contact your Shore Capital contact on 020 7408 4080/0151 600 3700. All formal research notes carry specific recommendation history information.
The information above is obtained from sources considered reliable. However, the accuracy thereof cannot be guaranteed by us. Shore Capital or any of its associated companies (or our or their employees) may from time to time hold positions in the above equities as principal, and may also perform corporate advisory services for these companies. The suitability of any investment recommendations for private investors will depend upon their circumstances and they should therefore discuss the recommendations with our dealers before investing. Share prices can go down as well as up and past performance is not necessarily a guide to the future. Some investments may require you to pay more money than the cost of the investment. Levels and bases of taxation may change.
This document is being supplied to you solely for your information and may not be reproduced or further distributed to any person (including the media) or published in whole or in part, for any purpose. The material in this document is not intended for distribution or use outside the European Economic Area or Switzerland. This material is not directed at you if Shore Capital is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. All relationships giving rise to a conflict of interest as defined under the Conduct of Business rules of the Financial Services Authority have been disclosed. The issue of this note is not necessarily indicative of long term coverage of the stock. Hence, updates may or may not be issued in the future.
The views expressed in this document accurately reflect the research analyst's personal views about any and all of the subject securities and the Company on the date of this document. Any opinion or estimate expressed in this document is subject to change without notice. Shore Capital may act upon or use the information or a conclusion contained in this document before it is distributed to other persons. This document is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. None of Shore Capital Stockbrokers Limited or any member of Shore Capital, or any of its or their directors, officers, employees or agents accept any responsibility or liability whatsoever for any loss however arising from any use of this document or its contents or otherwise arising in connection therewith. By accepting this document, you agree to be bound by the foregoing limitations.
The following applies if the company is quoted on "AIM" – defined as the AIM Market of the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies and the rules of this market are less demanding than those of the Official List of the UKLA, consequently AIM investments may not be suitable for some investors. Liquidity may be lower and hence some investments may be harder to realise.

SHORE CAPITAL STOCKBROKERS LIMITED
MEMBER OF THE LONDON STOCK EXCHANGE
AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY

SHORE CAPITAL

Contacts

All Shore Capital contacts can be emailed as follows: firstname.lastname@shorecap.co.uk

Analysts

Clive Black *Food & Drug Retailers, Food Producers, Household & Personal Goods*	+44 (0)151 600 3701	**Jon Bell** *Building & Construction, European Property & Construction*	+44 (0)207 647 8130
Darren Shirley *Food & Drug Retailers, Food Producers, Household & Personal Goods*	+44 (0)151 600 3702	**Gavin Jago** *Building & Construction, European Property & Construction*	+44 (0)207 647 8121
Phil Carroll *Beverages, Foodstuffs & Tobacco*	+44 (0)151 600 3711	**Greg Johnson** *Travel & Leisure*	+44 (0)151 600 3704
Eamonn Flanagan *Insurance, Life Assurance & Lloyd's Vehicles*	+44 (0)151 600 3714	**Karl Burns** *Travel & Leisure*	+44 (0)151 600 3720
Owen Jones *Financial General*	+44 (0)151 600 3713	**Brian White** *Pharmaceuticals, Healthcare & Medical Devices*	+44 (0)207 079 1671
Gary Greenwood *UK Banks & Speciality Lenders*	+44 (0)151 600 3717	**Paul Taylor** *Pharmaceuticals, Healthcare & Medical Devices*	+44 (0)207 079 1675
Robin Speakman *Support Services & Technology*	+44 (0)151 600 3712	**Craig Howie** *Oil & Gas*	+44 (0)151 600 3703
David O'Brien *Recruitment & Smaller Companies*	+44 (0)151 600 3707	**Yuen Low** *Small & Mid Cap Mining*	+44 (0)207 647 8152
Gerard Lane *Equity Strategy & Economics*	+44 (0)151 600 3724		
Alex Stewart *Equity Income Sales*	+44 (0)207 647 8156		

Sales

Rupert Armitage	+44 (0)207 647 8123	**Philip Kerr**	+44 (0)207 647 8178
Richard Arthur	+44 (0)151 600 3706	**Malachy McEntyre**	+44 (0)151 600 3710
Andy Forshaw	+44 (0)151 600 3708	**John Ritchie**	+44 (0)151 600 3705
Stephen Henney	+44 (0)151 600 3718	**Elliot Shaw**	+44 (0)207 647 8127
Jane Hodgson	+44 (0)151 600 3715	**Terry Sissons**	+44 (0)207 647 8165
David Izzard	+44 (0)207 647 8163	**Richard Sloss**	+44 (0)207 079 1673
Andrew Keith	+44 (0)207 079 1672	**William De La Warr**	+44 (0)207 468 7933

Sales Traders

Simon Fine	+44 (0)207 647 8133	**Will Porter**	+44 (0)207 647 8132
Barrie Ashton	+44 (0)207 647 8124	**Simon Thomas**	+44 (0)207 647 8145
Russell Brody	+44 (0)207 647 8120	**David Simmons**	+44 (0)207 647 8126

Corporate Broking

Dru Danford	+44 (0)207 468 7905	**Anita Ghanekar**	+44 (0)207 408 4052
Stephane Auton	+44 (0)207 408 4062	**Toby Gibbs**	+44 (0)207 468 7967
Nick Bankes	+44 (0)151 600 3700	**Pascal Keane**	+44 (0)207 468 7995
Bidhi Bhoma	+44 (0)207 468 7904	**Jerry Keen**	+44 (0)207 468 7964
Patrick Castle	+44 (0)207 468 7923	**Edward Mansfield**	+44 (0)207 468 7906

London Office

Bond Street House
14 Clifford Street
London W1S 4JU
T: +44 (0)207 408 4080

Liverpool Office

The Corn Exchange
Fenwick Street
Liverpool L2 7RB
T: +44 (0)151 600 3700

Edinburgh Office

1st Floor
3/5 Melville Street
Edinburgh EH3 7PE
T: +44 (0)207 079 1670