

## Conroy Gold and Natural Resources plc (CGNR.L)\*- 5 Sept 23

### JV Work for Phase 1 Well Underway

With just over 20 months of exploration work completed during Phase 1 of the work programme of the Demir Export Joint Venture (JV), in this note we examine the value added in this period. This enables us to update our valuation on Conroy Gold and Natural Resources (CGNR.L) from our previous research note of April 2022.

\* A significant exploration programme across the Longford-Down gold district is underway as part of **Phase 1** of the **JV Agreement** with **Demir Export**. Over **6,000 metres** of exploration drilling, together with trenching and sampling work have been completed to date. Demir Export is required to spend over **€4.5m** in Phase 1.

\* We estimate in **Q1 2024**, Phase 1 will be completed, with JV activities then proceeding to the more advanced Phase 2 tasks.

\* A notable achievement under the JV has been the identification of a new gold trend, the **'Skullmartin'** Fault Zone over 24 km, which contains the **Creenkill** target, where a bonanza style gold grade of **123.0 g/t** was discovered from sampling work.

\* One of the main JV objectives is to expand on what is known at **Clontibret**, which has a JORC resource of 0.5m ounces of gold. This is believed to **only represent around 20%** of the known resource, with the deposit open at both depth and all directions.

\* We are impressed by consistent gold grades being achieved on JV drilling at **Clontibret**, which included the widest intercept at Clontibret reported to date of **94.5 metres at 1.0 g/t gold**. Drilling at **Clay Lake** has also seen an excellent intercept of **40 metres at 1.2g/t gold**.

\* The completion of Phase 1 will see further exploration drilling, trenching and sampling work carried out by the JV on the **district-scale gold trends**.

\* Results to date show Demir Export has the technical expertise and financial resources to advance exploration and move both Clontibret and other potential gold discoveries nearer a **'construction ready status'** and valuation appreciation event.

### Recommendation & Valuation

Given the successful results achieved under the JV over the last 20 months, we have been confident enough to increase our estimated exploration percentage parameter from 1.5% to 3.0%. This has helped boost our implied gold upside estimate from \$19.8m to \$40.8m, based upon an exploration target of **8.8m ounces of gold** as postulated by geologist Professor Garth Earls in his 2018 study. A higher projected long term gold price of **\$1,900** per ounce (prev. \$1,850) is used in the valuation.

By adding an exploration upside estimate of \$40.8m to the risked value of \$68.2m for the Clontibret open pit, we arrive at a total value of **\$109.3m (£86.1m)**, which equates to a price per share of **180p** (prev. 168p) On the basis that Conroy Gold's project interest reduces at the end of Phase 1 to 75% and assuming some element of future share dilution in the next two years, but for prudence purposes no de-risking valuation improvements, the price per share comes to 119p. Both share price targets (180p & 119p) are considerably higher than the current 13.75p equity price.

Investors still have not grasped the significance of the company maker deal **Conroy Gold** secured with Demir and furthermore neither absorbed nor understood the excellent exploration results attained under the JV to date.

A market cap of less than £7m assumes the market is pricing the projects as early-stage exploration ventures, rather than at a mid to late-stage. As we move nearer completion of Phase 1 work, the market may start to wake up from its coma and re-price Conroy Gold appropriately. Such a situation creates a tremendous **deep value investment opportunity** for investors. We therefore recommend the shares as a **'Buy'** with a price target range of **119p to 180p**.



**TP 119p to 180p**

#### MARKET DATA:

**Conroy Gold and Natural Resources plc**  
Ticker: **CGNR.L**  
Price: **13.75p**  
Market Cap: **£6.6m**  
SII: **47.8m**  
Sector: **Resources**  
Listing: **AIM – London**  
Domicile: **Ireland**

#### FINANCIALS:

Last Placing: Jun '23 - £0.4m @ 13.5p  
Last Results: 28/02/23– Half Year Report to 30 Nov 22.

#### ACTIVITIES:

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

#### KEY PROJECTS / ASSETS:

Clontibret  
Clay Lake  
Creenkill  
Glenish  
Slieve Glah

#### DIRECTORS & MANAGEMENT:

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

#### SHAREHOLDINGS: (>3%)

Philip Hannigan	18.7%
Prof Richard Conroy	6.7%
Patrick O'Sullivan	6.3%
Paul & Michelle Johnson	3.5%

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

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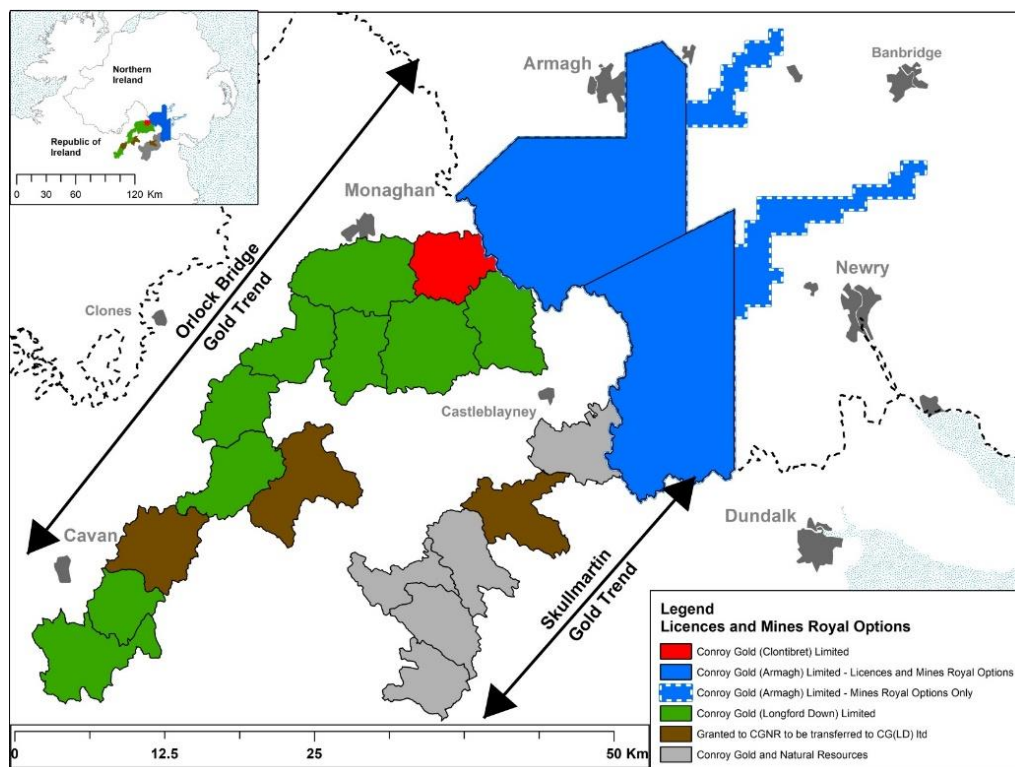
## JV Progress

Phase 1 work under the **JV** with **Demir Export** commenced in Q1 2022, since which several exploration achievements have been made. We estimate Phase 1 work will be completed during Q1 2024.

### Two District Scale Gold Trends

One of the most notable and exciting achievements is the identification of a new gold trend, the '**Skullmartin** Fault Zone' over a length of 24km, which lies 20km to the south of the 65km long '**Orlock Bridge** Fault Zone', as outlined on Fig 1.

The 'Orlock Bridge Fault Zone' contains the Clontibret and Clay Lake gold target areas and is part of a geological feature known as the '**Longford-Down Massif**' that stretches on a north-east trend from Ireland across into Scotland. The structure also encompasses the 'Skullmartin Fault Zone'.



**Fig 1:** Orlock Bridge and Skullmartin gold trends (Source: CGNR).

### 8.8 to 20 Million Ounces Gold Target Potential?

Within the Longford-Down Massif, based on just Clontibret, Clay Lake and Glenish, an exploration target of **8.8m ounces of gold** is estimated (not including the current 517,000 ounces JORC resource). This is according to a study by consulting geologist Professor Garth Earls, published in 2018, which assumes a 5% drilling success, a 2 g/t gold grade comparator at Clontibret for other gold-in-soil-anomalies, gold to a depth of 200 metres and current gold-in-soil-anomalies of over 10 parts per billion gold (ppb). Chairman Prof. Richard Conroy outlined in a StockBox Media interview (*March 2022*) his belief there could be between **14 and 20 million ounces of gold** within the JV's licence area.

### Bonanza Style Grade Discovery of 123.0 g/t

The Skullmartin Fault includes the **Creenkill** target, upon which a bonanza style gold grade of up to 123.0 g/t was discovered and reported from sample work close to the

surface on the Mines Royal (Newtownhamilton) option area in County Armagh, Northern Ireland. Other assay grades returned from the work announced in February 2023 included 76.7 g/t, 44.1 g/t, 35.2 g/t and 12.8 g/t gold.

Trenching work in May 2023 confirmed the bedrock source of the high gold grade mineralisation with a channel sample of 1.0 metre at 64.3 g/t gold. Nearby the discovery, a grab sample returned 17.5 g/t gold.

Shallow drilling work in June/July 2023 at Creenkill reported on the following gold grades:

- 0.5 metres @ 11.5 g/t
- 1.2 metres @ 3.8 g/t
- 0.35 metres @ 3.1 g/t.

This has provided confirmation of the new discovery and continuity of the structure, which as Prof Richard Conroy explained "provides encouragement that similar bonanza style gold grades, discovered during prospecting, can be encountered by future trenching and drilling".

### Gold Targets Identified from Deep Overburden Sampling Programme

In early September 2023, results from the collection of 1,519 deep overburden samples highlighted several new drilling targets.

500 samples returned results greater than, or equal to 10 ppb gold, with the maximum value returned at 447 ppb gold in the Dunraymond area, along with the second highest at 442 ppb gold from the Rockcorry target.

The announcement said follow up drilling is already underway in the Dunraymond area (which lies within the Glenish gold target), and that "drilling is ongoing" at Creenkill, where four new anomalous gold areas have been identified. Follow up drilling is planned on the new Rackwallace, Rockcorry and Avalbane gold targets (Fig 2).

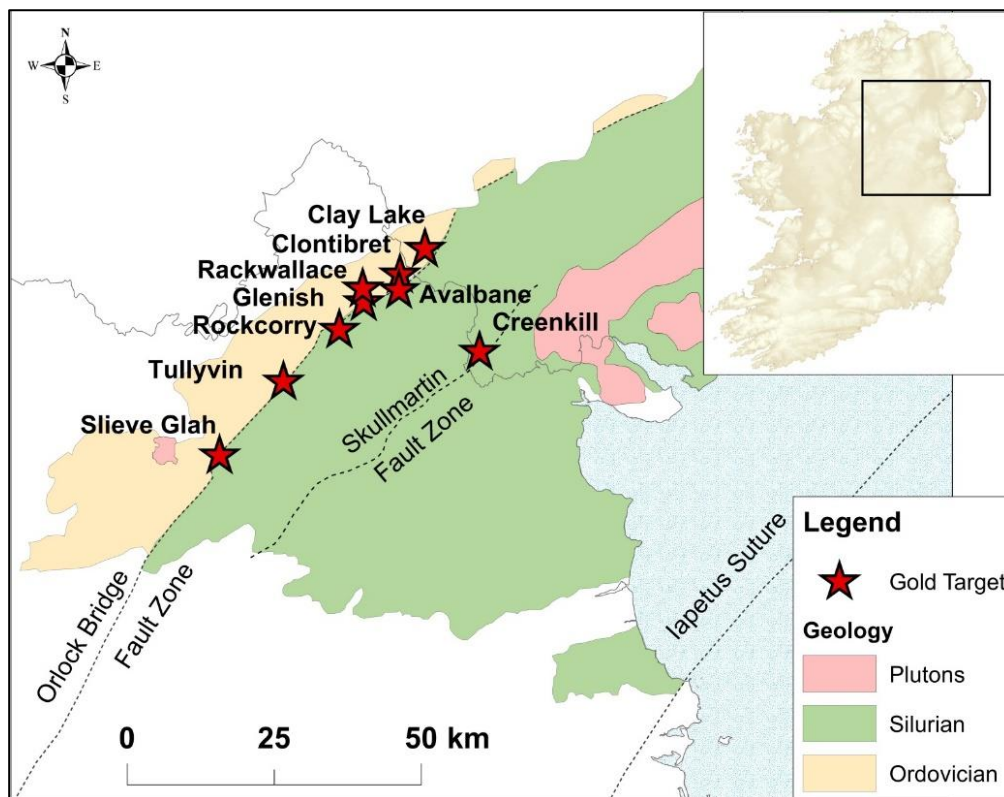


Fig 2: Gold Targets (Source: CGNR).

### *Slieve Glah, New Gold Targets and Base Metal Potential*

An extensive deep overburden geochemical sampling programme in March 2023 involving the collection of 1,434 samples from 15 separate areas within the Slieve Glah target area revealed some interesting results. This included the return of several high-grade assay results from different target areas, with the highest gold grade recorded of 3.46 g/t. Base metal potential was also indicated from the 'Leiter' area with a zinc grade of 4.45%, along with a 0.105% lead grade show.

### *Step-Out Drilling at Clay Lake*

A step-out drilling programme in February/March 2023 on the **Clay Lake** gold target returned a long intersection of 40.5m metres at 1.2 g/t gold, at a downhole depth of 135.5 metres.

### *Clontibret Deposit Expansion?*

Most of the early work by the JV has focused on step out drilling at Clontibret.

Four holes drilled on the **stockwork** mineralisation. Holes 1 to 3 showed 18 gold intersections, along four new zones to the north-east of the deposit containing significant intersections. Highlighted gold grades included:

3.0 metres @ 8.2 g/t (H2)

22.0 metres @ 0.6 g/t (H3)

The most impressive results were achieved from hole 4, where the widest gold intercept recorded to date was reported:

94.5 metres @ 1.0 g/t, including 45 metres @ 1.5 g/t (H4)

These results, along with other step-out drilling, extends the stockwork gold mineralisation over 375 metres to the northeast of the existing area. Furthermore, the deposit remains open in all directions and to depth.

Drilling on the **lode** mineralisation provided further evidence of the continuity between the Corcaskea area and Clontibret gold target:

2.0 metres @ 2.1 g/t, including 0.5 metres @ 6.7 g/t.

## JV DEAL TERMS WITH DEMIR EXPORT A.S.

The JV agreement secured with **Demir Export** in early 2022 represents a transformational deal for Conroy Gold. The JV encompasses eleven licences, covering an area of just under 1,000 sq. km. of licences in Ireland over the Longford-Down Massif. Only one Irish licence is excluded from the JV, along with permits in Finland. Demir Export holds a right of first refusal until the end of 2023 over the single Ireland licence not included in the JV. Exploration work for the JV began in January 2022.

The objective of the JV is to develop a mine at Clontibret or other locations along the identified gold trends with the long-term objective of bringing a series of mines into production.

We estimate around **€4m** of the minimum commitment of **€5.5m** for **Phase 1** expenditure under the agreement has been spent on exploration work, which has included over 6,000 metres of drilling, along with sampling and trenching activities.

Demir Export is a Turkish-based mining company, which has been in operation since 1957, and is owned by the Koç Group, a large conglomerate listed on the **Istanbul Stock Exchange** (KCHOL.IS), with a market capitalisation of around **£9 billion**. Demir Export has extensive commercial mining and exploration interests in iron, coal, gold, zinc and copper in Turkey.

Work Programme	Demir Export JV % Earned	Expenditure Commitment
Phase 1	to 25%	Commitment to spend €4.5m + min. regulatory work + Initial Payment of €1m
Phase 2	25% to 40%	Expenditure of further €4.5m + min. regulatory work.
Phase 3	40% to 57.5%	Expenditure of additional funds required to reach a "Construction Ready Status".

**Fig 3:** Work Programme Phases.

Under the agreement, at the '**Construction Ready Status**' after Phase 3 is complete, Conroy Gold can choose from several options as Fig 4 outlines.

	Conroy Option at "Construction Ready Status"
Option 1	Retain 42.5% in JV Company by participating pro rata in expenditures for mine construction.
Option 2	Dilute 42.5% interest for expenditures through to commercial production through a 'Carry Loan' with repayment of loan from 50% of net profits due to Conroy for a maximum 6 years and retention of a 25% interest in JV Company.
Option 3	Convert 42.5% interest into 2% net smelter revenue royalty

**Fig 4:** Demir Export Options at 'Construction Ready Status'.

## Clontibret Gold Deposit

Clontibret (Co. Monaghan) is the most advanced project, where a JORC resource of 517,000 ounces of gold is estimated by consultants Coffey (Tetra Tech). The deposit is composed of two styles of mineralisation, 'lodes' and 'stockwork', of which the former makes up most of the resource.

The JORC resource defined to date is believed to constitute only around 20% of the overall Clontibret gold target area (Fig 6, Inset Box). Most exploration drilling has been to depths of less than 200 metres, with a maximum depth of 350 metres. There is also a vast wealth of other gold exploration targets still untested, some of which have already demonstrated gold in bedrock.

There could be vast potential to find gold mineralisation at much deeper levels, considering that Dalradian Gold's deposit at Curraghinalt in County Tyrone extends to 1,200-metre depths. The deposit is estimated to contain over 6m ounces of gold. This is likely to support a mine producing 130,000 ounces of gold per annum for over 20 years. The favourable step-out drilling results by the Demir JV over the last 18 months underlines the opportunity to expand the resource size.

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

Fig 5: Clontibret JORC Resource est. Tetra Tech Canada Inc, July 2017, 1% cut-off (Source CGNR).

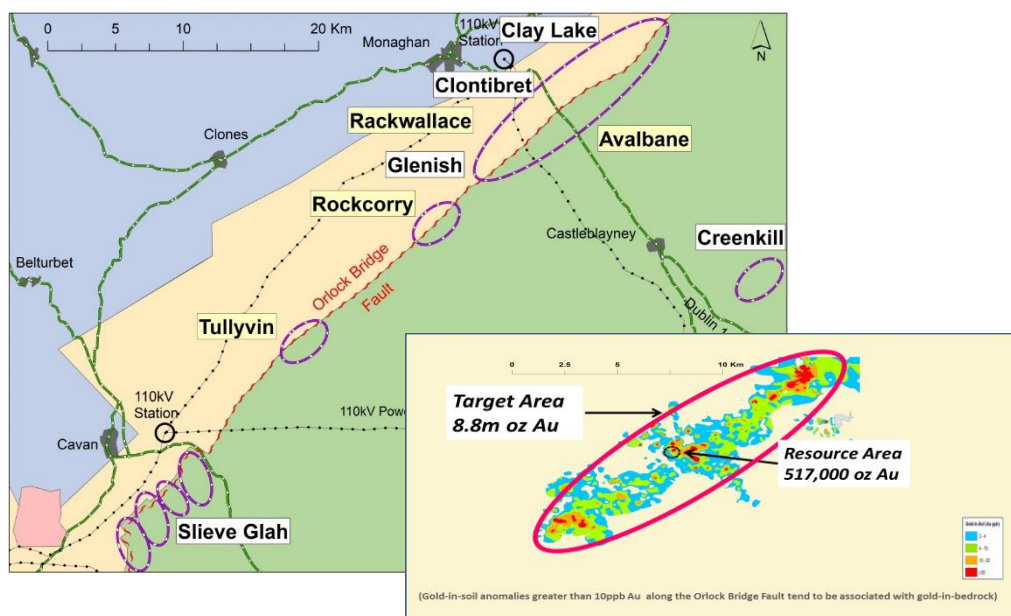


Fig 6: Exploration Target Area around existing Clontibret deposit (Source CGNR).

## 2023 Valuation Analysis

We have updated estimates from our note published in April 2022, which uses the 2011 Clontibret Scoping Study and mining of 441,200 oz as valuation reference points.

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

Fig 7: 2011 Scoping Study Summary.

Although CPI prices in Ireland have increased by around 22% since 2011, the capital and ongoing costs used in our model are just 8% higher as we have factored in the favourable metallurgical results conducted after the 2011 scoping study (15 Jan 2014 - RNS) which highlighted a reduction in CAPEX and OPEX costs of around 10% and further improvements to mine economics.

A revised long-term gold price of \$1,900 per ounce is projected forward for the life of the mine, representing a \$50 increase on our 2022 estimate of \$1,850. This is also higher than 2011's Scoping Study \$1,372 per ounce. Production rates, head grades, etc, remain the same across all estimates.

	2011 Scoping Study est.	2022 FEQ est.	2023 FEQ est.
Long Term Gold Price (per oz.)	\$1,372	\$1,850	\$1,900
Capital Costs (inc. sustaining costs)	\$77.8m	\$82.5m	\$84.0m
Oz Produced	441,200	441,200	441,200
Mine Life	11.2 years	11.2 years	11.2 years
NPV8 (pre-tax)	\$72.3m	\$119.8m	\$123.7m
NPV10 (pre-tax)		\$107.8m	\$111.4m

Fig 8: Scoping Study Parameters

Due to higher global interest rates, a discount rate of 10% is used instead of the 8% from the 2011 Study.

To determine a risked NPV valuation, several parameters are applied to the un-risked NPV10 of \$111.4m, as shown below to calculate a risked NPV10 of \$68.2m (Fig 9).

Environmental Risk – 0.80 (unchanged)

Development and Resource Risk- 0.85 (unchanged)

Financing Risk – 0.90 (unchanged)

Assuming each risked ounce of gold mined from our estimate is worth \$154.5 (\$68.2m risked NPV / 441,200 oz's.) and a 3.0% discovery value for each ounce of gold in the ground, a ballpark implied exploration value of \$40.8m is calculated for the remaining potential exploration target upside of 8.8m oz of gold (\$4.63 per ounce).

The implied exploration value of \$40.8m is significantly higher than our April 2022 estimate of \$19.8m, which used a 1.5% discovery value, instead of 3.0%, to reflect the very successful exploration results and progress achieved under the Demir JV in the last 20 months.

A total value for Conroy Gold's Ireland projects of **\$109.3m** (£86.1m) is derived, giving a value per share of 180p. This is based upon the current 100% project ownership and number of shares in issue.

As the JV earn-in progresses and Demir Export complete each Phase, Conroy's interest could reduce to 42.5% or another project interest (Fig 4) by the end of Phase 3, lowering the attributable net value. At the same time, we would expect value to be added as exploration, development and resource definition work is completed to improve the resource size and mine economics, which should compensate for a reduced stake.

To help readers understand the value attainable at the completion of Phase 1, when Conroy Gold's interest could reduce to 75%, we have also calculated an 'End of Phase 1' figure of **119p** per share. This also factors in some future share dilution from possible equity placings and warrant/option exercises over the next 24 months. To keep the maths simple and for comparative purposes, to be prudent we have assumed no further de-risking events or material improvements to the valuation before the completion of Phase 1.

<b>Est. Conroy Gold Value, August 2023.</b>		
<b>Unrisked - NPV10 (Clontibret Open Pit)</b>	<b>\$111.4m</b>	
<i>Less Environmental Risk (x0.8)</i>	\$89.1m	
<i>Less Development &amp; Resource Risk (x0.85)</i>	\$75.7m	
<i>Less Financing Risk (x0.9)</i>	\$68.2m	
<b>Total Risked NPV10 (Clontibret Open Pit)</b>		<b>\$68.2m</b>
<b>Risked Value Per Ounce (Clontibret Open Pit)</b>	\$154.5 per oz	
<b>Implied 3% Target Exploration Value Per oz. Gold</b>	\$4.63 per oz	
<b>Target Exploration Upside, 8.8m oz. Gold Value</b>		<b>\$40.8m</b>
<b>Total Project Value</b>		<b>\$109.3m</b>
<i>(ex £/US\$1.27)</i>		<b>£86.1m</b>
<b>Base Value</b>		
<b>Value Per Share (SII 47.8m) at 100% interest</b>		<b>180p</b>
<b>End of Phase 1 Value</b>		
<b>Value Per Share (est. SII 54.2m) at 75% interest</b>		<b>119p</b>

**Fig 9:** Conroy Gold and Natural Resources plc Valuation Summary (Source: First Equity Limited).



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