

### Connemara, a contrarian resource play?

Although most commodities have fallen in price over the last year, one commodity to buck the trend is zinc. With several large mines scheduled to close next year, such as the Century mine in Australia and Lisheen Mine in Ireland, and also a lack of new and large zinc mines scheduled to come on stream in the near future, zinc prices have risen by 19% in the last 12 months. Several of Connemara Mining's projects are prospective for zinc, including Oldcastle, which we believe could be drilled in the coming months by JV partner Teck.

The oversubscribed £400K (gross) Placing at 2p in September 2014 provides Connemara with sufficient funds to meet current project commitments in Ireland for around 12 to 24 months. The interests of directors who own (together with family) around 26% of the Company are closely aligned with those of shareholders. Two of the directors supported the recent Placing, subscribing for £50K of shares in total.

- An **ultra low cost** exploration strategy that involves farming out larger projects to JV partners, ensures cash burn is minimised and shareholder value maximised.
- Many of the Group's projects are **near existing discoveries and mines**. The Donegal project is close to Dalradian's **Curraghinalt** 3.5m oz gold deposit. Other licences have been secured by Connemara due to their close proximity or similar geology to the mines at Galmoy, Lisheen and Tara, or near discoveries such as Pallas Green.
- The recent addition of the **Rapla** licence could prove timely, as it is surrounded by ground held by Vedanta. We believe the mining major will increase exploration activity in the area over the coming year with the goal of locating new zinc discoveries, as its Lisheen mine is due to cease production next year.
- Potential drilling and exploration **newsflow** results within the next few months could come on the Teck JV at Oldcastle, where the main exploration target is zinc and also the gold prospective Hendrick JV in Wicklow/Wexford.

As Connemara's projects are at the pre-resource definition stage, it is not possible to compute a share valuation. Further exploration work at Stonepark by JV partner Teck, a discovery at Oldcastle (zinc/lead?) or Mine River (gold?) could justify a valuation calculation. We nevertheless believe a market cap of £0.84m seems far too low considering the exposure it provides to a Group with 30 licences in a proven mineral rich island. Some of these projects have potential to surprise the market, should a discovery be made on Connemara's licences or by other prospectors on adjacent acreage. We are also aware the management are seeking to add new projects to the Group, which could be either in Ireland or elsewhere in the world. Again, depending on what they are and the terms, they may have potential to surprise the market. At other micro cap resource juniors, where newsflow has been sparse in the last two years, we have recently witnessed upward sharp price movements in response to unexpected announcements (e.g. Anglesey Mining & Kalimantan Gold, 29th & 26th Sept). To conclude; at the current market cap of £0.84m, which we view as an unwarranted armageddon valuation, the downside risks seem low and reflect the slower than expected development of Stonepark and Pallas Green, rather than potential of other projects, commitment of management, improved Group financial position or higher zinc price background. To this end, we recommend **Connemara Mining** as a junior exploration resource contrarian **'Buy'**.

## BUY\*

### Price Data

Price:	1.50p (1.25p-1.75p)
Shares in Issue:	55.8m
52 Week High/Low	5.13p/1.50p

### Profile

Sector:	Basic resources
Ticker:	CON.L
Market:	AIM - London
Weblink	connemara.com

### Key Data

Market Cap:	£0.84m
Est Cash:	€300K (Oct 14')

### Activities

Exploration and development of zinc, lead and gold resource projects in Ireland.

### Projects

- Monaster/Stonepark JV** (Limerick) - Prospective for Zinc/ & Lead (6 Licences)
- Oldcastle JV** (Cavan/Meath) - Zinc & Lead (5 L)
- Mine River JV** (Wicklow/Wexford) - Gold (5 L)
- Rapla** (Kilkenny) - Zinc & Lead (1 L)
- Thurles** - Zinc & Lead (3 L)
- Donegal** - Gold & base metals (10 L)

### Directors

John Teeling (Chairman)  
Jim Finn (Fin Dir)  
Vivian Byrne (Non-Ex)  
Graham Reid (Tech Dir)

### Main Shareholders

SVS (Nominees) Ltd	11.7%
Stateside Nom'	10.9%
Jim Finn (Dir)	9.5%
John Teeling (Dir)	9.5%
Trampus Limited	4.4%
Rene Nominees	3.6%
Pershing Nominees	3.1%
Jim (Jarvis) Nom's Ltd	3.1%
Jack Teeling	3.0%

\* Dowgate Capital Stockbrokers act as Joint Broker to Connemara Mining Company Plc.

Connemara Mining is involved in the exploration and development of zinc, lead and gold prospective licences in Ireland. The Group is led by serial resource entrepreneurs, John Teeling as Chairman and Jim Finn as Financial Director, and supplemented at Board level with the technical and geological expertise of Vivian Byrne and Graham Reid. A central part of the Group's strategy is to seek and secure prospecting ground close to existing mines, (such as Navan and Lisheen) or near major discoveries defined by other prospectors. Such a strategy of securing licence ground near to existing mines/discoveries is often termed 'Closeology' in the resource exploration world.

An AIM listing was gained by Connemara in July 2007, following a £1m placing at 35p. Subsequent fundings have taken place at 20p in July 2010 (£1.06m gross raised), February 2011 (£1.05m), at 5p in April 2013 (£0.31m) and most recently at 2p in September 2014 (£0.4m).

Connemara's main project asset for most of the last seven years has been the Monaster licences in Limerick. These are being pursued as part of a JV with Canadian mining major Teck, which has earned a stake of 76.6% in the project. Instrumental to Connemara's share price movement has been the discovery of zinc/lead zones at Monaster (the Stonepark discoveries), along with exploration developments at the more advanced adjacent Pallas Green deposit, which is controlled by another mining giant, Glencore.

The discovery of a combined 39% grade lead/zinc intersection from drilling at Stonepark on 23rd April 2010, led to the shares almost doubling in price from 18.5p to 34p over two days. Just over a year later, sentiment turned against Connemara, when the market learnt about the unexpected and early sale of Aim listed Minco plc's minority stake in Pallas Green to JV partner Xstrata (now Glencore) for \$19.4m. This highlighted the vulnerability of junior resource companies with minority project stakes that work in partnership with mining majors, who face the annual challenge of securing new funds to meet annual exploration budgets. A failure to meet the exploration budget request from a major in a JV normally leads to the junior's project interest being diluted.

Events such as this at Pallas Green and continuation of exploration work by Glencore has lengthened expectations of a mine decision being reached and more importantly from Connemara's perspective, any acquisitive interest being taken by the major in Stonepark. The management has since sought to diversify by adding new projects, such as the gold prospective Mine River licences in Wicklow/Wexford. Other projects to be added recently, include those in County Donegal that are prospective for gold and base metals, along with Rapla in Kilkenny that lie near the Galmoy and Lundin mines.

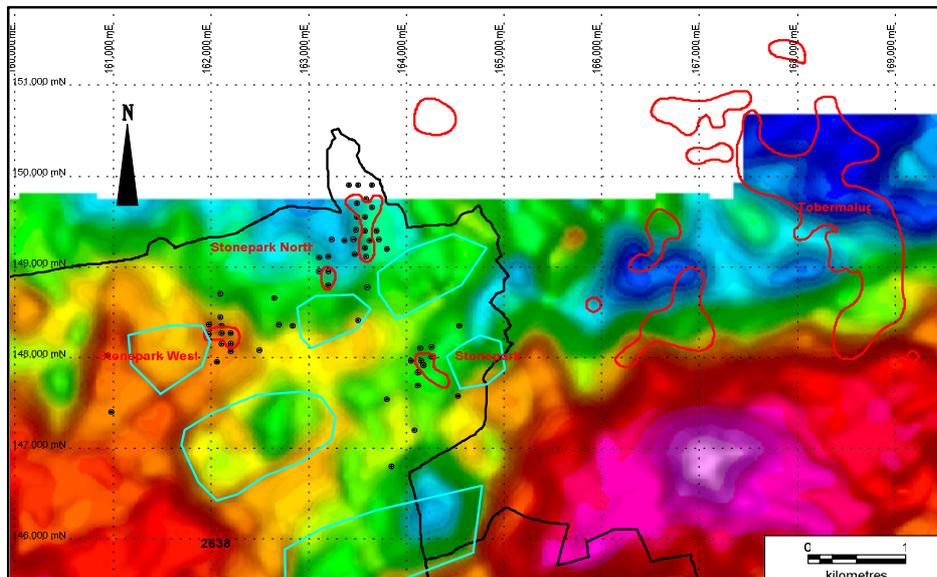
Although commodity prices have been trending downwards over the last three years, reflecting lower Chinese demand and over supply in certain areas, one commodity that is moving against the trend is zinc, where prices have increased by 19% in the last 12-months. The improvement in zinc prices seems to be chiefly due to concerns about the lack of new mines coming on stream in the next few years to replace supply from the large mines expected to close shortly, such as Century (Q3: 2015) in Australia, Lisheen (2015) in Ireland and Skorpion in Namibia (2016). With automotive sales continuing to improve and annual global automotive production now around 28% higher than the pre-financial crisis of 2007-08 (Source: OICA), demand for galvanized zinc is likely to remain strong.

The placing proceeds from the recent oversubscribed funding in September 2014 should be sufficient to meet Group overhead and exploration costs on its licence portfolio for at least the next 12 months. Some of the funds may also be used for new projects being actively sought in both Ireland and elsewhere around the world.

**Monaster (Limerick)** - Extensive exploration work has been undertaken on the project, which consists of six licences in County Limerick. To date, JV partner Teck Ireland (a subsidiary of Teck Resources) has spent €7.1m on exploration to earn an interest of 76.6%, leaving Connemara with the minority balance of 23.4%.

The drilling of over 135 holes has identified three significant zones of mineralization over the last seven years, all of which remain open. The best assay grades returned are 4 metres (ms) at 11.62% zinc (zn) and 3.46% lead (pb) on the Stonepark discovery, 7.45ms at 19.25% zn and 8.52% pb (Stonepark North) and 2.5ms at 4.16% zn and 4.37% pb (Stonepark West). Although the project has been the subject of a considerable amount of drilling, the resource remains at the pre-JORC/NI defined stage. Teck Resources appears to have focused its exploration on locating new discovery zones within the project area, rather than completing sufficient concentrated drilling to enable a resource statement to be produced.

The thinking by the management is that the Stonepark discoveries could be connected to the adjacent and more advanced Pallas Green deposit, with the mineralisation dipping from east (Pallas Green) to a deeper level in the west at Stonepark. The Anglo-Swiss multinational commodity trading and mining Group, Glencore plc is advancing the Pallas Green project, upon which an Inferred resource of 42 million tonnes (mt) at a combined 8% zn and pb grade has been defined. This is based upon drilling 705 holes over an eight year period. Glencore is currently performing a scoping study on the deep lying ore, along with an environmental economic assessment. The results of this may be disclosed within the near future and may influence Teck's next exploration plans for its JV project with Connemara at Stonepark/Monaster.



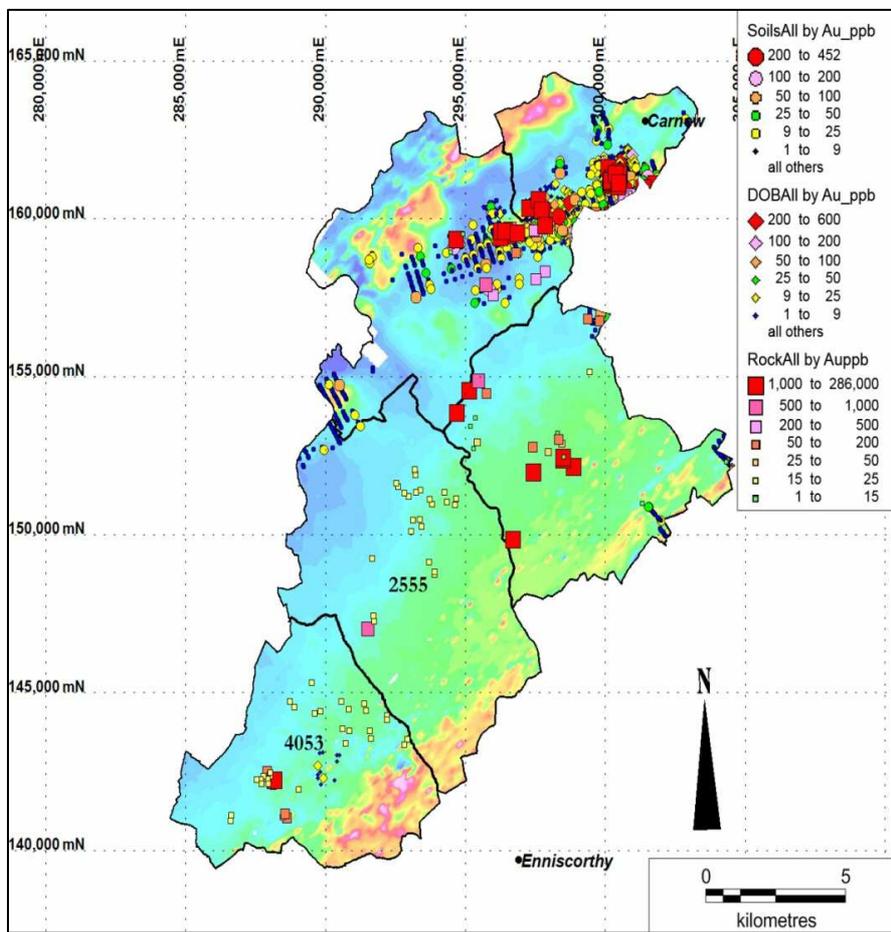
**Figure 1:** Stonepark and Pallas Green (marked as 'Tobermalug') deposits identified within red lines. Licence boundary marked with black line, and drill holes as small black squares. Source: Connemara Mining Sept 2014

**Oldcastle (Cavan/Meath)** - The five licences are being advanced with JV partner Teck Resources, which is spending €1.35m to earn a 75% interest by 2018 through an option agreement. Oldcastle is prospective for lead and zinc, and lies at the intersection of the Tynagh-Ballinalack and Longford-Down trends. The project block is located just 20km from Europe's largest zinc mine, Tara Mines, which has been controlled by Swedish mining company Boliden since 2004 and been in production since 1977.

Various exploration activities have been conducted at Oldcastle by Teck, including seismic surveying and interpretation, along with analysis of historic soil surveys and drill holes. A drilling programme could take place within the next few months on the property.

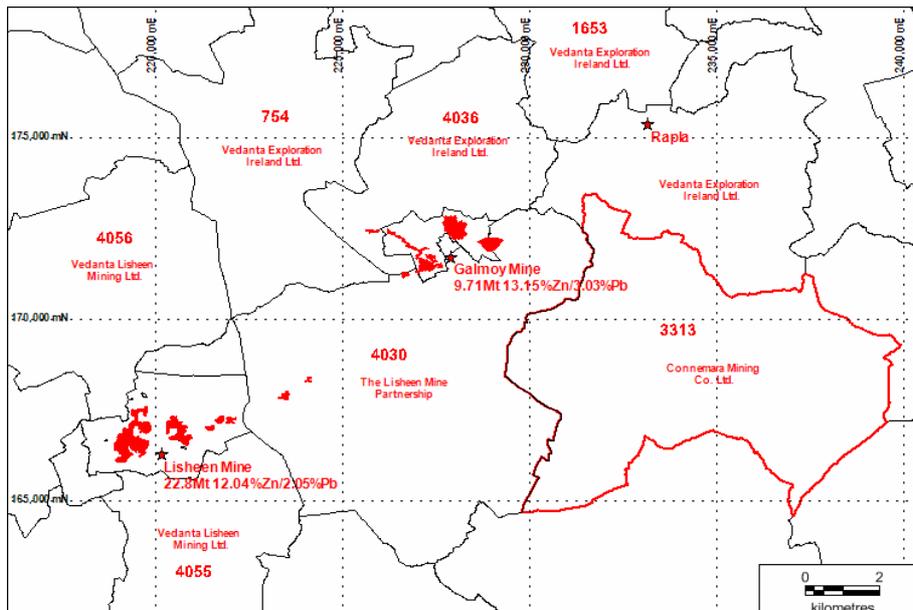
**Mine River JV (Wicklow/Wexford)** - The five licences covering 130 sq km at Mine River on the borders of County Wicklow and Wexford are being pursued in a joint venture with private Canadian exploration company Hendrick Resources. The famous Avoca gold rush of 1796 took place in an area just to the south of the present day JV licence block, where it is believed 9,000 ounces of gold were extracted from rivers and streams in the area. Prospectors have since sought to locate the source of this gold. Samples of up to 52.18 g/t were recovered by previous explorers on the licence block.

To earn a 51% stake, Hendrick is required to spend €0.5m and can increase this to 75% if a further €0.5m is spent on exploration (€1m in total), as agreed in the February 2012 JV agreement. We estimate that around €0.3m to €0.4m has been spent by Hendrick on exploration to date on the permits. Work has focused on early stage exploration activities such as soil sampling, the results of which are outlined in Figure 2. With targets currently being defined, drilling is envisaged within the next 6 months.



**Figure 2:** Soil Sampling results from Mine River, gold soil sampling, ppb parts per billion. Source: Connemara Mining Sept 2014.

**Rapla (Kilkenny)** - This is the most recent licence to be added by Connemara, in August 2014. It covers just under 50 sq km and lies 2 km (at the closest boundary) from the old underground Galmoy mine that was mined for zinc and lead by Lundin until 2009. As figure 3 also illustrates, the licence is around 10km from the current Lisheen mine, which is owned and operated by Vedanta, who hold most of the nearby licences. With the Lisheen mine due to close next year, we could see a pick up in exploration activity by Vedanta on its exploration licences as it seeks to discover new zinc deposits. Previous drilling at Rapla only focused on the north east corner of the block. The target of any future exploration for lead/zinc will be on the south east section, where the Waulsortian Limestone horizon deepens.



**Figure 3:** Rapla licence 3313 and nearby mines location. Source: Connemara Mining Sept 2014.

**Donegal Block** - The ten exploration licences in Stranorlar, Donegal covering 413 sq km were awarded in November 2013, and are prospective for gold, silver and base metals. Gold exploration has been the main exploration focus on the project, given that historical records show certain anomalies consistent with gold and the geological similarities with the nearby Curraghinalt deposit in Northern Ireland. Toronto Stock Exchange listed Dalradian Resources (DNA.TSX) has defined a high grade (>9 g/t) resource of 3.5m ounces of gold at Curraghinalt (NI-43-101 standard). A pre-feasibility study is currently underway at Curraghinalt. Elsewhere in Northern Ireland, it is interesting to note that dual listed (AIM and TSX) Galantas Gold is operating a gold mine on its Omagh (County Tyrone) property and defined in October 2014 an upgraded resource of 0.52m ounces of gold at over 6 g/t (Measured 32K ozs @ 7.24 g/t, Indicated 148K @ 6.78 g/t and Inferred 341K @ 7.71 g/t to NI-43-101 standard).

Results from early stage work on Donegal from fieldwork activities, "are not exciting" as the Chairman John Teeling noted in his interim statement last month. Given the size of the project and close location of the high grade Curraghinalt deposit, which is just 30 km from the licence boundary, the closeology potential appears to be favourable, but obviously much more work needs to be undertaken to understand the geology and gold resource potential.

**Thurles Block** - The block consisting of three licences that are being explored for the potential to host zinc. The permits are close to both the Lisheen (5km from licence boundary) and Galmoy mines (10km), which are believed to share similar geology to Thurles. Although the four holes drilled to date by Connemara did not encounter any mineralisation, the licences were recently extended to 2016.

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