



Connemara Mining

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Closeology pays off for Connemara Mining

Ireland is famed for its multi-million tonne zinc deposits, and has hosted three of the world's top twelve mines, who between them turned out 38% of Western Europe's zinc requirements in 2007. But Galmoy, owned by the Lundin Group, closed earlier this year, and Lisheen, owned by Anglo American, and Navan, owned by Boliden, won't last forever, so the hunt is on all over Ireland to find their replacements....

Zinc, in common with most base metals, has had a roller coaster ride over the last 3 years. From a price spike to over US\$2 per lb at the end of 2006, when stocks became dangerously low, recessionary pressure took it all the way down to 50 cents twelve months ago. But the industry is nimble, and responded by cutting production. Now fundamentals are reasserting themselves as the global economy claws its way out of the downturn. The current price of around US\$1 per lb reflects the industry's long term confidence in the zinc market, and while many analysts are forecasting only 65-70 cents per pound for 2010, the LME futures market is running at over \$1 for both 15 and 27 months ahead...

Some 70% of zinc output is used in the automotive and construction industries. China's rapidly developing infrastructure and automobile sectors are making an impact on demand: in the first six months of 2009, China imported around 480,000 tonnes of refined zinc, compared with 69,000 tonnes for the same period last year. Growth in demand is also expected in India and with many large mines becoming depleted, the metal, which is essential for galvanising, die-casting and brass manufacture could be in a supply deficit within the next couple of years. Given the lead time involved in discovery, development and mine-building, it's no wonder that exploration is now so tightly focused on one of Europe's best known zinc provinces.

Among the 26 exploration outfits currently prospecting in Ireland for zinc and lead is John Teeling's Connemara Mining, which acquired Connemara Ireland and its portfolio of zinc licences in 2006 and floated on AIM in mid-2007. Currently the fourth largest land-holder in the country, Connemara's zinc licence blocks cut a swathe across the country from north east to southwest, following the known regional zinc-rich trends and generally in close proximity to existing or former mining operations. Connemara have applied very deliberately the sciences of closeology and trendology to their licence selection, for, as John Teeling put it succinctly "the best place to find a mine is where there is or was another mine!"

Projects under active development include:

- The Monaster block in Limerick located where discoveries were made in 2008 and 2009. This lies immediately adjacent to the Xstrata/Minco development at Pallas Green, where significant discoveries have been made. Newcastle West, 20km to the south west, is on the same Rathdowney trend which hosts the Waulsortian Reef.
- The Lough Sheelin block lies 20km to the west along trend of the Tara/Boliden mine at Navan, on the southern edge of the Longford-Down Massif, where the target is the Navan Beds. It sits – like Navan - on the crossing of two regional mineralised trends, a key marker for zinc in Ireland. The block hosts the previously discovered Drumlerry deposit, which, whilst sub-economic, hosts a small zinc resource.

Further blocks at Thurles, Nenagh and Moate have been selected on identical principles, and all sit astride known mineralised trends in close proximity to proven mineralisation.

Price: 17.00

Market Cap: £2.58m

Share Information

Code: CON

Listing: AIM

52 week	High	Low
	27.00	8.00

Sector: Zinc & Lead Mining

Website: www.connemaramining.com

Company Synopsis:

Connemara Mining Company plc was established in 2006 by veterans of the Irish zinc industry to exploit zinc opportunities in Ireland and currently holds the following 23 prospecting licences in respect of properties throughout Ireland including 16 zinc licences in County Limerick/ County Cork adjacent to Pallas Green; 5 zinc licences in the Lough Sheelin area, 4 of which are in County Meath and 1 in which is in County Cavan; 1 zinc licence in Castlemaine County Kerry; 1 gold licence in County Kildare.

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What Connemara are seeking within these licences are Irish Type zinc-lead deposits hosted by limestone of Lower Carboniferous age – either Navan style (stacked stratabound lenses) or the shallower Waulsortian Reef hosted style (tabular lenses and/or discrete pods) - with a target threshold of 15 million tonnes ore at grades of 12% zinc and 2% lead.

Drilling is progressing well on the most advanced project at Monaster/Newcastle West, which is subject to a JV with Teck (TSX: TCK). Teck are operator of the exploration activity - currently focused on Monaster - and have earned 75% of the project by financing exploration to the tune of C\$3 million.

And here is where the study of closeology and trendology really pays off! Following identification of targets using a combination of soil geochemical, geophysical and geological data, Teck embarked upon a five hole scout drilling programme in 2007, and hit commercial grade zinc with the fourth hole, just 2-3 kilometres down-trend from the Xstrata (LSE: XTA)/Minco (AIM: MIO) Pallas Green discoveries.

Located at Stonepark, at a depth of 370 metres TC-2638-4 intersected significant zinc/lead mineralisation, hosted in a thick >35 metre layer of brecciated Waulsortian limestone. This layer contained 4.0 metres at 11.62% zinc and 3.46% lead (including 1.15 metres at 28.61% zinc and 4.17% lead) and a shallower and separate interval of 1.3 metres grading 6.85% zinc and 0.3% lead. Follow-up drilling in 2008 sunk a step-out hole 100m away from the discovery hole, and intersected 15.35 metres of 3.25% zinc and 0.33% lead including 2.85 metres of 12.18% zinc and 0.75% lead.

But the best drill result so far, reported in September, came from TC-2638-026, the first hole of the 2009 programme drilled some 1.5 km north west of the discovery hole. It was in this area – known as Stonepark North – that a core last year had shown limonite (weathered sulphide) at a depth of just over 200 metres containing a short intercept of 2.73% zinc and 4.73% lead. Hole 026, 280 metres to the southeast, returned 7.2 metres grading 13.07% zinc and 2.23% lead, with a large high grade sweet spot of 3.75 metres at 17.06% zinc and 3.50% lead. This too was just 200 metres down, and it's thought that these intercepts may indicate a new mineralised lens at Stonepark, at significantly shallower depth and higher grade.

Drilling is continuing and further results are expected by the end of the year. The plan for the immediate future is to continue identifying mineralised zones in order to define the overall size and commercial potential of the system, before drilling out the individual zones to arrive at a resource. Up to 40 holes will be drilled in 2010.

Meanwhile, scout drilling commenced in December 2007 at Lough Sheelin, up-trend from the mine at Navan, focusing on the area around the existing Drumlerry resource, with the aim of discovering a Navan-style deposit. Whilst early results were disappointing, as drilling progressed, it became clear that the low/medium grade zinc and lead coming up from fairly shallow depths (around 100m) were very similar to the low/medium grade halo around the Navan deposit and could be an indicator that there is an orebody hosting significant mineralisation within a kilometre or two. Further drilling is under consideration to test this theory.

Surface work is planned for the highly prospective Moate, Thurles and Nenagh blocks, in parallel with more drilling on Monaster, Lough Sheelin and Castlemaine. Such a dense programme will need funding, and now that Teck have spent their earn-in requirement, Connemara will need to finance 25% of the costs of continuing exploration at Stonepark as well as work in their 100% owned blocks. John Teeling believes they can husband existing cash well enough to take them through into 2010, but a visit to the equity market may be required early next year. Though for such prospective holdings, another JV is always on the cards. As Teeling said in a recent interview: "We are like a child in a sweet shop; we have 38 licences, we have opportunities on a large number of them and we have to do certain work commitments anyway to hold them, but we cannot do it all."

What's more, an interesting strategic option is emerging. Between the discoveries made by Connemara and Minco (also established by John Teeling) there is a growing belief that a zinc mine the size of Lisheen (1.5m tonnes a year) can be sustained. Adding to the attractiveness of this is the announcement by Anglo American that Lisheen itself will be depleted by 2014. The plant and equipment at Lisheen, only 30 miles away from the Limerick discoveries, is perfectly suited to the zinc ore. A rail line runs across the Limerick properties and passes within 5 miles of Lisheen.



So, with sufficient funding and perhaps an additional partner, if the luck of the Irish continues to bring new discoveries for John Teeling – and existing partner Teck – there is no reason why Connemara Mining should not be involved in the development of one of the first major Irish zinc mines of the 21st century.

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