



Connemara Mining

Dec 14th 2011

Connemara Mining's potential being overlooked by the market

The Connemara Mining (LON:CON) share price suggests the market just isn't recognising the company's potential.

This may be because it has been caught in the market-wide sell-off that has hit the small-cap sector hardest.

Or perhaps it's as chairman John Teeling suggests that this tightly held stock has been under-promoted, and therefore overlooked.

Whatever the explanation, the current valuation of £2.5 million doesn't really seem in step with progress and potential of the Irish zinc explorer.

Yet you don't have to look too far to realise what the company might be worth.

Sitting right over the border from the Stonepark property, part of Connemara's Limerick joint venture with Teck Resources, is Pallas Green.

Pallas Green is a world-class zinc and lead deposit developed by a former Teeling company Minco (LON:MIO) and industry giant Xstrata (LON:XTA).

The latter has paid US\$19.6 million to take full control of the project. Stonepark is "a couple of years behind" Pallas Green, says Teeling.

And rather than having 25.9 million tonnes at 7.5 per cent zinc, Stonepark has around seven. But there's bags of potential to expand the project, Teeling reckons.

Connemara is funded to meet its drilling commitments out to 2013, which may or may not be the point at which it too takes a long hard look at its continued participation. Teeling doesn't say.

What we do know is that recent drilling results have been encouraging. The original Stonepark discovery was made in 2007, followed in 2009 by Stonepark North.

In September the group revealed it intercepted another potential ore-body sitting at a depth of 200 metres about 1.7 kilometres south-west of Stonepark.

Irish zinc is usually found in pear-shaped deposits called lobes. And there is every chance it is another lobe.

Combined these lobes often make up big zinc deposits, and some world's largest properties such as Navan, Tynagh and Lisheen - are found in Ireland.

However there could be an alternative explanation. This is that Stonepark North and West, which sit at the same depth, are connected.

As Teeling points out this is unlikely. But if it did turn out to be the case then it would indicate a huge deposit of global significance.

It is worth considering also that Xstrata plans to have a 6,000 ton-a-day zinc mine up and running by 2017. Yet it is

Price: 9.63p

Market Cap: £2.48M

1 Year Share Price Graph



Share Information

Code: CON

Listing: AIM

Sector: General Mining - Zinc, Lead and Tin

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 38 prospecting licences in central and south-west Ireland. Connemara's licences are for some or all of the base metals (Bm), barite (b), gold (g), silver (s), and platinum group elements (PGE).

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pressing ahead with the project without ever finding the sweet spot for Pallas Green.

It is thought the higher grade zinc and lead is found close to the border edge with Stonepark, which suggests again that Connemara and Teck are onto something.

There are a number of ways this could play out with Xstrata and Teck in the mix. But Connemara has a strong hand if Teeling and the team play their cards right.

Key to this is the right to 25 per cent off all concentrates that come out of Stonepark if it goes into production which is something which would attract smelters from India and China.

How this would all play out is pure speculation as we stand here today, but this and a right of first refusal to buy out the JV, gives Connemara a lot of leverage for a small company when push finally comes to shove.

Another announcement that barely registered on the City's radar screen concerned the highly promising Oldcastle Block in counties Cavan and Meath that are prospective for zinc.

Here an exploration agreement with Boliden, which would have given the Swedish group 65 per cent of the block, was terminated.

Now this might be considered bad news until Teeling reveals he has agreed a far better deal with a new partner.

He will reveal all in the coming weeks. The Connemara chairman describes Oldcastle as "Navan lookalike" that is "very, very blue-sky".

He is of course referring to the nearby Tara Mine, Europe's largest zinc mine, which is located just outside the town of Navan.

Making up the remainder of the company's zinc assets in Ireland are Newcastlewest, which is also part of the Teck JV, Thurles, and Nenagh, near the Silvermines zinc-lead deposit, and where the company may sink "three to five speccy holes".

Teeling says he may ask Teck to give up part of the land package, while he is looking to bring in a partner too for Thurles.

Interest has also been shown in the company's Mine River block of five licences covering 130 square kilometre area in the south-east of Ireland prospective for gold.

"I am at the stage of asking what they will spend for what per cent," Teeling says of conversations with a potential partner.

Gold results of up to 52 grams per tonne have been found on the licence block, particularly around the Tombreen and Knocknalour area.

However, the geology of the area is not straightforward. The veins are narrow and fragmented, and the Mine River area has so far thwarted a succession of explorers looking for source the source of the precious metal.

However as Teeling points out, the block starts to look "very interesting at \$1,800 gold".

"I think we have been desperately remiss not pushing it (Mine River)," the Connemara chairman adds.

They say the best things in life come in small packages.

The adage certainly seems to ring true for Connemara with its micro-market cap and huge potential.

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