

Recommendation: Speculative Buy

Current Price 22.25p, Price Target 48p

New Funding in Place and Exceptional Drilling Results

Latest drilling results from Connemara's Stonepark North discovery build upon the recent impressive news flow coming from SW Ireland. In defining yet another shallow, flat lying zone of mineralisation with excellent gradings and significant strike length, confidence is growing that a new world class zinc mine may soon be identified close to Limerick. In raising just over £1m to fund its share of 10,000m of diamond drilling planned for 2010/11, an important step toward proving its resource has been taken. But with less than 25% of its prospect explored, it seems likely that Connemara is still only 'scratching the surface'. With the zinc industry projecting a global supply shortfall by 2014 and operators keen to accelerate existing projects Connemara's JV partner, Teck Resources, could possibly consider a dramatic expansion of its own drilling programme to something approaching the 70,000 metres already underway in the Minco/Xstrata JV's adjacent licence block.

- Connemara Mining's portfolio of 37 licence blocks are ideally located on identified trends across Ireland's Midland Orefield. Being the region that boasts the largest number of zinc discoveries per sq. km. worldwide, they offer an unparalleled opportunity.
- Significantly the most advanced of these are the two licence blocks close to Limerick that attracted a 75/25 earn-in participation from mining giant Teck Resources Ltd, Canada's largest diversified mining company. To date, discoveries at Stonepark on the Monaster licence block have been completed without recourse to shareholders. With this C\$3m 'free carry' having now ended, however, Connemara is obliged to finance 25% of the ongoing exploration costs for these prospects as they move toward obtaining a formal resource estimate and possible production decision. With Teck Ireland acting as operator, drilling continues with two rigs presently on site.
- Drilling at Stonepark North, some 2km from the original Stonepark discovery, has now defined a new zone of zinc-lead mineralisation with a strike length of 650 metres in a north-south direction with around 100 to 150 metres width and appearing to represent a shallower, up-dip portion of a larger mineralising system. Hole 55 intersected a 4.9 metre zone of massive sulphides grading 10.57% zinc and 5.26% lead. This find is located some 150 metres NW of Hole 45 which intersected 7.5 metres at 19.2% zinc and 8.5% lead from 209 metres. Connemara's management considers such exceptional gradings now suggest it is closing in on the system's original source. The zone remains open to the north and south.
- Having placed 5.3m new ordinary shares (representing 25.8% of the enlarged capital) at 20p/share earlier this month, Connemara raised £1.06m to fund its contribution for planned drilling at Stonepark as well as new work on adjacent licence areas. With this getting underway shortly, we are also anticipating a near-term update from Minco plc. This could possibly detail a global mineral inventory for its Tobermalug deposit, which we expect to indicate a resource approaching that of the soon to be commercially exhausted Lisheen mine (23Mt@13.1%Zn, 2.9%Pb) along with further progress at the new 'Knockroe' zone. Given that Ireland's SW deposits tend to occur as a 'string of pearls' separated by perhaps 2 to 5km, this might be sufficient to convince Teck that the two companies are working on the same giant mineralising system. It would also warrant a significant acceleration and broadening of its exploration programme. Which of the two companies would have the head, and which one the tail, of this particular elephant, of course, remains to be seen.
- Connemara is an exploration business with a wealth of prospects. Should the scale and gradings of Stonepark's resource be proven and a production decision taken, we would expect the Company to seek an early exit from its JV with Teck Resources, while moving quickly to develop its 100%-owned opportunities elsewhere. Realistically, such an event would first see Teck committing greater resources at Stonepark, an operation in which Connemara would likely remain determined to fully participate. Based on it maintaining its 25% participation, we have modelled prospective cash flows based on a highly conservative 15Mt with a 12% combined grading over a 15-year LOM. Having adopted prudent forward metal pricing, valuing all other opportunities down to zero while aggressively discounting the opportunity, we arrive at a price target of 48p/share. **Recommendation maintained as Speculative Buy.**

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- Drilling results are summarised in Table 1.

Table 1: Stonepark North Drilling Highlights

Hole ID	From (m)	To (m)	Thickness (m)	Zinc (%)	Lead (%)
TC-2638-055	195.0	199.9	4.9	10.57	3.05
	<i>Including:</i>				
	196.75	199.5	2.75	16.47	5.26
TC-2638-053 ¹	209.4	216.25	6.85	10.47	3.68
	<i>Including:</i>				
TC-2638-053	212.80	215.55	2.75	19.76	6.99
TC-2638-051 ¹	221.40	228.95	7.55	4.88	1.49
	<i>Including:</i>				
TC-2638-051	224.05	225.05	1.00	21.90	7.26
TC-2638-045 ²	209.10	216.55	7.45	19.24	8.52
	<i>Including:</i>				
TC-2638-045 ²	211.85	216.10	4.25	26.64	12.30
TC-2638-038 ²	251.40	253.20	1.80	5.65	0.91
TC-2638-036 ³	202.70	208.05	5.35	13.22	3.18
TC-2638-032 ⁴	207.60	215.40	7.80	5.18	2.68
	<i>Including:</i>				
TC-2638-032 ⁴	214.05	215.40	1.35	10.40	2.16
TC-3638-026 ⁵	216.05	223.35	7.20	13.07	2.23

Source: Connemara Mining Company plc

¹Reported June 15th, 2010, ²Reported April 23rd, 2010. ³Reported March 2nd, 2010. ⁴Reported January 20th, 2010.

⁵Reported Sept. 4th, 2009

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Company	Code	Relevant Disclosure
Connemara Mining Company plc	CON	None
Minco plc	MIO	1,2,3,6
Xstrata plc	XTA	None

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