



Morning Comment

20 December 2011

Connemara Mining PLC (CONN.L)#	9.38p (8.50p-10.25p)
Buy: 50p Price Target	Market Cap: £2.4m

New Results from Stonepark West

Connemara Mining has this morning revealed results from new holes drilled on its 25% owned zinc/lead JV licence with Teck Ireland. The results come from the recent Stonepark West discovery, which is one of three zones found to date on the project (the others being Stonepark North and Stonepark), that lie between 1.7km and 2km apart in a triangle. The latest reported grades are encouraging, the best interval of which was 2 metres at 11.62% zinc (hole 95) and 2.67 metres at 10.88% zinc and 4.03% lead (hole 99). The Stonepark West zone remains open, providing the potential to expand the known mineralisation. Furthermore the management are encouraged that the latest drill holes at Stonepark West intersected mineralisation at a different depth to previous holes. This alludes to the potential of two levels of zinc/lead mineralisation at Stonepark West and thus a greater concentration of mineralisation within a smaller area than previously envisaged. Level one at Stonepark West is at around 220 metres, the same as Stonepark North, whilst level two is at around 380 metres, the same as the Stonepark discovery. If these layers join then a huge discovery could be made which may turn out to be larger than Xstrata's Pallas Green deposit, that lies just to the north-east of the Stonepark discoveries.

Comment

A good deal of progress has been made during 2011, with around 25,000 metres drilled at Stonepark, and the discovery of a new zone. None of this progress has been factored into the stock price, which has fallen by around 50% since the start of the year. With a small market cap of less than £3m, and the Group funded for at least 12-months, the shares offer excellent bounce back potential from current levels. Taking a wider view, with zinc supply anticipated to moderate in 2013 as a number of large mines are depleted and continued high consumption growth from the galvanising industry in China, the outlook for zinc players looks favourable. Ahead in 2012 for Connemara Mining, we will be looking for further drilling results at Stonepark from the ongoing exploration programme, along with newsflow on some of the other 27 licences across Ireland. We continue to recommend the stock as a Buy, with a price target of 50p, as calculated in our previous broker note from earlier this year on 8th March.

Optiva Securities act as joint broker to Connemara Mining.

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