

# COVENTRY RESOURCES LIMITED (ASX: CVY)

7 March 2011

Coventry Resources Ltd (ASX:CVY) is an Australian-based, Canadian-focused gold exploration and development company with high quality projects located in the richly-endowed Canadian Pre-cambrian shield, including a 1Moz JORC-compliant gold resource and significant regional exploration targets.

## Investment data

ASX code	CVY
Share price (28 <sup>th</sup> February 2011)	A\$0.28
Cash (including Nov 2010 placement)	A\$11.7m
Debt	Nil

## Current issued capital

Issued shares	165.1m
Restricted Shares	8.8m
Options	33.7m
Market capitalisation (fully diluted)	\$58.1m
Enterprise Value (fully diluted)	\$46.4m

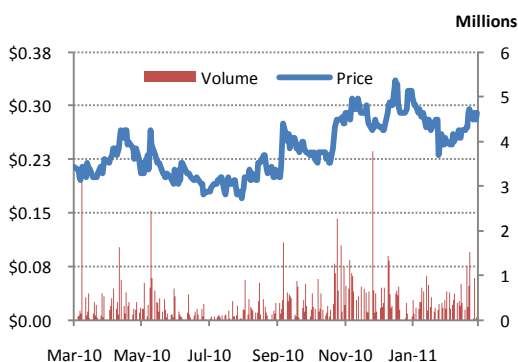
## Board and Management

Mike Haynes	Executive Chairman
Tony Goddard	Technical Director
Rhod Grivas	Non-Executive Director
Faldi Ismail	Non-Executive Director
Nick Day	Company Secretary

## Top shareholders

	%
Macquarie Bank Limited	8.8
Nuinsco Resources Limited	6.8
Sun Valley Global Master Fund	5.9
Board	4.4
Top 20 shareholders	47.8

## Share price performance



## Analyst

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## SUMMARY OPINION

- Starting with a substantial resource base of 1 million ounces of gold, the Cameron Gold Project could potentially be mined from a combination of open-pit and underground mining methods.
- The mineralisation overall has excellent grade, widths and geometry which will be a significant positive as the company enters into prefeasibility in 2011.
- Coventry further presents very significant upside through further exploration success in this highly prospective region. The company's exploration target is 2-3 million ounces.

## KEY POINTS

- Coventry is currently valued at approximately \$35/ounce on a total resource base and \$81/ounce on its Measured and Indicated resource, significantly undervalued against its Australian peers.
- The Superior Province is a world-class gold mining region, hosting some of the largest and highest-grade gold deposits in the world.
- CVY's strategy is to accelerate its drilling program to extend the existing resource and test multiple high-quality prospects, targeting a multi-million ounce gold resource, across two or more open-pits.
- The current gold inventory on the Cameron gold project contains an estimated JORC-compliant resource of 11 million tonnes at 2.77g/t gold for 1 million ounces gold (at 1.5g/t cut-off)
- Metallurgical testwork resulted in excellent recoveries with a conventional processing system (+92%)
- The project area is located in an excellent pro-mining jurisdiction, with excellent accessibility and infrastructure, including sealed roads to site and high-voltage power within 30kms.
- Systematic exploration is being undertaken for the first time by a single operator controlling the majority of the two shear zones, including well-funded exploration programs (~30,000m) over 30km of strike, to evaluate the highest-priority targets.

## KEY VALUE DRIVERS

- Extension of the mineralisation at the Cameron Gold Project.
- Initial drilling success on the various surrounding prospects.
- Results of scoping/feasibility studies beginning in mid 2011.



Aerial view of the Cameron gold project and surface infrastructure).  
Source: Coventry Resources Ltd.

## Coventry's strategy

Coventry's strategy is active on various fronts:

1. Consolidating the resource (by infill and step out drilling) at the Cameron Gold Project in preparation of a feasibility study focussed on open pitable resources, targeting 1.5Moz.
2. Organic growth by accelerated exploration of the highly prospective landholding to increase the resource base to multi-million ounces.
3. Strategically consolidating ownership along the highly fertile Cameron Shear Zone to build a significant mining camp.

## Ownership and project details

In April 2010, Coventry Resources acquired 100% of the Cameron Gold Project from Nuinsco Resources Limited (TSX: NWI). The acquisition terms were as follows:

- C\$6 million in cash;
- 12 million shares in Coventry;
- A 3% NSR royalty, with Coventry retaining the right to buy-back 2% of this issuing C\$2million worth of Coventry shares at market price within the next 5 years.

The property consists of 3 mining leases and 27 leased claims. Two mining leases are owned, whilst CVY is spending C\$1 million to earn 50% of the third lease. This is subject to a 3% NSR Royalty, which can be reduced to 1.5% on payment of C\$1.5 million. Coventry recently quadrupled its landholding along the gold-fertile highly prospective and under-explored Cameron and Monte Cristo Shear Zones to approximately 12,800ha.

## Board and Management

Coventry has offices in Perth as well as a growing base camp on the Cameron gold project site (50+ people).

### Mike Haynes, Executive Chairman

Mr Haynes has more than 18 years experience in the mining industry. He is a qualified geologist / geophysicist. Over the

past five years he has been instrumental in the identification, acquisition and financing of resources projects. He has been intimately involved in the incorporation and initial public offerings of several resources companies, and in the ongoing financing and management of several of these companies. He is currently the Managing Director of Black Range Minerals Limited and the Chairman of Overland Resources Limited and Genesis Minerals Limited.

### Tony Goddard, Technical Director

Mr Goddard has more than 16 years exploration experience worldwide. His expertise has primarily been exploring for gold and copper, working with numerous companies including BHP, Rio Tinto, Equinox Resources, Phelps Dodge and Barrick Gold, as well as acting as an independent consultant. Tony also has extensive global experience in project generation, identification and acquisition, most recently as regional generative geologist for Barrick Gold in Australia and Eurasia.

### Rhod Grivas, Non-Executive Director

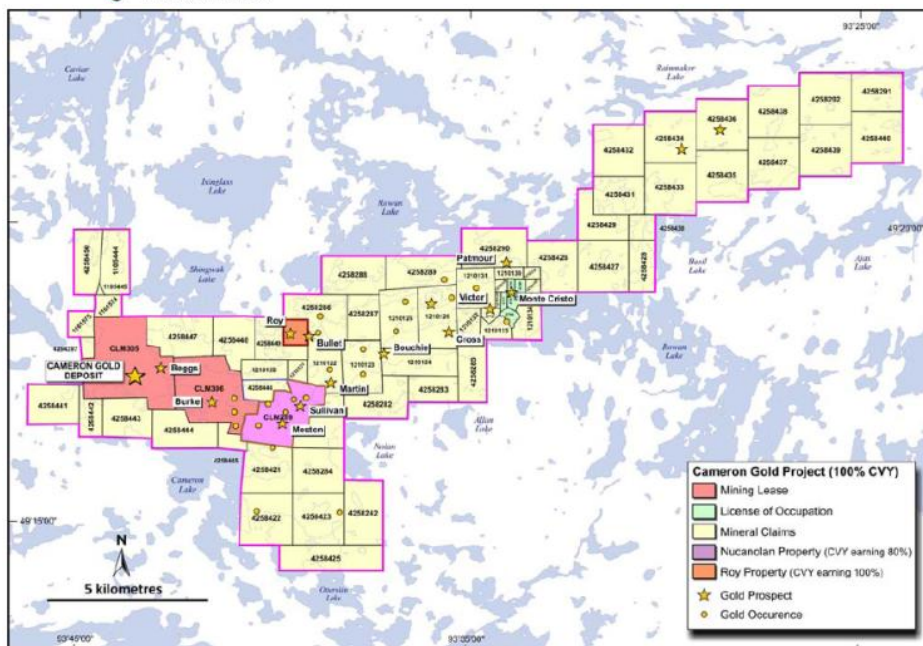
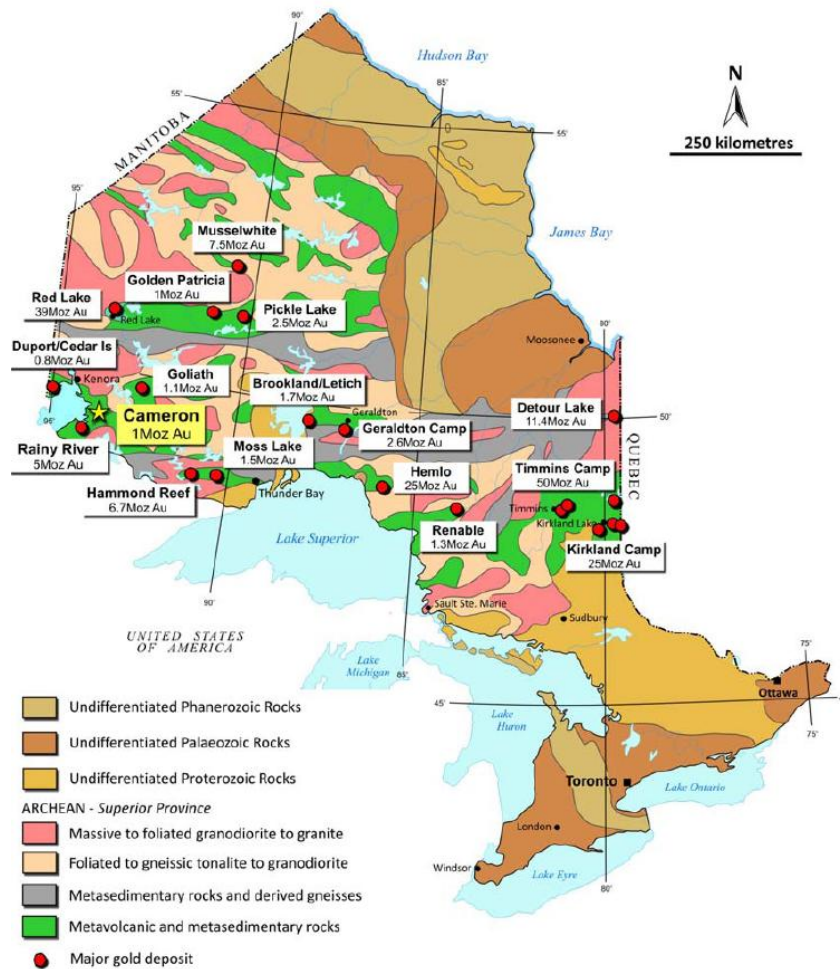
Mr Grivas is a geologist with over 20 years experience in corporate and technical management of junior exploration companies. His experience spans all phases of exploration including project management, program planning and execution, database management, resource assessment, and indigenous and landowner liaison. He has been directly involved in a number of commercial discoveries in Western Australia, the most recent being the East Kundana gold orebodies discovered by Gilt-Edged Mining NL in 2000, taken over by Goldfields Limited (JFE:GFI). From 2002 to March 2010 he was Managing Director of Dioro Exploration, taken over by Avoca Resources Limited (ASX:AVO). He has been Non Executive Director of Coventry Resources since August 2, 2010.

### Faldi Ismail, Non-Executive Director

Mr Ismail is a corporate consultant specialising in company restructure and recapitalisation.

### Nick Day, Company Secretary

Mr Day is a former CFO and Company Secretary of ASX/AIM listed company Albidon with a nickel mine in Zambia.



Location of Coventry's leases along the known gold corridor related to the Cameron and Monte Cristo Shear Zones.  
Source: Coventry

## Location and Surrounding Operations

The Cameron property is located in the Superior Province (north western Ontario) about 120km southeast of Kenora. It is close to the north edge of Cameron Lake. Several other large lakes surround the property. These eventually drain into Lake of Woods. Several other gold prospects are in the same general area.

The Superior Province is one of the world's great minerals districts, containing considerable resources of gold and base metals. The geology of the Superior Province is similar to the Yilgarn Craton in Western Australia, however the gold deposits in Canada are generally of a higher grade.

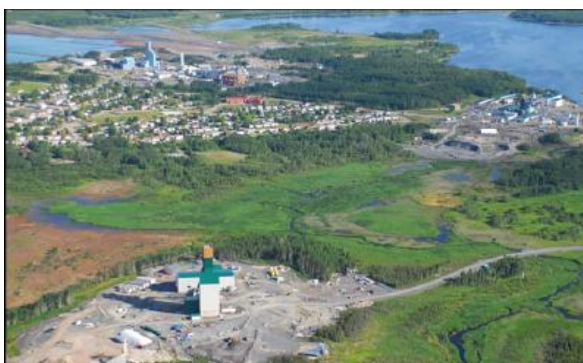
Some of the major gold operations in the region include:

- **Musselwhite** (3Moz produced, 2moz reserves, 200,000+ oz production pa) gold mine operated by majority owner Goldcorp (68.1%, TSX:G C\$34 billion market cap) and its JV partner Kinross Gold (TSX:K C\$21 billion);



Aerial view of the Musselwhite mine. Source: Company website

- **Red Lake**, Canada's largest gold mine and operated Goldcorp, produced 623,000oz in 2009 at a cash cost of \$288/oz. Historical production amounts to 17Moz gold;



Aerial view of the Red Lake mine. Source: Company website

- **Pickle Lake**, historic gold camp with 2.5Moz production from three separate mines over a 60 year period. MetalCorp (TSX-V:MTC, C\$10 million) is currently exploring three contiguous properties (6,864ha);
- **Rainy River** gold project, operated by Rainy River Resources Ltd (TSX-V:RR, C\$875 million) with a current total gold resources of 5Moz gold (+9.4moz silver) combined open pit and underground (with open pit cut-off grade of 0.4g/t and underground cut-off grade of 3g/t).
- **Brookbank/Leitch** gold project held by Goldstone Resources Inc (TSX:GRC, C\$97 million market cap) with a total resource of 1.6 million ounces at an average grade 1.3g/t. The camp is host to several past producers in a district that has historical production of more than 4.1 million ounces of gold from high grade ore before being shut down primarily as a result of a \$35 gold price.
- **Hammond Reef** gold project acquired by Osisko Mining Corporation (TSX-V:OSK, \$5.4 billion market cap) from Brett Resources Inc. in July 2010 for about C\$308 million enterprise value) with a current total gold resources of 6.7moz gold (with a cut-off grade of 0.3g/t) and 97% of this resource within 300 metres of surface.

By any measure, Coventry is strategically located in a world class geological address.

Canada is a first-rate pro-mining jurisdiction, incorporating very low sovereign risk, low tax regime and a readily-available skilled workforce. Access to infrastructure and utilities (electricity, gas, water) is also abundant within the proximity of CVY's project sites.

The physiography of the land on the properties typifies that of Pre-Cambrian shield areas. Topographic relief is low (max. 35m) and is characterised by glacial features such as moraines and eskers. The density of outcrops is average for the region. Beyond the occasional but highly valuable outcrops above till, outcrops tend to be confined to shorelines of the lakes and the numerous islands distributed throughout the lakes system.

The climate is continental but moderated by the large number of fresh water lakes in the vicinity. Temperatures can rise to as high as 35°C in summer and drop to as low as -44°C in winter. January temperatures average about -16°C

and July about 19°C. Snowfall averages about 190cm/year. Frost penetration can be as deep as 2 metres.

The towns of Nestor Falls and Sioux Narrows are 30km south and 10km north respectively of the mine road intersection with Highway 71. Both towns are primarily centres for hunting and fishing.

Winnipeg and Thunder Bay are the closest centres for highly skilled manpower and for major equipment repairs. Each city is about a 4 hour drive from the project site.

Coventry is currently providing on-site accommodation for many staff, but is drawing on a sizeable percentage of local labour

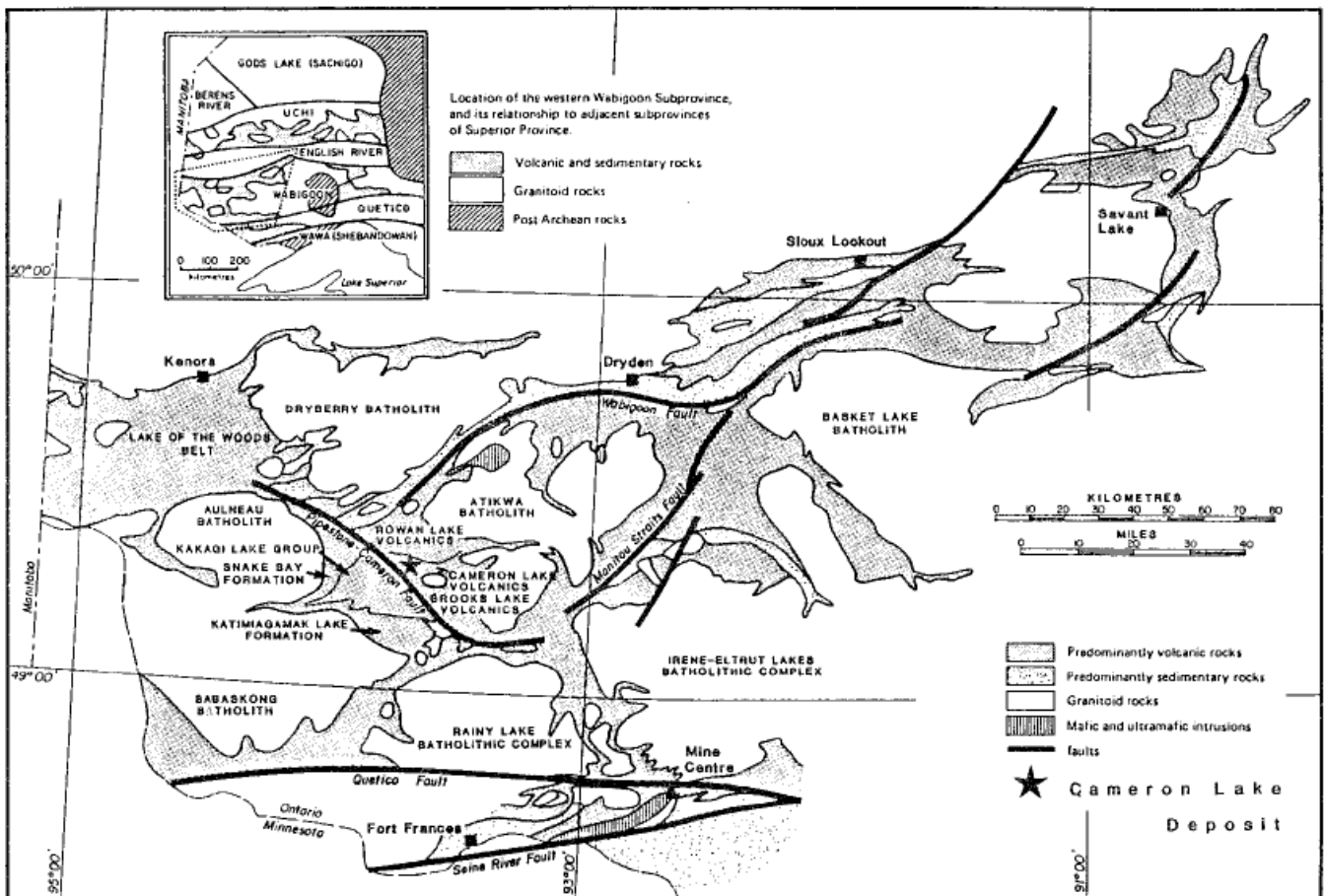
project area is accessed by a 23km all-weather gravel road and by an extensive logging road network within the projects (logging is an important local industry). In winter, frozen lakes offer open and easy access to almost unlimited drilling sites.

Fresh water is abundant in the lakes and streams in the area. An Ontario hydro 115kV transmission line is located about 30km from the property. It is contemplated that a branch line would be built to supply power to the project at low costs.

Overall the project area is located in an excellent promising region, with great accessibility and infrastructure, which should reflect in low exploration costs.

**Access and Infrastructure**

Access to the Cameron Gold Project is via the sealed Highway 71 from Kenora (90km). From the highway, the



Location of the Cameron Lake gold deposit (star) within the Wabigoon Subprovince of northwestern Ontario and the distribution of supracrustal rocks (modified after Blackburn et al. 1985).

## Regional geology

The property lies towards the western extremity of the Archaean, Savant Lake-Crow Lake metavolcanic-metasedimentary belt in the Wabigoon Subprovince of the Canadian shield.

The Cameron-Rowan lakes area is located to the northeast of the Pipestone-Cameron Fault within an arcuate belt of south-facing metavolcanic rocks. The southeast striking, northwest dipping structure divides the area geologically and represents a broad structural zone of major deformation and displacement, favourable to the formation of mineral deposits. The gold zones are structurally controlled and lie within the Cameron Lake and Monte Cristo Shear Zones. Those shear zones are steeply dipping and subconcordant with respect to the lithologic contacts. Continuity of the ore zones can be difficult to establish due to the extreme structural complexity of the ore shoots. Drilling data to date indicates that the gold mineralisation occurs within cigar-shaped zones with a steep to near moderate plunge.

The prognosis for discovery of additional gold mineralisation along the 11km strike length of the MCSZ is thought to be excellent. Further success is suggested by the encouraging gold anomalies in basal till proximal to the shear zone and drilling results to date. Also the fact that much of the property lies under lakes which in the past has been a deterrent to detailed exploration.

## Geological model

In the Wabigoon Subprovince of northwest Ontario, gold is in faults, shears and tension veins that developed in response to a late Archean northwest-directed contraction and emplacement of contemporaneous plutons. Geochronological data and other geological observations suggest the collision of oceanic-derived volcanic rocks of the Wabigoon Subprovince with a continent or continental fragment now represented by the Winnipeg River Subprovince. Thrusting and imbrications of greenstone sequences over the edge of the sialic mass occurred contemporaneously with magmatism and mobilisation of auriferous fluids derived from the interaction of slabs and mantle-derived magmas with overridden sialic material.

In the Superior Province, all significant gold deposits are:

1. Found within or adjacent to greenstone belts;
2. Hosted within large-scale, linear deformation zones; and
3. Were formed late in the geological evolution of a given area.

The surrounding Great Lakes are estimated to have been formed at the end of the last ice age (about 10,000 years ago). The retreat of the ice sheet left behind a large amount of meltwater which filled up the basins that the glaciers had carved.

## History

Exploration began on the property in 1960 when two mineralised zones at surface and extending over more than 300m of strike were discovered by prospectors working for Noranda Exploration Co Ltd (Noranda). Noranda carried out some 2,100m of surface drilling in two periods before abandoning the property in 1979. The same year, a number of claims were staked by independent prospectors and were optioned by Nuinsco shortly thereafter.

From 1981 to 1985, Nuinsco carried out extensive surface trenching and drilled 217 holes for 34,234m. Following an agreement between Nuinsco and Echo Bay in 1985, an underground exploration program commenced in 1986. Using a decline for access, drifting has been carried out on three levels (at depths of 110m, 150m and 210m). A total of 3,500m of underground development has been carried out to a vertical depth of 243m and about 350 underground drill holes have been completed.

In total, 757 diamond holes have been drilled for 84,541m, during a period when gold prices ranged from US\$350 to US\$500/oz.

## Cameron Gold Project

### Local Geology

The deposit occurs within deformed basaltic rocks of the Cameron Shear Zone (CSZ) adjacent to their contact with the mafic intrusion.

All of the gold mineralisation in the deposit is associated with alteration within the CSZ. The CSZ has been traced by surface drilling and mapping over 1.8km from the deposit to Hel En Gone Lake on the northwest boundary of the property.

A clear relationship exists between pyritic alteration and gold mineralisation. Gold distribution is closely related to the abundance of fine-grained disseminated pyrite (averaging 3%). Rocks of higher pyrite abundance typically possess higher gold tenor. Pyrite is particularly common in pervasively altered wall rock along the border of the veins and in the breccia vein fragments.

Approximately 40% of the gold mineralisation consists of vein material and 60% of altered rock near veins.

### Resources

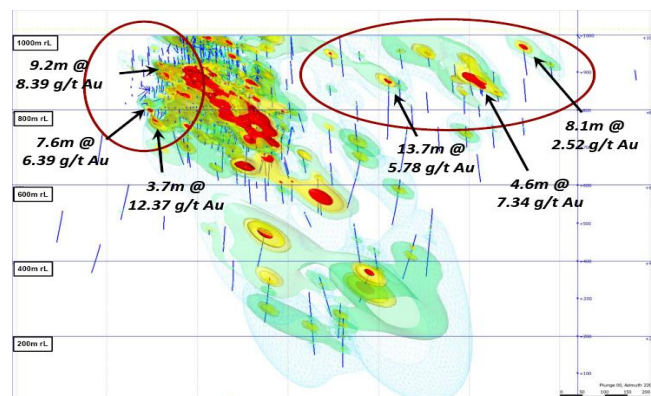
Gold mineralisation has been delineated by surface diamond drilling and underground development and drilling along a 1,000m+ strike and to a vertical depth of 750m within the Cameron Shear Zone. Measured and indicated resources extend from surface to a vertical depth of 300m. This interval represents that portion of the deposit that has been systematically delineated by surface and underground drilling. In addition, 3 levels and several raises have been driven and a bulk sampling program conducted to further confirm the grade of the deposit and continuity of the mineralisation.

In February 2010, consultant DataGeo reviewed the Cameron drilling data and estimated resources in accordance with the JORC code (2004) at a conservative cut-off grade of 1.5g/t:

Classification	Tonnes t	Grade g/t	Ounces oz
Indicated	4,164,000	3.16	422,353
Inferred	7,148,000	2.54	583,480
Total	11,312,000	2.77	1,005,833

The current drilling programme is focused on extending the resource along strike, as well as upgrading resource classification. Furthermore, in contrast with the previous owner, Coventry is targeting shallow extensions of known mineralisation.

Going forward, Coventry is targeting shallow extensions of the mineralisation as well as infill drilling to upgrade the resource classification.



Long section facing southwest with targeted areas of significant shallow, open gold intercepts requiring follow up (red zones >5g/t gold)

### Mining scenario

The ore body is amenable to low cost open pit and underground bulk mining methods, in order to achieve low-cost production. Coventry strategy is to focus on identifying additional open pit resources at this stage to complement the Cameron resource.

### Processing scenario

Gold in the Cameron deposit is principally associated with fine-grained sulphide mineralisation. Various metallurgical test work programmes have been undertaken by Lakefield Research in 1985 and 1987-88 and analysis of the data indicates that a conventional flotation and cyanide leach will be the most effective process route. Recoveries in the range of 92% to 96% have been achieved. Because the ore is amenable to a flotation process, reducing the amount of cyanide leach, permitting of the project will be less complex.

Overall, excellent recoveries are anticipated with a conventional processing route.

It is too early to discuss plant capacity considering the substantial exploration upside which if successful would warrant revisiting any preliminary figure.

### Environmental and Permitting

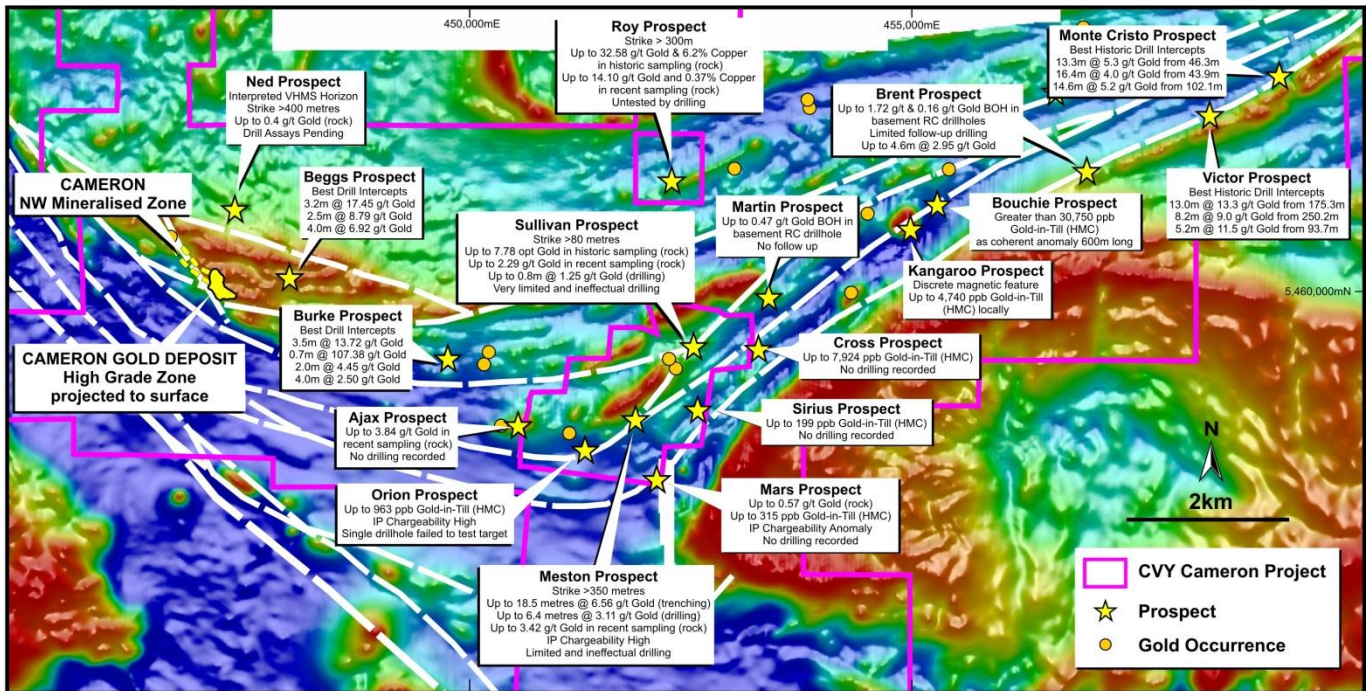
A large amount of environmental data is already available due to the long history and previous development of the Cameron project.

### Exploration programme

Coventry is targeting development of a new mining camp in this rapidly emerging province. Numerous high-priority targets along the shear zones have been advanced to drill-ready stage. These targets will potentially provide additional feed to a centralised processing facility at the +1moz Cameron gold deposit.

An expanded drilling program will be undertaken during the forthcoming northern hemisphere winter period in order to fast-track the initial assessment of many of the high-priority regional targets.

Among the numerous targets, the following targets appear to stand out:



**Meston prospect**

This prospect is part of additional landholding recently acquired by Coventry Resources. It is located in a highly favourable geological setting within a major flexure of the Monte Cristo Shear Zone.

Multiple styles of mineralisation across various lithologies outcrop discontinuously over 300m of strike and up to 15m in width. Previous trenching returned assays up to 18.5m @ 6.56g/t gold and limited drilling has returned intersections including 6.4m @ 3.11g/t and 18.2m @ 1.24g/t gold. Recent surface samples are all anomalous in gold with values up to 4.43g/t gold.

Drilling on this prospect commenced in January 2011.



Meston prospect outcrop. Source: Coventry.

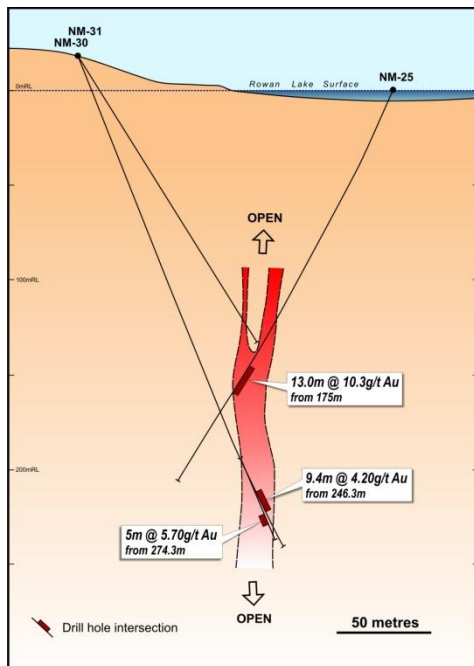
**Victor prospect**

This prospect is the most advanced among the various prospects. It is located 10km along strike from the Cameron gold deposit within the Monte Cristo Shear Zone.

41 holes have been drilled for 8,427m along a 300m section of the MCSZ, with best intersections as follows:

- 14.6m at 5.22g/t gold;
- 14.6m at 5.23g/t gold; and
- 16.4m at 4.04g/t gold.

Similarly to the Cameron Gold Project, the stronger gold values are associated with pyritic material from 2 to 10% content. The mineralisation remains open in all directions.



Victor prospect: vertical cross section facing 060W. Source: Coventry.

### Monte Cristo prospect

The Monte Cristo prospect is located 1km along strike from the Victor prospect, also within the Monte Cristo Shear Zone.

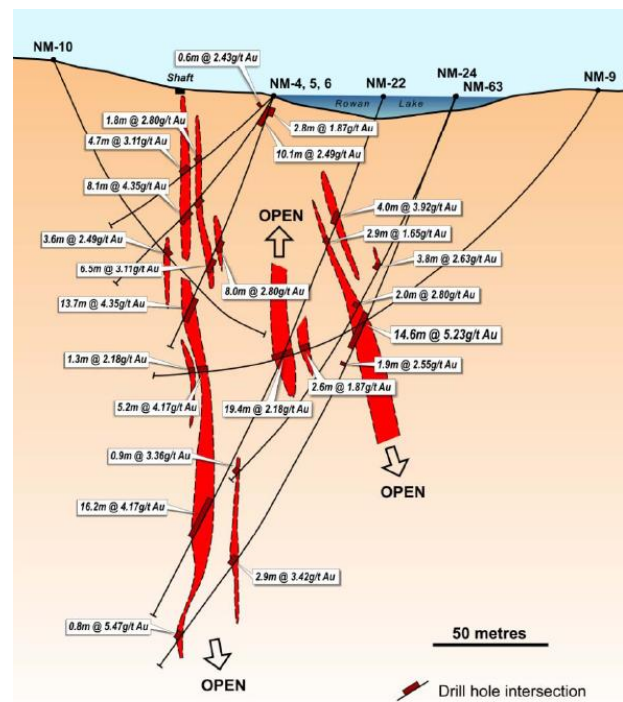
The exact date of discovery of gold on the Monte Cristo property is not known however a report from 1899 indicated that exploration was already underway along the north shore of the Monte Cristo peninsula. Two shallow pits were sunk 100m apart and a number of trenches over a 120m strike length were excavated along the exposed mineralised zone. This work revealed widths up to 7.5m having gold values running between 4.8 and 8.2g/t with a

much greater width of lower grade material adjacent to the main zone.

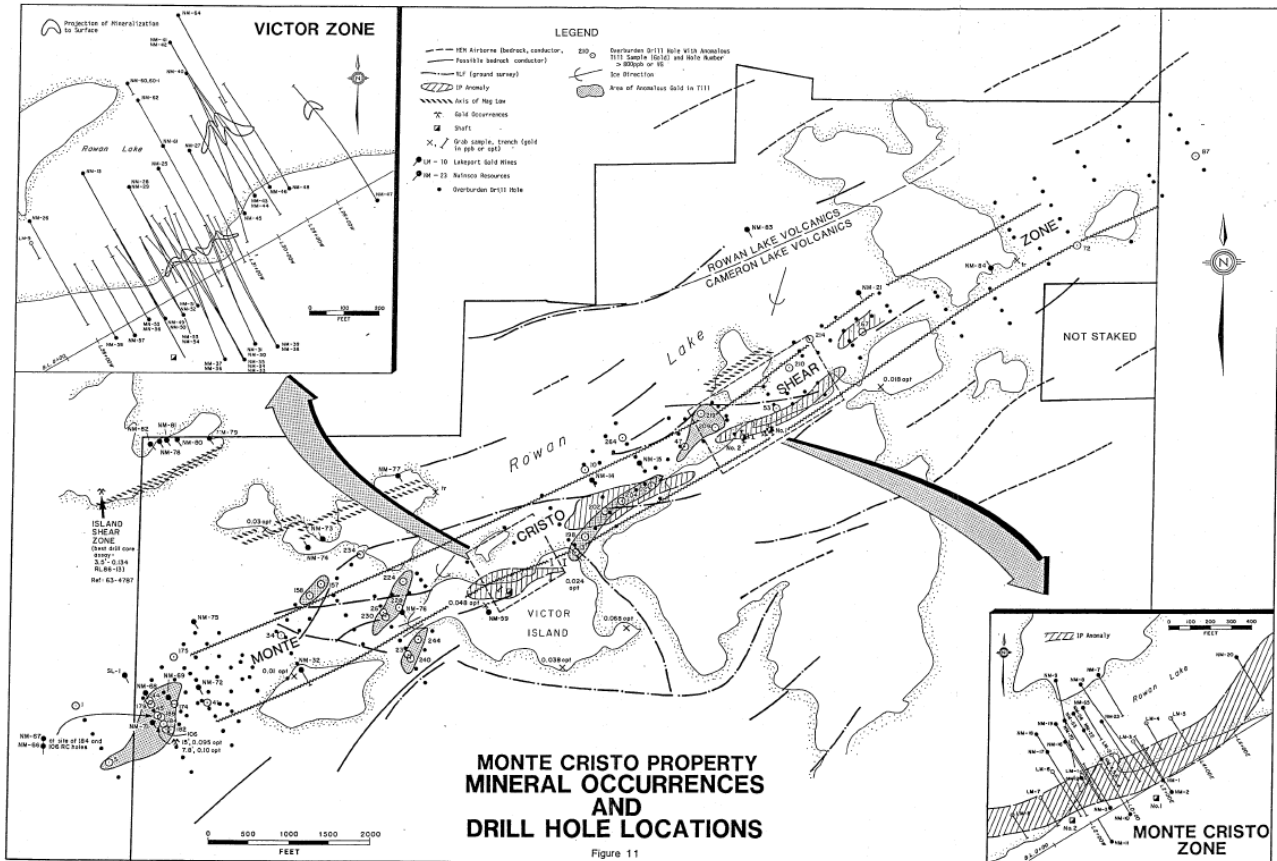
The results of limited previous drilling include:

- 13m at 10.33g/t gold;
- 8.2m at 9.02g/t gold; and
- 5.2m at 11.51g/t gold.

The drill results confirm that zones intersected contain high gold values over mineable widths. The mineralisation remains open in all directions.



Cross section showing drilling results from the Monte Cristo prospect. Source: Coventry.



Depiction of Monte Cristo Shear Zone and previous exploration.  
Source: Coventry.

**Risks and mitigants**

**Geological and exploration risks**

We see these risks mitigated by the well defined resource identified to date, the relatively simple geological model (Cameron) and the highly prospective nature of the tenements.

**Infrastructure risk**

Infrastructure risk appears low and well-mitigated given the history of the region as a mining centre, the potential for easy access to power and water, all-weather roads and the surrounding logging industry.

**Execution Risk**

The Coventry Board and Management team possess strong credentials across the mining company life cycle, including exploration, feasibility, development and operations.

**Valuation**

We believe that, based on its current resource base and potential for exploration upside, Coventry is significantly undervalued against its ASX-listed peer gold companies.

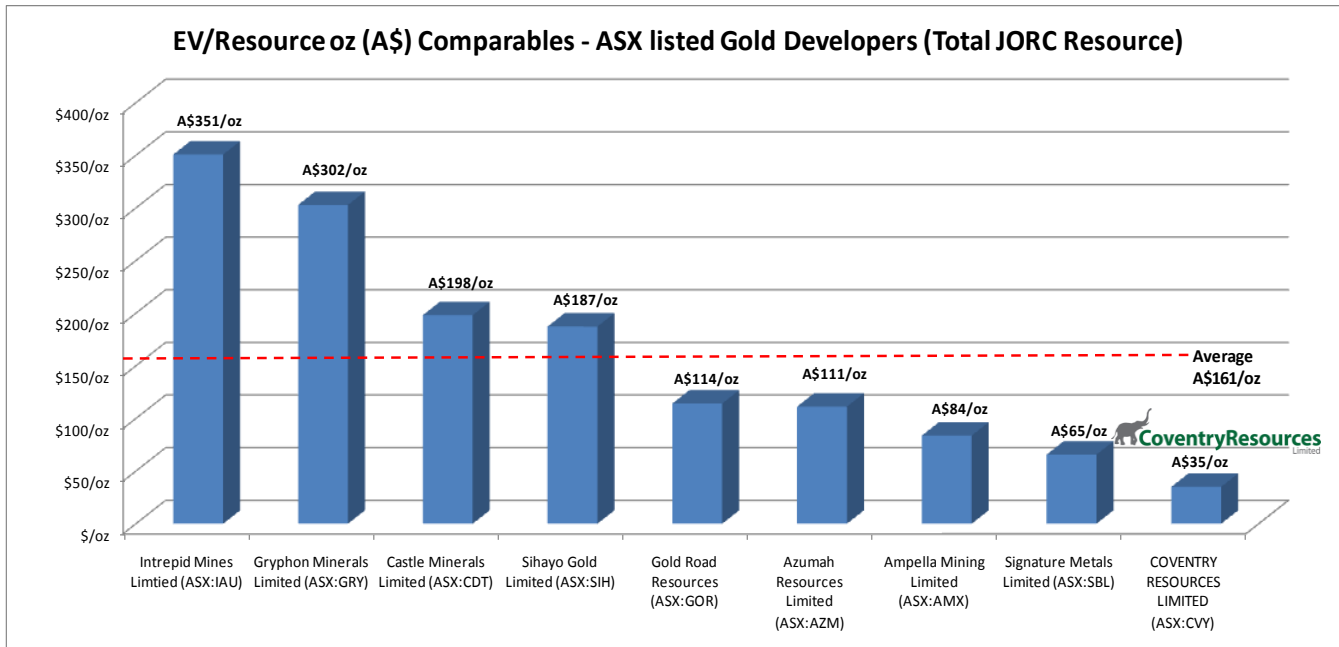
We have prepared a valuation of Coventry based on an EV/resource multiple methodology, using trading multiples observed from comparable ASX-listed gold companies.

The selection has been based on the following factors:

- Solely or majority-focused on gold project exploration/development
- Existing JORC resource(s) on gold project(s)
- No existing JORC-reserves yet on gold project(s)
- Company operations encompassing optimisation of initial resource, as well as ongoing exploration
- Scoping or feasibility study underway or completed

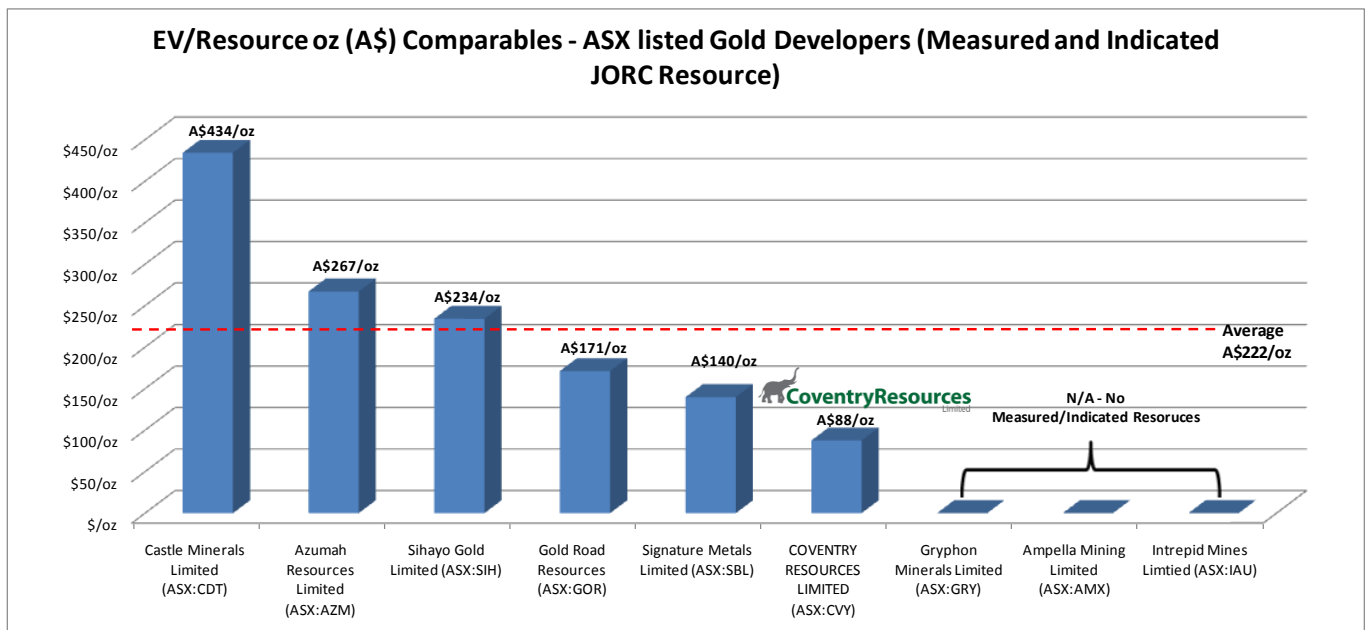
We recognise the inherent limitations of this methodology, in particular the risks facing the eventual economics of each company’s gold projects and potential for reserve definition and mineability.

## EV/ Total JORC Resource



Coventry is currently trading at A\$35/oz based on its total resource, and currently trading at approximately a 78% discount to the average EV/resource of its ASX-listed peer group.

## EV/ Measured and Indicated JORC Resource



Coventry is currently trading at A\$88/oz based on its total resource, and currently trading at approximately a 60% discount to the average EV/resource of its ASX-listed peer group. Significantly, a selection of Coventry's peer companies are currently trading at higher EV/ Total Resource multiples, yet do not have any Measured and/or Indicated JORC resources in their gold inventories.

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