

# under the SPOTLIGHT



november 2007

## overview

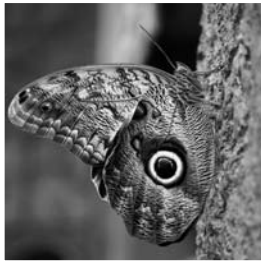
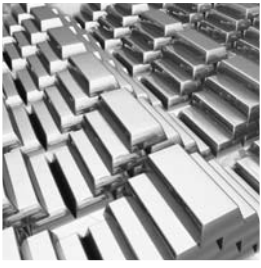
### key points

- Gold mining company that's already in production.
- High grade gold deposits with low operating and capital costs.
- Expected to be quoted on PLUS markets during the first quarter of 2008.
- Planning to produce over 100,000 ounces of gold per annum within 5 years.
- Pre-tax profit is estimated to be £5.2m in year one, rising to £17.8m in year five.
- No further fund raisings should be necessary for the company to hit production of 100,000 plus ounces a year in year five.
- Gold price continues to soar on the back of the rising oil price and the weakening dollar.

Ascot Mining is a gold mining company with operations in Costa Rica in Central America. Over the next five years, the board plans to lift production to more than 100,000 ounces of gold a year from the company's existing operations, together with additional opportunities that have already been identified nearby. There's little doubt that Ascot Mining represents terrific value, as its pre-IPO valuation of £6.9m is less than that of many AIM-quoted gold exploration stocks. In fact, the valuation solely represents the value of their known gold in the ground. No premium has been added to reflect the strong anticipated growth in profits that gold mining will bring, nor for any upside potential from future exploration work.

### fact file

COMPANY	ASCOT MINING PLC
Type of issue	Pre-IPO private equity
Issue price	35P
Number of new shares being issued	4.85 million ordinary shares
Money being raised	£1,697,500
Number of shares after issue	24.596 million ordinary 1p shares
Capitalisation after issue	£8.6m
Business	Gold mining in Costa Rica
Distributing Broker	Bridge Hall Stockbrokers Limited



## introduction

Ascot Mining, through its 100% owned subsidiaries, Veritas Mining and Veritas Gold, has the unique strategy of acquiring and rehabilitating established gold mines in Costa Rica; thereby neatly leapfrogging the exploration stage. The board has been working on this strategy for a long time and is well ahead of any other competitors in this sector. All the company's gold projects are located in the Costa Rican Gold Belt which lies across the north west of the country and gives rise to some exciting geology. Running through Ascot's concessions are multiple high grade narrow gold veins and the team will begin mining material at between 0.32oz/ton and 1.178oz/ton gold. There's no doubt this is high grade gold, as this equates to 11.5g - 41.5g/ton. Amongst the narrow veins in these deposits run bonanza type chutes with far higher grades at anything between 5 and 700oz/ton, which represent a staggering 176 - 2,464g/t. First gold has already been poured and so, in contrast to many exploration companies, Ascot has production as well as some exciting exploration potential.

## operations

Ascot Mining's strategy is to become a substantial gold producer by acquiring established gold mines in Costa Rica, and then bringing them into production through a program of refurbishment. These mines are characterised by having multiple high grade narrow veins and the board has a hand-picked team of mining professionals, experienced in dealing with this very type of geology. The money raised in this offer will be used to purchase equipment, upgrade the mills, help bring the mines into production and provide working capital to fund the operations until income begins to be received from gold sales. From that point onwards the revenue flow is projected to rise strongly. Ascot Mining is a holding company with two wholly-owned subsidiaries Veritas Mining and Veritas Gold, which are discussed below.

## veritas mining

Veritas Mining owns an 80% stake in the Tres Hermanos and El Recio gold concessions in Costa Rica; together with a ten-year renewable agreement to explore and mine the nearby Boston concession. The Tres Hermanos Mine is situated 110km north west of the capital, San Jose, and is easily accessible lying 7.5km along a gravel road off the main Pan American Highway. There is water, power and telephone at the mine site; and in the nearby village of Las Juntas has an experienced workforce. The mine has all the necessary permits and is already in production.

The Tres Hermanos vein system outcrops on the surface where it can be followed for a considerable distance and

underground these veins have been mined to a depth of 210m. For more than hundred years up until 1999, a total of 2.2 million tonnes of ore was mined at an average grade of 0.48oz/ton. Reserve calculations indicate diluted reserves of 825,000 tons at 0.319oz/ton. As yet the limits of this deposit have not been located, either at depth or along strike.

The El Recio and Boston concessions are close by the Tres Hermanos Mine and share the same characteristic vein structure. The veins are wider but slightly lower grade at El Recio, but with bonanza type chutes at reportedly over 5 oz/ton gold. The Boston deposit has four existing levels where production could begin; and here the veins are narrow but higher grade. Records suggest grades between 0.75 to 1.00oz/ton and bonanza chutes running to over a staggering 700oz/ton.

Veritas Mining is seeking to refurbish not only the infrastructure, but also the concentrator, which is a facility to extract gold from ore. In addition, the underground mines will be rehabilitated and additional equipment purchased. Initially, the team are looking to mine 50 tons a day at an average grade of 1.178oz/ton with expansion planned in year two. Once the mines have been developed, it's planned to blend the ore on surface, to ensure that the mill is supplied with a consistent grade of feed material in excess of 0.50oz/ton. Under the agreement, Veritas Mining starts off with a 60% ownership and an 80% net revenue interest in the Tres Hermanos and El Recio Mine but once it has invested US\$1m, its ownership will climb to 80%. Veritas Mining also has the option to purchase an additional 10% stake on the mine for US\$1m.

While the Tres Hermanos Mine is being developed, production will be restricted to 40 - 50 tons per day. Given the considerable mining experience in Ascot's management team, the most suitable methods of extraction will be adopted to ensure that the grade remains pretty well intact. Ore from the Tres Hermanos, El Recio and Boston Mines will be processed at the nearby La Luz concentrator, where an agreement has been reached with its owners. The concentrator is to be refurbished and modernised to create substantially higher volumes while lower operating costs. This move will give the company cash flow, whilst at the same time the metallurgists will be able to learn more about the material and hence be able to design the most appropriate new mill to optimise recoveries. The mill is to be built to have an ultimate capacity of 400 ton/day, with this level being reached in three stages. Ore from Veritas Mining's concessions is already being processed at the mill.

# under the SPOTLIGHT

## veritas gold

Veritas Gold has an agreement to buy a 100% interest of the Chassoul Mine for US\$5.8m over three years plus a 2% royalty. The mine lies reasonably close to Ascot's other operations and is just waiting for final permits before production can begin shortly. Start-up costs have been estimated around the \$1m mark, but production in year one could easily generate \$6m of profits before taxes and interest payments. This mine looks to have tremendous potential as to date, only one of nine veins, the Veta Cajeta, has been mined on the upper levels.

The Chassoul Mine lies near the city of San Ramon, 76m from San Jose along the Pan American Highway. The site is 22km from the Highway with the first 10km being paved and in good condition. The deposit was mined for a four year period in the 1990s with a total of 11,916 metric tons of ore yielding around 1,500 ounces of gold, as the miners were hampered by low recovery rates. A pilot plant was built here in 2001 to recover gold from tailings and unprocessed ore that had been stockpiled on the surface. That seemed to coincide with a proper sampling programme which led to a geological study and economic evaluation of the mine.

The plan calls for new 146m long adit to be drilled and blasted 40m below the current main entrance and then sufficient headings developed to support a 150 ton a day operation. The mill will have 150 tons per day capacity, but if sufficient reserves are identified its capacity could be doubled. Mine development plus the construction of the mill and the tailings site are estimated to take six months.

## environmental concerns

The board, who realise how important environmental concerns are in this day and age, have ensured that Ascot is committed to the Equator Principles on the environment. Certainly nowadays, mining companies won't even get through the front door of the leading banks or the top financial institutions unless they subscribe to these principles.

## gold reserves

Indicated reserves at the Veritas Mining's Tres Hermanos mine total 265,000 ounces of gold and at the Chassoul Mine total some 60,000 oz of gold. So, all in all, Ascot Mining has indicated gold reserves of 325,000 ounces, ahead of a substantial exploration program. The Competent Person's report has conservatively valued Ascot Mining's gold reserves at US\$30m (£14.7m) on a conservative basis using a gold price that's substantially below current market levels.

## future gold production

Veritas Mining has already begun production in the Tres Hermanos Mine and together with gold production from El Recio and Boston, this is expected to total 12,084 ounces in year one. Swiftly rising production at these three mines, plus the opening of San Martin Mine in 2009, is planned to boost annual production to 54,270 ounces in year five. Production costs are estimated to be in the \$148 - \$168 range throughout this period.

Veritas Gold will soon begin production from its Chassoul Mine with 14,298 ounces of gold produced in year one. The opening of the Mina Mimosa in 2008 and Fortuna Mine in 2009 are scheduled to lift production to 51,408 ounces in year five. Production costs for the Chassoul Mine are around the \$230 level; and slightly higher costs are anticipated at Mina Mimosa and Fortuna Mine.

Ascot Mining's total gold production from Veritas Gold and Veritas Mining is expected to be 26,382 ounces in year one, which at a \$650 an ounce would generate \$10.8m (£5.2m) net to the company before tax. In year five, production is expected to climb to 105,678 ounces which would generate \$37.1m (£17.8m) net to the company before tax.

## outlook for gold

In recent months, gold has broken through the psychological \$800 an ounce level on the back of oil prices spiralling ever higher and the dramatic weakening of the dollar. In all, the US dollar has lost more than 40% of its value against the euro already this decade, and the last few months have seen this fall accelerated by the credit crunch and collapsing real estate prices.

The yellow metal has always been seen as a hedge against inflation; but now demand has been lifted by concerns that inflationary pressures around the world are beginning to mushroom. Political tensions in the Middle East look likely to boil over once more, which has pushed oil prices ever higher, and increased those fears about global inflation. Even recent cuts in interest rates by the Federal Reserve have simply served to further undermine the currency, which the bulls have seized on as good news for gold. Increasing prosperity in some of the fastest growing economies has also fuelled demand for gold. Earlier on this year, in the days before anyone knew much about US sub-prime mortgages, first quarter gold demand in India leapt by a half; by May gold experts were talking about a 31% increase in demand in China.



## the board

So demand is rising, what about supply? World mine production peaked in 2001 and has since stagnated, which means that there's insufficient new production coming on stream to satisfy demand. A lack of success in gold exploration, along with environmental concerns and red tape, seems to have limited the number of new projects. The real culprit in the past has always been the central banks selling their gold stockpiles. A big seller has been Spain, which seems to have twigged that it might be worth hanging on to what little gold it has left, given the soaring price. Other central banks look like they could turn into big buyers as under 2% of China's \$1,340bn foreign reserves are in gold and the collapsing dollar has forced the government to rethink its policy on reserves. In Moscow, President Putin has issued instructions to the Russian central bank to double the proportion of its reserves held in gold to 10%.

Bulls of gold maintain that the metal is still cheap and rightly point out that its one of the few commodities that hasn't yet hit a record high. The precious metal might be trading at something like a 28 year high in nominal terms but the gold bulls are claiming that, if you take into account inflation, then this high would actually be \$2,145. The days of sub \$400 an ounce gold seem along behind us; and gold mining companies look set to continue to enjoy bumper profits.

**David B Jackson – President.** David has more than thirty years experience in marketing, senior management and corporate finance with private and quoted companies, both at home and overseas. He provided consultancy services to a variety of companies, both in Canada and internationally and is also the co-founder of a number of private and quoted companies involved in property, technology and natural resources. For five years, David was a senior officer and a director of two gold and base metal exploration companies.

**Andrew von Kursell – Chief Operating Officer.** Andrew is an experienced engineer in both the national and international mining industry. He has a proven record of success in initiating, negotiating, planning and managing major mining projects. Andrew has a good working knowledge of dealing with regulatory bodies and also in liaising with investors and financial institutions.

**Milo Filgas – Vice President, Mining.** Milo has over thirty years of experience in the mining industry. Since 1978 he has been President and owner of R. F. Fry & Associates (Pacific) Ltd., a mine and mill contracting company with an expertise in shaft sinking operations. The company provides a wide range of contract services internationally to the mining industry.

## costa rica – the country & its geology

Costa Rica has the longest standing democracy in Latin America. It has been politically stable since the 19th century and land ownership is widespread. Even though there's a good standard of living together with high literacy rates, workers are paid relatively low wages which will keep labour costs down. Intel, the US computer chip manufacturer, has built a large plant in Costa Rica, attracted by the availability of a skilled workforce. A lot of mineral exploration work has been carried out by Canadian juniors in Costa Rica, but today there are no other major mining companies operating in the country.

Ascot's projects lie in the Costa Rican Gold Belt which is found in the north western area of the country and here the geology is typified by a sequence of volcanic-sedimentary and igneous rocks from activity during the Tertiary period. There are broadly four main types of mineralisation found within this gold belt. Firstly, there are veins and fissures fillings of epithermal type which bear gold, silver and base metals, which is the sort of mineralisation that Ascot are focusing their attention on. Secondly, disseminated mineralisation of complex sulphides of gold, silver, lead and zinc. Thirdly, there are disseminated specks of native gold; and lastly, alluvial gold rich lateritic soils.

## senior management

**Damien Daly, Advisory Board and Corporate Communications.** Damien combines a technical engineering and project finance background with practical business experience. In addition to his Engineering qualifications, he holds an MBA from Cranfield and is an experienced business developer whose skill set is derived from 20 years with major international groups dealing with all aspects of commercial negotiation, project financing and project management. He is based in London from where he will support the ongoing development of Ascot Mining.

**Michael Sanguinetti – Vice President, Exploration** – Michael provides management and technical expertise for many mining projects; and has worked in Canada, Western USA, Mexico, Venezuela, Bolivia and Peru.

**Yves Gasgnon – Mining Superintendent** – Yves has more than thirty years underground mining experience, mainly in narrow vein type deposits. He has worked as a supervisor in Canada, Venezuela and Mexico. Yves has a detailed knowledge about mineral processing, as he supervised a

mill operation in Canada. In the last 18 months, he has been involved in rehabilitating and exploring mines in Costa Rica. Yves is fluent in English, French and Spanish and he will be working for both Veritas Mining and Veritas Gold.

**Scott Nester – Manager, Chassoul Mine** – Scott is a mining engineer with many years experience in the industry and the contracting business.

**Adrian Villegas Fonseca – Consulting Geologist, Mining and Environmental Advisor** – Adrian acts as a consultant to the mining sector and helps in developing the environmental impact statements for new mining projects. As a member of commissions rating constitutional positions, he has reviewed five hundred environmental projects in tourism, housing, industrial and mining.

**George R. Rawthorne – Metallurgical Consultant** – George is an expert in commissioning start-ups and optimising aspects in the operating environment, together with expertise in chemical and metallurgical plant operations. In all, he has more than 35 years experience in metallurgy, covering the management of operations, engineering projects and feasibility studies. George has extensive international experience from projects in North America, South America, Russia and Indonesia.

## directors shareholdings

Prior to the current fund raising exercise the shares held by the Directors are as detailed below.

SHAREHOLDER	NUMBER ORDINARY SHARES PRIOR TO OFFERING	PERCENTAGE OF ISSUED SHARE CAPITAL PRIOR TO OFFERING	NUMBER ORDINARY SHARES AFTER MAXIMUM OFFERING	PERCENTAGE OF ISSUED SHARE CAPITAL AFTER MAXIMUM OFFERING
David Brian Jackson	6,000,000	30.39	6,000,000	24.39
Andrew von Kursell *	5,000,000	25.32	5,000,000	20.33
Milo Filgas	540,000	2.73	540,000	2.19

\* includes the interest of his wife Monica von Kursell

## financial history

All shareholder funds are equity. These are management accounts and do not represent full accounts in accordance with the Act. For expediency all US dollar receipts and payments have been treated as having taken place at \$2.00. Inevitably there will have been differences positive and negative in the rates applicable to the transactions and balances. The cost of investment in subsidiary is based on the applicable share price of 25 pence per share.

*Unaudited balance sheet as at 20 November 2007 For Ascot Mining plc*

	<b>£'000</b>
<b>Non-current assets</b>	
Investments: interests in subsidiary undertakings	4,197
<b>Current assets</b>	
Amounts due from subsidiaries	347
Cash at bank and in hand	331
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	678
<b>Total assets</b>	<b>4,875</b>
<b>Current liabilities</b>	
Trade and other payables	10
<b>Non-current liabilities</b>	-
	<hr style="width: 100%;"/>
<b>Total liabilities</b>	10
<b>Net assets</b>	<b>4,865</b>
	<hr style="width: 100%;"/>
<b>Equity</b>	
Called-up share capital	197
Share premium account	4,738
Profit and loss account	(70)
	<hr style="width: 100%;"/>
<b>Total equity</b>	<b>4,865</b>
	<hr style="width: 100%;"/>



# corporate history

The company was incorporated on 27 November 2006. Its main activities are to act as a holding company of the subsidiaries Veritas Mining CR SA and Veritas Gold CR SA that are based in Costa Rica.

# attractive tax breaks

An investment in the company at this stage brings along with it some fairly attractive tax breaks. The shares are unlisted and even when they begin trading on PLUS will still qualify 100% for Inheritance Tax Business Property Relief. Disposals of unquoted qualifying companies are classed as business assets which mean that they may be eligible for enhanced rates of taper relief. Such disposals qualify for taper relief and so Capital Gains Tax (CGT) is reduced to 10%. **HOWEVER** The UK government have proposals in place for big changes in the CGT regime including a reduction in CGT from 40% to 18% and an ending of taper relief which may or may not come into effect in April 2008. You should seek independent, expert advice in connection with the present and changing treatment of Capital Gains in the UK.

# exit strategy

When weighing up the attractiveness of a private equity pre-IPO offer, a well-planned exit strategy is paramount. Ascot Mining ticks the boxes here. The company is being advised by Axiom Capital, who are well-known PLUS markets adviser in the City; and the plan is to list Ascot Mining on PLUS in the first quarter of 2008. The company's admission to PLUS Markets is not dependant on raising significant new equity

# risk factors

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and so should proceed regardless of market conditions. An independent valuation has been obtained which should support the share price going forward.

# possible returns

Ascot Mining's pre-new money valuation is just £6.9m, which looks to be a very attractive level for investors. This valuation is less than many AIM gold exploration stocks, many of which are years away from mining anything. With Ascot, there should be a lot less risk, as they are a company that are already in production with a solid business plan based on growth. On top of that, there is the upside potential that further exploration may bring.

The board's five year plan is to take annual production up to over 100,000 ounces of gold. In order to investigate the possible returns of the pre-IPO opportunity in Ascot Mining, its worth looking at some quoted gold producers that are on the threshold of producing that sort of level of production and examine their valuations. Cluff Mining (AIM: CLF) expect to mine 100,000 ounces of gold from its mines in West Africa in 2009 and at its current price of 89p, the stock is capitalised at £61m. US-quoted Capital Gold Corporation (CGCL) has a gold mine in Mexico where production is expected to rise from 50,000 to 60,000 ounces next year, and following an expansion program 100,000 ounces a year is expected in the future. With Capital Gold Corp trading 70c, the company is valued at US\$120m (£58m).

There are numerous imponderables including:- grade, tonnage, operating cost, capital expenditure and taxation rates but these peer comparisons give an illustration of the sort of valuation that Ascot Mining could possibly command in the future.