ASCOT MINING PLC

UNITED KINGDOM / GOLD MINING

ISIN: GB00B2QH7M99

INVESTMENT SUMMARY

A NEAR-TERM GOLD PRODUCER

We believe the worldwide economic downturn has created an investment opportunity in gold, as investors view the commodity as a safe haven and an alternative to currency investments in the US dollar or euro. Investing in gold mining stocks has become more attractive due to uncertainty over the outlook for US and European economies. Ascot Mining plc is a small-size gold producer with three mines with full mining permits in Costa Rica at present. The company expects to extract some 28,000 ounces of gold in its first production year (April 2009 – March 2010). Ascot buys operational small-scale gold mines run by artisanal miners or mines with financial difficulties. The company refurbishes the acquired mine then uses its modern technology and expertise to extract the full value from the mines, increasing recovery rates to over 90%. In our first valuation of Ascot Mining plc, we determine a fair enterprise value of between $27.0m - $37.6m (€21.0m - €29.2m), equating to a fair value per share of $1.00 - $1.39 (€0.78 - €1.08). We see near-term upside to our valuation, as we expect the company to begin gold production and raise further funds over the coming months. We consider the stock a highly attractive investment opportunity if management's fund raising activities prove successful.

GOLD PRICE TO FURTHER STRENGTHEN IN WORLDWIDE ECONOMIC DOWNTURN

We expect demand for gold to remain high, as gold ETF positions have built up steadily over recent quarters and we expect increased demand for gold investments. GFMS, one of the world's largest precious metals consultancies, recently released its 'Gold Survey 2008 - Update 2' report, in which it expects gold prices to hit new highs in H1 2009. The consultancy expects the ongoing financial uncertainty, the negative outlook for government bonds (public debt is going to accelerate further) and the increasing risk of medium-to-long-term inflation to favour hard assets like gold. GFMS forecasts an average gold price of $915/oz in H1 2009, trading in a range between $750-$1,080/oz. The average price of gold in 2008 was $872/oz, a 25% increase y-o-y (2007: $697/oz). Bank of America-Merrill Lynch forecasts average gold prices of $875/oz for 2009 and $900/oz for 2010. Gold prices in 2009 have surged, reaching $970/oz (corresponding to an approx. 10% year-to-date increase), despite jewellery demand having shown a decline. We believe share prices of gold stocks will rise, although investors, still highly risk-averse, will focus on blue chip companies with proven track records and strong balance sheets. In the small cap arena, gold producers will clearly be preferred to gold exploration companies.

ASCOT MINING: AN ATTRACTIVE AND HIGHLY SCALABLE BUSINESS MODEL

Ascot Mining plc is a small-size gold producer with three mines with full mining permits in Costa Rica at present. The most advanced project, the Chassoul mine, is poised to start production by the end of Q1 2009; the other two mines are scheduled to begin production later this year. Ascot's business model of acquiring and refurbishing small-scale mines positions the company in an attractive market segment, well below the radar of its large-cap competitors. Larger players generally look for mines with a production capacity of several hundred thousand ounces per year.

THREE MINES IN COSTA RICA READY TO DELIVER GOLD IN THE NEAR TERM

The company has acquired the mining concessions for three mines that host known gold resources. The mines have good infrastructure in place and are located in a gold belt approx. 100 km north-west of the Costa Rican capital San Jose. The mines are readily accessible via a good gravel road off the Pan-American Highway. The country has a stable political and economic environment, as well as high education levels compared to neighbouring countries in Central America. Ascot operates in Costa Rica through two subsidiaries: Veritas Gold holds the concessions for the Chassoul Mine; and Veritas Mining holds the concessions for Tres Hermanos, El Recio and the renewable 10-year Boston ore supply contract. The Chassoul mine was in operation from 1980 to 1995 with primitive methods that enabled recovery rates up to 50%. Further analysis conducted after 1995 showed gold resources of some 56,700 ounces in the ground. Management expect operations in Chassoul to begin in the coming months. The Tres Hermanos and El Recio mines were producing between 1884 and 1999, when free miners took over the mine. The free miners have continued to operate the mine, extracting small amounts of gold under concession. A recent independent appraisal shows that these three mines hold gold resources of some 315,000 ounces. The mines are scheduled to start production in H2 2009. The Boston deposit is owned by a syndicate of 60 miners who will continue working the property with the support of Ascot Mining. The company generates a similar profit margin from the ore supply contract as from its own gold mines.

PROFITABLE COMMERCIALISATION OF COMPANY'S GOLD VIABLE

Overall, the Ascot management team expect all three mines to produce some 28,000 ounces of gold in the company's first production year ending in March 2010. Based on an average gold price of $800/oz, this would generate revenues of some $22.4m. The Chassoul mine, which is nearing production start-up, will represent approx. half of total production in the first year. Ascot has already conducted mine refurbishment in the Chassoul mine and will complete the tailings disposal site soon. The company will initially sell the gold to refineries in the Costa Rican market, turning to international refineries when volumes become larger (e.g. Canadian refiners). Thanks to high-grade gold deposits ranging from 0.34–1.00 ounce per tonne and advanced mining procedures, management guide for low cash costs of $370/oz and to ramp up annual production to some 100,000 ounces over the next three years. We are more conservative with our assumptions, calculating with 10% higher cash costs of $407/oz and achieving the annual 100,000 ounces production goal no sooner than 2013. In general, we follow the gold price development expectations of Merrill Lynch. We expect new investors in the market, a slight decrease in worldwide production and reduced central bank sales to result in a sustained gold supply shortage over the coming years. We therefore assume average gold prices of 2009: $870 – 2010: $900 – 2011: $920 respectively. For subsequent years we expect stable price levels in the $900/oz region, as shown in Table 1 below. Further, our conservative output forecasts see Ascot generating revenues of approx. $55m by 2011.

Gold price and Ascot output forecasts

	2009E	2010E	2011E	2012E	2013E
Av. Gold Price	$870/oz	$900/oz	$920/oz	$900/oz	$890/oz
Output Ascot	20,000	40,000	60,000	80,000	100,000

Table 1 Source: First Berlin

MID-TERM GOAL TO BECOME A MID CAP GOLD PRODUCER

In order to achieve critical mass, Ascot has plans to acquire further operative small-scale mines, thus following the successful Bema Gold model. Bema Gold became a mid-tier producer and was subsequently acquired by Kinross Gold after accumulating several small-scale mines. Negotiations for three mines in the same gold belt are at an advanced stage and final contracts could be closed in the course of the year. The company will focus on the Costa Rican gold belt in the short to mid term, but is scouting for attractive mines in other Central, South and North American countries, including Mexico, Peru and Canada. We believe Ascot can achieve its goals due to its experienced management team.

INVESTORS GAIN EXPOSURE TO ATTRACTIVE GOLD ASSETS

The Ascot stock offers investors exposure to the attractive gold market. Ascot Mining has positioned itself in a niche segment focusing on the production of small-scale gold mines. The company acquires mines ready for production, thus mitigating most of the risks involved in exploration. UK-based Ascot has international exposure, with a listing on the New York Stock Exchange (OTC) via American Depositary Receipts (ADRs) held by The Bank of New York Mellon. The stock also has a listing on the UK PLUS market and the German Xetra market. In our first valuation of Ascot Mining plc, we apply a risk discount to the existing expert appraisal of the mines in order to account for production and financial risks. We consider the stock an attractive investment opportunity and conservatively estimate the company's enterprise value at between \$27.0m – \$37.6m, equating to a fair value per share of \$1.00-1.39. We see near-term upside to our valuation, as the company will begin gold production and raise further funds over the coming months, thus mitigating risk. We believe there is a clear short- to mid-term opportunity for the company to add significant value by acquiring further mines.

PEER GROUP ANALYSYS

As is often the case with small caps, there are almost no listed firms truly comparable to Ascot when considering strategy, business model, technology, market focus, size and risk profile. We believe there is little value in comparing the company's multiples with either large-cap established companies or smaller peers with different business models and risk profiles. Therefore, we abstain from using a peer group valuation model.

Shareholder structure

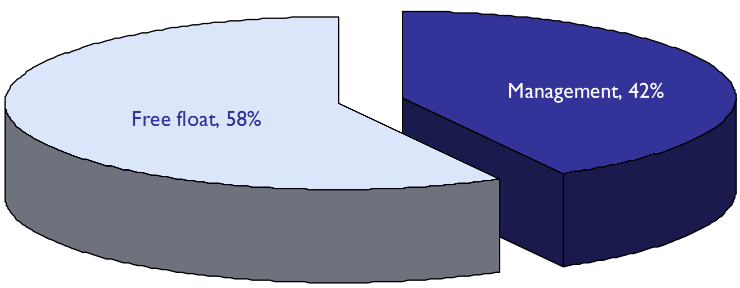

Chart 1 Source: Ascot Mining

SWOT ANALYSIS

STRENGTHS

- **Full mining permits** The company holds full mining permits for its three mines in operation and expects to begin full operations in the coming months.
- **Some 708,000 ounces of gold resources** With three mines acquired and a further three in advanced negotiations, the company has secured a substantial amount of gold resources.
- **Experienced management provide to drive growth** Ascot management team, lead by CEO David Jackson and COO Andrew von Kursell, have extensive experience and a strong network in the gold and mining industries.

WEAKNESSES

- **Small market player** The gold mining industry is dominated by large companies with strong balance sheets and market power including Barrick Gold Corp, Goldcorp Inc, Newmont Mining Corp and Kinross Gold Corp. This suggests some competitive and financial limitations for a company of Ascot's size.
- **Weak financial situation, raising funds may prove challenging** Ascot may struggle to raise the funds necessary to initiate the imminent production of gold. While we see attractive growth prospects, funding for small cap companies is limited in the current economic climate. The company will require further financing in order to implement its growth strategy. That is the refurbishment of mines before building modern mills and infrastructure.
- **Limited track record** Ascot's short company history makes it difficult to evaluate the company's potential and management's ability to achieve targets.

OPPORTUNITIES

- **Further expansion potential in Costa Rica and other countries** Ascot's growth strategy involves reaching production levels of 100,000 ounces of gold per year from existing mines and possibly expanding to new mines. The company is scouting other mines in Costa Rica and other countries in Central, South and North America.
- **Attractively valued** We see significant upside potential for the Ascot stock, given its assets are worth over $60m at current market prices. We value the company's assets at some $27m - $38m, which includes a 40% discount to account for financial risk, risk of falling prices as well as lower-than-expected deposits and recovery rates.
- **Acquisition can trigger premium valuation** There was wide-spread consolidation in the mining industry in 2007 and 2008, when M&A constituted a strong industry growth driver. A large player may target Ascot Mining, thus boosting the company's value.

THREATS

- **Commodity prices and costs** We believe the key risks relate to the price of gold over time, as well as production costs. Any fluctuation in the quality of ore grade found and recovery rates can affect production costs, thus burdening profitability.

VALUATION

There is high risk involved in valuing mining companies in the pre-production and marketing stage as real output and revenues, and the company's cost structure, are difficult to forecast. It is therefore also challenging to accurately forecast Ascot's cash flow situation going forward. The company commissioned an independent appraisal of the Costa Rican sites in May last year. The appraisal was written by a qualified person as defined in National Instrument 43-101 but it does not meet current CIM standards regarding gold reserves, which are fundamental to official valuations of mining properties. Therefore, as opposed to using the Income Approach as outlined in industry guidelines, Ascot's sites were valued on intangible assets, including contracts and concessions (valued at the price paid), as well as tangible assets, including gold resources measured and infrastructure. The independent appraisal estimated the value of the mines in the range $64.3m – $90.9m based on $800/oz. However, from an investor's view, we regard this valuation as unrealistic in the short term, considering current market conditions and management's so far unproven ability to run the mines successfully.

We also include potential capital expenditure required for production in our valuation. However, we feel there are financial and production risks that could prevent the company from reaching its output targets. Ascot has limited funds and needs to raise sufficient cash to begin gold production. Further, any fluctuations in ore grade and recovery rates affect operating and production costs. We take these factors into consideration in our 40% risk discount. Our discounted NAV model values Ascot at between **$27.0m – $37.6m**, which equates to fair value per share of **$1.00 – $1.39 (€0.78 – €1.08).**

Valuation model based on Net Asset value (NAV)

Mine property	Characteristics	Percentage of variation +/-%	NAV (T US$) lower range	NAV (T US$) higher range
Chassoul Mine	Resources in place of 56,600 oz. gold, plus infrastructure and concessions	20%	34,350	47,749
Tres Hermanos and El Recio	Resources in place of 269,000 oz. gold, plus infrastructure and concessions	20%	29,918	43,182
All three mines according to appraisal report			**64,268**	**90,931**
Expected Investments required for completion			**-4,000**	**-5,000**
Expected production costs for resources in place			**-15,200**	**-23,300**
Net Assets Value (NAV)			**45,068**	**62,631**
Risk discount scenario				
NAV discounted at 40%			**27,041**	**37,579**
Fair value per share (US$)			**1.00**	**1.39**
Fair value per share (pence)			**70.28**	**97.67**
Fair value per share (Euro)			**0.78**	**1.08**
The stock is currently trading at EUR 0.43 or 32.0 pence				
Assumptions				
US$ / British pound exchange rate				*0.70*
US$ / Euro exchange rate				*0.78*

Table 2 Source: Ascot Mining, First Berlin

Using our ten-factor risk analysis, we derive a Speculative risk rating for Ascot Mining. The main risk factors we identify are financial risk, fluctuations in ore grade and recovery rates, commodity prices, currency, regulatory and political environment in the country, and competition risks.

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance
BUY: Expected return greater than 25%
ADD: Expected return between 0% and 25%
REDUCE: Expected negative return between 0% and -15%
SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

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