Celtic Resources

CER

BUY

SECTOR: Mining

SHARE PRICE: 14p

BULL POINTS

- Strong management
- Gold price on the rise
- Diverse asset base

BEAR POINTS

- Primary listing not yet in London
- Share price vulnerable to sentiment

Gold and oil explorer

Ord price: 14p **Market value:** £21.9m
Touch: 13-15p **12-month High:** 16p **Low:** 7p
Dividend yield: nil **PE ratio:** na
Net asset value: 11p* **Net cash:** £582,000*
*Pro-forma

Year to 31 Dec	Pre-tax profit ($000)	Stated earnings per share(c)	Net div per share (c)
1999	–593	–0.02	nil
2000	–1,034	–0.02	nil
% change	–	–	–

Market makers: 2 Normal market size: 2,000

Although mixing mining with oil is no longer in favour in the resources sector at large, for a smaller company like Celtic it can still make sense. That's because it minimises risk, putting eggs in more than one basket and providing revenue streams where there might otherwise be none. Celtic is covered from many angles – most of its oil is in Kazakhstan where the group continues to look for new projects that offer early production at low cost. It also has a 5 per cent interest in three North Sea licences.

Celtic's main upside is in gold, however. It has two major projects, the Nezhdaninskoye gold mine in eastern Russia, which produced its first gold this year, and the Suzdal mine in northern Kazakhstan. Celtic announced before Christmas that at 2.9m ounces of gold, proven reserves at Nezhdaninskoye were more than twice as large as previously thought. But that news didn't move the share price as much as the Russian announcement late in January that the 5 per cent export tax on gold is to be abolished. Celtic produces very little gold at the moment, and would probably have got round the tax anyway, meaning that the shares are moving more on sentiment about Celtic's operating environment than on fundamentals.

But those fundamentals look good and should take a more dominant role valuing the company as it progresses. The geological resource at Nehdaninskoye has been confirmed at 27m ounces of gold and 96m ounces of silver. With its London listing delayed as former brokers SG pick up the pieces after Navan, Celtic has instead raised $13.5m in project finance through Standard Bank, which it will use to develop production capability to 140,000 ounces a year. Celtic's other main project at Suzdal is expected to produce 43,000 ounces this year at a cost of $140 per ounce. Some analysts predict that the gold price will push through the $300 barrier this year, making Celtic's profits for next year even healthier. **Buy** for capital growth.