



**Date : September 18, 2002**

## **Celtic Resources On Way To Raising £8 Million And Listing On AIM.**

The arguments for and against consolidating shares are complex, but interesting. Basically institutional investors prefer higher prices, but less shares in issue. Private investors, as Minmet demonstrated so graphically, do not care how many shares are in issue, but prefer cheap shares. Psychologically it is easier to visualise a share advancing from 10p to 20p than from 100p to 200p, but the move could be exactly the same if the shares in the first example are consolidated on a 10:1 basis. The problem in the UK is that market makers take a bigger proportionate turn from trading low priced shares than heavier ones. At the moment the gap between Celtic's bid and offered price amounts to around 20 per cent and it was this that ultimately persuaded Kevin Foo to take the action preferred by his new institutional shareholders.

And it has worked as the company has already raised over £5 million by way of a placing and is working its way through the £3 million open offer which is all part of its listing on AIM. At least twenty three new institutional shareholders have agreed to buy shares and they have funds spread from Switzerland to Singapore, though the majority are obviously in London. It is worth mentioning also that these shares are being offered at a slight premium to the existing share price which proves that there is still an appetite for class mining stocks and Williams de Broe knows its business. The shares are currently 12.5p and are being placed at 135p post the 10:1 consolidation. The company will then cancel its listing on the Exploration Securities Market in Dublin where it was hanging onto life by a very thin thread when Kevin Foo got involved three years ago.

The company has a portfolio of producing and developing mines and hydrocarbon properties in Russia and Kazakhstan, but the focus is on the huge Nezhdaninskoye gold mine in Russia with resources of 30 million ounces where Celtic has a 50 per cent interest and the and the Suzdal gold mine in Kazakhstan. Together with the US\$12 million facility from Standard Bank Celtic now has enough funds to accelerate production at Nezhdaninskoye and a strong balance sheet. There is even talk that it may make another acquisition near Suzdal and it would certainly make sense to divest itself of its oil interests as these were bought principally to ensure early cash flow.

The Nezhdaninskoye gold mine is one of the largest in Russia and is already substantially developed with 110kms of underground development, a 250,000 tpa processing plant, a boiler house, a power house and numerous buildings and other infrastructure. GBM Mineral Engineering Consultants Limited, in its study conducted in 2002, confirmed the possibility of treating 250,000 tonnes per year of ore from the quartz vein ore bodies. This ore is high grade, averaging in the region of 10 11 g/t Au, and is metallurgically simple. Preparations for expansion of the operations to 600,000 tpa are underway, but as Nezhdaninskoye is a such a large mine, staged development is deemed appropriate.

A three stage plan is envisaged with Stage 1 leading to production of 150,000 ozs/yr of gold in the third year following the first drawdown from the Standard Bank Facility. The other two Stages 2 and 3 would require further financing, but should increase production to a rate of 300,000 oz/yr by 2006 and result in an ultimate production rate of 500,000 oz/yr. The scope to increase the resources is massive as only 37 of the 117 ore bodies identified to date have been explored in sufficient detail for them to be classified as "Mineral Resources" as defined by the

JORC code. And the extensive metallurgical test work recently completed in UK and Australia supplements the historical Russian work and confirms that Nezhdaninskoye ores are treatable by conventional and available technology

The Suzdal gold mine has been operating since 1999 and in 2001 produced around 43,000 ounces of gold. During that time Celtic has progressively increased its ownership from 15 per cent to 100 per cent. Celtic purchased Suzdal not only for the residual gold oxide resources but also for the underlying gold sulphide ores that make up the bulk of the mine's resources. The remaining classified oxide resources are estimated as 936,000 tonnes at 3.1 g/t containing 93,280 oz of gold. Total sulphide zone resources are estimated at 5.76 million tonnes averaging 7.82 g/t Au containing approximately 1.45 million ounces of gold. Celtic plans to continue working on the oxide ores to produce at a rate of at least 35,000 oz/yr of gold until late 2004 and is currently carrying out an internal study on the sulphide ores. The aim is to complete this study in late 2002 and to assess financing options for the project. It is expected that sulphide ore production would build up gradually to 500,000 tpa and ultimate production from the sulphide plant is expected to be 130,000 ozs/yr.

This is a company that could be knocking on the door of the F.T. Gold Index in 2005. Quite an achievement bearing in mind the state it was in three years ago.