Tuesday 16 August 2011

STARVEST plc

General update

In view of the successful completion of two investee company disposals and against the background of recent market turmoil, it seems appropriate that the Company should issue a general update at this time.

The two disposals, resulting in a combined profit of £1.5m being 583% on the original cost, were of **Belmore Resources (Holdings) plc** by Lundin Mining Exploration Limited for cash and of **Sheba Exploration (UK) plc** by Centamin Egypt Limited for a mixture of cash and Centamin shares.

These two PLUS quoted company take-overs at premium prices are in stark contrast to the prevailing mood in which junior market share prices have drifted lower in the absence of investor buying interest.

In the West we may be suffering from the economic crises of the past years, but in China, India and emerging nations the demand for steel continues and shows no sign of abating. Many of our investments are focused on meeting this increasing demand or on the extraction of gold, the worldwide demand for which has pushed the price towards $1,800 per oz.

Of the remaining core investments, some are exploring for gold or iron ore and other minerals such as nickel; others are well advanced in their plans for production or are already generating cash. Of these we focus on two where, we believe, the companies are materially undervalued at present and on a third, **Regency Mines plc,** that also has interests in **Oracle Coalfields plc**, and **Red Rock Resources plc**:

- **Oracle Coalfields plc** (www.oraclecoalfields.com) which was admitted to the AIM market in April, plans to start mining coal in Pakistan in 2013 in what is seen to be a major development for revitalising the national economy: It will produce a major new source of indigenous feedstock for initially industrial and later power station consumption, thereby contributing towards resolving a critical national shortage of electricity and by replacing coal imports, alleviating the country's serious foreign exchange imbalances. With the market capitalisation at £16.3m, a discount to the recent AIM admission value, we expect a substantial re-rating.
- **Red Rock Resources plc** (www.rrrplc.com) has a 51% stake in a Columbian gold mine where the continuing mine improvements are leading to increasing gold recoveries, gold exploration in Kenya, an interest in Ascot Mining plc (PLUS), iron ore exploration in North-West Greenland with NAMA Greenland Limited, uranium and rare earths through Resource Star Limited (ASX) and Cue Resources Limited (TVX). But the icing on the cake must be its 1.5% gross production royalty on Jupiter Mines Limited's (ASX) Mt Ida high grade magnetite iron ore project in Western Australia expected to commence production during 2013. At present prices, the mine is valued by Jupiter Mines at £1.04 bn with the royalty, at current prices, estimated by us to generate approximately £10m pa for Red Rock Resources over 20 years; this is in addition to Red Rock's

4% equity stake. With a current market capitalisation of £45.95m, we believe Red Rock Resources to be seriously underrated.

- **Regency Mines plc** (www.regency-mines.com) with a nickel exploration JV in Papua New Guinea and an 11% investment in Oracle Coalfields as well as 20% of Red Rock Resources we believe it is also substantially underrated at the current market capitalisation of £17.4m.

Other projects managed by **Ariana Resources plc, Centamin Egypt Limited, Greatland Gold plc, Kefi Minerals plc** and **Minera IRL Limited** have direct or indirect interests in gold or gold exploration and therefore expect to benefit from the improved gold price.

It remains the opinion of the Board that the Company can expect a significant increase in its net asset value as these investee companies and their projects mature in the coming years. It seems that this is something the market may be recognising in that the Starvest closing price has increased slightly since 30 June 2011 to 13.5 pence and the discount to net asset value reduced slightly to 33.3%.

	12 August 2011	30 June 2011	30 September 2010	**Change since September 2010 %**
Company asset value net of tax	**£7.71m**	£8.10m	£4.19m	**84%**
Net asset value – fully diluted p/share	**20.25 pence**	21.21 pence	11.28 pence	**79%**
Share price – mid	**13.50 pence**	12.50 pence	7.75 pence	**74%**
Share price discount to net asset value	**33.33%**	41.1%	31.3%	
Market capitalisation	**£4.68m**	**£4.59m**	£2.84m	**65%**

All valuations are based on the closing market bid prices or lower directors' valuation as described in the 2010 annual report and are net of a 10% discount totalling £648,000 applied to substantial holdings. Furthermore, since 30 June, cash of £1.83m has been received from the disposals, thus strengthening the balance sheet in these challenging times. With the gross profit for the year to date of £2.6m, your Board remains confident that its patience is being rewarded. As we await a full recovery, Shareholders enjoy a wide spread of medium term interests, a pooling of risk and the prospect of a further modest dividend.

R Bruce Rowan

Chairman & Chief Executive

16 August 2011

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