



# Keith, Bayley, Rogers & Co. Limited

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## Starvest plc

### A Better Name

*-for a more profitable game !*

Business: Investment company concentrating on pre-ipo and new small company share issues, mainly in the natural resources sector.			
Ticker	SVEL	Listing	AIM
Current mid price	12.5p	Net cash at 31/10/04	£303,000
Market Cap	£3.9m	Shares in issue	37.2m
	(fully diluted £4.2m)		(fully diluted 39.8m)

**Bruce Rowan** has three companies investing in the natural resources sector. All three are showing substantial gains. **Starvest** is the latest.

But it has been overlooked and its success seems not yet wholly recognised – probably because its name has not until recently been associated with what it does.

Before Bruce Rowan became involved in early 2002 the company was an unsuccessful dot.com - hopeful of using the web to sell small cap investments and new issues to private investors. But it got its timing as well as its business wrong. Web Shareshop as it was, between flotation in September 2000 and December 2001 ran through nearly £1.5m of shareholders funds building its website - in a period when new issues and interest in small caps (partly as a result of 9/11) had dried up.

Then - in late 2001 - Bruce Rowan saw the opportunity and was invited to institute a radical new strategy, all the old directors except the finance director stepping down in January 2002. In the 33 months Bruce has been running the company its net assets have risen from £0.5m to over £7.5m (20p per share compared with 2.1p at Jan 31 2002) with a mere £800,000 raised meanwhile in new share capital to finance the investments Bruce has brought to it.

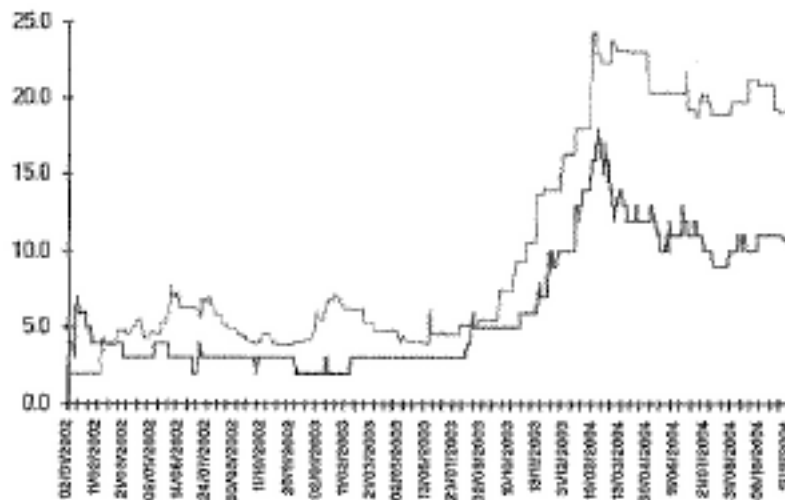
#### The right name only recently

But it was not until late July this year that the company changed its name to reflect its new strategy of investing in small cap start-ups and pre-IPO's. Even so, with very sparse press coverage, investors - except for the few who follow the mining and natural resources sector and who have a large variety of prospects to consider - or those who already know Bruce's other companies - have had little chance yet to spot this new Star in the investment firmament.

#### The right strategy

Starvest aims to make early stage investments of no more than about £150,000 each in companies planning to list either on AIM, or on OFEX (which has just secured its own future through the investment of substantial funds) or who are in their own start-up phase. So far the overwhelming majority of companies have been in the mining, minerals, and oils sector but other sectors will be considered when market conditions are right.

Share price v NTA



The chart shows Starvest's share price (red) since Bruce's arrival, against the latest published and calculated underlying asset value per share, and how it has drifted back in the last few months. It also shows the large discount which an investor could obtain in its underlying shares by buying Starvest.

Admittedly, many resource sector shares have drifted back slightly in the last few months following a spurt in late 2003/early 2004. And admittedly also, investment trusts which might be considered vaguely similar tend to show a discount to their underlying shares. But in their case it is usually much smaller than the 42% discount currently showing for Starvest. Few of them can demonstrate the growth Bruce Rowan has achieved for Starvest (and his other vehicles described below) which deserves much better. With the record showing the shares generally following on behind any increase in asset value, they look set for a recovery from now on.

#### **Bruce Rowan's Track Record**

Bruce is well known in the mining community and among financiers in London where he now lives, and in Australia where he built his first fortune in property. But he may not be so well known to the average UK investor.

#### **Sunvest Corporation (SVS)**

Bruce has had an investment vehicle (72% owned) listed on the Australian Stock Exchange since 1987, and is a director of five other Australian companies. Sunvest Corporation Ltd (SVS) invests in listed and unlisted companies both in Australia and abroad, and has 27 holdings currently including some - e.g. Beowulf Gold and Gippsland - which Starvest also has in its portfolio.

Bruce has been chairman and sole operating officer of Sunvest in all that time, and net asset value at end June 2004 (based on the market value of its all listed investments) was A\$15.5m compared with A\$4m the previous year. The share price now is around \$1, compared with around 5c in 1999 - a growth rate of around 80% per annum over the last five years.

#### **Tiger Resources (TIR)**

In 2002 in London Bruce Rowan alighted upon Tiger Resources - initially Irish registered but now on AIM - going on to the board in January 2002 as chief investment adviser, and becoming chairman and chief executive in June 2002. In the 31 months since he took over, Bruce has raised Tiger's asset value per share (based on the value of its investment portfolio) from 1.46p to 3.43p - a growth rate of 39% per annum. Tiger's assets now total around £8m, and its strategy, while also concentrating on the natural resources sector, is to invest rather larger amounts than does Starvest, and to hold its investments for longer. Starvest on the other hand, because younger and, as yet, smaller, aims to be more fleet of foot and to broaden its investment policy into other equity sectors when

appropriate. Even so, one of Tiger's present 12 investments, Franconia Minerals Corp, is also represented in Starvest's portfolio.

#### **Starvest has its own strategy.**

Building on Bruce's contacts, Starvest's policy is to be an early stage investor, making smaller investments than Tiger, in support of IPO's or private placements in small companies in any sector. It has not, so far, taken on any borrowings and so has had to invest within the funds available, or reinvest its existing holdings.

Available funds when Bruce took over were only £550,000, including £161,000 subscribed by him to buy an initial 6.5m share stake (subsequently built up to 23% of the company). Having raised a further £827,000 from shareholders (and Bruce) since then, the total value of Starvest's investment portfolio at end October 2004 had risen to £7.2m. In addition, at the same date, there was £307,000 cash available for further investment.

Allowing for the shares issued against the fund raisings (total in issue is now 37.2m against 26.2m at end 2001) net asset value per share (taking these investments at market value) is now 19.5p – a near tenfold increase since Bruce took over. That does not allow for the effect of management options to buy another 2.6m shares at an average price of 5.19p, but, on our calculations, exercise at present levels would dilute net assets per share by only about 5%.

In the early stage in 2002 most opportunities were seen to be in the natural resources sector – justified by its subsequent out performance in relation to other markets – and these still dominate the portfolio. But even though natural resources shares in general have performed strongly, Starvest's performance still puts into the shade the 80% rise seen since its low in 2002 by the FTSE 350 mining index. In fact the resources sector index generally is still below the peak levels it reached in April 2002.

#### **Investment record.**

Limited by its then resources, Starvest was only able to invest £372,500 in its first six months to July 2002, in three companies – Franconia Minerals Corp on OFEX, and Hidefield Gold and Southern African Resources on AIM. All three are now (October 2004) worth £6.1m, despite £458,000 having been raised meanwhile from selling a part of them. The largest gain has been seen in Southern African Resources, for which at its current 28.5p mid-price, and allowing for some of the holding already sold at a profit, Starvest is showing a £4.16m profit. The other two investments are also showing a near £1m profit between them.

In the following year to July 2003 only two new investments were made, but in the next year to July 2004, helped by its performance record, Starvest was able to raise £785,000 from the issue of 9.6m new shares (at an average of 8.2p). With the £458,000 proceeds of part sales of two of its first investments, that enabled investment of another £408,000 in a further 7 companies, leaving £606,000 cash still in the balance sheet. Those 2004 share purchases are now (end Oct 2004) worth £688,000 – a profit of 68% – while the two investments made in 2002/3 are worth £205,500 against their £50,000 cost.

Starvest still has funds available, and is currently committed to another four investments still at the pre-IPO stage, within its policy of committing an average of around £150,000 to each. All the new prospects are in mining or minerals exploration, and expect to be listed soon on AIM and OFEX. But, with the company commenting that it is being approached with numerous further propositions, it is obvious that it might soon raise more funds. Any fund raising will be assisted by the record of consistent profits on its investments that have been demonstrated in the commentary above.

#### **The current investment portfolio**

This is not the place to describe the investment outlook for each of Starvest's investments. We assume Bruce Rowan will take whatever steps are necessary, whenever necessary, to realise profits, invest more, or move elsewhere. However, we reproduce Starvest's own recent descriptions of its investee companies.

#### **Agricola Resources plc (OFEX)**

The worldwide shortage of platinum has led Agricola to pursue platinum properties. On 24 February 2004 Agricola signed an option agreement with Beowulf Gold plc to acquire its interest to explore for platinum on the Isle of Unst, one of the Shetland Islands. Platinum was first discovered on the Island in 1920, and in 1985 the British Geological Society's exploration programme found high and medium levels of platinum deposits in several



areas. The company also has a platinum exploration permit covering 22.5 square kilometres in Northern Sweden. Website: [www.agricolaresources.com](http://www.agricolaresources.com).

#### **Beowulf Gold plc (OFEX)**

Drawing its name from the oldest surviving epic poem of Anglo-Saxon England, Ofex listed Beowulf Gold is primarily focussed on the exploration and development of gold, copper, and platinum minerals in Europe. Amongst the projects in the Beowulf portfolio are the four copper-gold prospecting and exploration permits which cover around 100 square kilometres of the Jokkmokk municipality region of Northern Sweden. Beowulf is considering a move to AIM, which should occur at some point in 2004. Website: [www.beowulf-gold.com](http://www.beowulf-gold.com).

#### **Black Rock Oil & Gas plc (AIM)**

During early 2004, Black Rock acquired Wildlook Enterprises Pty Limited and with it a database of oil and gas exploration projects and the services of Ivan Burgess as managing director. 60 million new Ordinary shares were placed during July 2004 to raise £630,000 before expenses so as to fund the current exploration and drilling programme. The company now has a number of onshore interests in Southern England operated by Northern Petroleum plc as well as both offshore and onshore interests in Australia operated by third parties. Website: [www.blackrockpetroleum.com.au](http://www.blackrockpetroleum.com.au).

#### **Brazilian Diamonds Limited (AIM)**

'Brazilian Diamonds holds over 185,000 hectares of prospective diamond properties throughout the State of Minas Gerais, Brazil. The Company's portfolio consists of numerous kimberlite targets within areas of known alluvial diamond production. Brazilian Diamond's main objective is to explore for the source of the alluvial diamonds in the kimberlite targets while continuing to process prospective gravel resources for alluvial diamonds. Diamonds found in the alluvial deposits can provide cash flow as well as useful information in the search for the source of the diamonds in bedrock.' Taken from the company's website at [www.braziliandiamonds.com](http://www.braziliandiamonds.com).

#### **Franconia Minerals Corporation (OFEX)**

Alberta based Franconia Minerals has two areas of exploration acreage in America. The first is the Birch Lake project in north-eastern Minnesota, where an option agreement with Beaver Bay has been signed to explore for copper-nickel, platinum group metals and zinc. Franconia's second project is a high grade zinc target in San Francisco; this project is subject to a 60% earn-in joint venture with Teck Cominco. Website: [www.franconiaminerals.com](http://www.franconiaminerals.com).

#### **Gippsland Limited (AIM)**

Gippsland is a natural resources developer that listed on AIM on 9 March 2004 using the "fast track" route, thus becoming the first Australian company to be dual-listed on both the London and Australian Stock Exchanges. Gippsland's latest venture is a 50% interest with the Egyptian government in two projects there, concentrating on finding tantalum, tin and feldspar. Studies by Gippsland's geologists have indicated that the two deposits at Abu Dabbab and Nuweibi have a combined resource potential of 138 million tonnes of tantalum pentoxide. Further studies undertaken show that the project at Abu Dabbab should produce 1,000 t.p.a. of tin and 800,000 t.p.a. of feldspar. Production is expected to commence at Abu Dabbab in 2005. Website: [www.gippslandltd.com.au](http://www.gippslandltd.com.au).

#### **Hidefield Gold plc (AIM)**

AIM listed Hidefield (HIF) concentrates on exploring for gold in the Americas. Hidefield's central gold exploration project is in Brazil at Cata Preta, Minas Gerais. Hidefield has a joint venture in place with Brazilian Diamonds (see above), who will carry much of the expenditure at Cata Preta, enabling them to earn an 80% interest in the project, with Hidefield sharing 20%. There are several other smaller projects in North America, where Hidefield is also exploring for gold. Website: [www.hidefield.co.uk](http://www.hidefield.co.uk).

#### **Matisse Holdings plc (AIM) Formerly Prestige Publishing**

Matisse Holdings is currently a cash shell.

**Myhome International plc (OFEX)**

Formerly known as Chores plc, Myhome was formed by Unilever in the late 1990's to provide home services across the UK. Myhome has chosen to target those households categorised as 'Cash Rich, Time Poor', being able to afford household services whilst not worrying about the cost. There are currently 2.7 million houses that spend around £11 billion every year on domestic help; this figure is predicted to double over the next three years, the market for Myhome is large and growing. The roll-out of its franchise programme is progressing successfully. Website: [www.myhomeplc.com](http://www.myhomeplc.com).

**Sheba Exploration (UK) plc (OFEX)**

Sheba Exploration listed on Ofex in September 2004, raising £182,325. Sheba holds an interest in exclusive mineral concessions covering over 150 square kilometres in Ethiopia to explore for gold, base metals, dimension stone, and mineral water. The Mereto exploration licence covers 20 square kilometres, and has produced a number of promising gold intersections to date. The Adi Seraw, Mai Sheket, and Dongwar exploration licences cover a total 50 square kilometres, whilst the Bhiza licence was reactivated for a period of twelve months in August 2004 and covers 98 square kilometres of highly prospective acreage.

**Southern African Resources plc (AIM)**

Southern African Resources plans to become a substantial player in the platinum group metal (PGM) arena in Southern Africa. The primary asset is Biz Africa 1673 (PTY) Ltd, which holds the exclusive prospecting rights on the 4600 Hectare Leeuwkop property on the western limb of the Bushveld complex in South Africa. Mining industry consultants, Snowden Group, have confirmed that the project has the potential to produce over 300,000 oz of PGM per annum. The company also holds a 52% stake in Australian exploration company Tau Mining, who own The Molopo Farms PGM project in southern Botswana.

**St Helen's Capital plc (OFEX)**

St Helen's Capital plc is an FSA regulated, corporate advisory firm. The company specialises in advising both small and medium sized businesses on pre-IPO fundraisings and OFEX introductions which are often accompanied by equity raising through a private placing and/or an offer for subscription of new shares. St Helen's is corporate advisor to Myhome International plc, recently assisting the company with its move to OFEX. Website: [www.sthelenscapital.co.uk](http://www.sthelenscapital.co.uk).

We show Balance sheets and cash flows below. We do not show a Profit & Loss Account, as we consider it inappropriate for an investment company. The P&L account will show gains or losses on share disposals as trading income at unpredictable intervals (whenever they happen to be sold) whereas the balance sheet value of unrealised investment profits or losses is what demonstrates the performance of such a company.

#### Cash Flow Statements

Years to end July	2002	2003	2004
£	1 <sup>st</sup> half year		
Operating profit	(349,430)	41,471	65,810
Depreciation	25,430	250	250
Unrealised investment loss		-	11,250
Working capital			
(Net increase in investments @ cost)	(372,500)	(50,000)	(382,607)
Decrease in debtors	47,061	3,343	(10,677)
Increase in creditors	(34,137)	14,278	(23,733)
Disposals	15,000	-	-
Net interest etc		(47)	-
Taxation	-	-	-
Cash generated from operations	(668,567)	9,295	(339,707)
Issue of shares net of costs	161,250	42,099	769,664
Net change in group cash	(507,326)	51,394	429,957

#### Consolidated Balance Sheets

At end July	2002	2003	2004
£	Year	Year	Year
Fixed assets	500	250	-
Trading investments at cost	372,500	422,500	793,857
Debtors	15,393	12,050	22,727
(Trade etc creditors)	(28,232)	(42,510)	(28,277)
Cash	125,066	176,460	606,417
Net assets	485,227	568,750	1,394,724
Representing:			
Ord share capital	262,291	276,324	372,173
Share Premium Account	1,324,515	1,352,581	2,026,396
Profit & Loss Account	(1,525,989)	(1,484,565)	(1,428,255)
Merger Reserve (Web Sharesop)	424,410	424,410	424,410
Shareholders Funds	485,227	568,750	1,394,724
Unrealised investment gains	1,009,833	703,312	6,095,000
Ordinary shares in issue	26,229,130	27,632,430	37,217,259
Underlying NTA per share (p)	5.7	4.6	20.1
Fully diluted NTA/share (p)	5.7	5.1	19.0

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