FOUR SQUARE

research

STARVEST plc

The junior mining sector is still heading up.

Smaller investors should jump aboard

Starvest is about the only means for them to do so

Starvest has commissioned us to write this report following its latest results for the year to end July 2005. We are happy to do so, because the company strikes us as one of the few ways for investors to effectively participate in a sector which most observers think still has some way to go

SEE DISCLAIMER pge 12

Starvest is an investment vehicle launched (through what was originally the quoted 'Web Shareshop') in early 2002 by experienced investor and mining specialist Bruce Rowan, to commit amounts up to £200k each to promising new issues and other investments. Although no sector is excluded, the main thrust so far has been, and seems destined to remain, in natural resources.

Starvest is already showing a large profit on all but a small one of its 19 holdings. On initial capital invested of only £1.4m, in 3 _ years it had up to July 2005 made realised and unrealised gains of £5.9m.

But a quiet period has seen the sector – and especially Starvest – drift. Recent encouraging news has initiated a revival in the largest of its holdings, and many of the rest looks set to follow suit. Meanwhile Starvest's well-managed portfolio can be bought at a c 45% discount to its fully diluted net asset value.

EPIC code	**SVE**
Listing	**AIM**
Sector	**Other financial**
No. shares in issue	**37.22m**
(fully diluted)	**(42.79m)**
Market Value	**£3.63m**
Latest quote (p)	**10.0p-11.5p**
NAV/share (f/d) @30/9/05	**19.9p**
Gearing/cash	**net cash**
Broker	**Keith Bayley Rogers**
Website	**www.starvest.co.uk**
Analyst/Author of this document	**John Cornford**
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Oct 5th 2005	

about - FOUR SQUARE

Many companies are only sparsely covered by broker research. We aim to fill the gap. Although 'sponsored' by our subject companies (we are not stockbrokers, so do not earn, and have no incentive to earn, commissions by trading the shares) we must earn a living. We know that we will not succeed if our investor readers come to distrust our objectivity.

See Regulatory Disclaimer page 12

Summary

Starvest has been successfully investing in the booming smaller companies mining sector since Bruce Rowan took over the management of what had been the unsuccessful dot.com company Web Shareshop, in January 2002 . Its shares rocketed in Jan 2004 on the back of its holding in Southern African Resources (now African Platinum or Afplats) - which pushed its then asset value up from 5p to 24p.

Afplats however has fallen back - we believe only temporarily and a recovery now seems underway – which may have obscured from investors the continuing excellent performance of the rest of Starvest's portfolio, which is steadily diversifying into more companies.

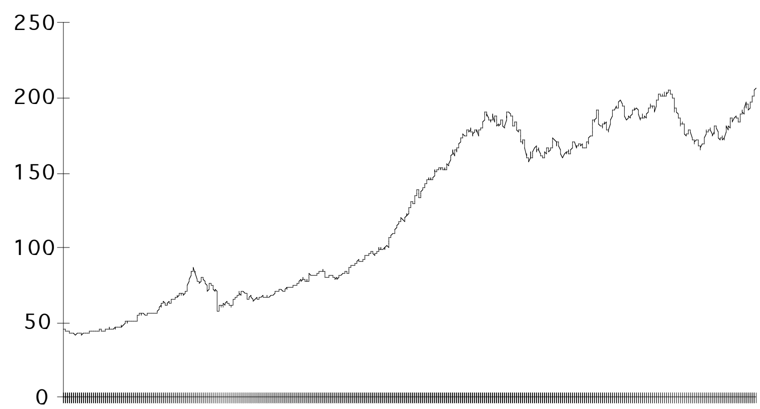
Bruce Rowan's stewardship is delivering above average profits in the rest of its portfolio, and Afplats (where a large, partial, profit has been realised) for reasons we explain later is already recovering and looks set to continue to do so. So also - for various reasons that we describe – should many of Starvest's other investments.

We believe there are few other vehicles – either unit or investment trusts – for investors to participate in a junior natural resources sector which looks to have a long way to go still. While most of those sector trusts available have performed well, no other publicly available investment vehicle that we can find has come close to Starvest's ability to add value. Yet none can be bought at anything like its current circa 45% discount.

Why Natural Resources ? - And Why Starvest ?

Exploration and Mining companies – large and small - have been among the strongest stockmarket performers for more than three years. The FTSE 350 Mining index has doubled, and the Resources sector index has outperformed FTSE 100 by 60% since 1999. The upward momentum still looks strong.

HSBC World mining index



Almost everyone knows why. Oil is running out, and China is cornering the world's supply of metals and minerals to feed its voraciously growing economy. Even if the latter runs out of steam, China's production has jumped to a level that will require a historically larger share of world resources well into the foreseeable future.

The lack of investment in mines worldwide in the '90's, has made for a scramble to secure supplies. Coal, copper, zinc, precious metals, and jewels are sharing in the boom. Gold looks to be in a long term recovery which some think will go on to an all time high, and several of the world's zinc mines will be exhausted in the next decade. And diamond stocks, which were allowed to run down are now thought inadequate to feed a growing demand from consumers in India and China who, for the first time, are catching on to a fashion which so far has been mostly confined to the USA and Japan. Rarer metals also, like magnesium, platinum, and tantalum, are experiencing technical forces driving increased demand.

The resulting high commodity prices have made it much more profitable to exploit mineral deposits which had been uneconomical before, and to search for new ones or those which are still too small to interest the giant mining companies. Hence the record number (nearly 90) of hopeful small mining companies who have come on to the London Stock Market in the last two years.

Investing in the sector is difficult for the smaller investor

With all this, the smaller investor ought to be looking for a way to participate. But, judging by the apparent neglect of one of the star opportunities in the sector, he hasn't done so.

Not many brokers follow mining, and in such a technically complex sector, lack of knowledge is perceived as 'risk' - whether justified or not. Added to technical complexity is the bewildering choice of commodities to follow and of specific mining projects. What the average investor obviously needs is someone to hold his hand.

The manager of a unit or investment trust specialising in the sector would be ideal. But they are few and far between, and those trusts floated to participate in the boom tend to be placed among friends. There are still only 9 natural resources unit trusts listed in London.

Starvest is easy to invest in (albeit at a high bid-offer spread) and would be an ideal way for the small investor to participate in the sector. Under Bruce Rowan, it has displayed acumen in building a portfolio of a number of smaller such companies – most of whom are still at the prospecting and resource proving stage, but some of whom are within a few years of possible production. Listed generally on AIM or OFEX, most are mainly involved in platinum and gold, and some in oil and zinc. But Starvest has also diversified out of mining, and has made successful investments in other sectors which now account for over 15% of its investment portfolio.

Starvest's Asset value performance is excellent behind the scenes.

Investors know that Starvest has made a truly substantial profit on its holding in African Platinum (Afplats - formerly Southern African Resources). In early 2004 this had helped drive up net asset value from 5p when Starvest started on its investment policy in 2002, to 24p.

After a spectacular rise, Afplats has inevitably fallen back (temporarily we believe, on profit taking and for other reasons) making for a fall in Starvest's asset value to 16.8p (fully diluted) at July 2005. Against that, the shares recently were less than 10p. Perhaps investors fear that Starvest has lost its touch, and that Afplats still dominates its portfolio.

They are wrong. A year ago Afplats accounted for _ of Starvest's investments at market value. But, with profits taken during the year and reinvested elsewhere, it now accounts for well under half. Meanwhile, 17 out of Starvest's 18 other, newer, holdings are showing an excellent profit and their value continued to rise throughout 2004/5, while Afplats was falling. It has to be pointed out however that some of Starvest's holdings have been acquired in pre-IPO deals which guaranteed a paper profit for Starvest when they listed, since when there has been little turnover in their shares. In other words, a part of Starvest's good performance has stemmed from holdings whose value has not yet been fully tested in the stockmarket. On the other hand, Starvest is one of the few means for private investors to participate in these 'hard to find' opportunities.

Starvest, for obvious reasons, does not disclose details and timings of its share dealings. But we know roughly when new investments were made, and have estimated how the market value of Starvest's whole portfolio has moved in the last two years, and what part of it was accounted for by Afplats. The chart overleaf shows the two components. Thus, while Afplats is still significant, the newer, remaining part of the portfolio has been no slouch. It consists of 18 other stocks (four not in mining) of whom 17 are showing a profit which at the last year end, July 2005, averaged 78%- gained generally in less than 2 years, and which as we write in September, on our estimates, is 139%.

Judging Starvest's true performance - Profit and Loss and Balance Sheet

Starvest's aim is to build up value in its portfolio - but accounting rules do not allow published results to show how well it is doing.

What counts is the current value of the investment portfolio, shown only as a note to the accounts, and (based on our estimates) shown in the chart overleaf. The published profit & loss account however only shows whatever investment profit is realised during the year, while the balance sheet only shows investments at cost, and not at market value.

Below are summarised results since Bruce Rowan took control of what was then 'The Web Shareshop', half-way through the financial year to end July 2002.

They mainly reflect profits on the sale (raising gross proceeds over £950,000) of 20% of Starvest's Afplats holding during 2004 and 2005. In the Balance Sheets we also show the end year market value of its whole portfolio, from which will be seen how large is the discount to value which arises from the current share price.

Summarised P&L and Cash Flows

Years to end July £	2002	2003	2004	2005
NB: Bruce Rowan took control January 2002				
Gross investment profit	429	160,649	268,982	594,219
Admin expenses	(360,456)	(119,178)	(203,172)	(205,038)
Operating profit (investment activities)	-	41,471	65,810	389,181
Operating loss (trading as web share shop)	(360,027)	-	-	-
Depreciation & unrealised losses	25,430	250	11,500	18,800
Working capital change	12,924	17,621	(34,410)	(9,447)
Other items	25,597	(47)	-	(7,859)
Issue of shares net of costs	161,250	42,099	769,664	-
New investments @ cost	(372,500)	(50,000)	(382,607)	(803,399)
Net change in group cash	(507,326)	51,394	429,957	(412,724)

Note that of the £205k admin expenses shown in the table for 2005, around half was payment to the three directors as fees and remuneration for professional services. This seems reasonable for a public company of Starvest's size and will reduce proportionately as turnover increases. There were no other employees.

Asset Value per Share

Some discount to NAV (perhaps 25%) is warranted by the potential 30% corporation tax liability on any realised profits. There will also be dilution if share options issued to the directors are converted. We have allowed for the issue of all 5.57m shares (adding 15%) in exchange for £581,250 of cash, in calculating assets per share, as has Starvest in publishing its NAV. That still leaves substantial scope for Starvest's own shares to catch up with a fair asset value.

Summarised Balance Sheets

At end July £	2002	2003	2004	2005
Fixed assets	500	250	-	-
Trading investments at cost	372,500	422,500	793,857	1,578,456
Trade debtors less creditors	(12,839)	(30,460)	(5,550)	(73,244)
Cash	125,066	176,460	606,417	193,693
	-------------	-------------	-------------	-------------
Net assets	485,227	568,750	1,394,724	1,698,905
Plus unrealised investment gains	1,009,833	703,312	6,095,000	4,921,671
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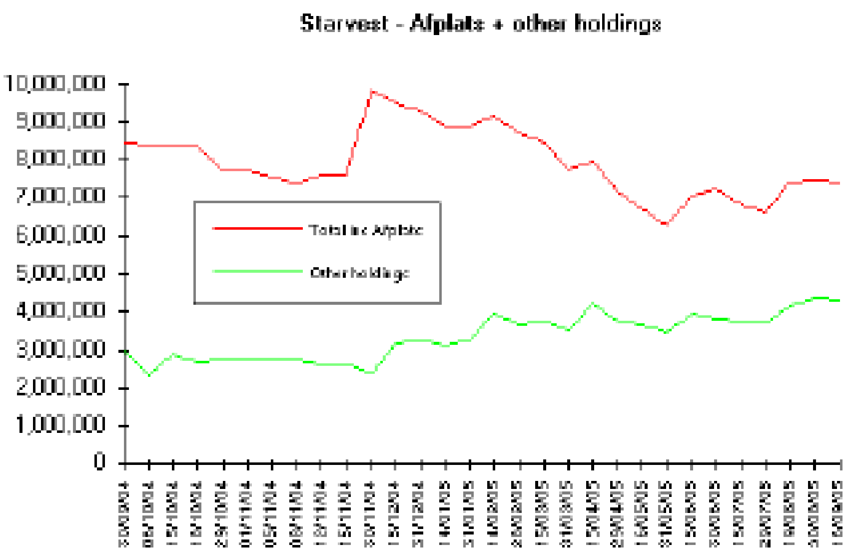
Ordinary shares in issue	26,229,130	27,632,430	37,217,259	37,217,259
Shares to be issued against warrants	2,100,000	2,100,000	2,600,000	5,575,000
Cash raised against warrant conversion	105,000	105,000	135,000	581,250
Underlying NTA per share (p)	5.7	4.6	20.1	17.8
Fully diluted NTA/share (p)	5.7	4.6	18.9	16.8

Becoming more diversified.

As already described, Starvest throughout 2003 and 2004 demonstrated a large profit as its Afplats' shares appreciated ten-fold. Although crystallising part of this near Afplat's peak in December 2004, its remaining holding nearly halved again over the next six months, bringing Starvest's overall NAV per share down from 24.3p at end November 2004, to 16.8p at the 2005 July year end.



However, Starvest has partly compensated by reinvesting the proceeds in other good performing investments, so that we estimate that its NAV had recovered to just under 22p at end September 2005

The Chart above shows the movement in Starvest's total asset value over the last year – and the Afplats component of it. The realised profit is included in the total asset value, so that the lower line (the rest of the portfolio ex Afplats) shows a genuine subsequent capital appreciation.

Starvest's Investment Portfolio

While Starvest has no particular preference, platinum is a major focus of some of its holdings. Others are oil, uranium, zinc, and gold. At the same time, we estimate the portfolio now (end Sept 2005) has over 15% of assets invested in other, non-resources, businesses.

Platinum is very rare, and is only mined in three countries – South Africa accounting for 70% of production. It is usually found in conjunction with other rare metals such as palladium, rhodium and iridium – together termed PGM (Platinum Group Metals).

Platinum's chemical inertness makes it critical in a growing proportion of high-tec uses so that the US considers it a 'strategic' metal. Greatest demand comes for automotive exhaust catalytic converters and has grown with auto production and emissions legislation, but chemicals and other industries are also users. Use for jewellery is also increasing. While demand has risen steadily in the last decade supply has fluctuated (affected by the S African Rand) so that prices until 1999 were stable. Since then, apart from the 2001 recession they have risen strongly, being now at an all-time high of $870/oz. Observers think its strength will continue.

New investments are diversifying the portfolio.

Having been highly dependent on its Afplats holding throughout 2003 when only £50,000 new investments were made, Starvest has been increasing its new investment activity. £383,000 was reinvested during 2004 into six other holdings, and the realised profit from the Afplats part sale in late 2004, together with £606,000 cash in the balance sheet at July 2004, has been invested during the latest year in holdings in Red Rock Resources, Regency Mines, India Star Resources, and other pre-IPO investments, costing just over £800,000 in total.

Since the year end a further £108,754 has been invested (at a substantial discount to the public offer price) for 43.4% of OFEX new issue **Concorde Oil & Gas** which listed at 0.75p on OFEX in September.

Afplats (African Platinum) – now about 40% of Starvest's portfolio- potential for an early recovery

Afplats was one of Starvest's earliest holdings, acquired in early 2002 for only £100,000. We estimate Starvest has sold 20% of it subsequently, realising a total profit so far of over £850,000. The remaining Starvest holding at end July 2005 showed an unrealised profit of just under £3m. Since then we estimate the profit has increased again.

Afplats has recently published its 2005 Report and – probably early next year – will publish a prospectus in advance of a listing on Amex.

Following their peak in November 2004, the shares drifted while waiting for news about exploiting the platinum resources it has identified, but they have picked up sharply in late September 2005 following encouraging comments in the 2005 Report & Accounts. We believe the shares will continue to recover.

Afplats (then called Southern African Resources) started out on AIM in 2002 as a shell (when Starvest invested) and raised funds to acquire development rights to a platinum project at Leeuwkop, on an extension to the well-known Merensky Reef on the 'western' rim of the Bushveld Igneous Complex close to the Botswana border. Platinum has long been mined in the area by major companies, and SAR obtained the rights and geological data amassed by Rand Mines Ltd (now RandGold) after it decided to concentrate on gold. SAR commissioned an assessment from well regarded mining consultants Snowden Group for data from the UG2 underground part of the Reef which when published in July 2003 showed resources capable of producing 300,000 ounces per annum of Platinum Group Metals, and the potential for a 24-year life mine.

That made for a significant prospect and drew in some major investors, allowing SAR to raise more funds to extend the drilling programme so as to justify a full-scale 'bankable' mine feasibility study, as well as to acquire other mineral prospects nearby.

Drilling produced good results throughout 2004, facilitating the raising of more funds and indicating the potential for an even larger mine with resources of over 125m oz. Fidelity was another major investor then brought in, and at the same time the original management of what had been a mere 'hopeful' stepped down in favour of more experienced production mining professionals.

Good drilling results have continued throughout 2005, and in June Afplats, following a 'pre-feasibility' study, commissioned a full 'bankable feasibility study' for Leeuwkop UG2, which is expected in early 2006.

The recent 2005 chairman's Report has confirmed that Afplats remains optimistic that the study will confirm that Leeuwkop has potential for 'robust returns'. If confirmed the report will, of course, mark the successful conclusion or otherwise of the essential first stage in establishing a new producing mine, and will place a solid value on what up to now has been nothing but a 'prospect', earning no income while swallowing up cash to drill and to commission consultants reports.

Meanwhile are other encouraging developments. Platinum prices have continued upwards, and with North American investors displaying interest plans are afoot for Afplats to list on the American Stock Exchange (AMEX) – probably in Spring 2006. AMEX traditionally places a higher value on mine development companies than does London, and brokers there have already written enthusiastically about Afplats. In particular they point out that its market capitalisation in relation to the resources so far calculated 'in the ground' is well below that of other miners in the area.

Starvest does not want to be over dependent on one holding, so we foresee more of its Afplats holding being realised for investment elsewhere as time goes on. From what we have written above however, now does not seem to be the time for Starvest to sell any more of its shares.

Franconia Minerals Corp (OFEX & TSX-V) - 4.3% of portfolio
- Considerable profit potential

Listed on OFEX in 1998 and on the Toronto Venture Stock Exchange in 2005, this holding is showing a 200% profit, even though the shares are currently some 35% off their peak. Starvest holds 16% in this, its first investment, and Bruce Rowan's other vehicle, Tiger Resource Finance, also has a stake.

Franconia is in early stage prospecting for zinc in Utah in partnership with Teck Cominco, one of the world's largest zinc producers, but its currently most valuable asset is a copper-nickel-platinum prospect at Birch Lake in Minnesota in partnership with Impala Platinum Holdings, one of the world's major platinum suppliers. It has other zinc prospects in New Mexico and copper prospects in Arizona.

Birch Lake (where Franconia has recently added to its acreage) has benefited from substantial spending ($4.7m to date) on drilling, and now has an 'inferred' (ie based on drilling and sampling but not 'exactly' measured) in-ground resource of 750,000 oz platinum, 1.6m oz Palladium, 765m lbs copper, 236m lbs nickel, and 360,000 oz gold. At current prices this is worth $3bn 'in the ground'

Birch Lake is close to the USA's major coal and iron ore mining region, with good communications, power and labour resources, and so has good prospects of turning into a viable mine.

The next stages, requiring more spending, are to upgrade the resources to a 'measured' – ie more reliable – category. Approval has just been sought to sink a test shaft to obtain the bulk samples necessary to run a pilot plant, and to progress upgrading prior to commissioning an economic evaluation and a forecast of the likely cash flow from a commercial project. If viable, this could be authorised in 2008/9.

In Zinc, Franconia has a 2 million tonne high-grade resource in Utah, which it is actively exploring with Teck Cominco who has the financial resource to progress to production if warranted. It has other zinc prospects as well.

Franconia will undoubtedly need to raise more funds to maintain its participation with Impala Platinum, but with a current market valuation of only about £2.5m and what looks an excellent Birch Lake prospect (which Franconia says is the most advanced PGM prospect in N America) it ought to be able to raise funds at a higher price than Starvest paid for its stake. Teck Cominco is reported to want a higher stake because the Utah Zinc prospect also looks highly attractive, and Franconia hopes to list on AMEX in 2006. All these developments should help the shares which wethink have potential to show a large profit

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<u>Hidefield Gold (AIM) - 5.3% of current portfolio</u>

- has an impressive provenance

Starvest has a 5.3% stake, on which it is showing a similar unrealised profit (about £250k) to that in Franconia. Except for two directly held projects, Hidefield does not itself mine or explore, but was founded in 2001 by experienced mining management to build a portfolio of strategic investments in other miners in North and South America - generally funded via joint ventures with richer partners.

Its most important direct investment is the Cata Preta gold project in Brazil (managed by Brazilian Diamonds in whom Starvest also has a stake) – which has a 'measured' – ie highly reliable – resource containing 820,000 oz of gold. Hidefield is now preparing a pre-feasibility study for a producing mine and has also recently acquired a direct gold interest in Patagonia.

Hidefield's CEO is John Prochnau, who previously ran Brancote Holdings on a similar model to Hidefield, which after 10 years was taken over in 2002 for over $300m at a significant profit by Canadian operator Meridian Gold Inc.Other projects in which Hidefield has a stake include Piper Capital (TSX listed) which owns the Golden Zone gold property in Alaska with a 284,000 oz reserve which it is hoped will be increased through drilling. Others are Alto Ventures (listed on TSX) exploiting gold in Canada; Latin American Minerals Corp; and Columbus Gold Corp operating in a promising area gold area in Utah and hoping to become listed.

Hidefield's modus operadi does not make for easy prediction of its share price. Its objective as stated in its March 2005 Report to shareholders is 'to create value through acquisition of undervalued mineral resources, leading to the possible development of new projects either alone or in joint venture with other companies." It may be therefore that Starvest will not regard Hidefield as a core holding and will realise profits at appropriate moments.

Chores was founded to focus on bringing US style franchising systems to the UK, and acquired Myhome from Unilever in 2001 to add to a direct cleaning business of its own.

Following teething troubles, Myhome has now exited cleaning itself and instead has developed software for a franchising model which is applicable to various types of business of which 'home services' is one. This latter enables franchisees to run a local business providing house and carpet cleaning services for 'cash rich/time poor' residential customers. Franchisees pay Myhome an initial c£20,000 for the software system plus 10% of their turnover for on-going support. Among other things like cross-selling other services, the software provides cleaners with 'templates' which ensure efficient use of their time.

Once Myhome had been restructured and the system perfected, six franchises were awarded in 2004 and 13 others in the half-year to March 2005 - the most successful so far reporting an annual £100,000 turnover. Myhome achieved a first (small) profit on a turnover (including that of franchisees) of £752,000.

Since then it has reported that the target of 30 new franchises has been met for its first full year to end Sept 2005, whose results will be announced probably in December.

Obviously, results to start with will depend on new franchise signings and their fees, pending the build up of royalties. The company's 'target' is 172 throughout the UK, and one researcher has forecast 8p of earnings in 2007. In our view however, although the potential for a turnround in the business – and therefore for a short term profit on the shares - was obviously there, we consider it too early to judge how successful the company might be, and no doubt Starvest will be keeping a close eye on its investment.

Franchise Investment Strategies – 12.2% of current portfolio.

This is a spin-off from, and shares top management with, Myhome, and floated on OFEX in August 2005 at 4p, valuing FIS at £1.46m. Starvest acquired its 34% stake after its July 2005 year end, and with 27% of Myhome therefore has an overall 37.7%of FIS. It is already showing a significant unrealised profit.

FIS has been established to take stakes in franchise companies including IPO's, where it can see a medium term uplift in value, and will also facilitate flotations. FIS believes franchising is a lower risk / higher return business model than others, and that its relationship with Myhome will enable it to offer its proven software model to a wide variety of businesses.

So far FIS has made one investment – paying £100,000 for 50% of a heavy goods vehicle driver training franchise, DTT Franchising, which is a preferred supplier to some of the UK's largest companies and government departments. Its turnover in its latest year was £0.6m (out of total franchisees income of £2.1m) on which it made a £172,000 profit. That alone would contribute 0.23p of earnings per FIS share, currently quoted at 5.25p.

Gippsland Ltd (AIM - GIP) and ASX – 2.7% of current portfolio

Starvest's 3.2% stake in this Australian company – hopefully close to exploiting its tantalum (and other) resources in Egypt – was acquired in early 2004. RAB Capital took a 12.5% stake in December 2004, underlining the shares' attractions, and we estimate that Starvest was showing a 87% unrealised profit at end July 2005.Tantalum is an important material in electronic capacitors, for which a large end use is in mobile phones, but it is also used for alloying special metals and in surgical instruments.

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But it is so rare, that there is no established market to fix its price, which has fluctuated in recent years in line with the variable semiconductor market. Producers have therefore to agree long term supply agreements directly with customers.

Gippsland has secured rights in a joint venture with the Egyptian government to exploit a large tantalite deposit at Abu Dabbab near the Red Sea which also contains feldspar. A bankable feasibility study in November 2004 confirmed Abu Dabbab to have potential to become the world's 2nd largest tantalum supply (behind Australia) and to generate an excellent rate of profit. It estimated a cost to establish an opencast mine of some $65m-$80m - to raise which Gippsland has been negotiating for some time with international banks. Gippsland reported in September that talks were 'going well' and has also recently submitted an environmental impact proposal and the mine design, whose acceptance by the government will be a necessary step before a mine can start.

Gippsland also has gold exploration licences in Egypt on which it has announced good results; a tin resource in Tasmania; and another, larger, tantalum deposit close to Abu Dabbab which, though at an earlier stage, could considerably extend its planned 20 year life and add to its profitability.

The short term key to the shares is an agreement on financing the Abu Dabbab project, which could commence within a relatively short time, and this has been helped by partial take-off agreements that Gippsland has secured with tantalum and feldspar customers, as well as by support from the Egyptian government.

Gippsland is very small in relation to the funds it needs however, and it is impossible to forecast what the terms of a project financing will be. Although Gippsland hopes to justify a high level of debt, which will be in shareholders' interests, there will almost certainly be a requirement for it to issue more shares, so that what Starvest does with its investment will no doubt depend on the terms. On balance it looks to us to be potentially very profitable.

<u>Belmore Resources</u> OFEX – 2.6% of current portfolio

Belmore - an Irish company, listed on OFEX in March 2005, - is a recent Starvest investment and has extensive exploration licences in Co Clare targeting zinc, and in two other locations in Ireland with prospects for other minerals.

Zinc is the main focus, because as Metals Bulletin considers, demand will continue strong, whereas mining and smelter capacity has been reduced in recent years. Belmore has secured licences entitling it to a commission on any zinc which is produced from its concessions, by partners that it might eventually attract. These, in Co Clare, cover areas where zinc has already been identified in large, and possibly economic, quantities. The drilling required to confirm the resources however has found that the area is geologically more complex than thought, requiring more than the 9 boreholes previously planned. Belmore has enough funds to keep to its programme and to maintain all its licences, but may need to raise more in the medium term. It is obviously still at a very early stage.

<u>Sheba Exploration</u> (OFEX) – 3.2% of current portfolio

Starvest bought a 31% stake in this very small but experienced gold explorer in September 2004. Sheba has exploration concessions in Ethiopia which have known surface gold occurrences, and is trench sampling in search of targets to offer to larger companies for more detailed drilling. It recently reported results on its Mereto concession showing what it believes is potential for a bulk mineable resource, and is considering undertaking some preliminary drilling itself.

Nine Other Investments – about 17% of current portfolio

Starvest had eight other relatively small investments (which we do not describe in detail) at the July 2005 year end, valued at around £700,000. Since then a further £108,000 has been invested in OFEX new issue Concorde Oil & Gas.

The eight small investments are Agricola Resources; Beowulf Gold; Black Rock Oil & Gas; Brazilian Diamonds; Carpathian Resources; India Star Energy; Matisse Holdings; and St Helens Capital. We estimate that all these are showing an unrealised profit.

In Conclusion

Inevitably, many mining start-ups take time to produce anything newsworthy and the market has usually to wait before results become available or minerals are produced. So, after an initial flurry, shares will often drift before picking up again on news.

This 'drift' has been a factor in some of Starvest's holdings, and especially in Afplats which, for reasons we have already explained, should continue the recovery its shares are now seeing. Some of Starvest's other holdings could also see positive news.

Therefore the coming year could see a further substantial appreciation in Starvest's Net asset Value per Share. We also believe that the current circa 45% discount to assets is unwarranted and has scope to narrow considerably – once investors come to better appreciate Starvest's qualities.

Copies of Starvest's Annual Report and Regulatory Announcements can be downloaded from the company website www.starvest.co.uk together with links to its investee companies.

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