

Web Shareshop (Holdings) plc

An Independent Research Report On Web Shareshop (Holdings) PLC
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“WEB SHARESHOP SHARES ARE PRICED AT AN UNREASONABLY LARGE DISCOUNT TO THEIR NET ASSET BACKING”

Company: Web Shareshop (Holdings) PLC
EPIC Code: WSS
Market: Alternative Investment Market (AIM)
Share Price: 11.25p
Market Cap: £3.53 million
Value Of Assets: £6.8 million
Net Asset Value Per Share: 20.4p

Giving A Share Price Discount To Net Asset Value Of Over 40%

Web Shareshop (Holdings) plc

Trying to find a company that is cheap in this market can present a challenge to even the most experienced investor. **Web Shareshop** however is one such company that has been significantly overlooked by the market, and is worth a closer look ahead of expected re-evaluation.

Web Shareshop is an investment fund with **100% of its holdings in currently 10 listed stocks**; the fundamental attraction of the company is that **its own shares trade at a 40%+ discount to the net asset value of these investments**. The latest news just announced shows that these net assets, as at 30/4/04, total 20.4p per share on a fully diluted basis.

With no debt, nor liabilities, **Web Shareshop** has to be one of the most attractive and undervalued investment companies in the market today.

The board consists of just three directors and prides itself on keeping its overheads to an absolute minimum. The Chairman and Chief Executive of **Web Shareshop** is Bruce Rowan, who came on board in January 2002 and led the company to change direction from its original purpose of providing investors with quick access to new fledgling company prospectuses, into becoming a dynamic investment fund. **Since Rowan took the chairmanship just over two years ago, the net asset value has increased tenfold**. This phenomenal increase in assets is testament to the expertise that Rowan has brought with him from the investment world, most specifically in the mining and exploration sector.

Rowan's arrival saw the company concentrating its initial trading investments in that sector, and consistent selective acumen at a time of strong performance in mining stocks in the latter half of 2003 and early 2004 **enabled Web Shareshop to quadruple its net asset value alone in just the six months up to 31/1/04**.

Web Shareshop presents a far safer entrée into the mining sector, by offering investors a basket of mining trading investments, and thus diminishing and spreading the investor's risk, who would otherwise take much more of a speculative interest, by investing in just one company in that sector. The concept of risk-pooling added to the present discount to NAV should make **Web Shareshop's** shares especially attractive to any investor considering an

early investment in the mining sector, or to those who take a more sceptical view but still seek exposure to this particular area of the market.

The company's investment policy of diversification into companies outside the mining sector has already yielded useful gains on these holdings also. The board seek to develop actively its investments both within and outside the mining sector, so as to give investors a wider protection against the periodic volatility associated with mining stocks. **Web Shareshop** aims to be seen as a successful general investment company not focussed solely on mining stocks, even if its exciting progress to date has been largely achieved in this particular sector.

Web Shareshop's Investments are as follows:

Agricola Resources (Ofex)

The worldwide shortage of platinum has led Agricola Resources to pursue platinum properties. On 24/2/04 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 recently the British Geological Society's exploration programme (1985) 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

Beowulf Gold (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 Gold is considering a possible move to AIM, which should occur at some point in 2004. Website: www.beowulf-gold.com

Brazilian Diamonds (AIM)

'Brazilian Diamonds holds over 185,000 hectares of prospective diamond properties throughout the State of Minas Gerais, Brazil. The Company's portfolio

Web Shareshop (Holdings) plc

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

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 of a 60% earn-in joint venture with Teck Cominco. Website: www.franconiaminerals.com

Gippsland (AIM)

Gippsland is a natural resources developer that listed on AIM on 9/3/04 via the "fast track" route, thus becoming the first Aussie 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

Hidefield (AIM)

AIM listed Hidefield PLC (HIF) concentrates on exploring for gold in the Americas. Hidefield's central and most exciting 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

Matisse Holdings (AIM) Formerly Prestige Publishing

Matisse Holdings is currently a cash shell, with 93.94% of the equity owned by Chiddingfold Investments Limited. Recently Chiddingfold made an offer for Matisse Holdings, which was not recommended by the Independent Director of Matisse, Mr. Barry Gold. Under the terms of an agreement between the two companies Matisse reached agreement for an unsecured loan from Chiddingfold of £50,000. This loan is to be repaid to Chiddingfold by no later than 31/10/04. It is likely that Matisse will go to the market to raise enough equity to allow it to pay the loan back to Chiddingfold, and set about looking for a suitable business to acquire.

Myhome International (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. Myhome has a strong board of directors, and it is understood that the newsflow will be strong over the forthcoming months. The roll-out of its franchise programme is progressing successfully, and the recent release of its interim results to end March, with a minor much-reduced loss and halved administrative costs, augurs promisingly for the remainder of the year. Website: www.myhomeplc.com

Southern African Resources (AIM)

Southern African Resources harbours ambitions to become a substantial player in the Platinum Group Metal 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. There is little doubt that the potential of this project may still not have been fully reflected in the company's stellar share price performance

Web Shareshop (Holdings) plc

over the past year. 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 (Ofex)

St Helen's Capital PLC is an FSA regulated, corporate advisory firm. The company specialises in advising both small and medium sized businesses (SME's) 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 PLC, recently assisting the company with its move to Ofex. St Helen's also holds 2.5% of the equity in Myhome International. Website: www.sthelenscapital.co.uk

Web Shareshop and its directors are very ambitious and are clearly determined to ensure that the company continues to develop apace. A new name to replace its present misnomer is being considered for the coming months; the directors are currently assessing suggestions for a suitable name that might better reflect the current nature of its business, and eliminate any association with its earlier past before it switched to solely holding trading investments.

The directors are particularly keen to expand awareness of **Web Shareshop** and its potential to all sectors of the investment community, from private shareholders to institutions. Currently the company's shareholder register of some 660 investors is made up predominantly of private investors. **Ambitious plans exist to broaden the shares' appeal further afield**, while still maintaining the strictest emphasis on cost-minimisation in the push for outstanding capital growth.

The board values every investor, and a strong effort through regular communications is made to keep its supporters aware of the company's progress and potential, with the release of quarterly performance updates.

At the last AGM, Chairman, Bruce Rowan, committed to shareholders that the board would endeavour to double the company's profit within the year. The interim results to 31/1/04 showed a gross profit of £274,510, which equated to a profit of £159,135 on ordinary activities after overheads but before taxation. Rowan also assured shareholders that regaining the 2000 floatation price of 30p/share was an

early objective the board was intent on achieving. Indeed **the directors have set themselves a target to achieve a NAV base of 30p/share by the end of the year 2004**, few Chairmen of late have been confident enough to commit themselves in such a way!

A major part of the rise in asset value has yet to come through to earnings, which accrue only as and when sales of these trading investments are realised. The company retains its investments all at historical cost, but has so far refrained from taking up yet more of its major unrealised profits because it is confident that its portfolio has excellent potential for still further increases in value in the short to medium term.

CONCLUSION

There are few, if any, companies that can match the undervaluation the market currently gives to **Web Shareshop** especially with its powerful NAV support, consisting entirely of quoted stocks, while its shares trade at a **40% discount to that NAV**. The board emphasise that they would be delighted to find and acquire companies at comparable ratings to that applied to **Web Shareshop!!**

Web Shareshop's concentration on finding promising new start-up situations and its established successes so far in this area, should offer clear attractions to both investors and fund-raisers at large.

Web Shareshop strikes me as an exciting young company that certainly has its priorities right. With a change of name intended, its plans to expand its investment portfolio selectively from the forthcoming abundance of new opportunities coming shortly to the market, and its determination to reduce sharply its share price discount to NAV, it offers a clear low risk opportunity which I believe any investor would do well to seriously consider.

-Readers who would like further information on Web Shareshop should visit www.wilink.com, where they can order a hard copy of the company's annual and interim reports.

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Web Shareshop (Holdings) PLC
12 Month Share Price Graph and
Volumes Traded

