

RNS Number : 12600
Starvest PLC
28 May 2020

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Half-year report - six months ended 31 March 2020

Chairman's statement

Market performance in the latter half of calendar 2019 remained as per the first half with little direction and minimal movement in many of our portfolio stocks and commodity prices. But from January 2020 the market dynamic changed significantly following reduced oil prices and the impact of COVID-19 which has resulted in major changes across many sectors.

In our market sector focus (natural resources) precious metals have seen much interest. We are fortunate that during the course of 2019 we refocussed our portfolio to reduce holdings in oil and gas while increasing our exposure to precious metals. Through our efforts we have benefitted significantly as reflected in our Net Asset Value which has increased from £2.25m as at 30 Sept 2019 to £4.66m as at 31 March 2020 an increase of more than 100%. This increase in NAV continues into the current quarter largely benefitted by the outstanding performance of Greatland Gold plc (LON:GGP) and Ariana Resources plc (LON:AAU).

Accompanying the very pleasing increase in NAV, the Company made an Operating Profit of £2,532,834 during the six month period to 31 March 2020 mainly attributable to significant increases in selected portfolio stocks such as Greatland Gold plc and Ariana Resources plc. This Operating Profit resulted in a Profit per Share of 4.53p for the period.

The Company continues its historic policy of investing in companies with early stage resource projects but we also have the mandate to invest directly in projects. We continue to review promising projects, particularly with a precious metal focus. We are also evaluating other commodities such as lithium and cobalt which are forecast to increase in use and demand over the medium to long term.

While COVID-19 has affected markets recently; mining and exploration operations for several of our investee companies remained largely unchanged. They have continued to provide very positive news-flow while adapting to the pandemic situation and take full consideration of both staff and stakeholders into account. They are to be commended for their efforts under the current circumstances.

Greatland Gold (LON:GGP) has seen continued exploration on its Paterson project licences with drilling at the Havieron gold-copper deposit producing more exciting results. The Newcrest Mining Limited (ASX:NCM) operated Havieron project has expanded known mineralisation to over 400m in length and 150m wide and up to 600m below cover while remaining open to the northwest and at depth. Newcrest currently have 9 drill rigs in operation at the site and are undertaking a concept study investigating potential underground mining techniques with completion targeted for H2 2020. Greatland Gold have also been conducting their own exploration programmes and continue to show encouraging drill results from their Tasmanian licences. At Firetower, IP anomalies were drill tested and gold mineralisation was proven coincident with further IP anomalies yet to be drilled out, and at Warrentinna diamond drilling established near surface high-grade gold. Geophysics and geochemical surveys in the Paterson have established numerous high-priority targets for drill testing, with signatures similar to those of the Havieron target, and field work on these is set to commence once COVID-19 restrictions are lifted. Well funded and with a strong team in place we look forward to further encouraging news from the company.

Ariana Resources (LON:AAU) continues to report good silver-gold production results from its Kiziltepe Mine. Annual production in 2019 exceed guidance by over 10% as well as reducing operating costs in the last quarter from US\$540 to US\$500 and the Company has now completed 100% repayment of its \$33m capital loan on the mine as reported on 1 May 2020. Q1 2020 preliminary results are continuing to show strong results again with production exceeding average annualised quarterly guidance by 14% at 5,129 oz at an average grade of 3.22g/t gold. Ariana has also been continuing exploration on its 100% owned Kizilcukur project with a view to possibly developing the deposit as a satellite to the Kiziltepe Mine.

Cora Gold (LON:CORA) has continued exploration activities on its flagship Sanankoro gold project, with metallurgical testing and a scoping study overseen by Wardell Armstrong International. The Study based on a US\$1,400 gold price sees an IRR of 84% and US\$30.9m NPV at 8% discount rate. With US\$942 per oz all in sustaining cost. Capex is estimated at a US\$20.6m pre-production with an 18-month pay-back period; based on the top 100m of known mineralisation. The estimate is based on 25% of a total strike length with a further approximate 30 linear km strike length of potential mineralised zones yet to be drill tested. COVID-19 restrictions have curtailed the company's drilling on lower priority projects in Senegal but exploration work on expanding the resources at Sanankoro has not been affected. The company is well funded with a recent equity raise of over £2.75m completed.

Kefi Minerals (LON:KEFI) are continuing with the construction of the Tulu Kapi gold mine in Ethiopia and remain on target to start full production in 2022 Off-site infrastructure construction programmes are currently continuing for road and electricity connections. The national Bank of Ethiopia approved the term sheet for the project finance with two leading African banks and the Central Bank registered \$49m of past investment in the project with further historical spending due to be registered. This will allow for compliance with the 30/70 equity/debt capital ratio required for foreign direct investment in the project which allows lenders to trigger credit approvals and documentation to allow full financial close of the project funding in October 2020. Kefi has also seen significant advances in its exploration of the Hawiah project in Saudi Arabia. Scout drilling targeted a volcanogenic massive sulphide (VMS) system and intercepted anomalous gold, silver, copper and zinc over a 4km section of a 5km long gossan ridge and coincident geophysical anomaly. The company hopes to delineate a JORC compliant maiden Mineral Resource Estimate by mid-2020.

Other investee companies also continue to push ahead such as Oracle Power (LOM:ORCP) with a new consortium established to help see its proposed coal mine and power plant progress toward development. Similarly, Sunrise Resources (LON:SRES) has continued to advance a pozzolan-perlite project in Nevada, USA towards mine permitting.

Overall, throughout the past year we moved our focus to precious metals and trimmed our exposure to oil stocks: a strategy that is now bearing fruit. We note the current market volatility but our leverage to safe haven assets lets us feel confident that we can retain value and continue to achieve a very positive outcome.

Callum N Baxter
Chairman & Chief Executive
28 May 2020

Income Statement

	6 months to 31 March 2020	6 months to 31 March 2019	Year ended 30 September 2019
	Unaudited £	Unaudited £	Audited £
Revenue	62,253	27,165	287,655
Cost of sales	(40,044)	(16,257)	(235,442)
Gross profit	22,209	10,908	53,213

Administrative expenses	(150,337)	(127,149)	(251,225)
Amounts written off against trade investments	(86,103)	(133,086)	(383,612)
Amounts written back against trade investments	2,747,065	889,741	968,387
Operating profit	2,532,834	640,414	386,763
Interest receivable	20	37	87
Profit on ordinary activities before tax	2,532,854	640,451	386,850
Tax on profit on ordinary activities	-	-	-
Profit attributable to equity holders of the Company	2,532,854	640,451	386,850

Earnings per share - see note 3

Basic	4.53 pence	1.18 pence	0.70 pence
Diluted	4.53 pence	1.02 pence	0.70 pence

Statement of Financial Position

	6 months ended 31 March 2020 Unaudited £	6 months ended 31 March 2019 Unaudited £	Year ended 30 September 2019 Audited £
Current assets			
Trade and other receivables	22,738	16,331	114,537
Trade investments	4,537,810	2,258,694	1,916,398
Cash and cash equivalents	118,078	36,429	60,167
Total current assets	4,678,626	2,311,454	2,091,102
Current liabilities			
Trade and other payables	(120,672)	(44,504)	(66,003)
Total current liabilities	(120,672)	(44,504)	(66,003)
Net current assets	4,557,954	2,266,950	2,025,099
Capital and reserves			
Called up share capital	559,279	552,927	559,279
Share premium account	1,686,829	1,681,431	1,686,829
Profit and loss account	2,311,846	32,592	(221,009)
Total equity shareholders' funds	4,557,954	2,266,950	2,025,099

Statement of Cash Flows

	6 months ended 31 March 2020 Unaudited £	6 months ended 31 March 2019 Unaudited £	Year ended 30 September 2019 Audited £
Cash flows from operating activities			
Operating profit	2,532,834	640,414	386,763
Net interest receivable	20	37	87
Share based payment charge	-	40,500	52,250
Reversal of bad debt provision	-	(20,000)	(20,000)
Decrease/(increase) in trade and other	91,800	39,660	(58,545)

receivables

Increase/(decrease) in trade and other payables	54,669	(77,396)	(5,897)
Net cash flows from operating activities	2,679,323	623,215	354,658

Cash flows from investing activities

Purchase of current asset investments	-	-	(47,000)
Sale of current asset investments	61,904	26,928	286,648
Profit on sale of current asset investments	(22,354)	(10,908)	(53,213)
Increase in investment provisions	86,103	133,086	383,612
Decrease in investment provisions	(2,747,065)	(889,741)	(968,387)
Net cash flows from investing activities	(2,621,412)	(740,635)	(398,340)

Cash flows from financing activities

Proceeds from issue of shares	-	-	-
Transaction costs of issue of shares	-	-	-
Loan repayment	-	-	(50,000)
Net cash flows from financing activities	-	-	(50,000)

Net increase/(decrease) in cash and cash equivalents	57,911	(117,420)	(93,682)
Cash and cash equivalents at beginning of period	60,167	153,849	153,849
Cash and cash equivalents at end of period	118,078	36,429	60,167

Statement of Changes in Equity

	Share capital £	Share premium £	Equity reserve £	Profit and loss account £	Total Equity attributable to shareholders £
At 30 September 2018	539,649	1,654,209	2,500	(607,859)	1,588,499
Profit for the period	-	-	-	640,451	640,451
Total recognised income and expenses for the period	-	-	-	640,451	640,451
Shares issued	13,278	27,222	-	-	40,500
Equity component of convertible loan	-	-	(2,500)	-	(2,500)
Total contribution by and distributions to owners	13,278	27,222	(2,500)	-	38,000
At 31 March 2019	552,927	1,681,431	-	32,592	2,266,950
At 30 September 2019	559,279	1,686,829	-	(221,009)	2,025,099
Profit for the period	-	-	-	2,532,854	2,532,854
Total recognised income and expenses for the period	-	-	-	2,532,854	2,532,854
Shares issued	-	-	-	-	-
Equity component of convertible loan	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
At 31 March 2020	559,279	1,686,829	-	2,311,846	4,557,954

Interim report notes

1. Interim report

The information relating to the six month periods to 31 March 2020 and 31 March 2019 is unaudited.

The information relating to the year ended 30 September 2019 is extracted from the audited accounts of the Company which have been filed at Companies House and on which the auditors issued an unqualified audit report.

2. Basis of preparation

This report has been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006. Although the information included herein does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, the accounting policies that have been applied are consistent with those adopted for the statutory accounts for the year ended 30 September 2019.

The Company will report again for the full year to 30 September 2020.

The Company's investments at 31 March 2020 are stated at the lower of cost and net realisable value or the valuation adopted at 30 September 2019 or the current market value based on market quoted prices at the close of business. The Chairman's statement includes a valuation based on market quoted prices at 31 March 2020.

3. Profit per share

	6 months ended 31 March 2020 Unaudited £	6 months ended 31 March 2019 Unaudited £	Year ended 30 September 2019 Audited £
Profit for the year:	2,532,854	640,451	386,850
Weighted average number of Ordinary shares of £0.01 in issue	55,927,832	54,460,957	55,057,197
Earnings per share - basic	4.53 pence	1.18 pence	0.70 pence
Warrants in issue	-	8,500,000	-
Weighted average number of Diluted Ordinary shares of £0.01 in issue	55,927,832	62,960,957	55,057,197
Earnings per share - diluted	4.53 pence	1.02 pence	0.70 pence

Investment portfolio

Starvest now holds trade investments in the companies listed below; of these the following companies comprised 99% of the portfolio value as at 31 March 2020:

- Alba Mineral Resources plc

Exploration for oil in England, lead-zinc in Ireland, uranium in Mauritania and graphite in Greenland

www.albamineralresources.com

- Ariana Resources plc *Gold-silver production and exploration in Turkey*
www.arianaresources.com
- Cora Gold Limited *Gold exploration in West Africa*
www.coragold.com
- Greatland Gold plc *Gold exploration in Australia*
www.greatlandgold.com
- Kefi Minerals plc *Gold and copper exploration in Ethiopia and Saudi Arabia*
www.kefi-minerals.com
- Oracle Coalfields plc *Coal mining in Pakistan*
www.oraclecoalfields.com

Other direct and indirect mineral exploration companies:

- Block Energy plc (formerly Goldcrest Resources plc) *Oil and gas exploration in Bulgaria*
www.goldcrestresourcesplc.com
- Minera IRL Limited *Gold exploration in South America*
www.minera-irl.com
- Sunrise Resources plc *Exploration for industrial minerals in United States, Finland, Australia and Ireland*
www.sunriseresourcesplc.com

Other investee companies are listed in the Company's 2019 annual report available on request or from the Company web site - www.starvest.co.uk

Copies of this interim report are available free of charge by application in writing to the Company Secretary at the Company's registered office, Salisbury House, London Wall, London EC2M 5PS, by email to info@starvest.co.uk or from the Company's website - www.starvest.co.uk

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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