

FEBRUARY 2013

# AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

## AIM pay comes under scrutiny

Many directors of companies on AIM have been hit in their pockets by the global economic uncertainty, with two-fifths of AIM chief executives and finance directors either having a pay cut or not receiving any increase, according to Vitesse Media's survey of AIM directors' pay. The median increase did not keep pace with inflation.

The median increase in chief executive pay was 2.6%, which is higher than the 1.9% rise in the previous report. The median chief executive salary is £202,498, with £173,007 of that coming from the basic salary.

Even so, 108 out of the 1,000 chief executives in the survey were paid more than £500,000 a year, with 24 being paid more than £1m a year – the highest number

since 2008. Todd Kozel of Kurdistan-focused oil explorer Gulf Keystone Petroleum remains the highest earner, with a total package worth \$22.2m (£14.1m), which is more than treble the company's revenues.

Non-executive chairman pay increased at a similar overall rate to that of chief executives, with the median figure rising from £40,000 to £41,000. Median total board pay was £484,545, with the total rising at 57% of the AIM companies.

This is the tenth year that the Directors' Pay on AIM survey has been published. Nearly all of this year's figures come from annual reports with a year end between 1 August 2011 and 31 July 2012.

## GMA secures Kazakh reversal

Shell company GMA Resources is acquiring a 90% stake in joint venture Kazakh-Russian Mining Company (KRMC) for 148.3m B shares valued at £40m. KRMC has two subsoil use contracts in respect of molybdenum and tungsten deposits in northern Kazakhstan but the company will have to apply for the reinstatement of the suspended contracts for the deal to be successful.

The Kazakhstan government has to agree to the change of ownership and it has pre-emptive rights to acquire the subsoil rights on equivalent terms to the purchase. The government has tried

to terminate the rights to each of the subsoil contracts in the past but this has been successfully contested.

The B shares will convert into ordinary shares when the subsoil rights are reinstated. If this does not happen by 31 May the B shares will be converted into deferred shares and GMA will transfer its interest in KMRC back to the seller for £1.

Every 500 existing shares will be consolidated into one new share. Existing shareholders will own around 1% of the enlarged share capital. GMA will change its name to Kemin Resources.

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## general news

### Sable identifies significant iron resource in Guinea

Sable Mining Africa has announced an initial JORC resource for its Nimba iron ore project in Guinea. The maiden resource is 121.5Mt and the in-situ grade is 57.8% iron at a cut-off grade of 40%.

This is an indicated and inferred resource and it comes from plateau 2 and plateau 3 but plateau 1 has yet to be drilled and the drilling on plateau 3 has not been completed. The overall resource could be nearer to 400Mt.

Additional metallurgical testing will help Sable to understand the distribution of premium lump material (DSO) in the resource. Sable says that a wet wash-screen will produce product grading 60-63%. The ore has less clay than many other deposits and is a premium product with essentially no deleterious elements above penalty

levels, according to joint broker GMP. This means that operating costs should not be high due to low power requirements and margins should be strong.

A pre-feasibility study should commence in the middle of this year and Sable will apply for a mining licence later in 2013. It is possible that production could start as early as 2014.

GMP believes that Guinea is supportive of mining companies and it is hopeful that Sable will be allowed to export via Liberia.

Sable is focusing on Nimba but it has other projects, including the Kpo iron ore project in Liberia and the Lubu and Lusulu coal projects in Zimbabwe. Sable had \$23.4m in the bank at the end of September 2012. At the end of 2012, Sable appointed MC Peat as joint broker.

### Mwana nickel boost

Africa-focused miner Mwana Africa has revealed a 152% increase in the nickel resource for the Trojan nickel mine in Zimbabwe, which is being developed by Mwana's 52.9%-owned subsidiary Bindura Nickel Corporation. Bindura is Africa's only integrated nickel mine, smelter and refinery operation, although these operations have been on care and maintenance until recently. The JORC compliant resource is 114,952t based on a 0.45% nickel grade cut-off. The overall resource grade has risen from 1.29% to 1.51%. Mwana has still not identified the full extent of the resource and further drilling is planned in the eastern zone. Mine operations are being restarted and the first concentrate should be sold to Glencore International in the second quarter of this year – the first quarter of Mwana's financial year.

## Institutional cash powers growth at Renewable Energy Generation

Renewable Energy Generation (REG) has found a way of recycling the capital it has so that it can finance further growth. The wind farms developer and operator is linking up with institutional investor BlackRock, which will buy wind farm assets from REG. This should hopefully improve shareholder returns.

REG operates 12 wind farms with a total capacity of 57.2MW, is developing a further 10MW of capacity and has six consented schemes totalling 30MW. Other projects are waiting for planning consents. A BlackRock fund has

acquired the Sancton Hill and South Sharpley wind farms, which have a combined capacity of 16MW, for £32.1m. BlackRock will assume project debt of £15.3m and REG will receive cash of £16.15m. There is also contingent deferred consideration of £650,000. A 4MW wind farm is likely to be sold to the fund in the spring.

A long-term Asset Management Agreement means that REG will manage the wind farms that it sells and be paid a fee to do this. The agreement can also cover wind farms bought by the fund from other companies.

The cash raised from the disposals will be used to invest in new projects and buy back shares. REG has the authority to buy back 10% of its share capital. The company's net asset value was £62m at the end of 2012. Net debt was £17.8m before any cash generated from the BlackRock deal.

In the six months to December 2012, REG reported a small increase in revenues from £6.3m to £6.5m, although higher interest and other costs meant that a £7,000 profit was turned into a loss of £1.7m. That is after £501,000 of fees relating to the BlackRock deal.

## advisers

# Seymour Pierce acquired by Cantor Fitzgerald

AIM broker Seymour Pierce has run into financial difficulties and parts of the business been acquired from its administrator by US-based investment bank Cantor Fitzgerald, which will use it as a base to grow in London.

No purchase price has been announced. Cantor Fitzgerald acquired the core corporate finance operation. Seymour Pierce boss Tom Forcier will become chief executive officer of Cantor Fitzgerald Europe, which has recently taken on 17 staff from Canaccord in London and acquired Irish broker Dolmen.

Ukrainian investor Denis Gorbunenko lent Seymour Pierce £3m last year as part of a deal that was supposed to give him a significant stake in the broker. However, these plans were scuppered by the Financial Services Authority, which was not

comfortable with the Ukrainian investor taking control of a firm it authorised. Seymour Pierce has tried to sell itself a number of times. Early in 2011, a three-way merger involving a reversal of Seymour Pierce into NYSE-listed reinsurer Gerova Financial fell through.

Numis non-executive chairman Sir David Arculus says the broker "produced an acceptable result in 2012 given the challenging background" when he addressed the annual general meeting. He also stated that there are signs that there could be an increase in the number of deals and flotations on the back of the general stock market recovery in recent weeks.

The number of clients passed 150 recently and the firm has been increasing revenues from the retail bond market. Meanwhile, the cost base has been reduced. The sale of a large chunk of its investment

portfolio generated £10m of cash for Numis and took its cash position to more than £50m. Revenues are currently well ahead of the same time in the previous financial year, helped by higher institutional commissions.

Grahame Whateley, who tried to acquire Arden Partners last year, has reduced his stake in the AIM adviser. The broker's former non-executive director has cut his stake in Arden from 15.4% to 10.2%. Whateley was adding to his stake last autumn prior to a positive trading statement. Since then the share price has risen and it is well above the proposed bid. A cash bid of 37p a share was suggested last year, with the possibility of a share alternative, but the discussions ended in April. Whateley runs Cedar Invest, a private equity business involved predominantly in property but with interests in other sectors.

### ADVISER CHANGES - JANUARY 2013

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
<b>Advanced Computer Software</b>	Arden/N+1 Singer	N+1 Singer	N+1 Singer	N+1 Singer	07/01/2013
<b>21st Century Technology</b>	finnCap	Daniel Stewart	finnCap	Daniel Stewart	10/01/2013
<b>Porta Communications</b>	N+1 Singer	Northland	N+1 Singer	Northland	14/01/2013
<b>Red24</b>	finnCap	Seymour Pierce	finnCap	Seymour Pierce	14/01/2013
<b>TLA Worldwide</b>	Numis	Cenkos	Numis	Cenkos	14/01/2013
<b>Conygar Investment Company</b>	Liberum	Oriel	Liberum	Oriel	16/01/2013
<b>Scapa Group</b>	Numis/N+1 Singer	Arden	Numis	Arden	16/01/2013
<b>Mobile Tornado Group</b>	Investec	Northland	Investec	Northland	17/01/2013
<b>Northacre</b>	Daniel Stewart	Peel Hunt	Daniel Stewart	Peel Hunt	18/01/2013
<b>Orogen Gold</b>	WH Ireland	Zeus/XCAP	WH Ireland	Zeus	18/01/2013
<b>Sula Iron &amp; Gold</b>	Beaufort/Northland	Northland	Cairn	Cairn	18/01/2013
<b>Charlemagne Capital Ltd</b>	N+1 Singer	N+1 Singer/UBS	N+1 Singer	N+1 Singer	22/01/2013
<b>Wishbone Gold</b>	Beaufort/Shore	Shore	Shore	Shore	23/01/2013
<b>Athol Gold &amp; Value</b>	Libertas	XCAP	Libertas	Libertas	24/01/2013
<b>Delcam</b>	Numis	WH Ireland	Numis	WH Ireland	25/01/2013
<b>TomCo Energy</b>	Fox-Davies/Numis	Numis	Numis	Numis	28/01/2013

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**company news**

# ANGLE on track to commercialise Parsortix diagnostic technology

Medical technology

[www.angleplc.com](http://www.angleplc.com)

Medical technology developer **ANGLE** is making strong progress with its Parsortix cancer diagnostics technology but it is still some way from generating significant revenues. Even so, ANGLE has the cash it requires to push ahead with trials for a product aimed at a market valued at at least \$1bn and probably much more.

The market for ANGLE's Parsortix non-invasive cancer diagnostic is even greater than expected now that it has been shown that it can be used to recover captured cancer cells. The plan is to obtain a CE mark in Europe and FDA approval in the US in order to be able to sell the diagnostics system commercially. ANGLE believes that the Parsortix technology will outperform the existing products and it should be a low-cost system with potentially high margins.

## The plan is to obtain a CE mark and FDA approval

The Parsortix technology was developed to capture and count circulating tumour cells (CTC) from the blood of cancer patients. The CTCs are captured in a cassette and a process has been developed to recover the intact, living cells so that they can be analysed. There is no device currently on sale that can recover CTCs.

The technology can be used to screen patients and monitor their response to treatment through cancer cells' removal from blood instead of the need for a biopsy of the tumour.

There are short-term prospects

<b>ANGLE (AGL)</b>	<b>56.5p</b>
12 MONTH CHANGE %	-21.8
MARKET CAP £m	24.6

from the research market and this could generate additional revenues in the near future.

ANGLE has raised a further £2.3m at 50p a share to ensure that it has enough cash to make further progress with the Parsortix technology. There was still £900,000 in the bank at the end of October 2012, so there will be at least enough cash for the next 12 months.

Additional cash could come from the sale of the stake in computer games graphics software developer Geomerics, which is in the books at £3.6m. Geomerics software has been used on a number of successful computer games and a disposal could raise more than book value.

# Advanced solutions power Regeneris

Electronic products repair services

[www.regeneris.com](http://www.regeneris.com)

Electronic products repair services provider **Regeneris** is on course to meet expectations for the year to June 2013. The company has been transformed by the management team that took control less than two years ago and it is set to grow internationally.

First-half trading has been strong, with organic growth in double digits. On top of that there is an initial contribution from recent acquisition HDM, which operates in Spain, Mexico and Argentina.

The advanced solutions division

<b>REGENERIS (RGS)</b>	<b>183p</b>
12 MONTH CHANGE %	+135.4
MARKET CAP £m	83.1

is growing strongly on the back of initial revenues from its In Field Tester that enables remote fault assessment. This saves money by reducing the instances when equipment has to be returned. Regeneris has won a "very significant, multi-geography, multi-year contract" which is predominantly in emerging markets

and the details are still being negotiated.

Net debt was £2.9m at the end of June 2012 but that was before the HDM acquisition. Cash flow has been better than expected in the first half. Further acquisitions are likely as Regeneris follows its strategy of expanding in emerging markets.

The interims will be published on 14 March. Full-year, pre-amortisation profit is forecast to jump from £1.7m to £7.8m in 2012-13. The shares are trading on 12 times prospective 2012-13 earnings.

## company news

# Healthcare proves lucrative market for Ideagen

Information management software

[www.ideagen.co.uk](http://www.ideagen.co.uk)

A combination of organic growth and well-chosen acquisitions is propelling growth at compliance-based information management software supplier Ideagen. Recurring revenues cover 90% of the fixed-cost base.

Ideagen reported interims in line with December's trading statement and profit is expected to continue to grow strongly. In the six months to October 2012, revenues were 51% higher at £2.6m. Underlying profit was 69% ahead at £690,000. The latest figures include a full six months from US healthcare software supplier Proquis, which was acquired at the end of 2011, but no contribution from recent acquisition Plumtree.

Net cash was £1.2m at the end of October 2012. Following the Plumtree acquisition and £6m placing at 19p a share the net cash figure has risen to £5.3m. This leaves

## Recurring revenues cover 90% of the fixed cost base

plenty of scope to finance further acquisitions if they are identified. The cash figure will grow if no acquisitions are made.

Healthcare has taken over as the main market for Ideagen. Proquis continues to pick up additional work from the US Department of Veteran Affairs (VA) hospitals. There are 155 hospitals run by the VA and they continue to roll out the company's software. Proquis also supplies software to VA laboratories. Plumtree has 125 NHS customers and there are cross-selling opportunities. The acquisition of Plumtree makes

IDEAGEN (IDEA)	23.38p
12 MONTH CHANGE %	N/A
MARKET CAP £m	28.5

the healthcare sector the biggest generator of revenues but Ideagen is keen to expand in other highly regulated industries, such as utilities and complex manufacturing.

House broker finnCap forecasts an increase in full-year profit from £1.1m to £1.8m, although an increasing tax rate and larger number of shares in issue mean that earnings per share growth is likely to be around 20%. The shares are trading on 16 times prospective 2012-13 earnings.

The compliance-focused software market is fragmented and Ideagen is keen to grow in all its main markets. A strong balance sheet means that it is well placed to push forward with this strategy.

# Amino cranks up higher-margin sales

IPTV technology

[www.aminocom.com](http://www.aminocom.com)

A sharp improvement in margins helped **Amino Technologies'** pre-tax profit jump from £1.8m to £2.9m in the year to November 2012 and demand for its software and equipment remains strong.

Revenues were lower because the previous year included low-margin sales to Italy that were not repeated. Operating margin improved from 3.4% to 6.9% and the margin should continue to rise but at a slower rate. Sourcing has been improved and this is helping efficiency.

The US was the main revenue

AMINO TECHNOLOGIES (AMO)	77.5p
12 MONTH CHANGE %	+52.7
MARKET CAP £m	42.7

generator in the second half, with the rest of the world also important. Russian revenues were minimal in the second half.

The balance sheet is strong, with net cash of £17.1m at the end of November 2012. The dividend has been increased by 50% to 3p a share but that will not make much of a dent in the cash pile.

Following the results, chief

executive Donald McGarva bought 9,500 shares at 81.5p each, taking his holding to 52,200 shares. His previous purchase of 15,000 shares was at 45p a share back in August 2010. The share price has performed strongly over the past three years, almost trebling over that period. Even so, it is still below the 120p a share flotation price back in June 2004.

Amino continues to win new business. House broker finnCap forecasts a 2012-13 profit of £3.2m, rising to £3.6m the following year.

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## Lighting - The Third Revolution

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## company news

# Agriculture and retail division both contribute to Wynnstay growth

*Agricultural products supplier, retailer*

[www.wynnstaygroup.co.uk](http://www.wynnstaygroup.co.uk)

**Wynnstay's** natural hedge of supplying animal feed and fertiliser has helped the company to continue to grow in a difficult trading period. Feed demand was strong in the second half but fertiliser demand was more subdued because farmers were not able to replant because of the wet weather.

Overall revenues rose 9% to £375.8m in the year to October 2012. Underlying profit was 13% ahead at £7.82m, with the agricultural and retail divisions both increasing their profit contribution. The new fertiliser joint venture also made an initial contribution.

Net debt of £13.8m was high at the year end because of an increase in working capital. Wynnstay is also investing in the redevelopment of a

## Fertiliser demand should recover in the spring

former retail site and this is valued in the balance sheet at £2.16m. The total dividend was increased by 9% to 8.5p a share.

There was a full contribution from the GrainLink operations in the period and this helped the agricultural operations to grow revenues 8% to £295.2m. Like-for-like growth was 2% and margins improved.

The retail side was boosted by sales of solar panels but this will be much less significant in the current year now that the incentives are not

WYNNSTAY (WYN)	451p
12 MONTH CHANGE %	+22.7
MARKET CAP £m	75.5

as generous. Revenues rose 13% to £80.5m, with the country stores operation growing fastest. The Just For Pets stores grew like-for-like revenues by 2.9%.but the profit contribution was lower as more was spent on promotion in order to improve sales.

Although grain volumes were strong last year the poor harvest means that volumes could be weaker this year. Fertiliser demand should recover during the spring. Pre-tax profit is expected to edge up to £8m this year, which puts the shares on less than 13 times prospective 2012-13 earnings.

# Feed boost for NWF profitability

*Feed, food and fuels distributor*

[www.nwf.co.uk](http://www.nwf.co.uk)

A sharp improvement in the profit of the feeds division meant that **NWF's** interim profit improved even though the food distribution division had a poor trading period.

Underlying profit rose 28% to £2.3m in the six months to November 2012. The debt position is better than it normally is at the halfway stage due to better working capital controls and the delay in paying the final dividend. Net debt was £13.7m at the end of October 2012. Normally the year-end debt figure was significantly lower but due to the changes in the first half it

NWF (NWF)	115p
12 MONTH CHANGE %	-0.9
MARKET CAP £m	54.4

will not be much lower this year.

Commodity price increases helped the feeds business and NWF plans to sell a wider range of products to its customer base of farmers. There is scope to continue to grow market share in both existing and new products.

Fuel profit recovered at the halfway stage because the comparative period was relatively warm and the division will benefit

from the colder weather in recent weeks. This is an area where further add-on acquisitions are on the cards.

Food distribution was hit by the loss of AB World Foods as a customer during January 2012. That reduced capacity utilisation and it has taken longer than expected to find new customers to replace the AB volumes. Costs have been cut but this has only partly offset the decline and profit more than halved.

House broker Peel Hunt forecasts a rise in full-year profit from £5.1m to £6m. The shares are trading on 12 times prospective 2012-13 earnings.

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## dividends

# Murgitroyd continues a decade of dividend growth

Patent attorney

[www.murgitroyd.com](http://www.murgitroyd.com)

### Dividend

Patent and trade mark attorney Murgitroyd has consistently grown its dividend in the years since it joined AIM. The latest figures include a further increase in the interim from 3.5p a share to 3.75p a share.

Murgitroyd joined AIM in 2001 at a placing price of 121p a share. The dividend for the period to May 2002 was 1.329p a share and it increased to 1.57p a share the following year. The dividend grew strongly in Murgitroyd's early years as a quoted company – in one year it almost doubled. However, slower growth in earnings in recent years means that the dividend increases have been more modest although much higher than inflation. The one year when the dividend was not increased was 2008-09, when it was maintained at 9.5p a share, which is not surprising given the global economic uncertainty at that time. Even so, the annual dividend increased from 1.329p a share to 12p a share over a decade. On top of this, the share price has almost quadrupled over the same period.

Last year's dividend was three times covered by earnings. A full-year dividend of 13p a share is forecast for 2012-13 with a further increase to 14p a share expected next year.

### Business

Murgitroyd was founded by chairman and 28.8% shareholder Ian Murgitroyd in Glasgow in 1975. The firm has grown organically and by acquisition to 15 offices in eight countries. The most recent office opening was in central London but most of the expansion in recent

MURGITROYD (MUR)	
Price	459p
Market cap £m	39.2
Historical yield	2.6%
Prospective yield	2.8%

years has been outside of the UK. Offices have been opened in Finland and Japan and a second business development office set up in the US.

Murgitroyd has grown on the back of the increasing number of European patent and trade mark filings. EU trade mark filings increased by 3% in 2012 and the European Patent Office reported a 5.7% increase in European patent applications last year. The number of granted patents rose 5.8%.

Tough trading conditions mean that margins are coming under pressure and cost control has been important. In the six months to November 2012, revenues dipped from £18m to £17.6m, mainly due to a lower level of recharged disbursements, while pre-tax profit edged ahead from £2.21m to £2.27m. Net debt was £2.85m at the end of November 2012, following payment of the final dividend in the period. Cash flow tends to be stronger in the second half. Cash generation should wipe out the remaining debt within two years unless further investments are made.

Hardman & Co forecasts a full-year profit of £4.6m, rising to £4.9m in 2013-14. There is no other quoted patent attorney on the London market, which means there is no guide to the rating that Murgitroyd deserves. The shares are trading on less than 12 times prospective earnings for 2012-13.

## Dividend news

Chrome tailings processor **Sylvania Platinum Ltd** intends to pay dividends of at least one-quarter of half-year earnings. This new dividend policy will be applied from the second half of 2013 and the dividend should be paid in December. The payments will then be in June and December. The dividend payment will be subject to the company's cash balance being more than \$8m – there was \$15.7m in the bank at the end of June 2012. Longer-term projects are on hold until there is an improvement in platinum group metal prices so there will be "healthy positive free cash flows" according to the company.

Gold miner **Caledonia Mining Corporation** is yet another mining company that has come to the conclusion that it should be paying dividends. The initial dividend is C\$0.005 per non-consolidated share – a ten-for-one share consolidation is planned after the dividend is paid. The dividend will use up around one-tenth of Caledonia's cash. Management says that every year it will review Caledonia's ability to pay a dividend. The next decision on a dividend will be after the 2012 annual report is finalised. Caledonia operates the Blanket gold mine in Zimbabwe, which produced 45,623 ounces of gold in 2012, a 27% increase over the previous year.

House broker WH Ireland has increased its profit and dividend forecasts for geological information and services provider **GETECH Group**. This follows a positive trading statement outlining new contracts won in recent weeks. WH Ireland has increased its forecast dividend for this year from 1.1p a share to 1.4p a share. Next year's dividend forecast has been upped from 1.25p a share to 1.5p a share. This is on the back of an increase in the profit forecast for the year to July 2013 from £1.37m to £1.7m. The 2013-14 profit figure has been raised from £1.49m to £1.82m.

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## expert views

### Expert view: The broker

# Gabon upside for Ferrex

By MARTIN POTTS

**F**errex\* offers exposure to a portfolio of iron and manganese exploration and development assets in South Africa, Togo and Gabon. The Malelane iron project in South Africa supports around 80% of our target price, although we expect this to reduce when we are able to assign a value to the assets in Gabon. We initiate coverage with a 10.4p target price.

Ferrex floated on AIM in July 2011 at which time it raised a gross £2m. A

of its interest in the Changara manganese project in Mozambique.

### Malelane

The company holds a 74% interest in the Malelane iron ore project in the Mpumalanga region of South Africa, some 300km to the east of Johannesburg. The project consists of a prospecting right located to the southwest of the town of Malelane. The deposit is hosted by a steep-

operations. A modern high-capacity railway was constructed in the 1970s and 1980s from Libreville to the interior of the country, primarily to transport minerals for export. This railway passes some 100km to the south of the project (or 200km by road).

In the near term, we see most of the upside coming from the newly acquired Mebaga project in Gabon. If the historical resource and exploration target of 20 million tonnes grading 60% iron can be confirmed, this has the potential to add transformational value to the company.

## We calculate an unrisksed value for Ferrex of £147m

further £1m was raised in July 2012 and £2m was raised in January 2013.

As its name suggests, the company is focused on developing mines that will supply raw materials to the steelmaking industry.

sided ridge overlooking an area given over to farming.

The project benefits from high-quality infrastructure including main roads, and is close to grid power and a railway that is directly linked to the

### DCF valuation

We have derived a valuation for Ferrex using DCF methods for the more advanced projects and a nominal value for the other assets. We calculate an unrisksed value for Ferrex of £147m, equivalent to 19.1p per share. We have then applied a subjective risk discount where appropriate to arrive at a target price of 10.4p per share. This is substantially higher than the present price of the shares, but in reality metal prices are now recovering from the recent lows and the company has proved to be adept at rapidly derisking and adding value to its portfolio.

The share price has started to react positively to recent newsflow and improving sentiment within the sector. However, the present price of 1.7p is still well below the 12-month high of 3.625p, not to mention our target price.

\*Ferrex is a corporate client of finnCap

## Ferrex has proved to be adept at rapidly derisking and adding value to its portfolio

The Nayega manganese project in Togo is relatively small, but for Ferrex it has the advantage that it can quickly and easily be brought into production and generate cash flow. This cash flow should be more than enough to carry the company's modest corporate overhead and to at least part-fund the exploration required at the other projects.

The company has an active policy of adding new projects to the portfolio and of disposing of those that no longer fit or where a sufficiently attractive offer is made. Since flotation 18 months ago, the company has added the Nayega project in Togo and the Mebaga project in Gabon and has disposed

port of Maputo in Mozambique.

The recent scoping study, as supplemented by an update, envisages a mine feeding a process plant at a rate of 4.5 million tonnes per year which would produce around 1.8 million tonnes per year of concentrate grading 57% iron.

Ferrex acquired an 82% interest in the Mebaga iron ore project in northeastern Gabon. The project is located within an area of dense primary rain forest that is currently being exploited by selective logging for hardwoods.

There are tarred roads to the regional centre of Mitziac and 30km of dirt roads that have been constructed primarily to give access for logging



MARTIN POTTS is a research director at finnCap.



## feature

# Oil and gas sector dominates AIM trading

Trading levels have fallen back in recent months but there are still many AIM companies with liquid markets in their shares. However, oil and gas companies dominate the more regularly traded shares while trading in non-resources shares is disappointing.

Trading volumes and liquidity remain key topics for AIM. Although the trading volumes were strong in the early part of 2012 they did tail off later in the year. There continue to be companies which can go a whole month without a trade in their shares – although sometimes that is because trading is suspended in those shares.

Average daily bargains were running at record levels of more than 28,000 for most of the first quarter of 2012 but they fell back during the summer and did not recover significantly in the autumn.

The average daily number of bargains slumped to 13,996 during December. Trading can be weaker in December because of the Christmas holidays but this figure is still much lower than the daily average of 18,210 in December 2011. To put the December 2012 figure in perspective, it is still higher than the annual average number of daily bargains for every year prior to 2006 even though there were more companies on AIM back in 2005.

The December average daily bargains figure was the lowest since August 2011. The average daily value of trades of £88.1m was the lowest since the £79.6m reported for August 2012. The average daily value of trades for the year as a whole was £151m.

### Sectors

Taking the year as a whole the oil and gas sector remains the most active in terms of trading volumes. In

fact, it accounted for 52.6% of all the value of trading on AIM during 2012, while it was 23.7% of the market capitalisation of AIM at the end of 2012.

In 2011, the oil and gas sector contributed 38.9% of trading volumes, up from 37.9% in 2010. However, the oil and gas sector was a similar percentage of AIM's market value two years ago.

In contrast, the basic materials sector, which is predominantly mining companies, has been less popular and its share of AIM trading volumes has fallen from 23.8% in 2011 to 17.6% last year. That is still greater than the sector's share of the

£123m-worth of trades in ASOS alone, which is 7.3% of the total value of trades in the month. However, that figure is only 5.56% of the market value of ASOS itself, which is the largest company on AIM, with a market capitalisation of £2.22bn.

There are more than 100 companies on AIM that have had a greater percentage of their market value traded during December than ASOS. The share trading in Africa-focused coal explorer Edenville Energy was equivalent to 48% of its market value. Edenville is one of a dozen companies out of the 20 most traded companies by value that has a share price of less than 10p.

## The oil and gas sector accounted for 52.6% of all the value of trading on AIM in 2012

value of AIM, which has fallen from 19.2% to 16.4% over the past year.

All of the other sectors account for a smaller percentage of trading volumes than their percentage of the market value of AIM. The most notable is the financials sector, which accounts for 18.4% of AIM's value but just 5.6% of trading value in 2012.

### Companies

Online fashion retailer ASOS, Kurdistan-focused oil and gas explorer Gulf Keystone Petroleum and miner African Minerals are consistently the most traded companies on AIM in terms of value. During December there was

Oil and gas company Bowleven is the largest of the 20 most traded companies at £193m. Afferro Mining is the only other company valued at more than £100m. Eight of the companies have a market value of less than £10m.

There were strong trading volumes in network security firm Endace and Afferro Mining Inc because of bid approaches. Endace has the highest average value per trade of the top 20. The figure of £176,000 is nearly three times the next highest figure of £65,000, which is for East West Resources, formerly Ambrian Capital.

Nine out of the 20 companies are from the oil and gas sector, while five are from the mining sector,

## feature

including Edenville and Noventa, the two companies with the highest percentage of their market value traded. The others include Pires Investments, a shell focused on the resources and energy sectors, and East West Resources, which is a metals trader. That means that only four of the companies do not have anything to do with resources.

There were 131 companies where more than 5% of their market value was traded in December and 43 of those had more than 10% traded. This is in one of the weakest trading months for some time and might not be typical.

### Non-resources

Investors are undoubtedly most interested in the oil and gas sector at the moment but this will change in time. The market would certainly be healthier if there were more interest in the non-resources companies.

The companies in the table indicate

### AIM TRADING VOLUMES BY SECTOR

SECTOR	% 2012 TRADING	% MARKET CAP	% COMPANIES
<b>Oil &amp; gas</b>	52.6	23.7	11.8
<b>Basic materials</b>	17.6	13.2	16.4
<b>Consumer services</b>	8.1	10	9.6
<b>Technology</b>	5.7	8.6	9.7
<b>Financials</b>	5.6	18.4	20.8
<b>Industrials</b>	4.1	11.7	18.3
<b>Health care</b>	2.6	5.2	5.7
<b>Consumer goods</b>	1.9	5.3	6.2
<b>Telecoms</b>	1.5	2	1.2
<b>Utilities</b>	0.3	1	1.2

that size is not a barrier to liquidity. Small companies can be highly liquid if there is a reasonable free float and they can attract investor interest.

The most straightforward way of attracting investors is by making the business successful and then making sure that people are aware of the performance. This will take

time, though, and will not happen overnight.

It had appeared that the liquidity of AIM shares was improving but more recently this has not been the case. This year has started relatively well and it may be that trading volumes will pick up again in the early months of 2013.

### MOST TRADED AIM COMPANIES IN DECEMBER 2012

COMPANY	SECTOR	NUMBER OF TRADES	VOLUME TRADED (£)	MARKET VAULE (£)	VOLUME AS % OF MARKET VAULE
<b>Edenville Energy</b>	Mining	231	6.69	13.94	48
<b>Noventa Ltd</b>	Mining	1,260	1.81	4.93	36.7
<b>Pires Investments</b>	Shell	65	0.46	1.64	28.1
<b>Northern Petroleum</b>	Oil and gas	1,346	13.79	50.54	27.3
<b>ECR Minerals</b>	Mining	385	0.64	2.57	24.9
<b>Media Corporation</b>	Leisure	82	0.12	0.51	24.2
<b>Ceres Power</b>	Cleantech	762	5.91	24.78	23.9
<b>Endace</b>	Technology	94	16.52	72.65	22.7
<b>Xtract Energy</b>	Oil and gas	541	0.72	3.34	21.6
<b>Bowleven</b>	Oil and gas	6,840	40.44	193.05	21
<b>East West Resources</b>	Commodity trading	37	2.42	11.75	20.6
<b>Enegi Oil</b>	Oil and gas	922	3.51	18.09	19.4
<b>Afferro Mining Inc</b>	Mining	1,388	18.96	106.33	17.8
<b>Leni Gas &amp; Oil</b>	Oil and gas	1,328	3.54	20.09	17.6
<b>New World Oil &amp; Gas</b>	Oil and gas	1,271	5.71	32.76	17.4
<b>Orogen Gold</b>	Mining	628	1.48	9.98	14.8
<b>Nostra Terra Oil &amp; Gas</b>	Oil and gas	834	1.75	11.93	14.6
<b>Leyshon Resources</b>	Oil and gas	1,223	4.24	30.63	13.8
<b>Sefton Resources Inc</b>	Oil and gas	329	0.84	6.21	13.6
<b>Hightex Group</b>	Construction	114	0.74	5.59	13.3

## statistics

# Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Oil & gas	23.7	11.8
Financials	18.4	20.8
Basic materials	13.2	16.4
Industrials	11.7	18.3
Consumer services	10	9.6
Technology	8.6	9.7
Consumer goods	5.3	6.2
Health care	5.2	5.7
Telecoms	2	1.2
Utilities	1	1.2

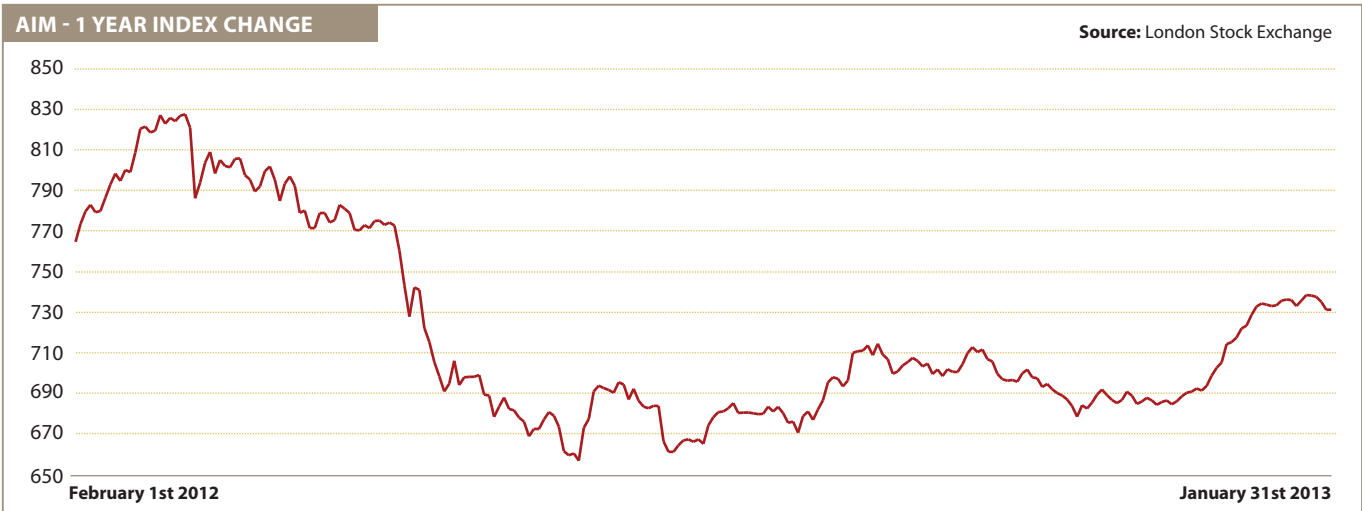
KEY AIM STATISTICS	
Total number of AIM	1,096
Number of nominated advisers	52
Number of market makers	54
Total market cap for all AIM	£61.7bn
Total of new money raised	£80.2bn
Total raised by new issues	£35.6bn
Total raised by secondary issues	£44.6bn
Share turnover value (2012)	£38.1bn
Number of bargains (2012)	5.45bn
Shares traded (2012)	208.6bn
Transfers to the official list	162

FTSE INDICES		
INDEX	PRICE	ONE-YEAR CHANGES % CHANGE
FTSE AIM All-Share	740.78	-3.3
FTSE AIM 50	3281.67	+7
FTSE AIM 100	3315.97	-5.7
FTSE Fledgling	5098.49	+17.5
FTSE Small Cap	3656.84	+23.7
FTSE All-Share	3327.24	+11.3
FTSE 100	6347.24	+9.6

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	275
£5m-£10m	140
£10m-£25m	211
£25m-£50m	185
£50m-£100m	143
£100m-£250m	98
£250m+	44

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
W Resourcees	Mining	1.09	+251.6
Coms	Telecoms	0.93	+131.3
Herencia Resources	Mining	1.27	+116.2
Roxi Petroleum	Oil and gas	4.5	+111.8
Porta Communications	Media	10	+110.5

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Travelzest	Leisure	1.88	-64.3
Neos Resources	Shell	0.14	-61.4
Phorm Corp	Internet	23.5	-55.2
RAM Active Media	Media	3.88	-46.6
Renewable Energy Holdings	Cleantech	1.88	-46.4



Data: Hubinvest Please note - All share prices are the closing prices on the 1st February 2013, and we cannot accept responsibility for their accuracy.

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# finnCap

finnCap is an independent, client-focused institutional broker and corporate adviser, whose chairman is Jon Moulton. The firm is 95% employee owned and it has a dedicated small cap focus.

finnCap's goal is to be the leading adviser and broker in the small cap space. The broker has a full service offering, plus strong aftermarket care and client service. A proactive team approach means that there is support from all departments for all of the firm's corporate clients. This has helped finnCap to grow

rapidly in recent years.

At the end of 2012, finnCap became the top AIM broker by overall client numbers, according to research compiled by financial website Morningstar. The broker is also the number one adviser in the technology, industrials and healthcare sectors, number three adviser in the oil and gas sector and number five in the basic materials sector.

finnCap won the Best Research award at the 2012 AIM Awards. finnCap was shortlisted for AIM

Broker of the year, AIM Adviser of the year and Analyst of the year at the 2011 Growth Company Awards. finnCap's corporate broking and sales trading teams have achieved Exel Top 10 rankings for three years running.

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<b>PUBLISHED BY:</b>	Hubinvest Ltd,	<b>Mobile:</b>	07849 669 572
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