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## Beaufort Securities Breakfast Today including Alecto Minerals, Frontier Resources International, Red Leopard Holdings and Pathfinder Minerals

### The Markets

Market opening: Markets are likely to open higher today. FTSE 100 futures were trading 6.5 points up at 7:00 am.

New York: The S&P 500 closed in the green, with Nike leading the blue-chip gainers after posting upbeat quarterly results. However, disappointing updates from Du Pont and Dollar General capped the gains. The benchmark index rose 0.2%, down 0.1% over the week.

Asia: Markets are trading slightly higher this morning, ahead of the crucial economic data from China. Nikkei advanced 0.4% after positive Japanese industrial production reports for May, but a stronger yen added pressure on exporters. Hang Seng was trading 0.2% up at 7:00 am.

Continental Europe: Equities remained more or less unchanged on Friday. Speculations of a deal between Airbus and Rolls Royce boosted the market sentiment, which was offset by prevailing tensions in Iraq. Germany's DAX closed 0.1% higher, while France's CAC 40 slid 0.1%.

Crude Oil: On Friday, price of Brent Crude Oil inched up 0.1%, while that of WTI crude oil fell 0.1%. The spread between the two varieties stood at US\$7.6 per barrel.

UK small caps: On Friday the FTSE AIM All-Share index closed 1.75 points (+0.22%) higher at 782.04

### Today's news

BIS warns about low interest rates

In its annual report, the Bank for International Settlements (BIS) urged central banks to start normalising interest rates. The central banks face the risk of normalising too late and too gradually, according to BIS. Low rates have led to a sharp growth in real estate prices and credit in some nations, the agency stated.

Revival in Japanese industrial output in May

Today, the Ministry of Economy, Trade and Industry informed industrial output in Japan grew a seasonally adjusted 0.5% m-o-m in May after declining 2.8% in April. The reading was below the economists' forecast of a 0.9% rise. On y-o-y basis, growth in industrial production decelerated to 0.8% in May from 3.8% in the previous month vis-à-vis the estimate of a 1.5% gain.

## Red Leopard Holdings (LON:RLH)

Red Leopard Holdings announced the group's final results for the year ended 31st December 2013. Pre-tax losses expanded to £358,681 from £169,233, entirely due to an over 100% increase in the administrative expenses. Consequently, loss per share also rose to 0.28p from 0.19p. After closing its operations in the property sector in July 2013, with prior approval from the shareholders, Red Leopard Holdings has only been operating as an investing company with focus on exploration and development of natural resources. In September 2013, Red Leopard acquired the entire issued share capital of Red Leopard Mining (RLM) through a reverse takeover. RLM was formed in 2013 as a special purpose vehicle into which Polaris Resources, a wholly owned subsidiary of Quest Minerals Corporation, had transferred its 205 unencumbered claims located near the Shoshone County in Idaho. The group recently submitted a plan to the US Bureau of Land Management (BLM) to re-open the Idora Tunnel in the state of Idaho and is awaiting their response. BLM owns most of the 1,435 hectares of land covered under the claims.

Our view: Despite a poor show of profitability, operational progress made by Red Leopard during the year seems encouraging. Re-opening of the Idora Tunnel would provide the group a strong exposure to the underlying prospectivity of the claims area. The neighbouring Shoshone County, popularly called the Silver Valley, boasts of a total output of around 1.2 billion oz silver besides substantial amounts of lead, zinc, copper and gold till date. Additionally, the group's focus on development of other prospects, including the Atacama region in Chile, could also yield a favourable outcome in the coming period. We reiterate a Speculative Buy rating.

Beaufort Securities Limited acts as corporate broker to Red Leopard Holdings plc.

## Frontier Resources International (LON:FRI)

On Friday, Frontier Resources International issued 40 million shares at 1.5p each to its institutional and other investors to raise £600,000 (before expenses). Of these, Chief Executive Jack Keyes subscribed for nine million shares, thus contributing £135,000 at the placing price. This will increase his holding in the company to 21.8% from 21.5%. Since its AIM listing in July 2013, the company had declared its intentions for additional fund-raising in mid-2014 to execute the next stage of its exploration projects in Oman. Frontier is also seeking industry partners to farm-out some of its interests in Namibia and Zambia and established an online virtual data-room to facilitate data review by interested parties. The company also opened this virtual data room for parties interested in farming into Oman Block 38 earlier this year. The stock advanced 4.4%.

Our view: The share placing of £600,000 is likely to accelerate Frontier's progress towards developing its core exploration assets, primarily in Oman, and bring them into production. These plans would facilitate additional technical analysis on Block 38, Oman. A likely materialisation of its farm-out strategies would further strengthen the company's financial base. The company expects some of these farm-out strategies to materialise in H2 2014. Recent positive results from seismic studies at the Block 38 in Oman had served to enhance the block's attractiveness for prospective farm-in partners. A potential partnership with suitable industry peers for the ongoing projects in Namibia and Zambia would also benefit the company in terms of knowledge & expertise of the potential partners. In light of these milestones and an aggressive exploration strategy, we remain optimistic about Frontier's future growth prospects and retain a Speculative Buy.

## Alecto Minerals (LON:ALO)

On Friday, Alecto Minerals announced results for 24 channel samples taken from the Toukwatou prospect, located within the Kossanto Gold Project in western Mali. The results include intercepts of 2m @ 7.18 grams per tonne (g/t) gold and 1.5m @ 6.66 g/t gold. At Toukwatou, the northern pit delivered 26m intercept with average grade of 1.43 g/t gold and the southern pit showed 20m intercept with average grade of 1.89 g/t gold. Alecto also announced completion of a short rotary air blast (RAB) drill programme at Toukwatou and assays are expected in Q3 2014. Toukwatou prospect is located within the Massakama target and had been identified recently by Alecto.

Our view: These attractive gold intercepts highlight the potential of the Toukwatou prospect and have given further weight to the possibility of a large -bearing system being present at Massakama. Earlier this month, scout drilling and

geological observations at four prospect areas within Massakama had also delivered encouraging results. Results from the recently completed RAB drilling would provide a clearer picture about the extent and continuity of the mineralisation present at Toukwatou. Meanwhile, the Gourbassi targets, also located at the Kossanto project, are expected to deliver JORC-compliant inferred resources of 193,000 ounces (oz) gold at low recovery costs using a cyanide leach process. We expect the company to register a meaningful upside in the coming period on the back of these factors and awaited results from the Centamin-managed Wayu Boda and Aysid Metekel gold projects. We maintain a Speculative Buy rating.

#### Pathfinder Minerals (LON:PPF)

Pathfinder Minerals announced final results for the year ended 31st December 2013, on Friday. With nil revenues, pre-tax losses contracted to £1.5m from £4.3m after conclusion of the legal proceedings in England, translating into a loss per share of 0.1p as against 0.4p last year. The company informed that despite a strong case, the Mozambique Supreme Court might take anywhere from months to one or two years to deliver a judgement in relation to the ownership of its Mozambique licence-holding subsidiary, Companhia Mineira de Naburi SARL. Henry Bellingham, who was appointed as the Chairman in February 2014, said that the Board was looking for ways for an earlier resolution of the issue and assured that the company had sufficient cash to carry out strategies for the recovery of its assets. He also emphasised on the need to look for other ways to build value for Pathfinder.

Our view: The delay in judgement delivery by the Mozambique Supreme Court is disappointing news for the investors of Pathfinder Minerals. Earlier, English proceedings had ruled that Pathfinder's other subsidiary IM Minerals had validly acquired its 99.99% stake in Companhia. We remain optimistic about a favourable ruling by the Mozambique Supreme Court through recognition of the English judgement. Pathfinder's efforts to bring forward a resolution to this issue have been further bolstered by the recent appointment of Mr. Henry Bellingham – having a wide exposure to legal work across various governmental and private entities – as its Chairman. With vast industry experience and deep understanding of Africa, Mr. Bellingham seems well-suited to pursue Pathfinder's operational interests going forward. We retain a Speculative Buy rating.

#### UK GDP

On Friday, the Office for National Statistics announced the UK's GDP advanced 0.8% q-o-q in Q1 2014, unchanged from the second estimate. On an annual basis, GDP grew 3% during the quarter vis-à-vis the previous projection of 3.1%.

#### Eurozone consumer confidence

Consumer confidence slid marginally to -7.5 in June from the flash estimate of -7.4, the European Commission said on Friday. For May, the reading remained unchanged at -7.1.

#### US University of Michigan confidence

US University of Michigan Consumer Sentiment Index improved to 82.5 in June from 81.9 in May compared to the preliminary forecast of 81.2, as per final data on Friday. Economists were expecting a lesser improvement to 82. The Current Economic Conditions Index rose to 96.6 in June from 94.5 in May, while the Consumer Expectations Index inched down to 73.5 from 73.7. The one-year inflation outlook dropped to 3.1% in June from 3.3% in the previous month, while the five-to-10-year inflation expectation edged up to 2.9% from 2.8%.

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