BEAUFORT SCALE

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News blowing in from the City

The World Cup and Equity Markets

There has been much written in the press about Stephen Hawking's formulae* for predicting the winner of the World Cup in 2014. No less has there been comment about Goldman Sach's excellent and detailed 67 page report entitled *'The World Cup and Economics 2014'*.

In terms of equity market growth for the eventual winners, it does matter, albeit briefly. They say '...on average, the victor outperforms the global market by 3.5% in the first month – a meaningful amount, although the outperformance fades significantly after three months. But sentiment can only take you so far, in markets at least – the winning nation doesn't tend to hold on to its gains and, on average, sees its stock market underperform by around 4% on average over the year following the final. The message seems to be: enjoy the gains while they last…'

However, for the runner-up (excluding the exceptional outperformance of Argentina in 1990) 7 out of 9 other runners-up underperformed over the first month with an average under performance of 1.4%. Over three months, the runners-up stock markets continue to underperform, with an average relative fall of 5.6% over the first three months!

*There is no evidence that it is more advantageous to be left or right footed, but Professor Hawking has discovered a previously unknown variable: fair haired and bald players are more likely to score.

$$\frac{\hat{\pi}}{1-\hat{\pi}} = X_0 \left(\frac{e^{0.34\gamma+0.3\eta\theta+0.08\beta_1}}{e^{0.18T+0.04\log(\alpha)+0.23\beta_2+0.11\beta_3+0.28\delta+0.3\epsilon}} \right)$$

$$\frac{\hat{\pi}}{1-\hat{\pi}} = X_0 \left(\frac{e^{0.7\alpha_1+1.13\beta_1+1.09\beta_2+0.9\delta+0.3\theta_1+0.3\epsilon}}{e^{0.06\alpha_2+0.9\eta+0.7\theta_2}} \right)$$

Calculations show that 84 per cent of penalties by fair-haired players went in, compared to 71 per cent for bald players and only 69 per cent for dark haired players. "The reason for this is unclear. This will remain one of science's great mysteries," said Professor Hawking.

Both Goldman Sachs and Stephen Hawking rate England's chances of winning the World Cup negligible.

Right:
Do you remember where you were when England won on home soil in 1966?

So what of England's real chances? Having witnessed as a 15 year old the world cup win in 1966 on holiday in Great Yarmouth, with a Radio Rentals hired TV, and my brother and I taking it in turns to hold the aerial in just the right place, there are some similarities with that year.

In 2014 the following occurred:

- Austria won the Eurovision Song Contest
- Real Madrid won The European Cup (Champions League)
- Athletico Madrid won La Liga
- Fulham were relegated
- A team came back from 2-0 down to win FA Cup Final

The above all happened in 1966, when England won the World Cup!

ENGERLAND, ENGERLAND, ENGERLAND etc... BUY EQUITIES!!!!

Editor

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The Markets

Instrument	Value at close on 31/05/14	% Change since 30/04/14	% Change since 31/12/13
FTSE 100	6,845.0	+1	+1.4
FTSE All Share	3,655.0	+1	+1.3
FTSE 250	16,010.0	+1.2	+0.5
FTSE Aim All Share	815.0	-1.0	-4.2
Dow Jones Industrial Average	16,717.0	+0.8	+0.8
Nasdaq	4,243.0	+3.1	+1.6
CAC 40	4,520.0	+0.7	+5.2
Xetra Dax	9,943.0	+3.5	+4.1
Nikkei	14,632.0	+2.3	-10.2
Hang Seng	23,082.0	+4.3	-0.1
GOLD ($)	1,256.0	-3.1	+5.0
Oil Brent Jul ($)	109.4	+1.2	-1.3

Company Round-up

The objective of the round-up is to highlight a number of stocks we have seen and to be open about our thoughts and views. In addition we will highlight a few companies we are particularly keen on and explain why, but provide details only of the previous month's news. Further information is available from your Beaufort Securities broker upon request.

Large Caps

Vodafone Group (VOD.L, 205.3p) - Buy

May News

Vodafone announced financial results for the year ended 31st March 2014. On a reported basis, group revenues declined 1.9% to £43.6bn, down 3.5% on organic basis. Service revenue fell 2.4% to £39.5bn, declining 4.3% on organic basis. EBITDA dropped 7.4% (organic) to £12.8bn, mainly on account of a sharp drop in revenues from Europe, partially offset by better margins in Africa, Middle East and Asia Pacific (AMAP). Earnings per share (EPS) from continuing operations stood at 41.77p as against a loss of 15.66p in FY2013. The group successfully achieved its guidance for adjusted operating profit and free cash flows for FY2014. Vodafone concluded the disposal of its 45% stake in Verizon Wireless and returned US$85bn to the shareholders. In the same year, Vodafone acquired 76.57% stake in Kabel Deutschland (KDG); and also announced the acquisition of Grupo Corporativo Ono for €7.2bn. Vodafone Red has been made available in 20 markets with a customer base of 12 million at the year-end, while M-Pesa expanded to ten markets with a base of 17 million customers. The Board declared a total dividend of 11p per share for the year, up 8% from last year. For FY2015, Vodafone has projected EBITDA of £11.4-11.9bn. Total organic investment for the next two years was estimated to be around £19bn, with subsequent capital intensity of 13-14% of the yearly revenues.

Above: *The sale of Verizon drove down Vodafone's revenue and profit numbers for the FY2014*

Our view: *Vodafone delivered a resilient performance for FY2014, with the strategic sale of Verizon driving down its revenue and profit numbers. Helped by improving network performance, robust marketing & distribution, and growing data usage, Vodafone's business in key growth markets like India and Africa delivered strong organic growth during the year. However, European operations continue to be driven down by tough competition and regulatory roadblocks. Overall, the business opportunities in emerging markets like Africa and India, particularly in the data usage segment, and growing share of these markets in the total revenues of the group, seem to offset the negative sentiment arising from a weak performance in Europe. Ongoing acquisition spree to broaden presence in emerging markets, expected benefits from the ongoing investment in the Project*

*Spring and signs of revival in the European economy, boost the medium to long term growth prospects of the group. We upgrade our rating to a **Buy**.*

Saga (SAGA.L, 185.0p) - Buy

May News

The Saga offer price was set at 185 pence per Share (the "Offer Price"). Based on the Offer Price, the total market capitalisation of Saga at the commencement of conditional dealings was £2.1 billion. The Offer comprised 297.3 million Shares, representing 27% of Saga's issued share capital on Admission, excluding the Over-allotment Option. Total gross proceeds raised by the Company were approximately £550 million. Acromas Bid Co Limited (the "Shareholder") was granted an Over-allotment Option in respect of 44.6 million Shares. If the Over-allotment Option were exercised in full the total gross proceeds raised by the Shareholder in the Offer would be approximately £82 million. Following Admission (and assuming no exercise of the Over-allotment Option), the Shareholder will hold 72% of the Shares; and the Directors and Senior Managers will be interested in 1% of the Shares. Certain of the Directors and Senior Managers are also shareholders of Acromas Bid Co and are owed subordinated shareholder debt by an Acromas Bid Co subsidiary as set out in more detail in the Prospectus. 50% of the Offer was allocated to retail investors, including a substantial majority allocated to Saga's customers, under the Retail Offer and 50% of the Offer was been allocated to institutions under the Institutional Offer. Heavy oversubscription meant that investors were scaled back sharply; applications of up to £10,000 in the Non-Customer Offer and applicants in the Intermediaries Offer were allocated just 400 Shares each (equivalent to value £740 based on the Offer price).

***Our view:** The Saga Offer was priced right at the bottom of its 185p -245p range. This equates to a market capitalisation of £2.1m. At this price the shares represent very good value. Based on Beaufort forecasts for the full year to January 2015, the Group will trade on around a 13.1x PE and offer an annualized dividend yield of some 3.3%. The valuation gap, therefore, with the peer group of general insurers, is now small and well below the management and advisor's original valuations. Why was this? We see two reasons : (i) That institutional investors, who effectively set the price, insisted it should be valued close to other UK general insurer (typically 10 to 12 x PE15 with a 3%+ yield) and, perhaps even more importantly, (ii) that three-quarters of a million or so Saga customers registered for preferential share allocations.*

Right:
Saga ran a series of television commercials featuring Larry Lamb in the build up to the IPO last month

Given that the Group enjoys club-like loyalty from its huge customer base, significant damage to the Group's reputation could have been incurred should a loss have been seen on the first day! Accordingly, Saga's Advisors bowed to the pressure and appears to have priced it very attractively indeed. The loyalty of its customer base, however is what expressly sets Saga aside from its peers. Effectively, this means that the Group's cost of customer acquisition for any of its products (be they insurance, travel , healthcare or any other age-related areas into which it chooses to diversify) is particularly low, as its churn rates, while repeat business and recommendation is high. This provides the business with a distinct advantage and provides confidence in its forward visibility. The market will recognise these facts in due course. Beaufort accordingly recommends investors take advantage of Saga's lowly Admission price, to build their IPO.

Small Caps

Range Resources (RRL.L, 1.08p) – Speculative Buy

May News

Further to its announcement on 15th May 2014, Range Resources announced last week a successful securing of a US$12m subscription proceeds from Abraham Ltd. In return, Abraham Ltd would be issued 356.2 million fully paid shares of £0.01 each, totalling US$6m, in the first tranche of placing. These shares are expected to start trading on the AIM from 6th June 2014. The second tranche of share issue at £0.01 each would be subject to shareholder approval, failure to which would lead to repayment of the remaining US$6m to Abraham Ltd. Range intends to utilise the funds for repayment of its existing debt and for the general working capital requirements.

Left:
New CEO, Rory Scott Russel, gave a positive strategy update during May

Strategy Update

In May the new CEO, Rory Scott Russell, gave a positive strategy update and we highlight the main points:

- Each quarter an update of operational performance
- Range will also engage with shareholders through a number of Investor Relations Initiatives including:
    - Press and analyst coverage
    - Conferences
    - Investor webcasts

New Management in Place

- New senior management and strengthened operational team with a focussed strategy
- Three projects in Trinidad:
    - 1. Development drilling in Morne Diablo and South Quarry
    - 2. Secondary recovery projects across the blocks
    - 3. Exploration in the existing blocks and new PSC's
- Puntland, Somalia Exploration
- Exits from non-core assets – Texas and Georgia; reviewing Guatemala and Columbia, retain Puntland with low commitments

Strategic Oil Field Services Partner

- LandOcean Alliance MOU
- LandOcean is one of the largest listed oil and gas service companies in China
- It provides a complete range of integrated services with specialisation in geological and geophysical interpretation and study, reservoir and petroleum engineering and production
- LandOcean is Beijing head quartered with sales and operations in over 20 different countries, including an operations base in Houston, USA.

Company Targets for 2014

Operational

- Double production - safely and responsibly
- Positive operating cash flow
- Drill two exploration wells

Financial

- Refinance corporate debt
- Raise long term finance for Trinidad operations
- Continue to reduce corporate overheads

Strategic

- Complete portfolio rationalisation projects

Our view: *This latest round of successful funding, for up to US$12m, is in addition to the recent placing of 25 million shares at US$0.01 per share. These funds are likely to bolster the progress of the company's ongoing work programme. The subscription allows Range to refinance the expensive and dilutive corporate debt as well as providing working capital. The recent appointment of Mr. Nick Beattie, with over 20 years of experience in finance and prior exposure to the oil & gas industry, as the new Chief Financial Officer (CFO) also bodes well for Range.*

Meanwhile, with the farm-in agreement with Niko Resources and clearances for several drilling operations at the Beach Marcelle project, Range continues to develop onshore Trinidad oil assets. Last month, the company had also entered into a memorandum of understanding (MoU) with China's LandOcean Energy Services for the development of international oil and gas projects. Considering these positives it is now time for Range to move forward and deliver its 2014 strategic and operational targets. After some serious underperformance we believe the new management team. ***Speculative Buy***

Avanti Communications Group (AVN.L, 282.0p) – Speculative Buy

May News

Avanti Communications entered into a deal with the mobile operator – Smart for the delivery of its IP backhaul services in East Africa. Smart would use the services to cater to the customers in Burundi, Tanzania and Uganda. Smart is owned by Kenya-based Industrial Promotion Services. Avanti also signed a capacity contract with Syntelix to provide public and private connectivity programmes in Spain. Initially under the deal, Avanti would serve telecoms towers at 96 remote locations across Spain, for a major government project, through the HYLAS 1 satellite. Core applications supported by the solution would comprise video and sound surveillance, door access control, remote locking and energy supply monitoring.

Right:
HYLAS 1 is Avanti's first broadband satellite and uses the latest Ka-band technology to deliver high speed, two-way data services across Europe.

Our view: *With the award of this deal, Avanti marked further expansion of its customer base and backhaul service delivery to the mobile industry. The recent major contract win with the Spanish telecom firm Syntelix had helped the company towards achieving further commercialisation of its HYLAS 1 satellite. Also in May, Avanti struck yet another important agreement with the Department for International Development (DFID), Kenya for the delivery of technology solutions related to education programmes in Kenya. Meanwhile, the prospects of Ka-band satellites are also beginning to gain momentum with Avanti's recent deal with Avonline. In light of such lucrative business opportunities, a strong competitive position in Western Europe and 90% revenue visibility for the current year, Avanti is poised to witness a meaningful near-term upside. We reiterate a* ***Speculative Buy*** *rating.*

Mosman Oil & Gas (MSMN.L, 11.38p) – Speculative Buy

May News

Mosman Oil & Gas announced that Petroleum Creek Limited, its 100% owned New Zealand-based subsidiary, confirmed the third well in its drilling programme. The well, to be named Crestel-2, would be drilled to basement, i.e. around 300m, after completion of drilling at Cross Roads-1 and Crestal-1 in June 2014. Drill force equipment has already reached on site at Petroleum Creek and drilling is scheduled to begin in the next ten days. Mosman has also contracted to lease a ten-acre property near the Crestal-2 well with an option to purchase. Meanwhile, discussions are ongoing for land access for the location of a potential fourth well.

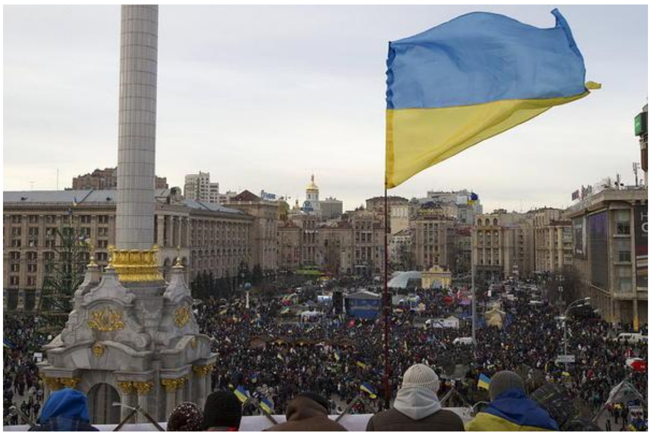
Our view: *The recent funding of £350,000 seems to have accelerated Mosman's ongoing work programme, while giving it an opportunity to look for further attractive exploration targets as well. The company's drilling plan for Petroleum Creek is smoothly moving forward and we are already witnessing a series of milestones being achieved in this regard. Upcoming drilling work at the Crossroads-1 and Crestal-1 wells provides additional upside. Given the lucrative oil prospectivity of the Petroleum Creek project and the Officer Basin project, believed to be holding large petroleum discoveries, we expect meaningful upgrade in the stock price of Mosman and maintain a* ***Speculative Buy*** *rating.*

Right: *Mosman's Petroleum Creek project*

Starcom (STAR.L, 12.75p) – Speculative Buy

May News

Starcom, which specialises in the development of wireless solutions for remote tracking, monitoring and protection, provided details of the signing of a new three year contract for a total of $1.8 million together with a trading update ahead of the company's AGM. The Company's new customer, a Guatemalan distributor, is buying a significant number of units from across the whole range of Starcom's product portfolio, including the Helios TT, Watchlock and Triton, with $400,000 expected to be received in respect of the order this year. The contract requires the customer to purchase 6,000 units from across the product range in year one, 5,600 in year two and 7,000 in year three. An initial purchase order for Helios TT and Helios Advance has been received for $31,440, representing a total of 400 units. In the current financial year to 31 December 2014, the Company expects to ship 3,000 units in line with the agreement. As had been foreshadowed, trading in the first quarter of the year has been slow, partly due to the loss of revenues anticipated from the Ukraine (as announced on 21 March 2014), and also as the Company works to generate traction for new products being introduced into the market, such as Helios TT, Triton 2 and Kylos. These new product lines are being well received in the market and should lead to further revenues later in the year. In general, the Board anticipates revenues to be weighted to the second half of the year. The Company is currently in preliminary negotiations for a number of new projects both in South America and the Middle East which, if successfully concluded, would generate good revenues for the second half of the current year and provide ongoing revenues during 2015 and beyond. The Directors hope to be able to report progress on these negotiations in the third quarter.



Above: *Unrest in the Ukraine has hampered Starcom*

Our view: *Starcom has been 'picking up the pieces' since its setback in the Ukraine last March. Converting a pipeline into sales and new contracts, however, takes time. Not surprisingly therefore, Q1'14 has been slow and its full year performance will be weighted toward the second half. The winning of the new Guatemalan contract, however, is a clear demonstration of the global interest in Starcom's* *unique product offering and the expectation of building further on this success in the coming months. In particular, the benefits of Assa Abloy's ramping up its sales and marketing efforts behind the WatchLock (which could result in a significant lift to sales in the current period) and the Helios TT should start to be seen in the current year. Further out, the Triton 2 is being well received by the market and represents a further important growth opportunity. The bunching of sales in H2'13 plus the Ukrainian issue resulted in an expansion in working capital needs at year end (that was addressed by February's placing) does reminds investors, however, that Starcom remains prone to growth pains and exposure to significant individual customers. These factors are expected to lessen in the next 24 months but, in prudently applying an additional discount to account for such considerations in its model, Beaufort has trimmed its current price target for Starcom from 32p/share to 25p/share, whilst retaining its* ***Speculative Buy*** *recommendation.*

Legendary Investments (LEG.L, 0.12p) – Speculative Buy

May News

Legendary Investments announced that its investee company, Virtualstock Holdings (VVSHL) has been accepted on the UK Government's G-Cloud 5 Framework (G-Cloud 5). G-Cloud 5 provides central government departments, executive agencies and non-departmental public bodies with an innovative, cheaper and faster way to access and purchase government-approved IT products and services. By being accepted on G Cloud 5, VSHL is now able to provide its services to public sector organisations. Exploratory discussions with certain public sector organisations are underway.

Right:
Virtualstock has been accepted on the UK Government's G-Cloud 5 Framework

VSHL's supply-chain and data management solution, The Edge, seamlessly interfaces with the vast majority of components in inventory, supply and logistics value chain and data management systems and platforms, giving organisations superior control of their data, without interference to existing systems. The increased visibility of how an organisation is performing through data intelligence allows for a more efficient, leaner and cost effective operation. The implementation of the software-as-a-service solution is also a rapid, flexible and scalable alternative to traditional systems integrations.

VSHL's solutions have allowed companies in the private sector to improve efficiency and make substantial cost savings. Its services are now available to the public sector.

Our view: *Following on from the recent fund raise for VSHL, this news that VHSL's solution can now be supplied to public sector bodies, already supplying some of the largest private sector organisations, augers well and gives further confirmation that Virtualstock is well on its way to becoming an industry standard inventory, supply and logistics value chain and data management utility. This announcement is an important milestone referencing the successful expansion of Virtualstock beyond the retail sector.* ***Speculative Buy***

Beaufort Securities Limited acts as corporate broker to Legendary Investments plc.

CityFibre Infrastructure Holdings (CFHL.L, 72.0p) – Speculative Buy

May News

CityFibre Infrastructure Holdings announced annual results for FY2013 ended 31st December 2013. Revenue increased 9.7% on organic basis to £1.9m, driven largely by the projects located in York. Gross profit climbed 24% to £1.5m due to over 90% margins for owned infrastructure projects, partially offset by projects impacted by the cost of legacy service contracts. Operating loss shrunk to £4.2m from £5.0m and loss per share contracted to £55.60 from £64.72. New contracts valuing £4.7m were signed during the period, including a 20-year contract with Serco to provide fibre connectivity at over 100 locations in Peterborough. The joint venture with BSkyB and TalkTalk, to provide a FTTH network in York, now plans to cover two more cities. In April 2014, Coventry City Council awarded the company preferred bidder status for the acquisition of Coventry Metropolitan Area Network (MAN) fibre optic asset. CityFibre was admitted for trading on the AIM on 17th January 2014, with successful share placing of ~£16.5m before expenses in the IPO. Peter Manning was appointed as the non- executive Chairman of the company in September 2013, while Sally Davis joined in as a non-executive Director in February 2014. Current trading was in-line with the expectations, the company informed. Separately, the company announced a successful placing of £30m to accelerate the work at its existing projects, including the joint venture contract with BSkyB and TalkTalk, as well as the pipeline of other commercial opportunities.

Above:
CityFibre have signed a 20-year contract with Serco to provide fibre connectivity at over 100 locations in Peterborough

Our view: *CityFibre delivered robust performance in its first year as a publicly traded company, with growth in revenues and a series of contract wins. Under the 20-year contract with Serco, more than 500 businesses across Peterborough pre-registered over the Peterborough CORE metro fibre network; CityFibre's association with service provider Businesscoms is expected to boost the contract conversions. The joint venture's expansion plans for the Fibre-to-the-Home (FTTH) network to two more cities and CityFibre's ongoing progress performance deliver at Peterborough also bode well for the company. Given the company's broad service coverage across 56 UK towns and cities, a rapid progress at multiple projects, and extensive expansion plans, we expect a meaningful appreciation in its stock price.* ***Speculative Buy***

Fastnet Oil & Gas (FAST.L, 6.3p) – Speculative Buy

May News

Fastnet Oil & Gas provided an operational update during May. At Foum Assaka, Morocco, the company seeks to analyse reservoir thickness and quality, while other elements of the petroleum system have been de-risked. The Early Cretaceous remains an important target at the prospect. At the Tendrara project, onshore Morocco, Fastnet plans to decide upon the location of TE-6 well in the coming period, with data reprocessing likely to be completed in few weeks. Fastnet conducted 3D seismic studies at the Deep Kinsale and Mizzen projects at the Celtic Sea. At Deep Kinsale, the studies confirmed the presence of five possible reservoir targets with good in-place oil potential. At Mizzen, the studies defined new potential gas structures and confirmed prospectivity for new frontier exploration basin. Fastnet witnessed further progress regarding its farm-out talks for these two assets at the Celtic Sea. The company is fully funded for its work programme in Morocco and Ireland, it mentioned.

The Company has appointed Will Holland as Chief Financial Officer. Will has over 20 years of experience in the oil and gas business, primarily gained in Africa and Europe. He started his career as a cementing and 'frac' engineer at Halliburton Energy Services before moving into business development roles based in Africa. After 2 years leading internal audit teams at Halliburton, he joined Macquarie Bank in London in 2007 where he originated, structured and managed equity and debt investments in small-cap E&P companies.

Our view: *Encouraging progress regarding farm-out of the Celtic Sea acreages, and likely materialisation of such a deal later this year, bodes well for Fastnet. The Dublin conference organised by the company, and its warm reception, is due to the tenacity of the management at Fastnett. This would help Fastnet in partially recovering the back costs of US$20m. With a* *cash balance of US$22m, Fastnet seems well-positioned to undertake its current year's work programme at Ireland and Morocco. The internal post well studies at Foum Assaka further highlight the hydrocarbon prospectivity of the block. The company has built a balanced and significant acreage position of 25,192 sq km which includes high impact exploration and lower risk near term appraisal opportunities. In light of these positives and the fact that the share price has declined by over 40% in the last one month after a poor show at FA-1, we believe that the current valuations are attractive. We maintain a **Speculative Buy** rating.*

Tertiary Minerals (TYM.L, 6.125p) – Speculative Buy

May News

The Group published unaudited Interim Results for the six months ended March 2014, in which it reported a loss for the six month period of £84,134 (six months to 31 March 2013: £253,718). This loss comprises administration costs of £152,104 (which includes a share based payments credit of £13,850), pre-license (reconnaissance) costs totalling £7,100 and interest income of £2,362. The loss is stated after crediting a non cash amount of £72,708 which is a gain in fair value between the Company's independently valued liability, under the Equity Swap Agreement, at 30th September 2013 and the settlement of the Agreement on 8th November 2013. The share-based payment was a net non-cash item relating to the issue of warrants in this period and the expiry in this period of warrants which were issued in previous years. In the report, Tertiary management also reviewed recent major events and share price performance.

Above: *Phase 2 Drilling at MB Flourspar, Nevada*

Our view: *Given that the financial performance was very much in line with expectations for this exploration Group, undoubtedly the news highlight of the year to date have been the result of drilling on the MB Fluorspar Project in Nevada, US, and the definition of its maiden JORC compliant Mineral Resource that far exceeded the Board's expectations from this maiden programme. At 38.4 million tonnes grading 10.4% CaF2 (fluorspar), the MB Mineral Resource more than doubled the amount of fluorspar contained in the Company's reported Mineral Resources at its three fluorspar projects in Sweden, Norway and Nevada. Importantly, it also anchors the Company's ambition to be a supplier of fluorspar to* *the two largest fluorspar buying regions outside of China – North America and Europe – where fluorspar (CaF2) is an essential raw material of fluorine in the chemical, steel and aluminium industries. The Company has started metallurgical testwork on the MB project drill samples and is planning a programme of follow-up drilling. Mineralisation remains open in all directions and at depth. A number of holes are likely to test deeper in the Central Area, where recent holes ended in higher grade mineralisation, and laterally in potentially shallow mineralised positions. Understandable, this is a very exciting time for this project as the true size of the deposit, whose overall resource-size has already established as being of global significance, has yet to be revealed. Whilst the MB Project has provided the news, important work has been continuing in Sweden on the more advanced Storuman Fluorspar Project where the Company is continuing with pre-feasibility studies and preparing an application for a Mining Concession which should be submitted shortly. Factoring in MB's new compliant data last month, Beaufort sharply increased its price target for Tertiary minerals to 24.8p/share and reiterated its Speculative Buy recommendation (click here to view the report). The sharp fall in the Group's share price since then appears unwarranted and now presents an important buying opportunity.* ***Speculative Buy***

Beaufort Securities Limited acts as corporate broker to Tertiary Minerals plc.

Petards Group (PEG.L, 10.0p) – Speculative Buy

May News

Petards Group's Chairman, Raschid Abdullah addressed the company's annual general meeting (AGM). Mr Abdullah announced that the corporate activity undertaken by the company and a stronger order book in H2 2013 have enhanced the revenue visibility for 2014 and later. The management continued to work towards building stronger business relationships and closing orders under negotiation. As per his statement, the company recorded robust trading in Q1 2014 and is expected to perform in-line with the market expectations this year.

Right: *An example of Petards' Automatic Number Plate Recognition (ANPR) camera range*

Our view: *Mr Abdullah's encouraging AGM statement is another depiction of the improving financial position and operational efficiency of Petards. The key corporate initiatives undertaken by the company in 2013 prominently feature the debt for equity swap with Water Hall Group, which strengthened its balance sheet to a large extent. With the above mentioned positives and the couple of equity issues in the past few months, Petards is well-placed to capitalise on an already strong order book, thus extending the revival in trading seen in H2 2013. We reiterate a* ***Speculative Buy*** *rating.*

Northcote Energy (NCT.L, 0.825p) – Speculative Buy

May News

Northcote Energy agreed to acquire 35% stake in Aminex-owned 1,670 gross acre Shoats Creek oil field in Louisiana and gain its operatorship. The deal would involve purchase of 70% interest in the oil field from Springer Oil & Gas for issue of shares valuing US$350,000 and a production payment of US$10 per barrel up to maximum of US$3.15m. Concurrently, Northcote would farm-out 35% stake to North American Petroleum (NAP) for cash payment of US$175,000 and for 50% share in its production payment (US$1.575m). Meanwhile, Springer agreed to acquire 100% share capital of Aminex USA for US$5m, conditional upon approval from Aminex's shareholders. Northcote's 70% stake purchase would coincide with this deal. Northcote has already committed US$275,000 towards its share of US$1m development costs at Shoats Creek.

Above: *Northcote agreed to acquire a 35% stake in the Aminex-owned Shoats Creek oil field in Louisiana*

Our view: *This deal would help Northcote to establish a stronger foothold in the US onshore oil & gas assets in association with its partners, Springer Oil & Gas and NAP. With a large capital contribution from these partners (US$1m in the initial twelve months itself) and investment requirement emerging only from 2015, Northcote is well-positioned to ensure good progress at its current work programme at Oklahoma as well as this new project. Recent encouraging results from the US-listed Midstates Petroleum, on a contiguous field, speak volumes about the project's potential. Recent recompletions at the Zink Ranch Project, targeting new untapped zones within existing well bores, present attractive production opportunities at lower costs and would help Northcote in moving further closer to its targeted production of 250 barrels of oil equivalent per day (boepd). With a rapid expansion strategy and upbeat production goals, we see a significant upside opportunity for the company and thus, retain a* ***Speculative Buy****.*

If you would like to find out more information about any of the companies featured in the Small Cap Round-up please contact your broker on ***020 7382 8300*** *(London) or* ***0117 910 5500*** *(Bristol).*

Recommendations

During the three months to end-May 2014, the number of stocks on which Beaufort Securities has published recommendations was 251, and the recommendations were as follows: Buy - 47; Speculative Buy - 160; Hold - 35; Sell - 9.

Full definitions of the recommendations used by Beaufort Securities in its publications and their respective meanings can be found on our website here.

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