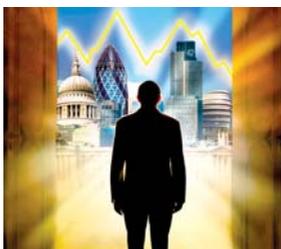


# St Peter Port Capital Limited



## INTERIM REPORT

for the period ended 30th September 2007

# Contents

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# Highlights

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- £34m invested in 21 pre-IPO companies at period end;
- subsequently, a further £10m invested in another 7 companies;
- NAV of 97.55p per share unchanged since flotation (unquoted pre-IPO investments held at cost in local currency reflecting short period of investment and quoted investments at bid price);
- post September 30th, material progress in a number of companies within the portfolio, in particular Buried Hill, Petaquilla Copper and River Diamonds.

**Tim Childs, Chief Executive  
of St Peter Port Investment Management Limited, said:**

“We are pleased with the investments we have made so far and with the strong deal flow we have secured. We have an exciting portfolio which is growing in value. We expect to invest the balance of our funds during the course of 2008.”

# Chairman's Statement

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## Introduction

I am pleased to report our first set of interim results for the period from the Company's inception on 6 March 2007 to 30 September 2007. The Company was successfully admitted to AIM on 16 April 2007 when it raised £75m before expenses. The Company made its first pre-IPO investments in May and these interim results therefore represent the outcome of about 5 months of investing.

## Investment strategy

The Company's investment strategy is to build a diversified portfolio of growing small to mid-sized companies which are seeking to achieve an IPO within a reasonably short time horizon. It is intended that investments are opportunistic and not sector or regionally focused and that they are typically passive in nature. The Company may also invest in quoted companies (for example, where a company becomes a shell and is about to make a major acquisition).

The intention is to build a portfolio of investments of in the region of forty companies over twelve to eighteen months. The Investment Manager is mandated to manage the Company's portfolio actively in order to enhance returns, with an emphasis on realising gains in the medium term. The intention is to re-invest the proceeds of

realisations into new pre-IPO investments. In the first few months of the life of the Company before the cash is fully deployed in pre-IPO, the Investment Manager is to seek to minimise cash drag by investing a significant proportion of the net proceeds of the placing in a range of absolute return products intended to generate a positive return, principally hedge funds and funds of hedge funds.

## Progress to Date

In this first period the Company has made a strong start, making investments during the period of over £34m in 21 pre-IPO companies. The average size of investment per company was £1.6m. The balance of its funds was invested in hedge funds (directly or in a fund of funds) or held in cash.

The investments made follow the stated strategy and represent a promising portfolio of companies, some of which are now seeking to come to market. Since the period end, the Company has invested a further £10m in an additional 7 pre-IPO companies. The portfolio and its prospects are discussed in the Investment Manager's Report.

## Financial Results

The Company is a Guernsey domiciled closed-ended investment company whose

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shares are traded on AIM. As such, it reports its results under IFRS and in particular under IPEVC, an international guideline for valuing unquoted investments. This, in contrast to BVCA guidelines which used to be commonly adopted by companies holding unquoted investments, requires the Board to attempt to determine the fair market value of each investment held and to revalue the Company's holdings to that value, whether this requires an increased or decreased valuation and irrespective of whether there has been any investment or sale by a third party which would help validate that change in the holding value. St Peter Port is reporting using this new set of principles, but as its holdings are all very recently acquired, its Board has decided that in this case cost is a fair guide to market value in each case. However, in the case of those investments made in foreign currency, their value has been adjusted to reflect differences in exchange rates between the date of investment and the period end. Where companies are already quoted, their shares have been valued at the bid price.

The income statement for the period shows that the Company made a small profit for the period. This reflects the small excess of finance income over operating expenses of the Company. The foreign exchange

movements in relation to pre-IPO investments and changes in hedge fund values ended up more or less cancelling each other.

The balance sheet showed pre-IPO investments at £34.5m, a small surplus over cost as a result of foreign exchange movements. £32.0m was held in hedge funds and the balance was represented by cash. The pre-IPO investments were made throughout the 5 months after flotation and the cash balance therefore varied over the period. Total assets were £73.4m, giving a net asset value of 97.55p per share. This reflects a small profit and is close to the net asset value immediately after flotation.

## **Outlook**

The Board believes that the Company's strategy is beginning to bear fruit. The Investment Manager's focus on sectors where profitable exits remain a good prospect and on seeking down round protection wherever possible should hold the Company in good stead. The Board views the outlook with confidence.

**Bob Morton**  
Chairman

19 December 2007

# Investment Manager's Report

As stated in the Company's investment strategy at admission, the investments we have sought to make have been opportunistic rather than sectorally or regionally focused. Our principal criterion has been whether we believe that the potential investee company is a credible candidate for a successful IPO in the near future, taking into account our assessment of likely market conditions and development of the company. In this process, we are conditioned by the views of the brokerage community who bring us deals in which to invest. If they believe that, for example, oil and gas companies with exciting prospects can still successfully float in current market conditions whilst the prospects for retailers to float are currently much cloudier, then they will not bring focused retailers as pre-IPO deals and we cannot therefore select them. But we can pick and choose amongst those deals which they do bring forward and select those which we think have the best prospects.

It is for this reason that our portfolio of investments made to date is heavily weighted towards three sectors: oil and gas (including two investments in companies using novel techniques to improve recovery rates); minerals including copper, gold, nickel, uranium, iodine and rarer elements; and environmentally friendly technologies including cleaner/more efficient ways of

burning conventional fuels, second generation bio fuels and hydrogen technologies. These sectors account for the great majority of investments.

Many of the investments in these sectors are outside of the UK, and a significant proportion are sourced from brokers whose main business is outside the UK. We expect many of them to list in North America (particularly Canada) or other markets rather than the UK. We have provided details of most of these investments in earlier announcements.

Since the last announcement we have made a further eight investments. One was before the period end, although fully completed after it, in Cadogan Petroleum. The other seven were made entirely post balance sheet.

Table 1 shows the breakdown of the pre-IPO investments by sector as at 30 September 2007, but including both tranches of the Cadogan investment:

**Table 1**  
**Investments by Sector as at 30 September 2007**

Sector	Number	£m	Percentage
Oil and Gas	7	15.5	42.6
Mining	7	9.0	24.7
Environmental	5	9.5	26.1
Other	2	2.4	6.6
Total	21	*36.4	100.0

\* includes £2.25m committed as at 30 September 2007

Table 2 shows the same information at the date of this report.

**Table 2**  
**Investments by Sector as at 19 December 2007**

Sector	Number	£m	Percentage
Oil and Gas	8	16.5	34.9
Mining	12	16.5	34.9
Environmental	5	9.5	20.1
Other	3	4.8	10.1
Total	28	47.3	100.0

### Recent Investments

The pre-IPO investments made since the last announcement on 7 September 2007 are as follows:

- a £3.75m subscription for ordinary shares in Cadogan Petroleum Plc (“Cadogan Petroleum”);
- a £3m subscription of ordinary shares in China Molybdenum Limited (“China Molybdenum”);
- a £1m subscription for ordinary shares in Sumatra Copper & Gold Limited (“Sumatra Copper & Gold”);
- a US\$1m subscription for ordinary shares in CDR Minerals Inc. (“CDR Minerals”);
- a Cdn\$4m subscription for ordinary shares in Royal Nickel Corporation (“Royal Nickel”);
- a Cdn\$2.025m subscription for ordinary shares in MinCore Inc. (“MinCore”);

- a £1m subscription for ordinary shares in Iofina plc (“Iofina”); and
- a US\$5m subscription for convertible loan notes in Panceltica Limited (“Panceltica”).

Cadogan Petroleum is an oil and gas exploration and development company focused on the Ukraine.

China Molybdenum was formed in 2005 to acquire several mining assets with an estimated value of £265m representing abundant molybdenum and nickel mining production opportunities in Zhangjiajie City, Hunan Province China.

Sumatra Copper & Gold controls nearly 18,000 sq km of land on the island of Sumatra, Indonesia with advanced resources of gold, silver and copper.

CDR Minerals is an early stage nickel and copper play in Quebec and copper and cobalt play in Zambia.

Royal Nickel owns what is thought to be one of the largest single nickel deposits in the world and has already attracted the attention of major mining companies.

MinCore has large deposits in Central America – a molybdenum deposit in Venado and a second mineral deposit of Cu-Mo in Pico Prieto.

# Investment Manager's Report

continued

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Iofina has more than 30,000 acres of prospective acreage in northern Montana, which should enable the company to become one of the leading iodine producers in the USA within 5 years.

Panceltica is a privately owned specialist construction company based in Qatar, which uses a proprietary steel structure framework system which enables rapid construction of steel-framed tower buildings.

The Company understands that each of these eight companies is planning to float or gain a secondary listing within the next 12 months.

## **Investment Structuring-Down-Round Protection and Investment Size**

In structuring investments we have been very aware of the difficult stock market conditions affecting smaller companies prevailing since we began investing. For this reason we have given strong emphasis to protections as a condition of our investment, principally by investing in convertible loans whose pricing is at a pre-set discount to the IPO price, often with a ratchet to increase the discount if the IPO is delayed. In some cases we have also obtained fuller down-round protections.

In others, particularly where the pre-IPO placing is in strong demand we have not obtained such protections, but we believed in those cases that a successful IPO at a substantial uplift was a highly likely event.

In general we have also sought to ensure that our size of investment was tailored to the size of the company in which we invested, the size of the pre-IPO placing and the likely size of the IPO.

## **Hedge Funds**

Our strategy has been to hold a large proportion of the Company's assets not yet committed to pre-IPO investments in hedge funds. The aim was to enhance return and avoid cash drag. However, as a result of turbulent markets in August and underperformance from equity market neutral funds, the funds have performed below expectations and during the period generated a small loss. Since the period end performance has improved and over the entire period we now have a small profit from these holdings. As the portfolio of pre-IPO investments has grown we have reduced our holdings of hedge funds.

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## **Pre IPO to IPO – Investment Progress**

We are pleased to report a number of positive developments in our portfolio which have occurred in recent weeks:

- Buried Hill, an oil and gas company in which we invested \$3.6m, has successfully acquired its licences in Turkmenistan. It was a condition of part of our investment becoming firm that such licences were granted. We understand that Buried Hill's shares are trading at a substantial premium to our purchase price on an over the counter market;
- Petaquilla Copper, in which we invested Cdn\$8.0m at Cdn\$2.00/unit, has just announced a private placement at Cdn\$3.50/unit of up to 14.5m units raising up to Cdn\$50.75m; and
- River Diamonds, in which we have invested £500,000 at 1.35 pence/share, has announced that it is acquiring the balance of the Emperor Gold Mine in Fiji it did not own, is issuing shares to the vendors in part consideration and has agreed a conditional placing at 6 pence/share to raise £4.25m.

## **Further Investments**

We are at an advanced stage with a number of other investments.

## **Tim Childs**

St Peter Port Investment Management Limited

19 December 2007

# Independent Review Report to St Peter Port Capital Limited

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## **Introduction**

We have been engaged by the company to review the financial information for the period ended 30 September 2007, which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## **Directors' responsibilities**

The financial information is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM rules for companies.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued

by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the period ended 30 September 2007.

## **PricewaterhouseCoopers CI LLP**

Chartered Accountants

19 December 2007

# Interim Income Statement

for the period ended 30 September 2007

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	Note	Total 30 Sept 2007 £'000
Revenue		11
Operating expenses		(586)
<b>Operating loss</b>		<b>(575)</b>
Finance income		594
Finance costs		(3)
<b>Profit for the period</b>		<b>16</b>
<b>Attributable to:</b>		
Equity holders of the Company		16
Earnings per share for profit attributable to the equity holders of the Company (pence per share)	3	0.02

This interim financial information is unaudited and is not the Company's statutory financial statements.

The notes on pages 13 to 16 form an integral part of these financial statements.

# Interim Balance Sheet

as at 30 September 2007

	Note	30 Sept 2007 £'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets at fair value through profit or loss		34,496
<b>Total non-current assets</b>		<b>34,496</b>
<b>Current assets</b>		
Financial assets at fair value through profit or loss		32,004
Trade and other receivables	4	225
Cash and cash equivalents	5	6,691
<b>Total current assets</b>		<b>38,920</b>
<b>Total assets</b>		<b>73,416</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital		–
Share premium		–
Special reserve		75,000
Other reserves		(1,852)
Retained earnings		16
<b>Total Equity</b>		<b>73,164</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	6	252
<b>Total current liabilities</b>		<b>252</b>
<b>Total liabilities</b>		<b>252</b>
<b>Total equity and liabilities</b>		<b>73,416</b>
Net asset value per share (pence per share)	9	97.55

This interim financial information is unaudited and is not the Company's statutory financial statements.

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# Interim Statement of Changes in Equity

for the period ended 30 September 2007

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	Share Capital £'000	Special Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Initial set-up costs	–	–	(1,852)	–	(1,852)
Net loss recognised directly in equity	–	–	(1,852)	–	(1,852)
Profit for the period	–	–	–	16	16
<b>Total recognised profit for the period to 30 September 2007</b>	–	–	(1,852)	16	(1,836)
Proceeds from shares issued	–	75,000	–	–	75,000
<b>Balance at 30 September 2007</b>	–	75,000	(1,852)	16	73,164

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# Interim Cash Flow Statement

for the period ended 30 September 2007

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	£'000
<b>Cash flows from operating activities</b>	
Continuing operations	(26)
<b>Net cash used in operating activities</b>	<b>(26)</b>
<b>Cash flows from investing activities</b>	
Purchase of investments	(66,431)
<b>Net cash used in investing activities</b>	<b>(66,431)</b>
<b>Cash flows from financing activities</b>	
Issue of shares	75,000
Initial costs taken directly to reserves	(1,852)
<b>Net cash generated from financing activities</b>	<b>73,148</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,691</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>–</b>
<b>Cash and cash equivalents at end of period</b>	<b>6,691</b>

This interim financial information is unaudited and is not the Company's statutory financial statements.

The notes on pages 13 to 16 form an integral part of these financial statements.

# Notes to the Interim Results

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## 1. GENERAL INFORMATION

St Peter Port Capital Limited (the "Company") is a Guernsey registered, closed ended investment company. The Company has been established with the aim of generating value for Shareholders by investing in growth companies, which are seeking to achieve an initial public offering ("IPO") within a reasonably short time horizon. Investments will be made across a broad range of sectors and geography.

The Company's website is [www.stpeterportcapital.gg](http://www.stpeterportcapital.gg).

The Company is listed on the AIM Market of the London Stock Exchange.

This interim financial information is unaudited and is not the Company's statutory financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This interim financial information for the period ended 30 September 2007 has been prepared in accordance with Rule 18 of the AIM listing requirements. As this is the Company's first reporting period, no comparative figures have been disclosed. These interim financial statements have been prepared using the following principles and policies.

### 2.1 ACCOUNTING POLICIES

#### a) Income

Investment income is recognised on a time apportioned basis using the effective interest method.

Interest income on bank balances is accrued for on a day to day basis.

#### b) Running costs and expenses

The Company will bear all fees and out of pocket expenses properly incurred by the Investment Manager, the Administrator and the Registrar. In addition, it will meet all of its own costs and expenses, including aborted transaction fees, the remuneration of those Directors for whom fees are payable and their expenses and the costs of all employees, advisers and consultants acting in the performance of the Company's business, commissions, banking fees, legal expenses, insurance costs, regulatory fees, acquisition and disposal fees, auditors' fees, listing costs and the costs of distribution of reports and accounts and other documentation to shareholders.

#### c) Valuation of investments

The Company classifies its investments at fair value through profit or loss. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value.

# Notes to the Interim Results

continued

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## 2.1 ACCOUNTING POLICIES *continued*

### **c) Valuation of investments** *continued*

The Investment Manager's assessment of fair value is determined in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines. It is the opinion of the Investment Manager, that the IPEVC valuation methodology used in deriving a fair value is not materially different from the fair value requirements of IAS 39.

Investments are initially measured at cost. A summary of the more relevant aspects of IPEVC Valuations is set out below:

*Marketable (Listed) Securities* – Where an active market exists for the security, the value is stated at the bid price on the last trading day in the period. Marketability discounts should generally not be applied unless there is some contractual, governmental or other legally enforceable restriction preventing realisation at the reporting date.

*Unlisted Investments* – are carried at such fair value as the Investment Manager considers appropriate given the performance of each Investee Company and after taking account of the effect of dilution, the exercise of ratchets, options or other incentive schemes.

Where the investment being valued was made recently, its cost may provide an indication of fair value.

Methodologies used in arriving at the fair value include prices of recent investment, earnings multiples, net assets, discounted cash flows analysis and industry valuation benchmarks.

Investment income is recognised as a separate line item in the Income Statement in the period in which a realisation of the underlying investment occurs.

Notwithstanding the above, the variety of valuation basis adopted and quality of management information provided by the underlying Investee Company means there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of these investments will differ from the values reflected in these interim financial statements and the difference may be significant.

### **d) Taxation**

The Company has been granted exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989, and is therefore subject to the payment of an annual fee which is currently £600.

### **e) Foreign currency translation**

#### **(i) Functional and reporting currency**

The functional currency of the Company is Pounds Sterling as substantially all expenses relating to the investments are made in Pounds Sterling.

The reporting currency of the Company for accounting purposes is also Pounds Sterling.

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## 2.1 ACCOUNTING POLICIES *continued*

### (ii) Transactions and balances

Foreign currency balances are translated into Pounds Sterling at the rate of exchange ruling on the last day of the Company's financial period. Foreign currency transactions are translated at the rate of exchange ruling on the date of transaction. Gains and losses arising on currency translation are included in the Income Statement as net changes in fair value of financial assets and liabilities at fair value through profit and loss.

## 3. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per share is based on the net profit from continuing operations for the period and on 75,000,000 shares being the weighted average number of shares in issue during the period. There is no difference between basic earnings per share and diluted earnings per share.

## 4. TRADE AND OTHER RECEIVABLES

	30 Sept 2007 £'000
Debtors	195
Prepayments	30
	<hr/> 225

## 5. CASH AND CASH EQUIVALENTS

	30 Sept 2007 £'000
	<hr/> 6,691

The cash equivalent investments are considered to be highly liquid, so that book cost is considered equivalent to book value. The weighted average interest rate on cash balances at 30 September was 5.76%. The Company has no material interest bearing liabilities.

## 6. TRADE AND OTHER PAYABLES

	30 Sept 2007 £'000
Directors fees payable	20
Audit fee payable	17
Sundry creditors	215
	<hr/> 252

# Notes to the Interim Results

continued

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## 7. SHARE CAPITAL

30 Sept 2007  
£

### Founder Shares

10,000 Founder Shares of £0.01 each authorised issued and fully paid 100

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### Ordinary Shares

There are an unlimited number of ordinary shares of nil par value authorised. At the balance sheet date 75,000,000 have been issued and fully paid.

The Ordinary Shares do not carry any right to fixed income.

## 8. SHARE PREMIUM AND SPECIAL RESERVE

30 Sept 2007  
£'000

Share premium	–
Special reserve	75,000
	<hr/> 75,000

On Friday 13 April 2007 the Royal Court of Guernsey approved the reduction of capital by way of a cancellation of the Company's share premium account. The amount cancelled has been credited as a distributable reserve established in the Company's books of account. This shall be available as distributable profits to be used for all purposes permitted under Guernsey Company Law including the buy back of shares and the payment of dividends.

## 9. NET ASSET VALUE PER SHARE

30 Sept 2007  
£'000

Net Asset Value	73,164
Average number of Ordinary Shares in issue	75,000
Net Asset Value per Ordinary Share (pence per share)	97.55

The Net Asset Value per Ordinary Share is based on the Net Asset Value at the Balance Sheet date and on 75,000,000 Ordinary Shares being the average number of shares in issue during the year to date.

## 10. POST BALANCE SHEET EVENTS

On 18 October 2007, the Company's investment into pre-IPO companies passed the hurdle at which management fees become payable at 2 per cent per annum. The Investment Manager's report details investments made after the balance sheet date.

# Officers and Professional Advisers

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## Directors

Arthur Leonard Robert Morton (Chairman)  
Simon Charles Bourge (Director)  
Timothy Erling Childs (Director)  
Peter Francis Griffin (Director)  
Graham Barry Shore (Director)

## Administrator and Secretary

Fortis Fund Services (Guernsey) Limited  
P O Box 119  
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## Investment Manager

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Guernsey GY1 3HB

## Nominated Adviser

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## Registrar

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