Issue 160 March 2012

Red Hot Penny Shares®

Where to find the big profits in the UK's most exciting share market

Tom Bulford, Editor

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Thursday
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The $100,000 mining secret that could make you 167%

What if I told you that, pound for pound, one of the most expensive parts of a mining operation are the tyres on the truck?

It seems incredible. But our insatiable demand for commodities has actually tripled the price of mining tyres in recent years. Prices for tyres about 3.5 meters across, the kind used on the Caterpillar Inc. trucks that haul iron ore and coal, have touched $100,000 on the spot market, according to Leighton Holdings.

That's more expensive than a Porsche 911 Carrera. It's also more expensive than the typical annual salary of the man who drives the truck.

But this is the price that the world's biggest mining companies have been happy to shell out so that their monster trucks can continue to haul ore from the depths of huge open pit mines. With hundreds of thousands of dollars-worth of ore being brought to the surface every day, any delay is seriously expensive. So miners have been happy to pay vast sums for tyres – but they have also realised that each tyre is a valuable asset that needs to be monitored and managed.

But there have been remarkable advances made in tyre technology in recent years. Today sensors placed within the tyres can read their condition and, by sending wireless messages, alert operators to changes of temperature or pressure. That can save mining accidents and keep those trucks moving. And this opens up a strange and very lucrative opportunity that very few mining investors know about.

The year this obscure mining stock comes of age

In fact these tyre sensors are just one of the products that could finally transform the fortunes of a penny share company that has long promised but is yet to deliver. This is **Transense Technologies.**

Some years ago I visited the Transense office on a former US air base in the Oxfordshire countryside. To be honest, I was not impressed. In the car park of this loss-making business was the Chairman's large Bentley, and when one of his minions attempted to demonstrate the key product, a tyre pressure sensor for passenger cars, it did not work.

But when I went back earlier this year the former Chairman and his Bentley had moved on, that passenger car tyre sensor was no longer key to Transense's fortunes and the new Chief Executive, Graham Storey, told me that 'this will be our year'. I think he could be right, and this is due not only to the requirements of the mining industry but to another business opportunity that Transense is perfectly equipped to satisfy. With a target of 20p, I think we could see an 167% return on our investment here.

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Transense is operating in a $85.5bn market

There are 430,000 electricity substations in the UK, and these have a nasty habit of exploding from time to time with potentially fatal consequences. Earlier this year two men died in a Nottinghamshire colliery as a result of a substation fire, so today's method of monitoring the condition of these substations is evidently less than perfect.

Transense believes that it has the answer and in January it announced that it has started to ship volume production quantities of a wireless temperature monitoring system designed for substations. The system involves placing sensors within the substations, where they monitor conditions and then relay data through existing networks to a control room.

Industry experts estimate the market opportunity for sensors in Smart Grid applications, of which substations are just one element, will reach $85.5bn by 2014 – a huge market.

Transense is building up a network of distributors, including one signed last week to cover south-east USA. The company has high hopes for this product, which has one great advantage: the sensors do not require any power...

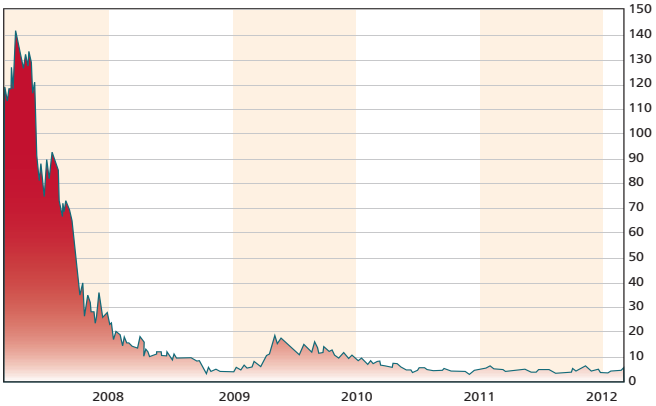
Here's how it works

Transense's key patent-protected product is a Surface Acoustic Wave sensor, a small circular device about the size of a watch battery. Surface Acoustic Waves were first explained by Lord Rayleigh back in 1885. In essence, an acoustic wave travels outwards from the centre of the surface of the sensor, like the concentric ripples caused by a pebble dropped into a pond. Changes in the properties of the sensor will alter the progression of these acoustic waves, and these can be read and analysed to understand the condition of the sensor and its immediate environment.

Transense's original idea was to use these sensors to measure tyre pressure. Already there are numerous sensors within today's cars but these are wired up. The advantage of Surface Acoustic Wave (SAW) sensors is that they need no power supply, either wired or from a battery. This makes them especially suited to moving parts. Wheels are one obvious target. While hopes of conquering the passenger car market foundered in a joint venture with Michelin, Transense is now supplying the motor sport sector and is now turning its attention to the off-road market, notably those monster mining trucks.

Last year a successful trial was conducted by Otraco South America on three Caterpillar trucks at the BHP Billiton Cerro Colorado copper mine in Chile. Based on information provided by the sensors the system supplies live data that allows mine operators to continuously monitor the condition and performance of the tyres and, according to Otraco's Pedro Pacheco, the trial has 'demonstrated that real-time monitoring of the pressure and temperature variables of the tyres is fundamental in

TRANSENSE: SHARE PRICE



Performance since listed (2007) 2007 -70.51% | 2008 -85.45% | 2009 +125% | 2010 -43.06% | 2011 -26.83% | 2012 +100%

TRANSENSE: THE FACTS

Year to end December	Revenue £m	Pre-tax profit £m	Earnings Pence	P/e	Yield (%)
2009A	0.6	-1.5	-1.9	0.0	0.0%
2010A	0.7	-1.5	-1.1	0.0	0.0%
2011E	NA	NA	NA	0.0	0.0%
2012E	NA	NA	NA	0.0	0.0%

Source: DigitalLook, RHPS

- Latest Bid/Mid/Offer: 7, 7.5, 8
- Bid Break Even: 13%
- Shares in Issue (m): 177
- NAV(p): 2.4
- Epic code: TRT
- Website: www.transense.co.uk
- Normal Market Size: 6,500
- Limit Buy Price: 8
- 12-month Price Target: 20
- Market Cap (£m): 13.3
- Price/NAV: 0.0
- Market: AIM
- Risk Rating: High
- 52 week High/Low: 8p-3.38p

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improving tyre life. And also that it allows more rapid and correct decisions to be made in relation to tyre maintenance'.

With this endorsement Transense is confident of commercial sales for the product that it calls iTrack. With tyres now so expensive and a supply shortage forcing miners to order tyres three years in advance Otraco South America 'believes that the potential cost savings achieved remotely monitoring and managing mining tyres will make the system extremely attractive'. The global truck population of the type used in this trial is forecast to rise from 2010's 27,500 to 38,000 by 2015 so the potential market for iTrack is large and growing.

The iProbe system could prove a big winner

Selling sensors and associated systems for substations and off-road vehicles both hold the promise of substantial revenues. So does a third initiative. As I said, SAW sensors are especially suited to moving parts. Aside from wheels, a part of the car that is in continuous motion is the drive shaft and manufacturers would like to be able to accurately measure torque, the force that is turning the shaft. That would enable the driver to change gear at exactly the right moment, producing a smoother ride and saving fuel. Today, manufacturers rely on simulated models derived from production engine testing but over time these can differ from the actual engine torque. By using its SAW sensors Transense believes that it can provide a much more accurate measurement, and this technology is now being trialled by General Motors and by a consortium looking to improve the reliability of wind turbines.

While Transense is working on these three major market opportunities, it is also keen to secure some immediate income and for this it is selling a tyre inspection tool called the iProbe. This hand-held cylindrical device will identify the tyre, measure its pressure and tread depth and transmit this vital information to a control station. It claims to reduce vehicle inspection times by up to 60% and reduce data errors to zero,

Thanks to a six-fold rise in the price of rubber over the last decade, tyres have been becoming ever more expensive. That has highlighted the need to maintain them in good condition and Transense has recently signed supply deals for the iProbe, the first with Bridgestone Brazil and the second with EDP which will use them to check Michelin tyres in Europe.

A few risks to consider

So Transense has several irons in the fire. While a decision by GM to adopt SAW sensors for torque applications would be a game changer for Transense, it is not in control of this timetable and GM will not be rushed. So under Storey's guidance Transense has been looking for more immediate revenue. The iProbe tyre inspection system and the IntelliSAW system for monitoring substations are both now selling, while the iTrack remote monitoring system has passed its critical trial and could soon take its first commercial order.

For sure there are risks here. In the absence of any financial forecasts it is hard to know how much Transense could make from these ventures. It faces possible competition and GM could pull the plug on the torque sensor project. Transense raised £1.3m in December but may yet have to come back to the market for more funding. So this is a gamble. I would rate this a High Risk stock. But still Transense is tackling some potentially large markets with innovative products and it would not have to do much to more than justify its £13m stock market valuation.

Red Hot Verdict: Transense has flattered to deceive in the past, and the share price has fallen back from over £1 in 2007 to just 7.5p today. Now under new management and with a focus on near-term revenue generation the business is having a fresh start and there are already some promising signs. With a target price of 20p, a high risk **BUY UP TO 8p**.

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You read it in Red Hot Penny Shares first!

Dear Reader,

When I'm looking for great new penny share ideas I use a number of sources. Of course I read a lot. I look at every company announcement as they emerge each morning at 7.00am on www.investegate.com (it's free – try it!).

But most important of all, I like to go and meet company bigwigs. That way I can see the whites of their eyes and ask them the crucial questions. So if I unearth a company that has the qualities I'm looking for, I pick up the phone and arrange a meeting.

And to be truthful, very few people ever say no! Smart directors of small companies generally feel that their businesses are overlooked and misunderstood. They like nothing better than to present the case to a small cap enthusiast like me.

It is a busy life. And I gather so much material each week, it's far more than I can possible research and publish in *Red Hot Penny Shares*. That's one reason why I launched my free *Penny Sleuth* email. It gives me the chance to pass on some early stage ideas that look interesting, rather than it just going to waste. I know *Penny Sleuth* readers love to take these ideas and do their own research and that's great.

And it does take a huge amount of research to find the right penny shares. I was struck by that again this week while listening to a friend of mine...

Why blind loyalty can lead to investment disaster

Just this Thursday at the Nineteenth hole, I stood chatting with a few friends of mine about investment. One of the guys, Bill, told me that he had learned a hard lesson. *'I invested in BMC,'* he told me with a shake of the head. *'I held on to them… until they became worthless.'*

BMC, you may recall, stands for British Motor Corporation. It was formed by the merger of Morris and Austin in 1952 and eventually became part of British Leyland in 1968. I think I know exactly why Bill invested in BMC.

Bill lived in Oxford and BMC was the local employer. He was familiar with the company. And he also knew that every adult in the country wanted to drive a car and was a potential customer. But it didn't work out. The British motor industry was gradually run down through a combination of its own failings and foreign competition. Eventually, the value of Bill's shares dwindled sway to nothing.

And there's an important lesson here. Although I preach the merits of long-term investment, I don't set any store by blind loyalty. In my view, too many investors try to minimise the risk by siding with the familiar. They buy into Tesco or Shell or Royal Bank of Scotland, saying *'these companies have been around all my lifetime… they must be pretty safe.'* As a result, like Bill, they often find that they are investing in companies that are past their peak. They are locked in fierce competition and are struggling to grow and prosper.

Two pioneering penny shares that could bring big rewards

The way I see it, penny share investing is all about taking a view of the future. This takes a bit of courage. It also takes a hell of a lot of work as we try to understand new technologies and new business trends. In my search for candidates for the Red Hot portfolio, I'm looking for companies that are doing something fresh, that are trying to exploit new ideas and shape their own future. You only have to look at US giant Apple – the shares of which have gone from $10 to $540 in the last ten years; or Gulf Keystone – 5p to 350p – to see the sort of rewards that favour the brave.

So this month, while Bill and his ilk have been complaining about low building society interest rates, I've been out and about looking for the business trends of tomorrow. I want to tell you about them in this issue.

As you'll read, Surface Wave Acoustic wireless sensors could have widespread applications in tomorrow's connected world. And baseball, for long the preserve of the USA, is driving to become a global sport. I've found two companies ready to exploit these themes. As the world changes and new phenomena rise to the attention of the wider public, I want you to be able to say 'I read it in Red Hot Penny Shares first'! So enjoy the issue. Do let me know what you think by emailing me at rhps@moneyweek.com

Best wishes,

Tom Bulford, *Red Hot Penny Shares*

How you could make 127% in the global Baseball blitz

Mario Balotelli makes close to £200,000 per week and a recent indoor fireworks display at his mansion nearly burned it to the ground. Carlos Tevez makes £250,000 and he's spent the last few months sulking on an Argentinian beach because his manager was mean to him. And Samuel Eto'o abruptly ended his career at the very top of world football to absorb the local culture and collect £350,000 a week at oil-rich FC Anzhi Makhachkala.

A lot people rail against Premiership footballers. They complain that these people don't deserve even half the money that they are paid. But to me, football is just one big free market. Millions of people around the world pay to watch it. Nobody forces them to do so. If they don't like it they can cancel their season ticket or turn off the telly. Inevitably much of the money ends up in the back pocket of the star players. A fair amount too ends up in the bank accounts of their agents.

In the 2010/11 season 13.4m people went through the turnstiles. The revenue of the English Premier League topped £2bn, of which £1.4bn was paid out to the players. I am sure that you would like a share of that...

Well, today I am going to tell you how you can get a share of something that is even bigger. This is a sport that draws crowds not of 13.4m but of 73m. At $7bn its gross revenues are double those of Premiership football. Furthermore, unlike the impression that you may have of the Premiership, this sport is very tightly run with high standards demanded of all participants – including the agents.

Recession proof and highly lucrative

This is Major League Baseball. That there is a big appetite for baseball is revealed by one remarkable statistic. Each team in the Major League Baseball plays 162 games. Given that the season runs from April to September that does not leave many off days.

There are 30 teams in Major League Baseball, each with 25 players. The richest, the New York Yankees, has a wage bill of over $200m, equivalent to $6.7m per player, while scraping the barrel are the paupers of the Kansas City Royals who have to get by on $1.4m per year. The average is about $3.3m. Each of these players has an agent, who will negotiate his contract and try to exploit his earnings potential through endorsements and much else.

Like sport generally, Major League Baseball is recession proof and is highly lucrative for players and promoters alike. What is more, it is gradually taking its place amongst the elite sports that command a global audience. Baseball is popular in Asia and Latin America and thanks to the creation of a penny share company called **TLA Worldwide**, which came on to the Alternative Investment Market in November, we have a chance to claim our share of the highly attractive business of baseball. This is a share that I believe could easily double over the next two years, and if things go especially well it could even treble.

Let me tell you a little more about it.

The global sport market is shifting East

Sport is big business. According to a report by PwC the global sports market is growing by 3.7% per year and will be worth $145.3bn by 2015. Driving this growth is a rebound in TV advertising, the ongoing migration of sports to pay TV, and a return to sponsorship by the big spenders in financial services and auto industry. North America is the largest market but emerging markets such as Brazil, Russia, India and China are closing the gap, hosting large sporting events such as the FIFA World Cup in Brazil in 2014.

According to Julie Clark, head of PwC UK sports practice: "the balance of global economic power is shifting to the East and sports are seeking new revenues from the growing middle classes in the

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emerging nations... Despite the troubling economic climate, the sports industry has continued to thrive with many major sporting events proving to be more popular than ever. This popularity is supported by improvements in broadcasting and technology which is allowing better quality coverage than seen before. At the same time, television companies, sports clubs, governing bodies and even the sports stars themselves, are embracing social media to engage with fans and deliver a greater intensity of experience."

This ideal partnership could carve up the industry

It is against this strong industry background that TLA Worldwide has been created to bring together LS Legacy Sports Group and The Agency Sports Management. The two make an ideal combination. While LS Legacy represents players in contract negotiations with the clubs, The Agency focusses on exploiting their brand potential. In their own right these two businesses are already highly successful. But, with the chance to cross-sell services, they should become even more so.

With its headquarters in Southern California LS Legacy Sports Group represents around 100 baseball players, covering both Major League stars and also up-and-coming players in the minor leagues. Its clients include CC Sabathia and Carl Crawford, for whom it negotiated two of the largest deals ever seen in the sport – for the former a $122m five year contract with the New York Yankees, and for the latter a seven-year deal with the Boston Red Sox worth $142m.

In total, Legacy negotiated salary deals worth $321m in the 2010/11 season and has by far the biggest growth rate of any of the bigger agencies.

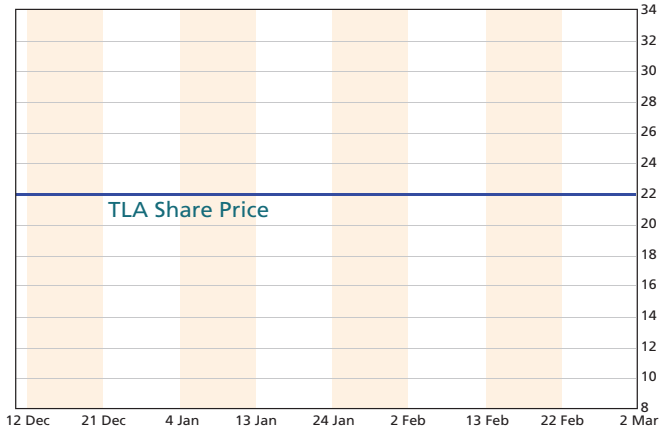
The Agency Sports Management has its headquarters in New York and has 110 clients not only from the world of baseball but also from golf, American football and that most competitive of sports... cooking (it represents some celebrity chefs). It also has a strong practice providing coaches for college sports, a good opportunity for sports stars once their playing days are over.

The focus of the combined business will be on baseball. Like other major US sports – ice hockey, basketball, American football, golf – it is tightly controlled by its governing body. Despite the fact that, unlike other sports, baseball has no salary cap or fee cap for agents the percentage of revenues that end up in the players' pockets is just 41%, compared to over 60% in the Premier League. This leaves plenty left over to promote the baseball.

Already the sport has shown steady growth. The past decade has seen the revenues of Major League Baseball grow by 9% per year, despite which the average player's salary has increased at just 6% per year – the opposite of what one might expect.

The agency market is fragmented. There are about 70 representation groups with none having a

TLA WORLDWIDE: SHARE PRICE



Performance since listed (Dec 11) 2011 0% | 2012 0%

TLA WORLDWIDE: THE FACTS

Year to end December	Revenue £m	Pre-tax profit $m	Earnings Pence	P/e	Yield (%)
2010A	NA	NA	NA	NA	NA
2011E	13.6	5.5	2.1	10.5	0.0
2012E	14.9	6.6	2.5	8.8	2.7
2013E	16.4	7.7	3.0	7.3	3.6

Source: Cenkos, RHPS

- Latest Bid/Mid/Offer: 20, 22, 24
- Bid Break Even: 18%
- Shares in Issue (m): 64
- NAV(p): NA
- Epic code: TLA
- Website: www.tlaww-plc.com
- Normal Market Size: 6,000
- Limit Buy Price: 25
- 12-month Price Target: 50
- Market Cap (£m): 14.0
- Price/NAV: NA
- Market: AIM
- Risk Rating: Medium
- 52 week High/Low: 22p-21p
- since listed 8/12/2011

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market share above 7%. The agents will typically spot a player early in his career, looking to make big money when as a proven star he is able to sign major long-term contracts. The agent's fee will typically be 4%-5% and given that he will receive this over the life of the player's contract this gives the agent good visibility of earnings over the medium term.

Once signed, the fees accrue to the agency and not to the agent himself, limiting the threat of the latter departing and taking his clients with him. Any disputes are arbitrated by the Major League Baseball Players Association.

So the business of LS Legacy Sports depends upon its ability to spot talent, its negotiating skills and the growth of players' salaries. The Agency Sports Management is a little different. On behalf of its clients it will arrange such money-spinners as image rights, endorsements, personal appearances, product licensing and books for which it can earn a fee of up to 20%. It also advises big corporates such as Mastercard on the optimum use of their marketing dollars and derives about 15%-20% of its income from this source.

TLA is already pulling in serious earnings

Sport generally, including baseball, has proven very resilient whatever the economic climate and both Legacy and The Agency have strong earnings visibility based on existing client relationships. Based on this, broker Cenkos forecasts a profit (before interest, depreciation and tax) of $7.1m in 2012 followed by $8.1m in 2013, which would deliver earnings per share of 2.5p and 3p respectively. On that basis, the shares, at 22p, would trade at under 10 times earnings, in addition to which TLA intends to pay a dividend.

But there are good reasons to think that the combined group could do better than this. TLA's increased scale in the market could help it to attract new clients. There are obvious opportunities for cross-selling of services. The Group may be able to strike deals with smaller less experienced agents, handling negotiations on their behalf in return for a split of fees. TLA has ambitions to create its own events and sees an opportunity to enter in-stadia advertising. And finally there is the steady increase in baseball's international appeal. With 28% of Major League Baseball players born outside the United States there is already plenty of interest from overseas and events such as the World Baseball Classic, the sport's World Cup for which 28 nations compete, are further pushing the global appeal of the sport.

A few risks to consider

This looks like a relatively medium risk investment with plenty of potential for positive surprises. But of course there are some risks. The sport could introduce a cap on players' salaries or agent fees. The group could fail to replenish the vital pool of talent that generates all the fees. And the challenge of successfully integrating two 'people businesses' based on either side of the USA is not to be underestimated.

But our starting point is a group that does not look expensive on the basis of its existing profitability. Based on this, and upon the valuation placed on this type of business by industry deals – 2009's $50m acquisition of Essentially by Chime Communications for example – broker Cenkos believes that TLA could be worth £43m in two years time. But it also calculates that the initiatives described above could add 35% to EBITDA, taking it to $10.9m, and permitting a faster payback of the debt that has been taken on to finance this deal. That would give an equity value in two years time of c.£64m – representing 357% upside from today's valuation. And yet the share price has hardly budged since listing.

Red Hot Verdict: The fact that TLA Worldwide has been able to borrow money at the attractively low rate of 5% to finance this deal is evidence that financiers see it as a low-risk business with good predictable revenues. And yet there could be some real upside here if the merger can add value. With a target price of 50p, BUY UP TO 25p.

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AVANTI's second satellite could send it to 481%

This is an exciting time for Avanti. Its second satellite, the HYLAS 2, is scheduled for launch from the Guiana Space Centre in July of this year. This will radically improve Avanti's capacity to transmit data around the world.

Last year's 'Satellite Transponders – Global Strategic Business Report' spelled out the need for satellite capacity: 'The growing popularity of satellite TVs, the introduction of High Definition, direct radio, consumer broadband Internet services, data services and mobile telephony, government expenditure on positioning systems, military satellite navigation and space exploration... are all expected to contribute to the demand for satellite transponders.

'Developing regions including Latin America, Middle East, Africa and Asia-Pacific are cornering an increasingly large share of the global market. In the Middle East, transponder capacity is growing due to military requirements for effective communication, while in the Asia-Pacific region, DTH (Direct To Home) popularity is the main driving force. Despite enhanced compression technologies that allow for transmission of more content on each transponder... the broadband satellite market is likely to explode during the next five years.'

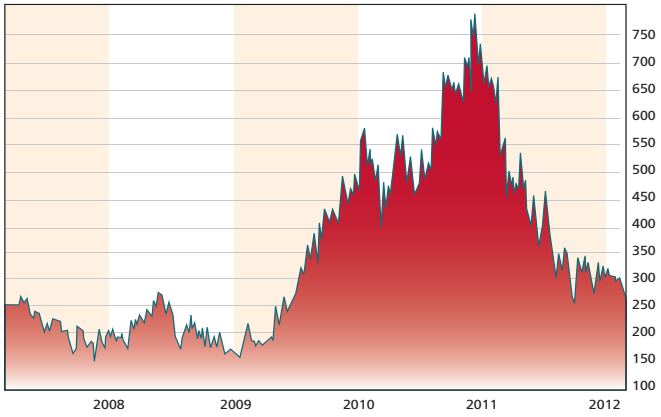
In short, the satellite market is a play on the explosion of digital data and on the rapid growth of emerging economies. Avanti's HYLAS 2, which will cover North Africa and the Middle East, will provide some of the essential transmission capacity.

Avanti is now an established satellite player

Since I first wrote about Avanti in March 2008 the story has evolved. Inevitably there have been some hiccoughs, such as the delayed launch of the first satellite HYLAS 1, but the essential business case has not really changed. There is undoubtedly demand for satellite transmission.

Supply is limited by the number of orbital slots, the time, complexity and cost of launching new satellites, and the conservative approach of satellite operators that were previously in government ownership. Avanti has seized the opportunity and should, within a few years, be a major business with a high stock market value. This is reflected in the forecasts of independent City research analysts who, most recently, have argued for share price targets of £9.03 (Equity Development) and £20.52 based on current shares issued (Daniel Stewart) – both well above the current price.

AVANTI: SHARE PRICE



Performance since listed (Apr 07) 2007 -19.42% | 2008 -18.46% | 2009 +182.39% | 2010 +51% | 2011 -57.23% | 2012 -14.43%

AVANTI: THE FACTS

Year to end June	Revenue £m	Pre-tax profit £m	Earnings Pence	P/e	Yield (%)
2010A	5.8	-2.0	-3.4	0.0	0.0
2011A	5.5	-12.7	-12.1	0.0	0.0
2012E	17.1	-12.2	-10.3	0.0	0.0
2013E	60.2	6.2	5.8	43.3	0.0

Source: Daniel Stewart, RHPS

- Latest Bid/Mid/Offer: 256, 258, 258
- Bid Break Even: 1%
- Shares in Issue (m): 112
- NAV(p): 249
- Epic code: AVN
- Website: www.avantiplc.com
- Normal Market Size: 800
- Limit Buy Price: 750
- 12-month Price Target: 1500
- Market Cap (£m): 288.2
- Price/NAV: 1.0
- Market: AIM
- Risk Rating: High
- 52 week High/Low: 523p-248.5p

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Avanti launched HYLAS 1 in November 2010, it will launch HYLAS 2 in July, and it recently announced that HYLAS 3 would be launched in 2015. The valuation of Avanti's shares depends upon a number of things: the cost of building, launching and running these satellites; the revenues that each satellite can deliver through sales of transmission capacity; the timing of costs and revenues; the method and terms of financing; and finally, the value that is placed today upon future profits.

Let me review the progress of the three satellites.

HYLAS 1 was launched in November 2010 and covers Europe. The launch was a success, HYLAS 1 has been performing well and Avanti is on track to sell out the 3GHz of capacity by April 2014, defying some critics who argued that it would not be able to compete effectively with the big incumbent satellite operator Eutelsat.

Eutelsat's Chief Executive believes that the European market is at least six times as large as the current combined capacity of both itself and Avanti. Eutelsat has the advantage of greater capacity, though Avanti's more advanced Ka-Band technology compensates somewhat for this. While attention has been focussed upon the delivery of broadband services to customers in remote locations, Avanti has also been developing other markets, for instance for corporate data, as an emergency backup to existing broadband networks, the mobile backhaul market and satellite distribution of films to cinemas.

New contracts and better contracts

The attractions of Avanti's services have been the subject of much debate, but we now have firm evidence. Avanti says that a full HYLAS 1 should generate approximately £50m in annual revenue when it reaches 'full saturation' at the end of the third year in service (i.e. by April 2014). This is in line with original budgets (when I first tipped Avanti in March 2008, I suggested that annual revenues would be £34m, based on prices being achieved at the time).

Thanks to contracts already in the bag, Avanti expects to achieve sales of £17m in its first full year of sales, to June 2012, with the possibility that this could be exceeded if other significant contracts are signed in time.

With £23m of new contract wins announced in the last two months for HYLAS 1 and HYLAS 2, sales momentum has been increasing and Avanti has reduced the length of time within which it expects to achieve full capacity utilization for HYLAS 2 from five years to four. Although the original five-year figure included some contingency, this is an expression of confidence.

With capacity of 8.3GHz, compared to the 3GHz of HYLAS 1, HYLAS 2 covers the Middle East and North Africa although it could also be used as an overflow capacity for HYLAS 1. Its steerable antenna is attracting attention from the military while HYLAS 2's qualities of resilience, encryption, security and quality are enabling it to sell on the basis of quality and technology features and benefits rather than just merely on price. Accordingly, Avanti is 'confident that our capacity can be filled at the expected prices'.

Avanti's cracking deal on its next satellite

Clearly, the forthcoming July launch of HYLAS 2 carries some level of risk, but all being well Avanti should soon have two operating satellites. A third, HYLAS 3, is now scheduled for launch in 2015. Originally Avanti had planned to launch a third large satellite financed by bank borrowings secured against advance sales. However, the tightening of lending criteria by the banks has made this option increasingly unattractive and so Avanti has jumped at the chance to pursue an alternative.

At the end of 2011, however, the opportunity arose for it to launch HYLAS 3 on board a new European Space Agency (ESA) satellite scheduled for 2015. The 4GHz capacity of this third satellite is less than the capacity that Avanti had originally envisaged for HYLAS 3, the launch will be later, and to secure this arrangement Avanti has had to raise £75m of cash through a share issue.

The deal is nonetheless very attractive to Avanti though. The sharing of costs with the ESA means that for each additional GHz of capacity Avanti will pay just £18.8m on HYLAS 3, compared to £41.1m

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for HYLAS 1 and £33.7m for HYLAS2. Besides that, the ESA is responsible for any cost overruns. As with HYLAS 2, HYLAS 3 will be aimed at emerging markets with a fully steerable cluster of beams that can be deployed anywhere in Africa or the Middle East.

How to price a space-age company

Assuming they all go successfully into operation, how much money might Avanti make from these three satellites?

At full capacity, which should be achieved by mid-2014, HYLAS 1 should be producing annual revenues of c.£50m. After deducting the operating and other costs, and the depreciation charge of c.£7.5m, HYLAS 1 should be generating a profit before interest and tax of c.£30m. This level of profitability is expected to stay fairly constant over HYLAS 1's expected life of 15 years and, discounting these future cash flows at a rate of 8.5% broker Daniel Stewart calculates a value today of £310m, which is worth c.278p per share.

On the same basis, Daniel Stewart values the larger HYLAS 2 at £684m, equivalent to 612p per share and HYLAS 3 at £551m, or 493p per share. That makes a total of £13.83p per share to which Daniel Stewart adds the discounted value of Avanti's projected 2031 cash balance of £784m – to arrive at a total of £20.17 per share.

Another calculation that we can make is of Avanti's net asset value, a figure that simply looks at Avanti's assets less liabilities today and ignores any future profits. At 30 September Avanti had net assets (excluding intangibles) of £195.2m, to which we can add the £75m raised in the recent share issue. Dividing the total of £270m by the 111.7m issued shares gives a number of c.242p per share, to which we can add the value of Avanti's orbital slots. That this space real estate has a value was demonstrated last October when Brazil held an auction of orbital slots and reportedly received a bid of $88.3m for a single slot.

So the share price looks very well supported by net assets while the future profit projections are, in my view, not especially risky. Satellites are built and launched under fixed price contracts, and operating costs thereafter are low and unlikely to be subject to significant change.

So the big swing factor is revenues. There is little risk that the sky will become oversupplied with satellites and despite some fantasies about other, wireless, means of transmitting data to remote locations there is unlikely to be a genuinely competing technology at least within the 15-year life of Avanti's satellites.

We also have some circumstantial evidence. HYLAS 2 was funded by the USA Export-Import Bank and the French agency Coface, two government bodies that are notoriously rigorous and cautious. Avanti's directors have been regular buyers of the shares and would hardly have done so if they had any serious doubts about the business. Paul Walsh, the Chief Executive of Diageo, has joined the Avanti Board. Avanti has stated its intention of moving from AIM to the Main List of the Stock Exchange. And in October Avanti's Chairman John Brackenbury, alluding to 'some short-term speculators who have attacked the share price' said:

"It is clear that Avanti owns scarce and valuable resources in one of the few lightly competed sub-sectors of the global telecoms industry which should see us create very significant value. I see great opportunity in emerging markets telecoms and our advantages in these markets are significant. I am grateful for the resolute support of our core long-term investors. Patience and confidence in the quite exceptional and unique advantages Avanti has will be rewarded. Our pipeline of new business gives us confidence in our ability to meet expectations."

RHPS Verdict: None of these statements and actions are consistent with a business that is failing to deliver. In my view, the case for Avanti is as strong as ever. I am looking forward to the launch of HYLAS 2 in July and to this time next year when Avanti should be earning good money from two operating satellites. My share price target remains £15, so BUY UP TO 750p.

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Ten shares you could add to your ISA before 6 April

The tax year ends on 6 April and you have until then to take advantage of your annual ISA allowance. ISA stands for Individual Savings Account and this gives you the chance to place some of your savings out of reach of the taxman once and for all. It is a chance that you should not pass up.

If you are a UK resident you can, in this tax year, invest £10,680 into an ISA. You can put up to half of this, £5,340 into a Cash ISA. You can put up to the whole amount of £10,680 into a Stocks and Shares ISA. Or you can do a mixture of both. If you are aged 16 or 17, you can have a Cash ISA with the same subscription limit of £5,340.

By making full use of your allowance each year you can, over time, build up a considerable sum in your ISA. Indeed, there are now a number of 'ISA millionaires' and this tax-free savings vehicle is the cornerstone of my own long-term investment strategy and should be of yours too.

Here's how it works for me…

You can hold unit trusts and other funds in your Stocks and Shares ISA and naturally, all of the big fund management groups will be cranking up their advertising in the remaining weeks of this tax year.

But for me the same principles apply to my ISA as to any other investment account. Hold shares directly. Do not invest in funds and thereby hand over 2% of your money per year in management fees. Your share broker, whether online or otherwise, will most likely offer an ISA account. They are easy to open and then you can operate them yourself, just as with any other self-operated investment portfolio. If you have questions about ISAs the best place to look is on MoneyWeek's site. Click here to jump to their articles on ISAs.

Unfortunately, most shares in the *Red Hot* portfolio cannot be held within your ISA. This is because they are traded on AIM and the government, in its wisdom, thinks that AIM shares are too risky for what are supposed to be long-term savings vehicles.

However there are a handful of companies that have their shares quoted on an 'approved overseas stock exchange' as well as a listing on AIM, in which case they are eligible for your ISA. Within the *Red Hot* portfolio today that applies to RED EMPEROR RESOURCES (RMP), RAMBLER METALS & MINING (RMM) and WILDHORSE ENERGY (WHE).

My ISA review for penny shares

However, since March 2009 I have been offering you a few other ideas for your ISA portfolio. What I look for is simply a great business, with a proven management team that has its eye to the long term. So long as those criteria apply then I see no reason to suggest a few other names for you to review. Just to be clear, I won't be regularly updating on the stocks in forthcoming issues of *Red Hot*. This is just a suggested list for you to undertake your own research.

As I commented in my last review in September, the list has a bias towards manufacturing but contrary to popular perception the UK has some great manufacturing companies and I do not see this as either a threat or a weakness. It has been my intention for some time to bring this list up to 10 names, so as well as the nine that I last reviewed in September I am adding a tenth, Domino Printing Sciences.

ANGLO PACIFIC (APF): Anglo Pacific receives royalties from the sale of coal from Queensland, which it has been gradually re-investing in the natural resources sector and returning to shareholders as dividends. Its low-risk approach provides finance to mining projects that are close to production, run by experienced operators and in countries of minimal political risk. In return, it typically receives

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royalties on production. Recent investments have been into a nickel project in Brazil; a chromite deposit in Canada; an iron ore project in Greenland; a coal property in British Columbia; and an iron ore project in Western Australia. Anglo Pacific has a debt-free balance sheet and it aims to increase the dividend payment by 7% per year.

DIALIGHT (DIA): Dialight is a leading supplier of LED lighting with a dominant position in obstruction lighting (putting warning lights atop telecom and wind turbine towers). It also has a strong position in industrial lighting. Kimberly-Clark has used Dialight's LED fixtures to cut energy consumption by 60% at a facility in Malaysia. Not only has Kimberley-Clark dramatically reduced its electricity costs but because the Dialight LEDs are expected to last for up to a decade without ever needing to change a bulb, maintenance costs will also be much lower. With this sort of payback industry is rapidly adopting LEDs and in 2011 Dialight more than doubled its revenues from industrial white lighting while revenue from obstruction lighting was up by more than 50%. Dialight has net cash of almost £14m on the balance sheet and is 'confident of a continued strong performance in 2012'.

DOMINO PRINTING SCIENCES (DNO): Domino is one of the three dominant providers of coding and marking solutions that allow so many products these days to display a bar code. The success of the business, which has been run by the same Chief Executive and Finance Director for the last 25 years, is best illustrated by the unbroken 33-year record of rising dividends. On top of this there is now some extra excitement resulting from last year's deal with TEN (The Egg Network) Media. Over 6bn eggs are produced in the USA every year and food safety legislation now demands that each individual egg is marked, allowing it to be traced all the way from the hen to the egg cup. Domino has a 15% stake in TEN, giving it the exclusive rights to build and supply coding and marking systems to TEN. Domino will now build and install up to 3,000 compliance and laser coding systems at 52 of the USA's egg producers. On top of this Domino is entitled to a royalty on coded eggs and a share in TEN's profits. This has the potential to become a big money-spinner, supplementing what is already a very attractive business.

IMAGINATION TECHNOLOGIES (IMG): Imagination Technologies designs system-on-chips which are then licensed to semi-conductor manufacturers and ultimately power electronic devices. Encompassing smartphones, mobile computing and ubiquitous connectivity, the market is growing rapidly and Imagination has been adding licensees. Imagination's revenues, profits and cash balance are now rising rapidly and the company now aims to have its designs used in 1bn chips within five years, a fourfold increase from today's position. Imagination now has 125 active partners, up from 98 a year earlier, and with a cash balance of £56m, is beginning to rise rapidly also.

OPTOS (OPTS): The attraction of Optos is its retinal screening device that enables ophthalmic professionals to view an ultra-wide image capturing 82% of the retina. Called an 'optomap' this can enable early detection and diagnosis of eye problems such as retinal detachment, glaucoma, cataracts, retinal holes/retinal tears and age-related macular degeneration. It can also indicate evidence of non-eye diseases such as diabetes, hypertension and certain cancers, many of which conditions can be seen in the periphery of the retina. Optos is in the midst of changing its business model and also introducing a new product range to the global market. Revenues grew by 20% in the latest quarter and Optos has high hopes for the imminent launch of its Daytona desk-top, plug and play, imaging device.

OXFORD INSTRUMENTS (OXIG): The share price has had a great run over the last two years as investors have responded to an improved operating performance and, recently, some take-over speculation. The first technology business to be spun out from Oxford University over 50 years ago, Oxford Instruments supplies high technology tools and systems for research and industry, designing and manufacturing equipment that can fabricate, analyse and manipulate matter at the atomic and molecular level. Oxford has used its strong balance sheet to make two recent acquisitions and in early January reported a strong order book. Over the years many of the UK's best manufacturing businesses have succumbed to a take-over and it would be no great surprise to see Oxford Instruments go the same way.

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PORVAIR (PRV): Porvair is a specialist in filtration materials, used to purify molten steel, air, gas and water. After going through a difficult time a few years ago Porvair has achieved steady growth and, crucially, has generated the cash to restore its balance sheet to good health. A 15-year, $25m contract to supply filters on the Boeing 787, and a $10-15m contract to supply char filtration equipment for POSCO's Gwangyang coal-to-substitute natural gas project in South Korea are good illustrations of Porvair's international reputation. Reporting annual results in January, Chief Executive Ben Stocks said that order books are at record levels, underlying demand is healthy and Porvair sees 'plenty of opportunity for 2012 and beyond'.

SDL (SDL): SDL enables global businesses to manage their online and offline content ensuring consistency, accuracy, and speed to market. An important element of this is translation into the local language. SDL is a global business with over 1,500 customers and offices in 38 countries. The company has grown both organically and through acquisitions funded out of a strong cash flow. The latest move was a £68m deal to buy Alterian, a specialist in marketing analytics, campaign management and social media. In January, SDL confirmed that 2011 had been another good year, and with the internet holding such a pivotal position for all global businesses, further growth is likely.

XAAR (XAR): Xaar is a world leader in the supply of industrial inkjet printheads. With inkjet printing gradually taking over from traditional printing methods, the industry is in a structural growth phase. Thanks to improvements in printhead technology manufacturers of ceramic tiles are now able to digitally print patterns on tiles and they are fast grasping this new opportunity. Xaar has successfully introduced a major increase in the capacity of its Huntingdon factory, while recent news that the entire staff of its representative office in China had resigned should not hamper supply to this market which is handled by an independent distributor. Trading for the final quarter of 2011 was 'slightly ahead of the Board's expectations' and as Xaar emerges from a phase of heavy investment, sales and profits are expected to accelerate in the coming years.

ZOTEFOAMS (ZTF): Zotefoams has developed a range of High Performance Polymer foams which are used in a wide range of markets including sports and leisure, packaging, transport, healthcare, toys, building, marine and the military. The properties of these high-performance foams such as strength, consistency, quality and purity can be controlled. Last year Zotefoams completed the acquisition of the USA's MuCell Extrusion, which has a novel technology for cutting polymer content, reducing weight by 10%-30% to cut costs. This technology is on trial with 35 licensees. Zotefoams dominates the European market, is financially strong and pays an attractive dividend. Revenues grew by 9%, mainly driven by an increase in volumes, although Zotefoams has been able to pass on to its customers the rising cost of its principal raw material, low-density polyethylene.

Name	Share Price Now	Latest EPS, Financial Year End	Forecast EPS	Forecast PE	Latest Annual Dividend (net)	Gross Dividend Yield
Anglo Pacific (APF)	326.4p	33.9p, Dec'11	16.9p	19.6	9.75p	3.3%
Dialight (DIA)	872p	31.7p, Dec'11	37.5p	23.3	10.0p	1.3%
Domino Printing Sciences (DNO)	656p	38.7p, Oct'11	40.1p	16.5p	18.75p	3.1%
Imagination Technologies (IMG)	617p	10.8p, Apr'11	10.8p	58.3	0	0%
Optos (OPTS)	216p	20.3p, Sep'11	17.6p	12.2	0	0%
Oxford Instruments (OXIG)	1157p	41.5p, Mar'11	58.0p	20.3	9.0p	0.9%
Porvair (PRV)	108p	7.3p, Nov'11	8.5p	12.6	2.4p	2.5%
SDL (SDL)	756p	38.2p, Dec'11	39.9p	18.0	5.8p	0.9%
Xaar (XAR)	262p	6.5p, Dec'10	10.0p	26.1	2.5p	1.1%
Zotefoams (ZTF)	136.5p	10.2p,Dec'10	10.0p	14.0	4.65p	3.8%

Source: DigitalLook

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Portfolio Updates

COPPER DEVELOPMENT CORPORATION (CDC): The latest 'exciting' drilling results support the theory that the four known deposits at Basay may be the corners of a large rectangle with the potential to comprise a major copper resource. An initial JORC-compliant resource for Basay should be completed this month but clearly it is the future potential that is really interesting. As I hinted in the February issue, CDC has confirmed its intention to sell, or place in a joint venture, its Hinoba-an Project. Within eight weeks CDC will issue a comprehensive report on Hinoba-an, which should include an increased resource and a mining plan, and CDC will hope to conclude a deal shortly thereafter. This should give it the funds to accelerate the development of Basay where it has seen 'recent interest by several international mining companies'. **BUY UP TO 25p**

CORERO NETWORK SECURITY (CNS): In its network security division order intake for 2011 was $12.0m with an average value per customer of $47,000, compared to $11.7m with an average value per customer of $32,000 in 2010. New customers have been won in Corero's key target markets of finance, education, defence, on-line gaming and e-Retail, and with a new sales team taking this product outside its US home territory and into international markets, Corero is targeting strong growth this year. Corero's other subsidiary, Corero Business Systems, which supplies financial management software to UK schools, enjoyed a 50% increase in orders in 2011 thanks to the creation of new Academies. Corero has raised £4.6m through an oversubscribed share placing in order to beef up sales and marketing, and product development teams. It is a little too soon to say whether Corero's strategy of expanding outside the USA is working, but it is certainly operating in a buoyant industry, that of cyber security, and its management team has a strong track record. **BUY UP TO 50p**

EKF DIAGNOSTIC HOLDINGS (EKF): EKF is to supply the State of New Mexico's Women, Infants, and Children clinics with its point-of-care haemoglobin testing instrument, the HemoPoint® H2, and related cuvettes. 220 instruments will be supplied to over one hundred clinics where they will be used to test for anaemia. **BUY UP TO 27p**

EQUATORIAL PALM OIL (PAL): Equatorial has commissioned an Environmental and Social Impact Assessment, a precondition for development bank funding for the next stage of its expansion in Liberia. Equatorial is progressing well and is 'driving forward with its planting schedules, employee development and palm oil production.' **BUY UP TO 25p**

FIRESTONE DIAMONDS (FDI): Firestone has suspended its operations at its Botswana BK 11 mine, citing 'operational challenges and current weakness in the diamond market' - this just three weeks after reporting that it had sold all of its available stock at its latest diamond sale at prices 'that indicate continued strong demand.' Firestone is still holding out hope for its Liquobong mine in Lesotho, I think we would be better served by investing in more exciting opportunities. This one has been a bitter disappointment. **SELL**

GLOBO (GBO): Globo has acquired the New York-based Dialect Technologies Inc. Dialect's Voice over Internet Protocol offering will integrate with Globo's GO!Enterprise to add a seamless fixed-mobile convergence and should enhance the competitiveness of this product relative to the RIM Blackberry. **BUY UP TO 26p**

INTANDEM FILMS (IFM): A new research note by XCap Securities sets a 15p share price target two years hence, but says that 'if it delivers the films currently on its work in progress slate, our numbers will prove conservative.' As well as arranging film finance from third parties, InTandem wants to become a distributor in the UK and set up its own film fund. As a comparator Xcap cites Lions Gate Entertainment, a business started in the USA in 1997 which now has a stock market value of $1.85bn. XCap says that InTandem 'has a clear focus on building a growth company based on solid foundations. It keeps tight control over its overheads but has established a model which should produce revenue growth without a matching increase in costs. This is a good point to invest because the foundations are in place but the share price has yet to react'. I agree, so to give you a better chance of getting into this

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exciting one, I have raised the buy limit. **BUY UP TO 7p**

LIFELINE SCIENTIFIC (LSI): Further sales of Lifeline's LifePort kidney transporter have lifted the total installed base to 441, compared to a reported number of 408 in September and 392 a year ago. The reported 10% second half revenue gain implies total revenue for 2011 of $26.1m, which compares to $23m in 2010 and $18.3m in 2009. First sales have been made into the potentially large Brazilian market, while a distributor has been appointed in China where the kidney transporter should be launched later this year. A new study in the New England Journal of Medicine has confirmed that kidneys delivered in the LifePort rather than the traditional box of ice have shown improved performance three years after transplant, especially when kidneys have been taken from older or less healthy donors as is increasingly the case. This could persuade some health authorities that have not yet adopted the device (including the UK) to do so. Current profitability is depressed by the need to invest in Lifeline's next product, the liver transporter but assuming that is a success Lifeline will have another highly attractive and profitable product to sell throughout the world. **BUY UP TO 250p**

LOMBARD RISK MANAGEMENT (LRM): Lombard will not achieve forecast revenue and profits for the financial year to 31st March unless it closes certain contracts that are under negotiation. This is a common problem for small companies, especially in the software sector, but the underlying picture of demand for Lombard's offering that enables banks to keep a better grip on their risk exposures is positive. Lombard remains 'cautiously' optimistic' of meeting broker earnings per share forecasts of 1.77p for 2012/13 and last year's take-over speculation could recur at any time. I have restored the shares to a **BUY UP TO 10p**

OXFORD ADVANCED SURFACES (OXA): Oxford's VISARCTM anti-reflective surface coating, which can be applied to multiple surfaces such as glass, polycarbonate and other plastics 'is showing industry-beating performance in the displays area.' The technology can be used for solar panels and spectacles but Oxford Advanced Surfaces refers to the 'explosive growth of tablet PCs, large screen TV and large-screen mobile phones' fuelling demand for high-performance anti-reflective coatings. Oxford says that it 'is currently engaged in a number of specific, detailed process discussions following the evaluation of our base coating and nanoparticle sample submissions.' **BUY UP TO 24p**

OXFORD CATALYSTS (OCG): OCG has progressed to the next phase of an engineering study for a 15,000 bpd plant in North America for the conversion of shale gas into finished synthetic fuels. The next phase of the evaluation will begin shortly and with a budget of several million dollars and if all goes well this could eventually become one of the first major Gas to Liquid plants to be built in North America. The gas-to-liquid demonstration, designed to capture flared gas from oil rigs, got under way in Brazil in late 2011 and Oxford is confident of a successful outcome.' Elsewhere Chief Executive Roy Lipski reports that 'market conditions for our products are better than ever…we're enjoying record levels of interest in our technology…and are engaged in and successfully progressing extensive engineering cost studies with a number of significant prospective customers, which have demonstrated consistently attractive economics under a range of market scenarios and across several applications.' **BUY UP TO 100p**

POWERHOUSE ENERGY GROUP (PHE): Powerhouse's subsidiary Pyromex Holdings has signed a third commercial contract for its waste-to-energy, ultra-high temperature gasification system, and has also restructured the US operations. This will 'save the enlarged Group approximately US$1.5m per year in operational costs with no loss of opportunity'. This could explain why Powerhouse has delayed the completion of the full acquisition of Pyromex. Until this is nailed down, **HOLD**

RAMBLER METALS & MINING (RMM): Rambler is successfully ramping up production from its Ming Mine in Newfoundland, producing 4,022oz of gold in the latest quarter. Meanwhile further drilling has found some 'exciting' further evidence of gold including one remarkable intersection grading 278 g/t. From the third quarter of 2012 Rambler also expects to be producing copper while, for $1m, it has taken a 17% stake in Maritime Resources. Maritime's primary assets are the Hammerdown gold mine, the Orion gold deposit, and the Lochinvar volcanic massive sulphide deposit. The

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Hammerdown gold mine was in production a decade ago, with material trucked to the Nugget Pond processing facility now owned by Rambler. Orion is now in the advanced exploration stage, drilling to firm up a resource estimate. Lochinvar, adjacent to the Hammerdown mine, has a 1995 estimated resource of 588,000 tonnes with an average grade of 3.9% zinc, 1.4% lead, 0.4% copper, 60 g/t silver and 0.45 g/t gold was calculated in 1995 based on 18 drill holes. **BUY UP TO 40p**

RED EMPEROR RESOURCES (RMP): Red Emperor has raised £6.925m through a placing of shares at 18p in order to fund its participation in a second well in Puntland. Drilling of the first well here is underway, and should be completed 'within the current quarter'. In Georgia, though, severe weather conditions have caused a delay, and drilling is now expected to start in April. **BUY UP TO 27p**

STRATEGIC NATURAL RESOURCES (SNRP): Following 2011's drilling campaign SNR has increased its estimate of the size of the Elitheni coal resource from 150 million tonnes to 203 million tonnes. This is already a big number but given that it is based only on 5% of SNR's license area it is still only represents the tip of the iceberg. SNR has confirmed that it is in discussions with the Industrial Development Corporation of South Africa for funding of its Elitheni Coal project and that it is in 'active negotiations' on the finalisation of its funding programme, which is being structured to permit first coal shipments by the middle of 2012. **BUY UP TO 26p**

SUMMIT CORPORATION (SUMM): As I explained in the February issue Summit has a promising drug candidate for the treatment of Duchenne Muscular Dystrophy. It now expects to submit an application for a Phase 1 trial to regulators within this quarter which, if granted, will allow commencement of this trial by Q3 2012. If all goes well Phase II trials on actual patients could start in the first half of 2013. This trial is funded by a number of dedicated DMD charities. The pharmaceutical industry is showing great interest in rare diseases, and DMD is a good example. **BUY UP TO 7.5p**

TOP LEVEL DOMAIN HOLDINGS (TLDH): TLDH has raised £9m through a placing of new shares at 8.25p, and has purchased a second batch of twenty application slots for new gTLDs from the Internet Corporation for Assigned Names and Numbers to take its total to 40. TLDH's subsidiary Minds + Machines has been appointed to provide registry and consulting services for the proposed application for the generic top level domain .BANGALURU, on behalf of the city of Bangalore. **BUY UP TO 13p**

TOWER RESOURCES (TRP): Tower's Mvule-1 exploration well in Uganda has been a resounding failure with 'no significant hydrocarbon shows.' So much for the best laid theories of geologists. This just leaves Tower with its much more significant prospects off the coast of Namibia. Operating partner Arcadia is taking an age to strike the farm-in deal that is a pre-condition of drilling but the latter is still planned for next year. Until this gets a bit closer **HOLD.**

US OIL & GAS (USOP): A report by independent petroleum consultants Forrest A. Garb & Associates has estimated that USOP's Nevada property has Gross Prospective Resources of 189m standard barrels of oil, with a best estimate of the amount recoverable of 67mmbl. Using a 10% discount rate it places a value on this of $514m (£327m) which compares to USOP's stock market value of £39m at the time of the suspension of trading. The up-front capital investment is estimated to cost $40m. USOP has acquired additional leased acreage of 5,000 acres to take its total position in Hot Creek Valley to 15,738 acres (c.64km2) and has also appointed a drilling contractor to drill the Eblana #1 well and at least one further well in Hot Creek Valley. The drilling timetable is subject to a final permit from the US federal authorities, and I find it inconceivable that USOP's shares could remain suspended during this critical phase. **HOLD**

WILDHORSE ENERGY (WHE): Wildhorse is forming a joint venture with two Hungarian State-owned corporations to re-start uranium mining at the Mecsek Hills Uranium Project. This will be advanced in tandem with Wildhorse's real priority, underground coal gasification, where it says that the pre-feasibility study is nearing completion. Mecsek Hills was a working uranium mine until 1997, since when the price of uranium has moved from $15/lb to $55/lb. Driven by concerns over dependency on imports of Russian gas Hungary already produces 40% of its energy requirements from nuclear power and plans to build two further new reactors. **BUY UP TO 12p**

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Five Year Performance Of Buys Updated This Month

Company/Year	2007	2008	2009	2010	2011	2012
Copper Development Corp (listed Dec 10)	N/A	N/A	N/A	-9.8%	-55.07%	+59.26%
Corero Network security	-56.03%	-62.75%	-43.16%	-1.23%	+11.25%	+5.49%
EKF Diagnostics	-57.14%	-8.33%	+130.3%	+68.42%	–29.69%	+0.53%
Equatorial Palm Oil & Gas (listed Feb 10)	N/A	N/A	N/A	+64.23%	-44.06%	+15.93%
Globo (listed Dec 07)	-17.5%	-57.58%	+25%	+20%	+89.29%	+7.34%
Intandem 2007	+4.55%	-65.22%	+25%	+320%	-28.57%	+80%
Lifeline Scientific (listed Jan 08)	N/A	-73.68%	+169.23%	+109.52%	-19.77%	-10.76%
Lombard risk management	-47.3%	-7.69%	+13.89%	-9.76%	+183.78%	-23.36%
Oxford Advanced Surfaces	-9%	-63.74%	+30.3%	+11.63%	-67.71%	+56.06%
Oxford Catalysts	-1.67%	-34.58%	-48.19%	+45%	-26.21%	+4.67%
Powerhouse Energy	-37.5%	-40%	+0%	-33.33%	+185%	-13.85%
Rambler Metals & Mining	+50%	-90.22%	+392.59%	+5.26%	-23.91%	+24.17%
Red Emperor (listed in Jun 11)	N/A	N/A	N/A	N/A	-56.61%	+73.68%
Strategic Natural Res. (listed Aug 07)	-5.97%	-56.35%	0%	+38.18%	-38.82%	+61.29%
Summit	-24.35%	-78.54%	-75.52%	+45%	+90.91%	+54.05%
Top Level Domain (listed Jun 11)	-41.67%	-12.5%	+171.43%	-15.79%	+20.31%	-12.66%
Wildhorse (listed Aug 11)	N/A	N/A	N/A	N/A	-51.09%	-18.37%

Recent portfolio changes

Zincox, Sold on 29 September for a 6% gain

Clearstream Technologies, Accepted 85p take-over bid for 209% gain

Global Brands, Sold on 1 December for a 79% loss

Brightside Group, Sold on 1 December for a 30% loss

Quindell Portfolio, Sold on 5 January for a 134% gain

Mobile Streams, Sold on 5 January for a 38% loss

Mountfield Group, Sold on 5 January for a 35% loss

Aurelian Oil & Gas, Sold on 5 January for a 78% loss

Firestone Diamonds, Sold on 1 March for a 74% loss

The *Red Hot Penny Shares* portfolio is not intended to represent the exact prices at which you could get in or out of a share. Our reference price is the price of our recommended shares at the time we wrote the recommendation. Sometimes readers will achieve better entry/exit prices; sometimes worse. This portfolio represents the value of our recommendations at the time our material is published.

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Tom's Top Speculations – Dependent Upon Specific Events

Prices at market close 2 March 2012 – Changes in bold

Company Tipped	Date Tipped	Price Then (p)	Price Now (p)	Change since tip (%)	Change on Month (%)	Risk Rating	Description, Market (AIM unless stated) ISA Eligibility (where stated)	Action Latest Buy Limit/ Target
Bahamas Petroleum (BPC)	Oct '09	4.125	15	264%	102%	High	Oil drilling off-shore Bahamas 2012	Buy 22p/40p
Falkland Oil and Gas (FOGL)	Aug '07	115.5	65.25	-44%	10%	High	Falklands oil drilling 2012	Buy 80p/400p
Mediterranean Oil & Gas (MOG)	May '11	10.63	6	-44%	17%	High	Possible lifting of Italian off-shore drilling ban	Buy 12p/30p
Quadrise Fuels (QFI)	Oct '11	6.25	11.13	78%	140%	High	Sea trials of novel MSAR fuel oil	Buy 7p/20p
Red Emperor Resources (RMP)	Aug '11	21.5	24.75	15%	32%	High	Near term oil drilling in Georgia and Puntland (ISA)	Buy 27p/100p
Synairgen (SNG)	Nov '09	25.75	38.5	50%	35%	High	Imminent trial results for virus treatment	Buy 35p/100p
Tower Resources (TRP)	**July '10**	**1.68**	**2.78**	**65%**	**-31%**	**High**	**Drilling off-shore Namibia 2012**	**Hold 8p/20p**
US Oil & Gas (USOP)	Oct '10	9.75	93	854%	0%	High	Near term oil drilling in Nevada (PLUS)	Hold (Trading Suspended)

Tom's Top Tips – Medium-Term Growth

Company Tipped	Date Tipped	Price Then (p)	Price Now (p)	Change since tip (%)	Change on Month (%)	Risk Rating	Description, Market (AIM unless stated)	Action Latest Buy Limit/ Target
Avanti Communications (AVN)	Mar '08	169	257	52%	-9%	High	Satellite owner	Buy 750p/1500p
Camco (CAO)	Jan '12	5.88	6.38	9%	-9%	High	Advisor and investor in green energy projects	Buy 8p/20p
Copper Development Corporation (CDC)	**Feb '12**	**22.5**	**22.5**	**0%**	**0%**	**High**	**Copper mine projects in the Philippines**	**Buy 25p/60p**
Copper Development Corp (CDC)	Feb '12	22.25	26.88	21%	21%	High	Copper mine projects in the Philippines	Buy 25p/60p
Corero Network Security (CNS)	Oct '11	38	48	26%	13%	High	Network security	Buy 50p/80p
DiamondCorp (DCP)	May '10	8.88	5.38	-39%	-9%	High	Lace diamond mine in South Africa	Buy 10p/30p
EKF Diagnostics (EKF)	Aug '10	21.75	23.63	9%	-2%	Medium	Medical diagnostics	Buy 27p/40p
Firestone Diamonds (FDI)	**Jan '10**	**33.75**	**8.63***	**-74%**	**-20%**	**High**	**Diamond mines in Botswana, Lesotho**	**Sold**
Globo (GBO)	May '11	25	24	-4%	8%	High	Software to upgrade mobile phone service	Buy 26p/65p
i-design (IDG)	Sept '11	48	47.5	-1%	-3%	Medium	Advertising via ATMs	Buy 65p/125p
Intandem Films (IFM)	**Feb '11**	**5.25**	**6.75**	**29%**	**29%**	**High**	**Film financing and sales**	**Buy 7p/15p**
Iofina (IOF)	Apr '11	23.88	42	76%	21%	High	North American iodine and gas producer	Hold 30p/60p
Lifeline Scientific (LSI)	Dec '09	72.5	157.5	117%	-11%	Medium	Transportation devices for body organs	Buy 250p/400p
Lombard Risk Management (LRM)	**Sept '11**	**7.75**	**10.25**	**32%**	**-23%**	**Medium**	**Regulatory software for banks**	**Buy 10p/20p**
Pivot Entertainment (PVT)	Aug '11	23	16.75	-27%	-14%	Medium	Marketing agency for West End, Broadway shows	Buy 27p/60p
ProPhotonix (PPIX)	July '11	9.88	6.5	-34%	-2%	High	Specialist LED, Laser lighting	Hold 15p/30p
Rambler Metals & Mining (RMM)	Nov '09	29.5	32.75	11%	0%	Medium	Copper/Gold mine in Newfoundland (ISA)	Buy 40p/60p
Servision (SEV)	Jan '12	4.5	6.63	47%	-7%	High	Video security systems	Buy 6p/20p
TLA Worldwide (TLA)	**Mar' 12**	**22**	**22**	**0%**	**0%**	**Medium**	**US baseball player agency**	**Buy 25p/50p**
Top Level Domain Holdings (TLDH)	Sept '09	10.25	8.63	-16%	0%	High	Expansion of internet top level domains	Buy 13p/50p
Transense Technology (TRT)	**Mar '12**	**7.5**	**7.5**	**0%**	**0%**	**High**	**Products based on Surface Acoustic Wave sensors**	**Buy 8p/20p**

Tom's Top Tips – Long-Term Projects

Company Tipped	Date Tipped	Price Then (p)	Price Now (p)	Change since tip (%)	Change on Month (%)	Risk Rating	Description, Market (AIM unless stated)	Action Latest Buy Limit/ Target
Chaarat Gold (CGH)	Mar '10	44.5	30.88	-31%	14%	High	Gold mine in Kyrgyzstan	Buy 60p/100p
Equatorial Palm Oil (PAL)	Oct '10	17.5	16.38	-6%	-8%	High	Palm oil plantations in Liberia	Buy 25p/50p
Oxford Advanced Surfaces (OXA)	Mar '11	20.75	12.88	-38%	78%	High	Technology to alter surface properties	Hold 24p/60p
Oxford Catalysts (OCG)	Mar '09	56.5	56	-1%	15%	High	Gas to liquid fuel technology	Buy 100p/150p
Powerhouse Energy (PHE)	**Nov '11**	**7.63**	**14**	**83%**	**-16%**	**High**	**Waste to Energy Technology**	**Hold 16p/25p**
Sirius Minerals (SXX)	Sept'10	4.63	24.25	424%	11%	High	Potash projects in Yorksire, Canada, Australia	Buy 30p/50p
Strategic Natural Resources (SNRP)	Apr '11	21.5	18.75	-13%	22%	High	Coal project in South Africa	Buy 26p/50p
Summit Corporation (SUMM)	July '11	6.75	7.13	6%	50%	High	Seglin drug delivery platform	Buy 7.5p/25p
Tertiary Minerals (TYM)	Jan '11	7.5	8.5	13%	-7%	High	Fluorspar mines in Scandinavia	Buy 15p/25p
Wildhorse Energy (WHE)	Dec '11	10.25	10	-2%	-1%	High	Underground coal gasification (ISA)	Buy 12p/30p

Red Hot Average	+50%	+12%
FTSE Small Cap		+3.7%
AIM		+6.1%

* price shown at time of sale

Expected Announcements

March	Corero Network Security, Finals to December
March	Falkland Oil & Gas, Finals to December
March	Globo, Finals to December
March	Intandem Films, Interims to December
March	Oxford Catalysts, Finals to December
March	Quadrise Fuels, Interims to December
March	Summit Corporation, Finals to December