

Smaller Companies Daily Update

Thursday 14th December 2006

Featured Companies

Stock	Sector	Analyst	Recommendation
Biofuels	Renewables	Raymond Greaves	N/A
Jubilee Platinum	Mining	Jonathan Guy	Buy
Phosphagenics	Biotech	Navid Malik	Buy
Reureuron Group	Biotech	Navid Malik	Buy

Upcoming Results and Meetings

Investor Meetings and Results

Company	Results	Investor Meetings
NewMedia Spark		29 th January
Polyfuel		14 th December
Silverdell	18 th December	20 th December
Ten Alps		14 th December

Bid and Offer List

Bid	Offer
Media Square	Angle
Mavinwood	Marywn & Warrants
Summit Germany	IFR
Hamworthy	Plethora
Playtech	Robo. Tech
Foseco	Cobra Bio.
International Nuclear Solutions	Energy XXI
NewMedia Spark	Playtech
	Public Res.
	IRF
	Newfound
	Summit Germany
	First Africa Oil

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Biofuels

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Event

- This morning Biofuels have announced interim results for the 6 months ended 30 September 2006

Analysis

- The interim results reflect the period where the company was ramping up production over an extended period with several disruptions on the way. The production of 58,000 tons of biodiesel over the period, revenues of £28.4m and an overall loss of £9m were inline with our (several times reduced) expectations.
- The key issues right now remain as follows;
 - the plant has only been run at high levels of output for brief periods so its long-term reliability is still unproven;
 - high vegetable oil prices coupled with diminished mineral oil prices has resulted in a severe gross margin squeeze – we believe that gross margins are currently low-single digit, meaning that the company is unable to meet interest payments from operating profits / cashflows, and is therefore economically unviable;
 - we believe that the company will end the current year almost fully utilising its £95.175m debt facilities. Unless diesel prices rise and/ or vegetable oil prices fall, the company will remain cashflow negative and therefore require further funding.
- On the positive side, volume mandation begins in Germany from the beginning of 2007. However, we do not believe that this will have a material impact on biodiesel prices as there should be enough capacity to meet demand. Mandation beginning in the UK from the beginning of 2008 is a further stimulus for the market, but this is too far out to help Biofuels in the short term.

Action

- Investors should be aware that unless Biofuels are able to find additional funding and/ or there is a recovery in diesel prices and/ or a sharp fall in vegetable oil prices, the company may struggle to remain as a going concern. We would draw investors attention to the auditors comments in the interim results statement: "...the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern."

Ticker: BFC.L

Price: **40p**
Market cap: £20m

	1m	3m	12m
Absolute (%)	-10.1	-58.3	-57.2
Relative to FT All Share (%)	-11.0	-61.1	-62.8



Collins Stewart is broker to Biofuels makes a market in the company's shares.

Jubilee Platinum

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Event

- Jubilee has released a series of announcements in the past week. The company has listed on the Johannesburg Stock Exchange and then announced a plan to increase its holding in the Tjate platinum project to 48% for ZAR63m, with an option to raise it further to 63% for an additional ZAR75m. Previously Jubilee had held 25% of Tjate and is earning a further 10% interest through spending ZAR14m on exploration and feasibility work.
- Jubilee's third announcement detailed an agreement with Mitsubishi which will invest in the company's South African subsidiary, Windsor, through which it holds its interest in Tjate. Mitsubishi plans to invest US\$16m in Windsor, with an initial US\$4m investment through a zero coupon convertible that will not have to be repaid if Mitsubishi elects not to convert. Mitsubishi will invest second and third tranches of US\$6m through convertibles with the same structure in March and September 2007. Ultimately Mitsubishi will have the right to take up to a 20% indirect beneficial interest in Tjate.
- Tjate is adjacent to Implats' Marula mine and hosts 65Moz of platinum group metals and gold. Jubilee is in the process of completing an initial scoping study. If brought into production Tjate could produce up to 250koz/y of platinum group elements (PGE) and gold. An operation of this size would be an attractive acquisition target for any of the major platinum mining groups, especially Implats, where there are likely to be operational synergies.

Analysis

- All three of these announcements are good news for Jubilee, the listing on the JSE gives the company a way for South African investors, including its BEE partners, to invest directly in the company, it also makes it easier for the company to use its paper to acquire other assets in South Africa.
- The increase in the Jubilee's holding in Tjate raises the company's attributable platinum resources from 22.7Moz to potentially 40.9Moz, an additional 18.2Moz. This will cost Jubilee US\$19.7m, an acquisition cost of US\$1.10/oz against a current platinum price of US\$1,143/oz. This would however be diluted if Mitsubishi does proceed with its investment in Tjate.
- The final ownership structure at Tjate has yet to be defined and is contingent on approval from the South African Department of Minerals and Energy, however, following the Mitsubishi deal its is likely that Jubilee would hold a 50% indirect beneficial interest through Windsor, Mitsubishi would hold an indirect beneficial interest of 20% also held through Windsor and the BEE partner would hold a 30% interest.
- Although the platinum price has fallen back from the highs touched earlier in the year it remains comfortably above the US\$1,100/oz level. Whilst there is likely to be an increase in platinum production over the medium term this should be absorbed by its growing use in industrial applications and demand for platinum jewellery and prices should therefore be maintained at a high level by historic standards.
- The South African mining industry has undergone a significant rerating in recent months. This has been partly driven by the growing concern about doing business in countries such as Russia where investors faith in the security of tenure of mineral rights has been severely shaken. In addition the mineral royalty rates proposed by South African government were not set at the punitive levels widely expected by many companies and commentators and demonstrate a clear commitment to bringing new investment into the sector.

Recommendation

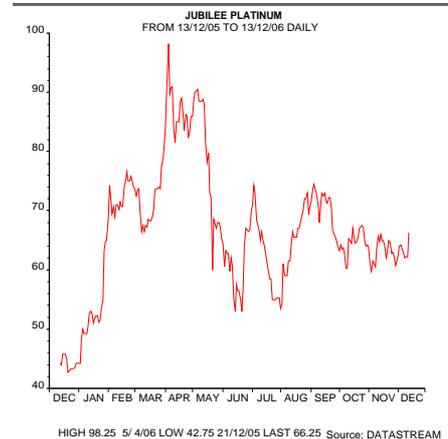
- Jubilee has again demonstrated its ability to negotiate a well structured deal with a major mining company. The involvement of Mitsubishi is particularly encouraging as the Japanese trading companies usually only invest in projects that are at the point where they are about to enter production. The value of Tjate alone underpins the current share price and we anticipate the publication of the scoping study for the project in Q1 2007, we restate our Buy recommendation and raise our target price to 122p.

Collins Stewart is broker to Jubilee Platinum makes a market in the company's shares.

Recommendation: Buy
Ticker: JLP.L

Price: 66.25p
Market cap: £51m

	1m	3m	12m
Absolute (%)	-1.1	-10.0	48.3
Relative to			
FT All Share (%)	-2.1	-16.0	28.8



Phosphagenics

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Event

- Phosphagenics has completed all of the preclinical work required for Nestle to execute an agreement to commercialise Phospha-E in the medical foods market. Nestle decision is now awaited.

Analysis

- Phosphagenics has been working with Nestlé through a collaboration for a number of years now. The objective of the current collaboration is to assess the potential for Phospha-E to be used as part of Nestlé's medical food product range to treat metabolic syndrome.
- The results of the two preclinical studies undertaken for Nestle by Phosphagenics have demonstrated how much progress has been made with Phospha-E. The results disclosed today have shown promising reductions in key disease biomarkers relating to metabolic syndrome, inflammation and cardiovascular disease. Essentially biomarkers such as bad-cholesterol (LDL-C) and plaque formation (which leads to a blockage of coronary arteries which causes heart disease), have all been reduced significantly. This new data not only confirms what has been seen previously but also provides an insight into the broad utility of Phospha-E in the medical food market and beyond.
- We fully expect Nestlé to exercise its option and license-in Phospha-E to allow clinical trials to start next year. At this point a substantial value inflection point would have been achieved. We expect the trend rate seen in these preclinical results to be reproduced in human trials.

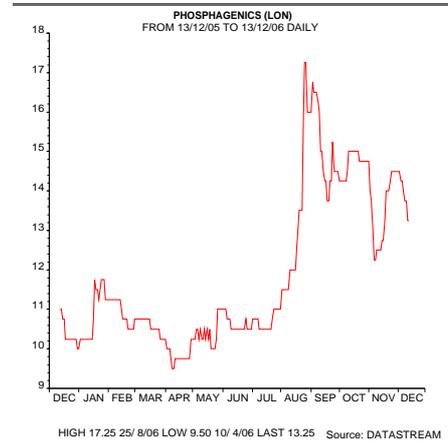
Action

- In addition to the application of Phospha-E in the food area, Phosphagenics has already demonstrated that it can deliver a broad range of drugs and chemicals across the skin, including insulin, parathyroid hormone, fentanyl, estradiol and testosterone using vitamin-E Phosphate.
- As we go into 2007, there will be further newsflow from a number of collaborations in 2007. We have a BUY recommendation for the stock and a fair-value target of £170 million.

Recommendation: Buy
Ticker: PSG.L

Price: 13.5p
Market cap: £78.6m

	1m	3m	12m
Absolute (%)	8.0	-6.9	22.7
Relative to FT All Share (%)	6.9	-13.0	6.6



Collins Stewart is broker to Phosphagenics makes a market in the company's shares.

Renueron Group

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Event

- Warrant exercise brings in £1.89 million in cash.

Analysis

- The exercise of 99.6% of the warrants is excellent news and brings in further cash to the company. The next stage for the company is related to newsflow from the recently filed IND (investigational new drug) application with the FDA to begin US stroke trials next year.

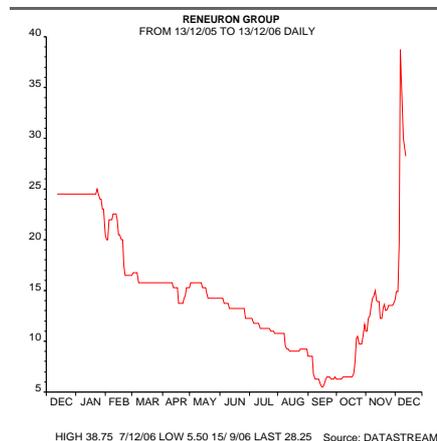
Action

- ReNeuron is likely to generate substantial newsflow in the short-term. At the current share price, ReNeuron is substantially undervalued against its US peer group.
- Our price target for the stock is 106p (£100 million), which only takes into account the stroke programme alone in the US market only. No other programmes or territories for stroke are currently in our model. BUY.

Recommendation: Buy
Ticker: RENE.L

Price: 28.25p
Target price: 106p
Market cap: £28.1m
Target market cap: £100m

	1m	3m	12m
Absolute (%)	103.6	391.3	15.3
Relative to FT All Share (%)	101.6	358.8	0.1



Collins Stewart is broker to Renueron Group makes a market in the company's shares.

Research Recommendations issued by Collins Stewart Europe Limited in Q3 2006

Recommendations	Buys	Sells	Hold/Neutral
Percentage of Total	60%	20%	20%
Percentage of which in Corporate Client stocks	22%	2%	6%

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