EDISON

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ASX AUSTRALIAN SECURITIES EXCHANGE

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*Priced as at 24 February 2014

Anteo Diagnostics

Healthcare equipment & services

Going global with its mix

Anteo produces a proprietary, metal-ion based 'glue' called Mix&Go to couple antibodies used in diagnostic tests to diagnostic devices. The sophisticated chemistry is claimed to improve the speed and sensitivity of tests. Anteo has an important collaborative agreement with BBI Solutions to investigate the potential benefits of Mix&Go in point-of-care diagnostics. A successful BBI project during 2014 could lead to a major commercial agreement. Anteo raised a further A$5.5m in December 2013, issuing 44m shares at 12.5c.

Mix&Go: Surface-coating technology

Mix&Go is a proprietary family of metal co-ordination complexes. Through its Bio-Layer subsidiary, Anteo has optimised a chromium formulation to bind the tails of antibodies irreversibly to synthetic surfaces, including nanoparticles. This can improve the test's sensitivity. The technology is covered by granted patents in the US, Europe, Japan and Australia.

Patents and funding to extend Mix&Go scope

The advantages of using Mix&Go purportedly include simplicity and faster assays with greater sensitivity and improved dynamic range and reduced production costs. Two new patents filed in August 2013 could allow expansion into bioseparations, drug screening, drug delivery and non-healthcare applications. The new funds will support product development and commercialisation and new business creation.

BBI project: Next-generation lateral flow platform

BBI Solutions (part of the global Alere group) is a leading player in immunoassay development and manufacturing services. It provides an extensive portfolio of products and technologies to the global diagnostic and pharmaceutical markets. The project with Anteo evaluates Mix&Go with the nanoparticles and lateral flow technology used in the development of point-of-care tests.

Valuation: EV reflects deal expectations

The placing increases cash to A$7.5m and gives Anteo an EV of A$123m. The value reflects the market view of the potential of the Mix&Go chemistry linked to BBI's strong presence in point-of-care tests. It shows Anteo's ability to conduct deals that may lead to profitability following successful commercialisation.

Historical financials

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	0.1	(2.4)	(0.3)	0.0	N/A	N/A
06/13	0.2	(2.2)	(0.3)	0.0	N/A	N/A
06/14e	N/A	N/A	N/A	N/A	N/A	N/A
06/15e	N/A	N/A	N/A	N/A	N/A	N/A

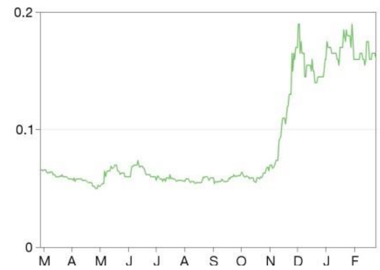
Source: Bloomberg

Price	A$0.16*
Market cap	A$130m

*As at 24 February 2014

Net cash (A$) as at 31 Dec 2013	7.5m

Share price graph



Share details

Code	ADO
Listing	ASX
Shares in issue	814.4m

Business description

Anteo Diagnostics is an ASX-listed company focused on the development and commercialisation of proprietary 'molecular glue' coatings for applications in the diagnostics, biotech and pharmaceutical industries.

Bull

- Proprietary Mix&Go platform technology with specialist 'glues' for different applications.
- Existing distribution deals with Gennova (Spain) and One World Lab (San Diego).
- Feasibility studies underway with major diagnostic and life science companies.

Bear

- Commercial development depends on successful licensing deals with many clients.
- High burn rate relative to cash, but offset by A$2m government R&D incentives.
- Threat of new technologies.

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EDISON

Benitec Biopharma

Healthcare

Silence could be golden

Benitec Biopharma has a gene-silencing technology, known as ddRNAi, which offers advantages over competing silencing techniques. The pipeline consists of six in-house. The proposed raise of A$31.5m would mean the company is funded beyond the completion of a key Phase I/IIa trial (due to start in 2014) for its lead project, TT-034 for Hepatitis C.

Gene silencing offers tantalising potential

Benitec Biopharma has a proprietary transformational gene-silencing technology, DNA-directed RNA interference (ddRNAi), which could provide “one-shot” cures for a number of chronic and life-threatening conditions. Although gene silencing has been beset with problems, the field has recently demonstrated clinical efficacy. ddRNAi appears to offer distinct advantages over other techniques such as siRNA, antisense and zinc finger nucleases. The approach is particularly suited to chronic viral infections, such as Hepatitis B and C, and ocular indications.

Promising early stage development pipeline

Benitec Biopharma has six in-house programmes underway and expects the first, TT-034 for Hepatitis C, to enter clinical trials in Q1 2014. TT-034 uses a well-proven adeno-associated virus (AAV) vector to deliver a ddRNAi construct that targets three diverse parts of the Hepatitis C virus in a single intravenous dose. The FDA cleared TT-034 (Jan14) to start studies at Duke Medical and University of California San Diego in patients who have failed current treatments for hepatitis C.

Out-licensed programmes also progressing

Benitec Biopharma has also licenced ddRNAi to other companies for programmes in HIV/AIDS, retinitis pigmentosa, Huntington’s Disease, and cancer vaccines. The most advanced is Calimmune, which is in Phase I/IIa trials with its innovative Cal-1 HIV/AIDS ddRNAi construct and could generate preliminary data during this year.

Valuation: Now a high-risk/high-return proposition

A raise of up to A$31.5m is underway, which should be sufficient to fund significant progress toward the objective of moving Benitec Biopharma from a preclinical to clinical-stage company. Positive efficacy results from the TT-034 Phase I/IIa clinical study, and to a lesser degree Calimmune’s Cal-1 programme, would help validate the ddRNAi platform and should be a major value inflexion point. Nonetheless, while the rewards may be high, the risks remain commensurately high.

Historical financials

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	0.32	(4.11)	(0.11)	0.0	N/A	N/A
06/13	0.52	(3.49)	(0.08)	0.0	N/A	N/A
06/14e	N/A	N/A	N/A	N/A	N/A	N/A
06/15e	N/A	N/A	N/A	N/A	N/A	N/A

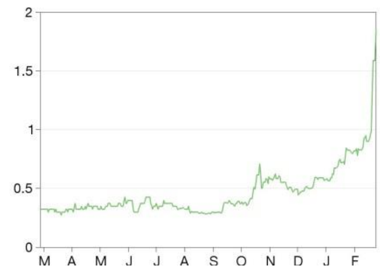
Source: Bloomberg

Price	A$1.85*
Market cap	A$158m

*As at 24 February 2014

Net cash (A$) as at 30 September 2013	11.5m

Share price graph



Share details

Code	BLT
Listing	ASX
Shares in issue	85.2m

Business description

Benitec Biopharma has a transformational technology, deoxyribonucleic acid (DNA)-directed ribonucleic acid (RNA) interference (ddRNAi). The therapeutic programmes in development include Hepatitis B & C, lung cancer, AMD and oculo-pharyngeal muscular dystrophy (OPMD).

Bull

- Potent and effective gene-silencing technique.
- Broad applicability across therapeutic areas.
- Potential to alter disease treatments materially.

Bear

- Technology risk is still relatively high.
- High-profile collaborations required as validation.
- Pipeline is still at early development stages.

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Bionomics

Healthcare

Eagerly awaited RCC data for BNC105

Bionomics will shortly see the outcome of its Phase II study of its lead drug, the vascular disrupting agent (VDA) BNC105 in second-line renal cell carcinoma. In our view, this is likely to represent a major stock price catalyst. Bionomics has recently reported an encouraging response rate in the first stage of its separate Phase I/II trial of BNC105 in recurrent ovarian cancer. The company has a partnered programme with Ironwood Pharmaceuticals (IXW-2143, Phase I for anxiety) and a number of preclinical assets in cancer and CNS disease (with one CNS programme partnered with Merck & Co).

Key Phase II readout in RCC imminent

Bionomics should shortly report the outcome of its 139-patient Phase II study of BNC105 in second-line renal cell carcinoma. This represents a major stock price catalyst. The primary endpoint of this study is the PFS rate at six months. Given enrolment was completed in June 2013, these data should be available very soon.

Positive first stage of ovarian study

Bionomics has reported encouraging initial response data in the first stage of its Phase I/II trial of BNC105 in combination with carboplatin/gemcitabine in partially platinum-sensitive recurrent ovarian cancer. The company reported that 10 of 15 (66%) patients responded during the dose escalation phase. This rate can be compared with 47% for gemcitabine/carboplatin reported for historical studies. The first stage has also established 12mg/m^2 as the recommended Phase II dose for this combination.

While BNC101 moves towards the clinic

Meanwhile, Bionomics continues to advance its lead cancer stem cell programme, BNC101, a MAb directed to LGR5, through IND-enabling studies and is expected to initiate clinical studies later this year.

Valuation: A$0.80 per share

We have updated our current risk-adjusted NPV to reflect a 2014 base year, which yields a valuation of A$338m, equivalent to A$0.80/share. A positive outcome in the BNC105 study in RCC, and a subsequent move into Phase III studies, would boost the valuation (by allowing the assumption of a higher probability) to c A$413m or A$0.99/share. No value is currently attributed to preclinical programmes, including BNC101 and BNC375, which represent upside to the investment case.

Historical financials

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	8.9	(2.5)	(0.7)	0.0	N/A	N/A
06/13	11.2	(8.8)	(2.4)	0.0	N/A	N/A
06/14e	N/A	N/A	N/A	N/A	N/A	N/A
06/15e	N/A	N/A	N/A	N/A	N/A	N/A

Source: Edison Investment Research

Price	**A$0.71***
Market cap	**A$296m**

*As at 24 February 2014

Net cash (A$) as at 31 Dec 2013	20.5m

Share price graph

Share details

Code	BNO
Listing	ASX
Shares in issue	417.1m

Business description

Bionomics is an Australian biotech company focused on developing biopharmaceuticals for cancer and CNS indications. Its lead compound is VDA BNC105 (Phase II); the anxiolytic IW-2143 (Phase I) is partnered with Ironwood.

Bull

- Has leading VDA in development.
- Partnerships with Ironwood Pharmaceuticals (IW-2143) and Merck & Co.
- Well financed.

Bear

- Historic high failure rate of VDAs.
- Binary event in terms of RCC data.
- Low visibility on Ironwood programme.

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GBST Holdings

Technology

Global growth play in financial technology

In the wake of its success in dominating the Australian back/middle office securities processing space, GBST is now in the midst of a major global expansion. It is experiencing strong demand for its fund administration software in the UK, while its capital markets security processing software is growing rapidly in Asia, North America and Europe. GBST enjoys healthy recurring revenues (63% of the total in FY13) from its rental model and has over 60 customers, including blue chips such as HSBC, Aegon and Fidelity.

Software for mission-critical back office processes

GBST's capital market solutions (c 43% of sales) handle back and middle office functions across a broad range of asset classes. The group processes c 70% of Australian equities and even more in derivatives. However, this position is mature and growth is now primarily through expansion into international markets via the new product GBST Syn~, which will also eventually supersede the group's traditional products in Australia. In the wealth management unit (53% of revenues), GBST Composer handles record keeping and calculations for buy-side customers. Demand is being driven by an increasingly complex regulatory environment, which provides a strong incentive for customers to outsource their burgeoning in-house systems.

Rental business model provides recurring revenues

Implementing a new system can be highly complex and typically takes 18-24 months to roll out. This results in large implementation revenues and reduces the recurring revenue percentage of the rental revenue stream during growth periods. Revenue rose 18% to $49.0m in H114, while adjusted cash NPAT jumped 36% to $6.7m. This growth was achieved on the back of a 33% jump in international revenue, which was partly boosted by the weaker A$, and now represents 46% of group revenue.

Valuation: Cheap given the strong growth prospects

Statutory earnings understate the quality of earnings, given the c A$5m annual amortisation of acquired intangible assets, and all R&D (c 10% of sales) is expensed as incurred. The group is a strong cash generator, with operating cash flow before tax and financing costs of A$18.4m in FY13 and a A$3.3m fall in net debt in H114 to A$9.0m. The stock trades on 9.5x FY15 EV/EBITDA and 2.2x EV/sales. These are moderate premiums to Broadridge and DST Systems, its two closest quoted peers, although in our view they do not adequately reflect its stronger growth prospects.

Consensus estimates

Year end	Revenue (A$m)	*PBT (A$m)	*EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	76.3	10.4	0.14	0.05	22.8	1.6
06/13	82.4	12.8	0.17	0.07	18.8	2.2
06/14e	93.8	11.5	0.17	0.08	18.8	2.5
06/15e	100.8	16.3	0.22	0.10	14.5	3.1

Source: Bloomberg. Note: *Historical PBT/EPS numbers have been adjusted for amortisation.

Price	**A$3.19**
Market cap	**A$212m**

*As at 24 February 2014

Net debt (A$) as at 31 Dec 2013	9.0m

Share price graph

Share details

Code	GBT
Listing	ASX
Shares in issue	66.6m

Business description

GBST provides securities transaction and fund administration software for the financial services industry.

Bull

- Significant international growth opportunities.
- Recurring revenue business model (software rental).
- Very strong cash generation.

Bear

- High customer concentration (Top five are c 33% sales).
- Sensitive to financial market downturns.
- Moderate debt levels.

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Invion

Healthcare

Three Phase II clinical trials underway

Invion is a drug development company that principally targets inflammation. It has two compounds progressing through clinical trials, with a third completing preclinical studies. The rich newsflow over the next 18 months offers a number of value inflection opportunities; however, the rate of cash burn (c A$1.4m per quarter) suggests additional financing will be required.

Lead compound in NIH-sponsored Ph II asthma trial

Invion's lead product is INV102, which is nadolol (an inverse beta-agonist) that is in trials for asthma and COPD. Nadolol was widely used for cardiovascular indications until its patents expired. Although historically contraindicated in asthma, some beta-blockers have been shown to attenuate airway hyper-responsiveness. INV102 is in an NIH-sponsored Phase II asthma study due to complete in June 2015, and a Phase II smoking cessation trial in COPD patients due to complete December 2014.

Developing an inhaled respiratory drug franchise

Although INV102 is undergoing proof-of-concept trials as an oral formulation, the commercial and clinical benefits suggest it will be developed as an inhaled product. INV104 is earlier in the respiratory pipeline; this is zafirlukast, the oral leukotriene antagonist sold as Accolate (now generic) for asthma. INV104 will also be developed as an inhaled product. Both INV102 and INV104 are expected to be evaluated in combination with other respiratory drugs such as steroids and antimuscarinics.

INV103, an anti-inflammatory targeting Lupus

INV103 is Cpn10 (Chaperonin 10) and based on a naturally occurring protein that is an attractive target for regulating immune responses, including inflammation. It is being investigated in a Phase II trial as a potential treatment for lupus, with completion expected in July 2014. Previous clinical trials to date have shown no major safety issues and an encouraging reduction in pro-inflammatory markers.

Valuation: Funding rises to the fore

The investment case hinges on pipeline progress and the rich newsflow as clinical trials reporting over the coming 18 months offer a number of value inflection points. Invion has announced a capital raise that, with the projected cash burn, should see the company financed through to beyond the first flurry of trial results.

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	0.1	(5.5)	(0.03)	0.0	N/A	N/A
06/13	0.0	(5.8)	(0.01)	0.0	N/A	N/A
06/14e	N/A	N/A	N/A	0.0	N/A	N/A
06/15e	N/A	N/A	N/A	0.0	N/A	N/A

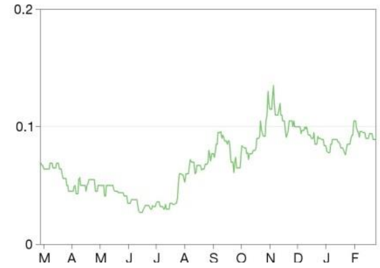
Historical financials. Source: Bloomberg

Price A$0.09
Market cap A$42m

*As at 24 February 2014

Net cash (A$) as at December 2013 1.9m

Share price graph



Share details

Code	IVX
Listing	ASX
Shares in issue	462.7m

Business description

Invion is an Australian healthcare company targeting inflammation. The lead drug candidates are in Phase II development targeting both asthma (INV102, repurposed nadolol) and autoimmune disorders (INV103). In addition INV104 (repurposed zafirlukast) to treat asthma attacks is in preclinical studies.

Bull

- Three Phase II clinical trials underway.
- Repositioning established molecules reduces risk.
- Large addressable markets if successful.

Bear

- Intellectual property protection may be low.
- Accessing large markets needs the right partners.
- Cash burn is A$6m per year and rising.

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Kina Petroleum

Oil & gas

PNG specialist

Kina Petroleum holds more than 10 million net PNG acres spanning known gas, wet gas and oil plays. Its key project is set to be commercialised as a wet gas development with first production scheduled for early 2017. Ahead of that, how Kina will fund its share of development costs will be a key focus for the company over the next few months.

Expansive portfolio, impressive partners

Kina Petroleum is the largest acreage holder in PNG's western province wet gas play and also holds significant stakes in permits in the neighbouring oil and dry gas windows. In nearly all its nine permits, Kina holds substantial (typically >50%) equity positions. In the case of four permits, it holds outright 100% stakes. The exception is PRL21 (Kina 15%), where the JV appears to have made a linked series of significant gas-condensate discoveries. Beyond PRL21, Kina is progressing active technical work programmes in parallel with marketing much of its acreage to attract farm-in partners.

PRL21 first oil 2016-17

Kina's key asset is a 15% stake in exploration permit PRL21 held alongside high-quality JV partners Osaka Gas, Talisman, Mitsubishi and Horizon Oil. Two wells drilled during 2013 each returned wet gas discoveries supporting an independent 2C resource (gross) of 173mmboe comprising 40.1mmbbls condensate and 795bcf gas. One of the wells, Tingu-1, flowed at 48mmscf/d with a condensate-to-gas ratio of 65bbl/mmscf. A third successful well drilled in Q4CY13 is likely to see 2C estimates increase by 92mmboe gross (Kina estimates). The JV, led by operator Horizon Oil, is well into development planning for a liquids-stripping plant and targeting a final investment decision in mid-2014.

Financials: PRL21 development capital an issue

A key challenge for Kina leading into the PRL21 JV's contemplation of a FID mid-year will be how to fund its pro-rata share of development costs. The JV has not to date released likely capex estimates, but it is clear that Kina will need to attract substantial new capital to fund its 15% pro-rata spend. To this end, Kina has appointed UBS to advise it on a funding strategy, the outcomes of which are likely to become known during Q1CY14.

Consensus estimates

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
12/11	0.0	(1.3)	(0.01)	0.0	N/A	N/A
12/12	0.0	(2.6)	(0.01)	0.0	N/A	N/A
12/13e	0.0	(4.9)	(0.02)	0.0	N/A	N/A
12/14e	0.0	(2.4)	(0.01)	0.0	N/A	N/A

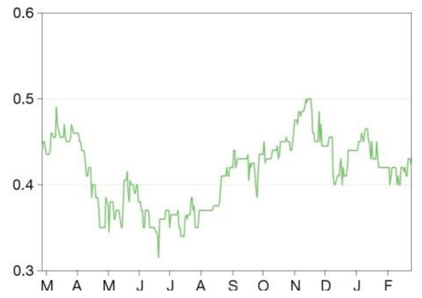
Source: Bloomberg

Price	A$0.42*
Market cap	A$103m

*As at 24 February 2014

Net cash (US$m) as at 31 Dec 2013	6.7

Share price graph



Share details

Code	KPL
Listing	ASX
Shares in issue	245.5m

Business description

Kina Petroleum is a PNG-registered oil and gas exploration company. Established in 2009, Kina holds material interests in a series of onshore PNG exploration permits.

Bull

- Large acreage position in rapidly emerging oil and gas region.
- Material stake in significant gas-condensate discovery, w high-quality JV appears committed to commercialising as quickly as possible.
- 14mmboe existing net 2C resource with scope for material near-term upside.

Bear

- Execution risk/ partner alignment around PRL21 development plans
- PNG physical and market context and related gas management challenges.
- Funding strategy unclear and could result in excessive equity dilution if not executed carefully

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Nanosonics

Healthcare

Effective execution is now the key

Nanosonics specialises in the low-temperature disinfection of instruments and devices based on its patented NanoNebulant technology. Its first product, the Trophon EPR, is used to disinfect ultrasound probes and is launched in the US (marketed by GE Healthcare), Europe and Australia. The sizeable market potential suggests material revenue and earnings growth.

Novel technology for rapid and effective disinfection

Nanosonics was founded in 2001 and is based in Sydney. It is a leader in infection control technology solutions, having developed easy-to-use, environmentally friendly and quality assured products since 2009. The lead product, Trophon EPR, uses the proprietary NanoNebulant technology to generate a super-fine hydrogen peroxide mist to disinfect ultrasound probes. It received US FDA approval in 2011 and is partnered with GE Healthcare, the leading ultrasound manufacturer, and sold through a dedicated sales force that is gaining good traction in this important market.

More effective, more convenient, faster and safer

Conventional manual and liquid-based ultrasound probe disinfection practices have changed little in the past 20 years and are associated with multiple issues (including the level of sterilisation, the time required and potential exposure to hazardous chemicals on the part of hospital workers). By contrast, Trophon EPR is rapid (just seven minutes, so potentially saving seven and a half hours a week), highly effective and safe since it produces only water and oxygen as by-products.

Rolling out across all the major markets

Trophon EPR is now certified for use, with over 500 probes from 11 ultrasound system manufacturers and is currently available in North America, Europe, Australia, New Zealand and several Asian markets. Each Trophon unit is sold for A$10.0k (with an expected four-year refresh cycle) and should generate around A$3.3k in consumable sales and A$1.4k in service revenues pa. The addressable market is estimated at c 120,000 units, split roughly equally between US, Europe and RoW.

Valuation: Growth potential deserves a premium

H114 results show revenues up 119% to A$9.7m, driven by a 163% increase in the US to A$8.0m, with operating loss cut from A$6.0m to A$3.5m. The market potential suggests the growth trajectory is sustainable and a premium rating is justified.

Consensus estimates

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/13	14.9	(5.74)	(0.022)	0.0	N/A	N/A
06/14e	24.4	1.11	0.002	0.0	N/A	N/A
06/15e	42.2	10.85	0.038	0.0	21.3	N/A
06/16e	67.8	20.60	0.108	0.0	7.5	N/A

Source: Bloomberg

Price	**A$0.81**
Market cap	**A$213m**

*As at 24 February 2014

Net cash (A$) as at 30 June 2013	A$24.1m

Share price graph

Share details

Code	NAN
Listing	ASX
Shares in issue	263.1m

Business description

Nanosonics is a leader in the development of innovative technologies for infection control. This has potential applications across a wide range of industries. Its principal product, Trophon EPR, uses a super-fine mist to disinfect ultrasound probes.

Bull

- Time-saving and safe sterilisation technique.
- Quality partners validate the technology.
- North American commercial opportunity is large.

Bear

- Novel hospital service uptake can be slow.
- Large distribution partners can be hard to control.
- New technologies could supersede quite rapidly.

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EDISON

Petrel Energy

Oil & gas

All go in Uruguay

Petrel Energy operates an onshore exploration portfolio comprising acreage in three continents. All eyes are currently on a large position it holds in Uruguay where recent core testing has indicated possibly substantial conventional and unconventional oil potential. Further testing and seismic scheduled for H1CY14 will serve to further de-risk the play.

Diverse portfolio, Uruguay the current focus

Petrel Energy is advancing separate projects in Uruguay, Spain and Canada, each of which presents very different above- and below-ground physical and commercial environments. Petrel's recent focus has been on its Uruguayan Norte Basin acreage, acquired in 2012. Each of two core holes drilled during Q4CY13 returned encouraging results indicating the presence of an active oil-rich hydrocarbon system. Free oil was observed in both holes, which were drilled more than 100km apart. Detailed lab analysis is now underway, the results of which should be known in Q1CY14. Petrel considers the play to present analogues to the US Bakken shale oil play.

Spain and Canada too

Petrel also holds acreage in the Cadiz province in southern Spain and in Alberta in British Columbia. While the Cadiz acreage is early stage, a legacy well drilled in the 1950s flowed gas from stacked sandstones and the permit has been independently assessed to hold 3tcf of prospective resource. A very favourable local market context where gas is trading above US$13/mmscf would make for compelling development economics if a resource can be proven. A farm-out process is underway with outcomes likely to become known during Q1CY14. In Canada, during Q1CY13 Petrel acquired for C$3.3m a 40% stake in 5,120 gross acres of what it concludes as tight oil acreage near Calgary. The permit includes a recently completed horizontal well, which registered an initial 30-day production rate of 150b/d.

Financials: Option exercise changes financial profile

In December Petrel advised it had exercised a farm-in extension option to increase its Norte Basin stake to 51% (from 25%) and its Tesorillo stake to 43% (from 22%) at a total cost of US$5.5m. Proceeds will be used by the JV primarily to complete the Norte Basin core hole and seismic programme during H1CY14. In parallel with the option announcement, Petrel confirmed a A$3m equity placement at A$0.135/share.

Historical financials						
Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	0.0	(2.1)	(0.01)	0.0	N/A	N/A
06/13	0.1	(6.9)	(0.02)	0.0	N/A	N/A
06/14e	N/A	N/A	N/A	0.0	N/A	N/A
06/15e	N/A	N/A	N/A	0.0	N/A	N/A

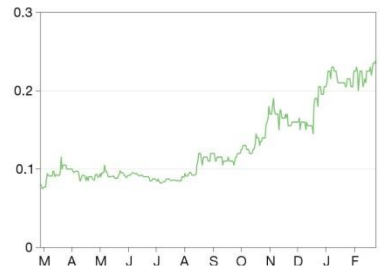
Source: Bloomberg

Price	**A$0.24***
Market cap	**A$106m**

*As at 24 February 2014

Net cash (A$) as at 31 Dec 2013	10.1m

Share price graph



Share details

Code	PRL
Listing	ASX
Shares in issue	443.1m

Business description

Petrel Energy is an Australia-based oil and gas explorer with onshore acreage interests in Uruguay, Spain and Canada.

Bull

- Very positive early results from core hole testing in large Uruguayan frontier shale oil footprint.
- Significant net equity positions across full acreage portfolio.
- Favourable Spanish gas market environment.

Bear

- Exploration risk spanning multiple early-stage permits across multiple jurisdictions.
- Funding of work programme likely to involve ongoing capital raising.
- No production in portfolio to provide ongoing cashflow

Analyst

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RCR Tomlinson

Capital goods

Engineering value

FY13 saw RCR Tomlinson deliver strong growth in group earnings, dividends and cash flow. The acquisition of Norfolk in July 2013 brought a significant increase in the scale, sector diversity and complementary engineering capability of RCR as demonstrated in H114 results. Updates on integration progress and trading reinforcing existing market estimates highlight the RCR's value rating and prospects for strong ongoing shareholder returns.

Leading engineering solutions provider

RCR is a well-established, integrated, multi-discipline engineering and infrastructure solutions provider, operating as a prime contractor directly with end-clients. In its three primary sectors, infrastructure (c 57% of revenue), resources (c 34%) and energy (c 9%), RCR supports major capital projects and clients' operating assets, providing design, manufacture, construction/installation and offsite repair and maintenance services from its core technology and intellectual property base.

Organic growth to be supplemented by acquisition

FY13 results demonstrated growth in all key metrics including a 38% EPS increase and 32% DPS uplift. This strong operational performance contained a 60bp rise in EBIT margin (to 5.0%) and good cash generation, further building its net cash position as at the end of June. After the year end, RCR completed the acquisition of Norfolk Group (in July) for an EV of A$140m, funded with existing cash and new debt facilities. This transaction brings an established presence in infrastructure (electrical engineering, rail signalling and property services) and adds almost A$1bn of revenues. The new group sector profile is as outlined above, with annualised revenue of c A$1.6bn. H114 results contained five months' contribution from Norfolk which, together with 10% earnings progress from Resources, drove good year-on-year progress. A 20% H1 dividend uplift was announced and net debt was c A$90m as at December 2013.

Valuation: Good growth on a value rating

RCR's share price has made progress in each of the last five years, and the Norfolk acquisition provided further impetus in the second half of 2013. Consensus estimates indicate that the enlarged RCR is expected to deliver good earnings growth in FY14 and FY15, although the P/E rating now appears to be at value levels.

Consensus estimates

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	808.7	34.3	0.21	0.063	16.6	1.8
06/13	875.2	46.2	0.28	0.083	12.5	2.4
06/14e	1,533.0	58.4	0.35	0.098	10.0	2.8
06/15e	1,617.0	70.2	0.40	0.107	8.7	3.1

Source: Bloomberg

Price	**A$3.49***
Market cap	**A$477m**

*As at 24 February 2014

£/A$1.85

Net debt (A$m) as at 31 Dec 2013 90.5

Share price graph

Share details

Code	RCR
Listing	ASX
Shares in issue	136.7m

Business description

RCR Tomlinson is a leading integrated engineering and infrastructure company that provides turnkey solutions to the resources, energy and infrastructure sectors.

Bull

- Tier 1 contractor for integrated engineering solutions.
- Norfolk acquisition adds to scale and sector breadth opportunities.
- Strong underlying profit growth in FY13.

Bear

- Possible acquisition integration risks.
- Competitive market for resource projects.
- Geographically concentrated (although increasing diversification in Energy and through Norfolk).

Analysts

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Real Energy

Oil & gas

Large, lightly explored Cooper Basin foothold

Real Energy holds 100% in more than two million acres of Cooper and Eromanga Basin acreage where it is chasing the large basin centred gas play within the Toolachee and Patchawarra formations. Although on the periphery of established plays, the work programmes of the numerous players advancing adjacent or nearby acreage have already demonstrated substantial endowments of both conventional and unconventional gas. If Real Energy can prove up its resource estimate, it is well placed to tap into a mature network of above-ground infrastructure and join a wholesale gas market that is surging to the favour of sellers on the back of LNG demand.

Cooper, Eromanga Basin focus

Real Energy holds outright title to three exploration permits (ATP917P, ATP927P and ATP1161PA) focussing on the Toolachee and Patchawarra formations already established as substantial continuous shale (Toolebuc) and basin-centred gas (Patchawarra) plays. Seismic has also indicated a number of conventional structural traps that present both oil and gas potential. An independent resource assessment estimates gross gas-in-place of 10.2tcf in the Toolachee and Patchawarra within its permits, while Toolebuc resources are estimated at 9.5tcf and 18.5bn bbls of oil.

Compelling above-ground commercial context

The Cooper and Eromanga basins are already the most mature in Australia on the back of major conventional oil and gas discoveries made since the 1960s. This has resulted in an extensive network of above-ground processing and transmission capacity available to those looking to commercialise new resource. The proliferation of new-build LNG capacity in Queensland is resulting in severe upward pricing adjustments in the East Australian wholesale gas market, again to the very substantial benefit of players, like Real Energy, with gas to potentially sell.

Financials: IPO complete

In December 2013 Real Energy completed an oversubscribed A$10m IPO that saw 40m new shares issued and an ASX listing completed at A$0.25/share. The new capital is intended to be deployed initially towards desktop activities (principally seismic reprocessing and G&G studies) to lead into a multi-well drilling programme scheduled for H2CY14. Recent success registered by Santos with three wells drilled in an adjoining permit has served to reinforce Real Energy's confidence.

Historical financials

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	0.0	(0.6)	N/A	0.0	N/A	N/A
06/13	0.0	(1.0)	N/A	0.0	N/A	N/A
06/14e	N/A	N/A	N/A	N/A	N/A	N/A
06/15e	N/A	N/A	N/A	N/A	N/A	N/A

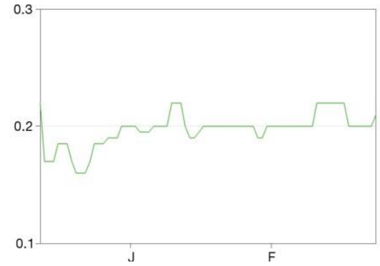
Source: Bloomberg

Price	**A$0.21***
Market cap	**A$35m**

*As at 24 February 2014

Net cash (A$) as at 31 Dec 2013	14.1m

Share price graph



Share details

Code	RLE
Listing	ASX
Shares in issue	167.4m

Business description

Real Energy is an oil and gas exploration and development company focused on a large acreage position it holds in the Cooper and Eromanga basins in central Australia.

Bull

- Significant net acreage position held in emerging section of two large unconventional gas plays, with exploration success analogues registered by multiple major players (Santos, Beach and Drillsearch included) in neighbouring acreage.
- Conventional oil potential additional to unconventional shale and basin-centred gas plays.
- Outright equity position for strategic partnering options to offset funding risk.

Bear

- Commercial viability of acreage yet to be established.
- 100% permit equity and work programme funding commitments under current arrangements.
- Gas pricing uncertainty given wide variation of views regarding LNG capacity build in Queensland

Analyst

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EDISON

Simavita

Healthcare

Urinary incontinence is a major opportunity

Simavita is pioneering the use of its proprietary SIM (Smart Incontinence Management) platform to improve the outcomes and costs associated with urinary incontinence in residential care settings. The recent A$14m fund-raising will be used for inventory build and to support launches in the US and Canada during this year. Further geographic roll-outs are scheduled for 2015.

SIM takes the guesswork out of incontinence

Urinary incontinence is a major and growing issue in the aged care setting, with around a quarter of a nursing homes' labour costs devoted to it. The SIM platform consists of an integrated wireless network that remotely monitors the continence events of a resident through a discreet sensor that is placed in an incontinence aid. The initial assessment is carried out over a 72-hour period, resulting in a personalised continence care plan that is specific to a resident's needs.

Management plans improve care and reduce costs

SIM creates personalised management plans that improve residents' comfort and quality of life, as well as reducing skin irritation and associated complications (notably ulceration). The improved information also allows for an optimisation in labour utilisation (c 12% cost saving) and use of fewer continence products (around 30% less for a 100-bed facility).

Australian experience drives global roll-out

The first clinical trial was completed in 2004. However, the current SIM platform has been developed, tested and refined since 2010 thorough extensive use in 40 Australian sites. A distribution agreement with Medline (a major player in the incontinence segment), coupled with FDA clearance, should see the US launch in early 2014. Further roll-outs are expected in Canada and the UK this year, with the Netherlands and other European countries in 2015 and Japan in 2016.

Valuation: Tapping into a major demographic trend

The urinary incontinence opportunity is significant, with an estimated 15 million assessments performed annually worldwide. The A$14m fund-raising in December 2013 should be sufficient to allow Simavita to commercialise the SIM platform into the important North American market and see it through to profitability.

Consensus estimates

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
04/12	0.0	(0.05)	(0.03)	0.0	N/A	N/A
04/13	0.0	(0.05)	(0.38)	0.0	N/A	N/A
04/14e	N/A	N/A	N/A	0.0	N/A	N/A
04/15e	N/A	N/A	N/A	0.0	N/A	N/A

Source: Bloomberg

Price	A$0.67*
Market cap	A$39m

*As at 24 February 2014

Net cash (A$) as at December 2013	10.1m

Share price graph

N/A

Share details

Code	SVA
Listing	ASX
Shares in issue	57.8m

Business description

Simavita was listed on the ASX in February 2014. Its SIM platform technology is an integrated assessment device that helps manage urinary incontinence. The devices are used in residential and nursing home settings to better optimise incontinence care.

Bull

- Urinary incontinence is a growing problem.
- SIM platform improves care and reduces cost.
- Integrated technology aids product roll-out.

Bear

- Global expansion will not be straightforward.
- Commercial success will attract larger competitors.
- Patents may not be potent barriers to entry.

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Strata-X Energy

Oil & gas

Diverse shale oil explorer

Strata-X's strategy centres on exploring and developing shale oil prospects in established hydrocarbon regions that present comparatively low exploration risk. Its portfolio involves four separate projects in two different countries. Recent drilling has revealed promising shale oil discoveries in each of the Illinois Basin and Texan Eagle Ford shale. Testing during the current quarter will be important for supporting further fund-raising.

US assets dominate near-term focus…

Strata-X's cornerstone interests lie in shale oil plays in the US states of Illinois (Illinois Basin), Texas (Eagle Ford shale), North Dakota (Williston Basin) and California. Its current focus is on the Vail oil project in the southern Illinois Basin and its Maverick project in southern Texas. With Vail, the clean-out of an existing horizontal well that screened out during a multi-stage frack undertaken in November is scheduled for Q1CY14. With Maverick, a shallow (c 1,300m) vertical well drilled in Q4CY13 successfully recovered 600ft of Eagle Ford shale core. Strata-X plans to complete and stimulate the well late in Q1CY14. The Illinois and Eagle Ford basins are each deeply mature hydrocarbon provinces with an expansive network of existing pipeline and processing infrastructure that would make for very attractive development timings and economics.

…with frontier Australian assets for the longer term

Complementing Strata-X's nearer-term horizon US assets is an outright 100% stake in a large permit in the onshore Canning Basin in West Australia. The permit, which was awarded in March 2012, extends over 1.4m acres of what it considers to be a southern extension of the same Laurel and Goldwyer formations that yielded the discoveries logged by major regional player and acreage holder, Buru Energy. The acreage is prospective for both conventional and unconventional hydrocarbons and over the past couple of years has attracted a number of international players.

Financials

Outright equity positions across all its projects and a busy work programme make for a capital profile that must be managed. A successful March 2013 ASX IPO raised A$13m, which was followed by an over-subscribed A$6m placement at A$0.38/share in November. Cash on hand at the end of CY13 was US$8m, which on Strata-X's recent period cash burn rate should see it's work programme funded until Q4CY14.

Consensus estimates

Year end	Revenue (U$m)	PBT (U$m)	EPS (U$)	DPS (U$)	P/E (x)	Yield (%)
06/12	0.1	(6.3)	(0.17)	0.0	N/A	N/A
06/13	0.1	(1.3)	(0.02)	0.0	N/A	N/A
06/14e	0.1	(7.0)	(0.04)	0.0	N/A	N/A
06/15e	0.1	(8.0)	(0.04)	0.0	N/A	N/A

Source: Bloomberg

Price A$0.36*

Market cap A$50m

*As at 24 February 2014

Net cash (US$) as at 31 Dec 2013 $8.2m

Share price graph

Share details

Code	SXA
Listing	ASX
Shares in issue	139.8m

Business description

Strata-X is a Denver-based oil and gas explorer with a series of onshore exploration interests in the US spanning North Dakota, California, Texas and Illinois. It also holds exploration acreage in West Australia's Canning Basin.

Bull

- In US, specific focus on established, low-risk unconventional oil plays.
- In Australia, large acreage position in highly valued, stacked oil play.
- Substantial alignment of executive and shareholder interests.

Bear

- Explorer, with only a very small production base, inferring ongoing need for new capital.
- Commerciality of Vail and Maverick discoveries not yet established.
- Long-term E&P horizon of Canning Basin acreage.

Analysts

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Tissue Therapies

Biotech and Pharma

Skin is the game

Tissue Therapies is developing an innovative skin-healing technology into a commercial product, VitroGro ECM. VitroGro is an artificial protein solution that coats superficial wounds and ulcers to encourage skin cell regrowth and healing. One 45-patient, open-label clinical trial has been run and CE marking is underway. VitroGro may be CE marked for EU sale in Q214. This will enable EU and non-EU sales. The US requires a randomised clinical study that may report in H116. In Q2FY14, Tissue Therapies raised A$10.12m gross.

VitroGro: Skin-healing technology

The composition of VitroGro is not disclosed. Queensland University patents indicate that it uses vitronectin, a key intracellular matric component that is "sticky" and enables cells to attach and grow by integrin attachment. In patents, it is combined with a cell growth factor. New patents for synthetic chimeric proteins have been filed. Some scientific data from the university group were retracted in 2011, citing errors.

Getting into Europe

As a Class III device, VitroGro is tightly regulated. This has delayed CE marking, initially expected in Q112. A 210-day manufacturing review started in September 2013 and may complete in Q214. However, the process may extend into H214. Approval will allow direct EU sales into markets like the UK and Germany, where reimbursement is set by the company. Clinical data from a 45-patient open-label study showed good results with 16/45 (36%) having full wound closure compared to 15% in matched historic controls. Small open studies are typical for devices.

BBI project: Next-generation lateral flow platform

The US requires a 250-patient randomised clinical study costing A$10.2m. The end date is probably in H116. The IND has been approved but subject to a plan for an additional study. The study is in venous leg ulcers: a hard-to-treat population. This will yield valuable data that will also support EU sales.

Valuation: Reflecting EU sales expecations

The share price reflects expectations of significant EU sales in FY15. Sales will be by a contract sales force, so this is possible. Although there is a high unmet need for effective chronic wound treatments, EU market adoption rates are hard to forecast.

Consensus estimates

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	0.3	(7.2)	(0.04)	0.0	N/A	N/A
06/13	0.1	(6.1)	(0.03)	0.0	N/A	N/A
06/14e	0.1	(12.0)	(0.04)	0.0	N/A	N/A
06/15e	3.9	(8.1)	(0.03)	0.0	N/A	N/A

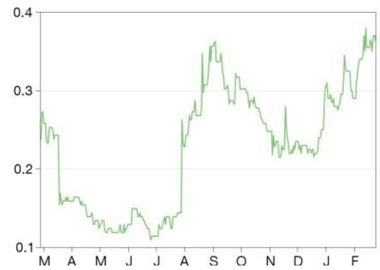
Source: Tissue Therapies, Bloomberg

Price	A$0.36
Market cap	A$95m

*As at 24 February 2014

Net cash (A$) as at 31 Dec 2013 10.3m

Share price graph



Share details

Code	TIS
Listing*	ASX
Note: *Also Berlin and Frankfurt	
Shares in issue	262.8

Business description

Tissue Therapies is commercialising a medical device, a protein solution, to speed the healing of skin wounds and leg ulcers. The company is in a CE-mark manufacturing review process and may launch in 2014 in the EU. It will run a controlled US clinical trial, which may allow US registration in 2016.

Bull

- Huge medical and economic need for better leg ulcer treatments, particularly of diabetics.
- Contract sales force could give rapid sales development in the UK and Germany.
- Clinical trial data so far are impressive .

Bear

- EU markets very price sensitive and conservative.
- Limited clinical evidence for hard-nosed UK and German cost-effectiveness assessment.
- Delays possible in European review; pricing negotiations needed in many EU countries.

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Universal Biosensors

Healthcare

Sensing changes

Universal Biosensors (UBI) produces sophisticated point-of-care diagnostic devices. These use disposable strips to run analysis on a pinprick of blood. The Verio glucose testing system, aimed at diabetics using intensive insulin therapy and needing regular and accurate monitoring, is sold by LifeScan, part of J&J. UBI's business mix is changing as LifeScan manufactures more test consumables and revenues largely become a royalty stream. A new blood coagulation test with Siemens may fill the gap from 2015 but 2014 will be a transition year. A new loan will help to bridge the gap.

Verio – royalties only in 2014

Verio is a small, handheld, smart glucose meter in various models. The advantage UBI has is the fast and sensitive chemistry of the disposable test strips. The market is very mature with a plethora of products and 20%+ price erosion in 2013 in the US. UBI's product is sold by LifeScan, but J&J is reviewing its diagnostic operations and recently sold Ortho (a LifeScan distributor). In 2013, glucose strip manufacturing revenues were A$10.2m but bulk manufacturing has transferred to LifeScan and will be zero in 2014. UBI receives 'Quarterly Service Payments' from LifeScan of about 1c/strip. These totalled A$3.4m in 2013, up 52% after a product recall in H113.

Warfarin monitoring from autumn 2014

Many cardiovascular patients are at risk of arterial blood clots. Modern anti-coagulant therapy does not need monitoring but generic warfarin is still widely used, although it is hard to dose correctly and takes three days to be effective. Patients can regularly measure their clotting time, the PT-INR* assay, using handheld meters; professionals may also use these. UBI is developing a product for Siemens to compete against Roche's established CoaguChek monitor, first launched in 1994. In 2012, Roche sold CHF350m (US$392m) of CoaguChek products and reported growth of 8%. Alere also sells a home monitor. The UBI test may reach the market in H214. Trials for CE-marking and a 510(k) FDA application need to be completed.

Valuation: Glucose alone cannot support the value

December 2013 cash was A$23.7m and debt was A$15.8m. Underlying cash use in 2013 was A$13.3m. UBI spent A$15.5m on R&D in 2013 on the PT-INR assay and three other projects. The share price is supported by 2015 sales expectations of the coagulation assay due for launch in autumn 2014 into a competitive market.

Consensus estimates

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
12/12	29.6	(9.1)	(0.06)	0.0	N/A	N/A
12/13	15.1	(11.6)	(0.07)	0.0	N/A	N/A
12/14e	13.0	(16.3)	(0.09)	0.0	N/A	N/A
12/15e	13.5	(5.1)	(0.03)	0.0	N/A	N/A

Source: UBI reports, Bloomberg

Price	A$0.35*
Market cap	A$61m

*As at 24 February 2014

Net cash (A$) as at 31 Dec 2013 7.9m

Share price graph

Share details

Code	UBI
Listing	ASX
Shares in issue	175.6m

Business description

Universal Biosensors makes sophisticated bio-electrochemical test strips for handheld meters. The main product is in glucose sensing with LifeScan. A blood coagulation test with Siemens will complete clinical development in autumn 2014 and may be sold in the EU from H214 and in the US in 2015.

Bull

- Verio glucose meter had 52% growth over 2012.
- Novel electrochemistry could give better coagulation test performance.
- Siemens is a strong partner seeking to enter the coagulation and PoC space.

Bear

- Only 2014 glucose income is a 1c/strip royalty.
- Coagulation assay up against big, well established competitors with updated products.
- Warfarin is an old therapy; new therapies do not need monitoring.

Analysts

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*PT= Prothrombin Time (PT), INR= International Normalised Ratio, a measure of clotting time.

Wolf Minerals

Metals & mining

Construction underway at Hemerdon

Wolf Minerals, the UK-based tungsten developer, has asked its engineering, procurement and construction (EPC) firm GR Engineering Services (GRES) to start construction of the Hemerdon tungsten project. According to Wolf's development timeline, this would mean that commercial production would occur in mid-2015. Hemerdon is fully permitted and construction is underway of the open-pit operation. Processing is also low risk (and environmentally friendly) with tungsten removed from the ore mainly via water and gravity.

GRES 24-month EPC contract fixed price and term

GRES has been appointed a £75m fixed-price contract with a fixed delivery period of 24 months, which started in June 2013. The contract includes commissioning and performance guarantees. While we have no visibility on what these guarantees are, GRES is a well-established Australian firm specialising in the construction of mine sites and processing plants. GRES has completed projects for small- to mid-cap mining firms, as well as the majors, including Xstrata and Newcrest.

Project financing in place to commence construction

Wolf has secured and executed its two main debt facilities. The first amounts to £49.1m (US$82.0m) held with Resource Capital Fund V. This is split in two, with repayment of the £44.9m (US$75m) Bridge Finance Facility due in June 2014 and £4.2m (US$7m) paid upfront in consideration for purchase of a 2% royalty on future gross revenues on all metals produced from Hemerdon. The second main funding tranche comprises £75m in senior debt, including a £5m project bond facility held with ING, Unicredit and CAT Financial. Drawdown of this commences on payback of the aforementioned Bridge Finance Facility and has a repayment term of 5.5 years.

Valuation: W supply limited, demand strengthening

The price of ammonium paratungstate (APT), the primary traded tungsten product, currently fetches US$368.5/mtu, having declined from its peak of US$417.5/mtu in June 2013. The 2011 Hemerdon DFS used an APT price of US$360/mtu. While the price of tungsten has declined, the fundamentals for a robust price going forward are evident from China's dominance in the market. According to Wolf, China holds c 60% of the world's tungsten reserves, accounts for over 60% of demand and 80% of global supply. A stable supply outside China is sought after and Hemerdon is the only western tungsten mine to enter production in the near term.

Consensus estimates

Year end	Revenue (A$m)	PBT (A$m)	EPS (A$)	DPS (A$)	P/E (x)	Yield (%)
06/12	0.0	(5.9)	(0.06)	0.0	N/A	N/A
06/13	0.0	(5.4)	(0.03)	0.0	N/A	N/A
06/14e	0.0	(7.0)	(0.02)	0.0	N/A	N/A
06/15e	45.8	2.2	0.01	0.0	45.0	N/A

Source: Bloomberg

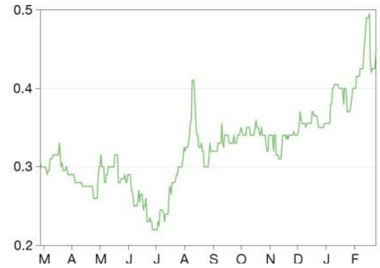
Price	**A$0.45***
Market cap	**A$89m**

*As at 24 February 2014

£/US$:1.67

Net cash (A$) as at 31 Dec 2013	8.9m

Share price graph



Share details

Code	WLF / WLFE
Listing	ASX / AIM
Shares in issue	198.0m

Business description

Wolf Minerals is in the process of constructing the world-class Hemerdon tungsten mine, in Devon in the south-west of England. Wolf's future tungsten production is 80% secured for a minimum of five years via two binding offtake agreements with GTP and Wolfram Bergbau Hutten. Hemerdon's tin production will be marketed by commodity trader Traxys.

Bull

- Funded to commence construction.
- Favourable longer-term outlook for tungsten (W).
- UK location of project – secure tenure, favourable tax/royalty environment.

Bear

- Economic outlook improving, but still uncertain.
- Decreasing tungsten price, but still above US$360/mtu price used in 2011 DFS.
- Technical risk.

Analysts

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