

In this edition...

One long held view on capital sourcing has been a perceived requirement that to successfully raise funds from US investors, a company must set up a Nasdaq listing. With two Australian biotechs, Pharmaxis and Chemgenex now set to de-list from the Nasdaq, it appears that requirement is no longer the case, with US institutional investors now comfortable with direct investment in ASX listed biotechs.

Diagnostic company Genera Biosystems is facing a crucial period as it completes four studies of its PapType HPV test and then seeks to have the product registered in Australia and Europe. Acrux and BioMD have passed significant clinical milestones, with the Axiron and Cardiocel products respectively, and Cogstate has flagged it will post a \$1.4 million profit for the full year.

The Editors

Companies Covered: ACR, BOD, CGS, GBI

	Bioshares Portfolio
Year 1 (May '01 - May '02)	21.2%
Year 2 (May '02 - May '03)	-9.4%
Year 3 (May '03 - May '04)	70.0%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.3%
Year 7 (May '07 - May '08)	-36%
Year 8 (May '08 - May '09)	-7.3%
Year 9 (May '09 - Current)	12.5%
Cumulative Gain	119%
Av Annual Gain (8 yrs)	14.7%

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Bioshares

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Delivering independent investment research to investors on Australian biotech, pharma and healthcare companies.

Extract from Bioshares –

BioMD – Hits the 6 Month Mark

BioMD (BOD: 8 cents) has reached the six-month point in the trials of its Cardio-cel biomaterial patch used to treat pediatric patients with heart defects. The company reported that no patch related clinical adverse events, blood clots were observed, nor were dehiscence (bursting open) events.

The company also announced that it would conclude its South African based study at 30 patients (instead of 50), citing funding cutbacks to South African hospitals as a factor. However, the company is satisfied that the trial has delivered sufficient diversity of anatomical locations and surgical challenges to support its data package that would be submitted for EU and Australian approval in 5-6 months time.

Bioshares recommendation: **Speculative Buy Class B**

Bioshares

How Bioshares Rates Stocks

For the purpose of valuation, *Bioshares* divides biotech stocks into two categories. The first group are stocks with existing positive cash flows or close to producing positive cash flows. The second group are stocks without near term positive cash flows, history of losses, or at early stages of commercialisation. In this second group, which are essentially speculative propositions, *Bioshares* grades them according to relative risk within that group, to better reflect the very large spread of risk within those stocks.

Group A

Stocks with existing positive cash flows or close to producing positive cash flows.

- Buy** CMP is 20% < Fair Value
 - Accumulate** CMP is 10% < Fair Value
 - Hold** Value = CMP
 - Lighten** CMP is 10% > Fair Value
 - Sell** CMP is 20% > Fair Value
- (CMP–Current Market Price)

Group B

Stocks without near term positive cash flows, history of losses, or at early stages commercialisation.

Speculative Buy – Class A

These stocks will have more than one technology, product or investment in development, with perhaps those same technologies offering multiple opportunities. These features, coupled to the presence of alliances, partnerships and scientific advisory boards, indicate the stock is relative less risky than other biotech stocks.

Speculative Buy – Class B

These stocks may have more than one product or opportunity, and may even be close to market. However, they are likely to be lacking in several key areas. For example, their cash position is weak, or management or board may need strengthening.

Speculative Buy – Class C

These stocks generally have one product in development and lack many external validation features.

Speculative Hold – Class A or B or C

Sell

Corporate Subscribers: Phylogica, Pharmaxis, Cytopia, Arana Therapeutics, Starpharma Holdings, Cogstate, Bionomics, ChemGenex Pharmaceuticals, Circadian Technologies, Biota Holdings, Halcygen Pharmaceuticals, Peplin, BioMD, Impedimed, QRxPharma, Patrys, Labtech Systems, Hexima, Tyrian Diagnostics, Mesoblast, Atcor Medical, CathRx

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