

In this edition...

Downturns are a normal aspect of investment markets, and the Australian biotech sector has just posted one of its largest declines in a quarter. A disconnect between capital inflows and stock prices currently exists suggesting the sell down appears excessive and the second half of 2006 is set to see some strong rebounds in share prices within the sector.

In our Quarterly Review we analyse the worst and best performers for the quarter and also update readers on capital raising activities completed for June quarter. A strong trend is emerging with increasing interest from international investors in the local biotech sector.

The editors

	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 (from 5 May '06)	-7.1%
Cumulative Gain	158%
Average Annual Gain	22.7%

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Bioshares

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

Quarterly Review

Biotech Sector Oversold as Sector Falls by 18% in June Quarter

The Australian listed life science sector experienced a steep fall over the June quarter, 2006, with the **Bioshares Index** falling by 18.3% from the previous quarter. This decline followed a 1.4%* increase in the March quarter. The June quarter decline exceeded an 11.7% fall in the Nasdaq Biotech Index.

The flight to safety in local equities, with fears of an end to the resources boom, brought most biotech stocks into negative territory and this was heavily compounded by falls in US biotech stocks over the quarter. A combination of local and international factors are at work in seeing support for speculative and high risk biotech stocks wane.

The **Bioshares Large Cap Index**, which includes CSL, Mayne Pharma, Resmed, API, Sigma Pharmaceuticals and Cochlear posted a much more modest decline of 1.3%, which was in line with the 1.1% decline recorded for the ASX 300.

However, a longer term factor also at play has been that investors have sold down stocks when companies have not performed to expectations and where expectations have not been adequately set, and also where companies' technologies have failed to progress for technical reasons. The recent down turn is not altogether unwelcome as it works to ensure the viability of the sector through the promotion of stronger and better formed biotech companies whilst generating an underclass of struggling biotechs with uncertain futures that may need to reassess their respective asset allocation.

Although the general appearance of the biotech sector may be one of doom and gloom, the emergence of better structured and better funded companies, such as the Tier-I companies identified in Bioshares 169, suggests otherwise. Tier-I companies include **Alchemia, Peplin, Pharmaxis, Acrux, pSiVida, Sirtex, Biota** and **Peptech**. In addition companies such as **Cytopia** and **ChemGenex**, two cancer drug developers that have recently improved their cash positions, are progressing well.

The rapid and heavy sell down in biotech stocks in the June quarter appears unwarranted. We expect a rebound in biotech stocks that have been oversold in the second half of 2006.

Cont'd over

Index performances for 2005, 2006*

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006
Bioshares Index	-17.1%	-11.0%	11.5%	-2.0%	1.4%	-18.3%
Nasdaq Biotech Index	-15.0%	6.2%	13.7%	0.8%	6.4%	-11.7%
Bioshares Large Cap	6.5%	9.3%	13.2%	-1.5%	14.9%	-1.3%
ASX 300 Index	2.0%	3.8%	8.6%	2.6%	7.8%	-1.1%

* The quarterly change for 2006 Q1 was incorrectly recorded as 1.7% in earlier editions of Bioshares 174 and revised from 1.5% as recorded in Bioshares 162

Capital raisings

For what has arguably been one of the largest sell downs of biotech stocks across the board seen in this sector, there is a clear disconnect between share prices and the fundamental health of a component the Australian smaller cap biotech sector. While almost half of the stocks in the sector experienced price falls of between 20% - 50%, a selection of biotech companies were resoundingly successful in securing additional capital to fund their commercialisation activities. In total, \$183 million was raised in the second quarter of this calendar year, well in excess of the \$70 million raised in the first quarter.

Value seen in local sector by international investors

And while local investors were exhibiting some anxiety with their biotech holdings, it seems that overseas investors are continuing to increase their investments in Australian biotech. Almost one quarter of the funds raised in the last quarter came from international investors. **Peplin** raised \$40 million, with \$26.6 million of that being sourced from international investors, led by US venture capital group, **MPM Capital**.

Heartware raised its \$32.6 million from Australian and US insti-

tutional investors, Life Therapeutics raised US\$4 million through a convertible loan in the US and has a standby equity line of credit facility in the US for of to \$30 million, through US investment fund **Cornell Capital Partners Offshore** (this credit facility was not included in the total funds raised). **Clinuvel Pharmaceuticals** made a \$5 million placement to European investors, and **Medec** raised \$1.8 million from institutional investors in Germany.

There has been a steady increase in interest from institutional investors in local biotech stocks. When **Pharmaxis** last year raised \$87 million, about half of that stock was placed with US investors. Over the last 12 months the international investment house **Orbis Funds** has made significant investments in several Australian biotechs and it appears that more overseas funds are eyeing off Australian biotech investments.

In other capital raisings conducted in the last quarter, **Ventracor** raised \$29.1 million through a rights issue. **ChemGenex** secured an important raising of \$15 million from institutional investors and is conducting a rights issue to raise further funds. **Avexa** strengthened its financial position ahead of the release of

Capital Raisings by Australian listed Life Science Companies, Q2 2006

Company	Investment manager	Type of raising	Funds raised (M)
Peplin	ABN AMRO Morgans & Wilson HTM	Underwritten rights issue	\$40.0
Heartware	-	Private Placement	\$32.6
Ventracor	ABN AMRO Morgans & Citigroup Global Markets Australia	Rights issue	\$29.1
Chemgenex Pharm.	ABN AMRO Morgans	Private Placement	\$15.0
Avexa	ABN AMRO Morgans & Wilson HTM	Rights issue and private placement	\$14.4
Psivida	-	Non-renouncable rights issue	\$6.3
Life Therapeutics	-	Convertible loan	\$5.3
Unilife Medical Solutions	Max Capital	Non-renouncable rights issue	\$5.3
Clinuvel Pharmaceuticals	-	Private Placement	\$5.0
Psiron	Axis Financial Group	Rights issue and private placement	\$4.4
Biosignal	Taylor Collison	SPP & private placement	\$3.5
IMI Medical	Bell Potter	Private Placement	\$3.2
Portland Orthopaedics	Axis Financial Group	Private Placement	\$3.2
Advanced Ocular Systems	-	Convertible note	\$2.7
Medical Therapies	Fresh Capital Pty Ltd	Private Placement	\$2.0
Medec	Gebhard & Co Wertpapierhandelsbank	Private Placement	\$1.8
Anadis	Intersuisse Corporate	Private Placement	\$1.7
Brain Resource Company	Tricom Equities	Private Placement	\$1.5
Stirling Products	Hunting Party Securities	Private Placement	\$1.3
Solbec Pharmaceuticals	-	Share purchase plan	\$0.9
Medical Monitors	-	Private Placement	\$0.8
Total			\$180.0
IPOs			\$3.0
Total raised in Q2 2006			\$183.0
Total raised in Q1 2006			\$70.0
Total raised to date in 2006			\$253.0

pivotal Phase IIb data from its HIV trial, raising \$14.4 million. One company that was restricted by the poor market conditions was Psivida, which raised only \$6.3 million after earlier seeking to raise \$29 million through a rights issue and placement of additional stock to US investors.

New listings

The door has been tightly held closed for new listings in the sector, with only one minor biotech stock sneaking through. Incitive listed in May at 20 cents and raised \$3 million. The stock has increased slightly, with investors enjoying a 15% price gain at the end of June.

Outperformers

Only 17 stocks from the 128 in the sector recorded gains over the quarter. **Medical Monitors**, **Unilife Medical Solutions** and **Polartech** have bounced back somewhat although have fallen heavily over the last 12 months. **Evogenix** continues to impress, signing a collaboration with CSL to improve that company's antibody compounds in development. It also in-licensed a hamster antibody which is a potential drug candidate for lung cancer and melanoma. The company was recently offered a \$1.66 million Commercial Ready grant for the program. Its share price increased by 33% for the quarter and 124% over the last 12 months.

Optiscan Imaging continued to perform well, increasing 20% for the quarter and 52% over the last 12 months. With the com-

Top 10 Sector Performers Q2 2006

Medical Monitors	104%
Evogenix	33%
Bone Medical	32%
ITL	26%
Eastland Medical Systems	23%
Phosphagenics	22%
Unilife Medical Solutions	21%
Polartech	20%
Optiscan Imaging	20%
Incitive	15%

pany having been transformed into a revenue generating business and its first product now commercially available, the stock is generating interest from a new range of investors. **Phosphagenics** is progressing its transdermal delivery technology, with positive results reported by the company from pre-clinical studies with a transdermal insulin product. The company also moved its transdermal morphine study into Phase II trials. The stock was up 22% for the quarter and 10% over the last year.

Underperformers

Although many stocks have received harsh treatment by the market over the last quarter, there are some stocks to look to be in real trouble. **Resonance Health** finished the quarter at 2.2 cents a share. Its price has fallen by 73% over the quarter and by 84% over the year. Its Managing Director resigned in May and the

company is having a difficult time in generating sales for its diagnostic test which measures liver iron levels through non-invasive means. **Eiffel Technologies** and **Benitec** are both companies that are lacking direction and it's difficult to see how these two companies will progress in the future.

Somnomed, which has developed a range of snoring prevention devices, generated sales cashflow in the nine months to 31 March this year of \$1.1 million however the stock has finished significantly below its listing price of 30 cents in 2004, at 6.9 cents. This company had little appeal and its share price decline is not surprising.

Advanced Ocular Systems was down by 64% over the last three months and 84% over the last year. The company needs to raise capital and is currently in that process. Its merger with a US company last year does not appear to have been well received. **Avantogen's** share price has fallen by 57% in the last three months and by 77% over the last year. This was prompted by the poor result in the company's Pentrys cancer vaccine, and it was not helped by delay in the release of the results which was well documented by the media.

Bottom 10 Sector Stocks Q2 2006

Resonance Health	-73%
Advanced Ocular Systems	-64%
Avantogen	-57%
Benitec	-55%
Somnomed	-54%
Lipa Pharmaceuticals	-54%
Eiffel Technologies	-53%
Biodiem	-49%
Virax Holdings	-48%
Ambri	-45%

Ambri and **Virax Holdings** fell by 70% and 77% over the last 12 months, which are ominous signs for both companies. **Biodiem** fell by 49% over the last three months and by 43% over the previous year. It was a surprisingly severe sell down for this company, which has a portfolio of programs which includes a collaboration with **Nobilon** (Akzo Nobel). And **Lipa Pharmaceuticals** fell by 54% because of a 40% profit downgrade in May from the forecast given only months earlier in the same year.

The severe declines in many of these stocks will place pressure on the continuation of their respective businesses in their current forms. As mentioned in earlier editions, the divergence within the sector to Tier-I biotech stocks and smaller biotechs has begun. Whilst the Tier-I stocks will continue to have ready access to capital, smaller, earlier stage biotechs will find it increasingly difficult to secure investor interest.

IPOs in Q2 2006

Company	Code	Funds Raised (M)	Issue price	Price 30/6/06	Gain/loss
Incitive	ICV	\$3.0	\$0.20	\$0.23	15%

The Australian Listed Life Sciences Sector

June 30, 2006: Capitalisation \$27.6 billion, 127 Companies

Bioshares Large Cap. Index

Company	Code	Cap. \$m	Principal Activities	Change - Qtr	Price 30/06/06
CSL	CSL	9,723	Manufactures pharmaceutical products including vaccines and human plasma fractions.	-2%	\$53.75
Resmed Inc.	RMD	4,385	Manufactures diagnostic and treatment equipment for sleeping disordered breathing.	2%	\$6.20
Cochlear	COH	2,994	Manufactures cochlear hearing implants.	3%	\$54.63
Sigma Pharmaceuticals	SIP	2,475	Pharmaceutical manufacturing and wholesaling.	-2%	\$2.60
Mayne Group	MYP	1,674	Operates generic pharmaceuticals manufacturing business and wholesale distribution business.	-12%	\$2.60
API	API	594	Pharmaceutical wholesaler.	1%	\$2.31

Capitalisation Total 21,846

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change - Qtr	Price 30/06/06
Cellestis	CST	378	Marketing a diagnostic for latent tuberculosis.	-6%	\$3.95
Pharmaxis	PXS	364	Developing a lung function test, Aridol, and a treatment, Bronchitol, for bronchiectasis and COPD, and compounds for multiple sclerosis.	-20%	\$2.06
Novogen	NRT	231	Developing analogues of naturally occurring phenolic hormones to treat cancers and other conditions.	-34%	\$2.38
Blackmores	BKL	221	Manufactures vitamin, mineral and herbal supplements and skin & hair products in Australia and N.Z.	-6%	\$13.90
Biota	BTA	217	Commercialised Relenza anti-flu drug and flu diagnostic kits. Now developing an improved version.	-35%	\$1.21
pSiVida	PSD	201	Developing and marketing drug delivery technologies, with a special focus ophthalmic applications.	-31%	\$0.52
Peptech	PTD	197	Develops treatments for animal health care products using peptides. Holds patent relating to anti-inflammatory compound.	-11%	\$1.23
Ventracor	VCR	174	Developer of Ventrassist, an artificial heart assist device.	-21%	\$0.66
Heartware	HTW	169	Developing a mechanical heart pump (LVAD).	-27%	\$0.91
Life Therapeutics	LFE	163	R&D of industrial and research grade protein, DNA and viral separation equipment. Acquired Serologicals plasma therapeutics business in 2004.	4%	\$1.74
Phosphagenics	POH	153	Commercialising a drug delivery technology improving the delivery of vitamin E and existing pharmaceutical products through phosphorylation.	22%	\$0.28
Alchemia	ACL	151	Commercialising new solid phase carbohydrate synthesis technology. First product, a synthetic heparin, to be launched by partners in 2008.	-23%	\$1.08
Mesoblast	MSB	143	Developing therapies based adult stem cells called mesenchymal stem cells, with applications in cartilage regrowth and bone repair.	-15%	\$1.53
Sirtex Medical	SRX	129	The company's core technology uses radioactive particles to irradiate tumours in the liver. Approved for use in most major regions.	-10%	\$2.33

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change - Qtr	Price 30/06/06
Genetic Technologies	GTG	127	Provides DNA paternity testing services and holds broad patents relating to the use of non-coding DNA.	0%	\$0.35
Metabolic Pharmaceuticals	MBP	111	Developing therapies for obesity, other metabolic diseases and pain.	-11%	\$0.39
Progen Industries	PGL	110	Developing oncology therapeutics, including an anti-angiogenesis compound.	-17%	\$2.70
AcruX	ACR	100	A Pooled Dev. Fund commercialising a drug delivery technology that uses sunscreen penetration enhancers to aid transdermal drug delivery.	6%	\$0.75
Peplin	PEP	83	Developing plant based compounds for topical applications to treat skin cancers, and bladder cancer and leukemia.	-21%	\$0.57
GenePharm Australasia	GAA	81	An emerging generic pharmaceutical manufacturer and distributor.	-22%	\$1.07
GroPep	GRO	75	Sale and manufacture of cell culture products and other reagents to the biotech industry. Developing drugs for recurrent miscarriage and psoriasis.	1%	\$1.61
Southern Dental Industries	SDI	74	Manufacture & distribution of amalgam (fillings) & other dental materials and product R&D.	-6%	\$0.63
Evogenix	EGX	70	Commercialising a next generation antibody optimisation and humanisation technology.	33%	\$0.56
Phylogica	PYC	70	Developing phylomer (protein fragment shapes) compound libraries for use in human therapeutics.	-7%	\$0.65
Clinival Pharmaceuticals	CUV	68	Clinival is a Melbourne-based specialty pharmaceutical company with a focus on niche prescription dermatology products.	-5%	\$0.37
ChemGenex Pharmaceuticals	CXS	64	Genomics/theranostics company with projects in obesity, diabetes, oncology and hypertension.	-33%	\$0.42
Starpharma Holdings	SPL	62	Developer of pharmaceutical applications of chemical scaffolds known as 'dendrimers'.	-19%	\$0.42
Lipa Pharmaceuticals	LIP	62	A contract manufacturer of complementary healthcare products.	-54%	\$0.67
Apollo Life Sciences	AOP	60	Developing portfolio of protein drugs to treat various disorders and diseases using human proteins and treatment of effects of ageing.	-37%	\$0.37
Cytopia	CYT	60	Small molecule drug development company. Has PDF status.	-6%	\$0.81
Zenyth Therapeutics	ZTL	59	Commercialising cytokine-based drugs for asthma and other inflammatory diseases.	-10%	\$0.47
CathRx	CXD	56	Developing novel modular cardiac catheters for the diagnosis and treatment of abnormal heart rhythms	0%	\$1.60
Institute of Drug Technology	IDT	51	Manufacturer of pharmaceutical ingredients to international standards for major pharmaceutical groups.	-12%	\$1.12
Optiscan Imaging	OIL	48	Manufacture of confocal microscopes for clinical diagnosis including endoscopes through alliance with Pentax.	20%	\$0.48
Portland Orthopaedics	PLD	47	Developer, manufacturer and marketer of surgical hip and knee implants	-11%	\$0.34
Neuren Pharmaceuticals	NEU	44	Developing therapeutics in area of neuroprotection and metabolic disorders.	-32%	\$0.39
Norwood Abbey	NAL	42	A drug delivery company that uses laser skin ablation technology. Has investment in Norwood Immunology.	-35%	\$0.22
Proteome Systems	PXL	40	Developing proteomics hardware and software for drug development and diagnostic applications.	-22%	\$0.30

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change - Qtr	Price 30/06/06
Ellex Medical Lasers	ELX	39	Develops, manufactures and markets solid state ophthalmic lasers used to treat secondary cataracts and retinal disorders.	-3%	\$0.63
Brainz	BZI	35	Develops non-invasive brain monitors for the detection of brain injury designed for use at the patient's bedside. A NZ company.	-26%	\$0.42
ITL	ITD	34	Develops and distributes medical devices such as safety equipment to prevent needle stick injuries and sterile preparation kits.	26%	\$0.34
Chemeq	CMQ	34	Manufactures and markets antimicrobials for use in livestock industry.	-27%	\$0.33
Agenix	AGX	34	Manufacture and sale of diagnostics and animal health products. Developing Thromboview, a blood clot diagnostic imaging agent	-20%	\$0.16
Avexa	AVX	32	Developing antiviral therapies for HIV and Hepatitis B and a novel antibiotic.	-15%	\$0.23
Psiron	PSX	31	Developing a cancer treatment based on the application of viruses (oncolytic virus technology).	-6%	\$0.16
Giaconda	GIA	29	Developed novel (patented) combinations of registered drugs for the treatment of gastrointestinal disorders.	-11%	\$0.40
Scigen	SIE	28	Developer and manufacturer of biopharmaceuticals. Company is based in Singapore and was spun out of Sonic Healthcare in 2002.	-18%	\$0.06
Bionomics	BNO	27	Developing drugs to treat cancer and CNS diseases, and has also developed a gene diagnostic for epilepsy.	-13%	\$0.18
Unilife Medical Solutions	UNI	27	Developer of retractable syringes.	21%	\$0.20
Solagran	SLA	26	Developing compounds called Bioeffectives, designed in Russia, and have medicinal properties.	-23%	\$0.17
Clinical Cell Culture	CCE	25	Development of skin treatment products for use in burns and other skin damage. Lead product is CellSpray.	-24%	\$0.11
Prana Biotechnology	PBT	24	Developing drugs to treat CNS diseases such as Alzheimer's and Parkinson's.	-8%	\$0.19
Clovercorp	CLV	23	Development and production of omega-3 food additives from tuna oil.	-10%	\$0.14
Anadis	ANX	21	Specialises in R&D of bovine colostrum products for therapeutic use in animals and humans.	-39%	\$0.22
Eastland Medical Systems	EMS	20	Developing retractable syringes and other surgical products.	23%	\$0.16
Brain Resource Corp	BRC	20	Development and commercialisation of functional brain analysis techniques.	-20%	\$0.22
Atcor Medical	ACG	20	Markets the SphygmoCor device, a noninvasive technology that provides information regarding the functioning of the cardiovascular system	-38%	\$0.20
RiTract	RTL	19	Developing a spring-loaded retractable syringe.	-22%	\$0.19
Denx	DNX	18	Markets educational and clinical applications for surgery navigation technology to the dental industry	-1%	\$0.07
Bone Medical	BNE	18	Developing treatments for bone and joint degenerative diseases such as arthritis and osteoporosis.	32%	\$0.25
Advances Ocular Systems	AOS	18	Developing a steroid - triamciolone acetamide - for treatment of back of the eye diseases.	-64%	\$0.09
Medical Developments	MVP	17	Commercialising the Penthrax inhaler for temporary pain relief. Used widely in ambulances across Australia.	-27%	\$0.31
USCOM	UCM	17	Marketing a non-invasive heart output function monitor.	-38%	\$0.45

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change - Qtr	Price 30/06/06
Living Cell Technologies	LCT	17	Developing cell therapies for diabetes, haemophilia and Huntington's disease.	-30%	\$0.14
Occupational & Medical Innovations	OMI	16	Developing safety devices used in the healthcare industry, including safety syringes.	-35%	\$0.54
Medec	MAA	16	Developing energy medicine products, including the Medec Pulse to alleviate localised pain.	-20%	\$0.24
Medical Monitors	MDM	16	Develops and manufactures cardiac monitoring and diagnostic devices.	104%	\$0.25
Avantogen	ACU	15	Has a p53 cancer vaccine program, natural products business for cancer patients, and vaccine adjuvant business in the US.	-57%	\$0.06
Narhex Life Sciences	NLS	15	Developed a low cost protease inhibitor for treatment of HIV in Chinese market.	-3%	\$0.09
Biolayer	BLS	14	Developer of a biological coatings technology that can applied to immunoassays, bio-separations, drug delivery and other medical devices.	-9%	\$0.20
Imugene	IMU	14	Developing animal products such as antibiotic alternatives used in the stock feed industry using a vaccine and gene therapy approach.	-37%	\$0.11
Biosignal	BOS	14	Developing compounds that interrupt the colonisation of bacteria. Applications in contact lenses and anti-fouling for marine paints.	-11%	\$0.17
Medical Therapies	MTY	14	Developing therapies to treat inflammatory diseases, using copper- and zinc- indomethacin	-29%	\$0.29
PanBio	PBO	14	Develops and markets vector born infectious diseases diagnostic eg Dengue fever.	-25%	\$0.22
Biotron	BIT	14	Commercialising early stage projects emanating from the John Curtin School of Medical Research.	-24%	\$0.20
Solbec Pharmaceuticals	SBP	13	Developing plant-based compounds for the treatment of melanomas and asbestos related lung cancers.	-24%	\$0.07
PharmAust	PAA	13	Its subsidiary, Epichem, provides chemistry services to biotech and pharma companies. Developing a drug discovery program.	-22%	\$0.14
Meditech Research	MTR	13	Development of carbohydrate based drug delivery compound, hyaluronic acid, to be used as adjunct to chemotherapy treatment.	-29%	\$0.10
Antisense Therapeutics	ANP	12	Developing antisense compounds to treat multiple sclerosis and acromegaly.	-42%	\$0.03
Cygenics	CYN	12	Developing tools used in stem cell proliferation, and conducts a tissue banking operation.	-34%	\$0.23
Prima Biomed	PRR	12	Commercialising research from the Austin Research Institute, Melbourne, relating to auto-immune diseases and cancer.	-26%	\$0.07
Bresagen	BGN	11	Contract bio-pharmaceutical manufacturer.	-12%	\$0.08
Sunshine Heart	SHC	10	Developing the C-Pulse heart assist device. The C-Pulse wraps around and compresses the aorta, increasing blood flow through the body.	-29%	\$0.14
Inctive	ICV	9	Development of compounds to to treat cancers and anti-immune diseases.	-2%	\$0.23
Healthlinx	HTX	9	Detecting novel functions of known and new protein and peptides for therapeutic purposes.	-24%	\$0.04
Stirling Products	STI	9	Commercialising a production animal growth promotant and meat finisher.	-38%	\$0.09
Biodiem	BDM	9	Has partnered nasal flu vaccine and is developing other technologies emanating from the St Petersburg Instit. of Exp. Medicine, Russia	-49%	\$0.28
Rockeby Biomed	RBY	8	Developed tests for the detection of Candida (Thrush and Systemic Candidiasis).	-23%	\$0.02

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change - Qtr	Price 30/06/06
Tissue Therapies	TIS	8	Commercialising growth factors for spray-on skin product, other wound healing and in research and industrial cell growth applications.	-25%	\$0.41
Somnomed	SOM	8	Commercialising an oral device for the treatment of sleep apnea and snoring.	-54%	\$0.07
Colltech	CAU	8	Has developed a novel technology for the extraction of collagen from sheepskins.	-28%	\$0.08
Compumedics	CMP	7	Develops, manufactures and markets sleep diagnostic and monitoring equipment.	-34%	\$0.05
Biopharmica	BPH	7	Managing cancer treatment and detection and bacterial DNA diagnostic projects. Portfolio investment approach.	-33%	\$0.12
IM Medical	IMI	7	Markets the Intelliheart Cardiovascular Diagnostic System	-36%	\$0.01
Cogstate	CGS	7	Marketing cognitive performance diagnostic products.	0%	\$0.16
Benitec	BLT	7	R&D company focusing on gene silencing, specifically DNA delivered RNAi, technology.	-55%	\$0.04
Genesis Research & Development Corp.	GEN	7	NZ developer of RNAi therapeutics, particularly for allergic diseases	-9%	\$0.26
NeuroDiscovery	NDL	7	Provides electrophysiology services to biotech and pharma, and is developing range of compounds for treating neuropathic pain.	-6%	\$0.16
Virax	VHL	6	Bio-pharmaceutical R&D company developing a therapeutic and prophylactic vaccine for HIV.	-48%	\$0.07
Ambri	ABI	6	Developing rapid diagnostic tests bases on mimicking natural biological sensing processes	-45%	\$0.04
Eqitx	EQX	6	Developing therapeutic drugs for chronic diseases and disorders affecting the aged patients.	-33%	\$0.13
Probiomics	PCC	6	A probiotics company that has launched a range of products to aid management of irritable bowel syndrome, diarrhoea and intestinal health.	-32%	\$0.04
Avastra	AVS	5	Proposing to engage in consolidation of sleep disorder centres in the USA	6%	\$0.19
Visiomed Group	VSG	5	Commercialising a device, the Funhaler, used to aid asthma medication for children.	-31%	\$0.02
Polartech	PLT	5	Develops and commercialises medical instruments to diagnose pre-cancer and cancer, in particular cervical cancer and melanomas.	20%	\$0.06
Resonance Health	RHT	4	Commercialising non-invasive iron liver diagnostic product.	-73%	\$0.02
Dia-B Tech	DIA	4	Developing therapeutics and diagnostics in the area of diabetes.	-26%	\$0.06
Cryosite	CTE	4	Building a business in the provision of services for storing umbilical cord blood through cryopreservation and ultracold technologies.	-17%	\$0.12
Analytica	ALT	4	Acquired Brewer Retractable Technologies. Contract manufacturer of diagnostic products.	-8%	\$0.02
Select Vaccines	SLT	4	Development and commercialisation of infectious diseases diagnostics, vaccines and therapeutics specialising in area of hepatitis diseases	-34%	\$0.07
Medigard	MGZ	3	Developed retractable syringe technology and other safety medical products.	-43%	\$0.05
BioMD	BOD	3	Acquired an interest in a tissue engineering technology company, Celxcel.	-19%	\$0.05

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change - Qtr	Price 30/06/06
BioProspect	BPO	2	Developing insecticides from naturally occurring molecules	-35%	\$0.01
Eiffel Technologies	EIF	2	Developing Super Critical Fluid technology to improve the extraction process of compounds from raw materials.	-53%	\$0.01
Salus Technologies	SAH	2	Developing wound healing and tissue engineering technologies, emanating from Singapore.	-5%	\$0.06
Acuron	AVP	2	Development and marketing of wound-care products	-25%	\$0.02

Capitalisation Total 5,655

Listed Biotech Investment Funds

Company	Code	Cap. \$m	Principal Activities	Change - Qtr	Price 30/06/06
Circadian	CIR	43	Management and funding of R&D projects with Australian and NZ universities. Holds investments in Optiscan, Metabolic Pharmaceuticals, Zenyth Therapeutics, Antisense Therapeutics and Avexa.	-1%	\$1.06
Biotech Capital	BTC	38	A Pooled Development Fund investing in unlisted Australian biotech companies or in public biotechs, including Starpharma, Prima Biomed, Clinical Cell Culture, Phylogica and Stem Cell Sciences.	-2%	\$0.43
Xceed Biotech	XBL	20	Holds a 60% stake in Polynovo, which is developing biodegradable polyurethane-based polymers. Intends to sell subsidiary Boron Molecular, a chemistry services company.	-4%	\$0.24
Premier Bionics	PBI	11	A listed venture capital group that invests in medical device companies, including Pulmosonix and Medec Vision.	-5%	\$0.20
Genesis Biomedical	GBL	6	Venture capital company with an investment in a fertility diagnostic	-33%	\$0.04

Capitalisation Total 98

Capitalisation Total - All Indexes 27,599

Bioshares Model Portfolio (7 July 2006)

Company	Price (current)	Price added to portfolio
Acrux	\$0.76	\$0.83
Agenix	\$0.17	\$0.22
Alchemia	\$1.08	\$0.67
Avexa	\$0.26	\$0.15
Biolayer	\$0.18	\$0.195
Bionomics	\$0.19	\$0.210
Biosignal	\$0.17	\$0.22
Cytopia	\$0.76	\$0.46
Chemgenex Pharma.	\$0.40	\$0.38
Evogenix	\$0.54	\$0.47
GroPep	\$1.54	\$1.43
Optiscan Imaging	\$0.60	\$0.35
Neuren Pharmaceuticals	\$0.45	\$0.70
Pharmaxis	\$2.06	\$1.90
Prima Biomed	\$0.073	\$0.09
Sirtex Medical	\$2.35	\$1.95

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

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