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In this edition...
There is no such a thing as a dream run for medical product developers. Tissue Therapies nightmare run in Europe appears to be over, with a ping-pong game played by various agencies over VitroGro's classification as a device (or otherwise) now over, as is a fight over who has the classification rights. It turns out the MHRA has the right of classification, not the EMA. (It's a device by the way.) Now there is a final review of manufacturing to be completed before VitroGro receives a CE Mark...
Viralytics' Phase II trial of CAVATAK in melanoma patients is tracking well and looks to be performing as well as Amgen's T-Vec did in a similar trial. One stock which could perform well in the next 12 months is IDT, with board changes key to future success.
Companies covered: ACG, IDT, POH, TIS, VLA, Cash Analysis

	Bioshares Portfolio
Year 1 (May '01 - May '02)	21.2%
Year 2 (May '02 - May '03)	-9.4%
Year 3 (May '03 - May '04)	70.6%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.4%
Year 7 (May '07 - May '08)	-36%
Year 8 (May '08 - May '09)	-7.4%
Year 9 (May '09 - May '10)	50.2%
Year 10 (May '10 - May'11)	45.4%
Year 11 (May '11 - May '12)	-18.0%
Year 12 (May '12 - May '13)	3.1%
Year 13 (May '13 - Current)	28.8%
Cumulative Gain	**359%**
Av. annual gain (12 yrs)	**16.6%**

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Bioshares

2 August 2013
Edition 514

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

Tissue Therapies Effects Positive Reversal from European Regulators

Tissue Therapies (TIS: 24.5 cents) appears set to get its way with European regulators, after a very difficult battle. The company's wound healing technology VitroGro will finally be assessed as a device. This means the company will not need to conduct efficacy trials in Europe, which should see the product on market in Europe in the first half of 2014.

It has been a tortuous battle with the European regulatory process. However Tissue Therapies has finally been vindicated in its approach. Tissue Therapies was initially told its therapy would be assessed as a device, then this opinion was reversed, which would have meant that the therapy would be reviewed as a medicine, and as such further clinical studies would be needed. However that opinion has been reversed once again so no further clinical trials will be needed in Europe.

A Final Step – Review of Manufacturing Process

The final step in getting the product approved for sale in Europe is to have its manufacturing processes reviewed. This will only be a desk audit and will start on 6 September. Tissue Therapies uses two contract manufacturers in Belgium. Its product is ready to be shipped. The manufacturing audit will take no longer than 210 days, which will see Tissue Therapies start selling product in the second quarter of next year. We expect that approval will not take the full 210 days, given the long delays that Tissue Therapies has experienced to date, and may be considerably shortly.

One of the appeals of this wound healing technology is that it will not require reimbursement to achieve success, although it will help. With the product expected to sell for around $100 (per unit) but for $1000 for a full treatment (10 applications), it is a therapy that can be paid for from hospital budgets, particularly if it shows to improve healing times and reduce hospital stays.

Tissue Therapies is capitalised at $52 million. The company had $4.9 million in cash at the end of June.

Bioshares recommendation: **Speculative Buy Class A**

4.7B Reporting Companies – Cash Balances June 30, 2013

Sorted by Survival Index

	Code	Company	Cash Receipts ($M)	Nett Op. Cash Fl. ($M)	Cash End 30/06/13 ($M)	Survival Index	Comments/Events post reporting date
1	SOM	Somnomed	$18.6	$0.6	$4.2	**Not App**	
2	LCT	Living Cell Technologies	$10.4	$1.3	$4.5	**Not App**	
3	ACG	Atcor Medical	$8.6	$1.8	$2.9	**Not App**	
4	RHT	Resonance Health	$1.8	-$0.1	$1.1	**17.9**	
5	HCT	Holista Colltech	$5.6	-$0.2	$2.9	**12.0**	
6	NAN	Nanosonics	$14.0	-$4.5	$29.3	**6.5**	
7	NDL	Oncosil	$0.0	-$0.6	$3.5	**6.4**	
8	MSB	Mesoblast	$0.0	-$56.3	$316.6	**5.6**	
9	AVX	Avexa	$0.0	-$2.7	$11.9	**4.4**	
10	SPL	Starpharma	$5.9	-$9.8	$33.8	**3.5**	
11	OBJ	OBJ	$0.1	-$1.3	$3.5	**2.7**	
12	BNO	Bionomics	$3.8	-$9.6	$22.5	**2.4**	Signed option and license agreement with Merck
13	PAB	Patrys	$0.8	-$2.6	$5.2	**2.0**	
14	PRR	Prima Biomed	$0.0	-$15.3	$30.0	**2.0**	
15	BRC	Brain Resource Corp	$1.0	-$2.0	$3.8	**1.9**	
16	CUV	Clinuvel Pharmaceuticals	$1.6	-$6.9	$12.6	**1.8**	
17	PXS	Pharmaxis	$3.8	-$35.4	$63.9	**1.8**	
18	LFC	Life Corporation	$8.3	-$3.5	$6.4	**1.8**	Formerly Cordlife
19	PBT	Prana Biotechnology	$0.0	-$8.1	$13.3	**1.7**	
20	BIT	Biotron	$0.0	-$3.1	$4.8	**1.5**	
21	AVH	Avita Medical	$3.6	-$7.3	$10.6	**1.5**	
22	RVA	Reva Medical	$0.0	-$11.7	$34.0	**1.5**	
23	OSP	Osprey Medical	$0.0	-$4.2	$12.2	**1.4**	
24	CDY	Cellmid	$0.8	-$1.4	$1.9	**1.4**	
25	ANP	Antisense Therapeutics	$0.0	-$2.8	$4.0	**1.4**	
26	UBI	Universal Biosensors	$9.0	-$6.7	$18.1	**1.4**	
27	VLA	Viralytics	$0.0	-$4.1	$5.1	**1.2**	
28	ADO	Anteo Diagnostics	$1.3	-$2.3	$2.6	**1.1**	To receive C'w Gt $0.35M grant
29	SIE	Scigen	$9.2	-$0.6	$1.3	**1.1**	
30	QRX	QRxPharma	$0.0	-$11.8	$12.0	**1.0**	
31	ACL	Alchemia	$6.7	-$13.4	$13.0	**1.0**	
32	IPD	Impedimed	$3.0	-$7.7	$7.3	**1.0**	
33	ACW	Actinogen	$0.0	-$0.1	$0.1	**0.9**	Withdrew Rights Issue offer
34	IVX	Invion	$0.1	-$4.1	$3.0	**0.7**	Expects to receive up to $1.4M tax rebate
35	PYC	Phylogica	$0.7	-$2.4	$1.8	**0.7**	Expects to receive $1.8M tax rebate
36	NEU	Neuren Pharmaceuticals	$0.0	-$2.6	$3.6	**0.7**	
37	AHZ	Allied Healthcare Group	$7.4	-$3.7	$2.4	**0.7**	
38	GID	GI Dynamics	$0.8	-$19.2	$24.5	**0.6**	Completed $57.5M placement
39	BDM	Biodiem	$0.8	-$2.0	$1.2	**0.6**	
40	IMI	IM Medical	$0.0	-$0.4	$0.2	**0.6**	
41	BLT	Benitec	$0.5	-$2.8	$1.6	**0.6**	Completed $7.9M placement and $2.8M SPP
42	UCM	USCOM	$0.6	-$1.0	$0.5	**0.6**	
43	TIS	Tissue Therapies	$0.1	-$9.3	$4.9	**0.5**	MHRA confirmed VitroGro as a device; confirmation letter forwarded to EMA
44	AGX	Agenix	$0.0	-$1.3	$0.7	**0.5**	
45	SUD	SUDA	$4.7	-$1.6	$0.8	**0.5**	
46	MGZ	Medigard	$0.0	-$0.2	$0.1	**0.5**	
47	LBT	LBT Innovations	$0.0	-$2.1	$0.9	**0.4**	Received $2M upfront payment from Hettich AG in early July
48	ALT	Analytica	$0.0	-$0.9	$0.3	**0.4**	
49	IMU	Imugene	$0.0	-$1.6	$0.6	**0.4**	
50	MLA	Medical Australia	$9.5	-$0.8	$0.3	**0.3**	
51	BCT	Bluechiip	$0.1	-$2.9	$0.9	**0.3**	Expects to receive $1.0M tax rebate (which will be applied to loan facility)
52	ISN	Isonea	$0.0	-$4.7	$1.3	**0.3**	Completed $13.5M placement
53	ACU	Acuvax	$0.0	-$0.5	$0.1	**0.3**	Terminated Biolife acquisition (unable to raise min $4 M)
54	GTG	Genetic Technologies	$8.3	-$7.2	$1.7	**0.2**	Completed $2.2M placement;proposing US$5M conv. note issue
55	BXN	Bioxyne	$0.9	-$1.0	$0.2	**0.2**	
56	UNS	Unilife	$1.4	-$45.3	$9.0	**0.2**	Commercial supply agreements pending
57	CGP	Consegna Group	$0.0	-$2.2	$0.3	**0.1**	Received $0.5M R&D tax rebate
58	GBI	Genera Biosystems	$0.0	-$1.5	$0.1	**0.1**	Completed $0.13M placement and $0.37M Conv. Note issue
59	BNE	Bone Medical	$0.00	-$1.04	$0.0014	**0.0**	

Legend:

Not App. : The SI calculation for these companies is not calculated due to the companies reporting positive operational cash flows, or in some cases marginally negative operational cash flows.

A: The SI calculation for these companies is based on the twelve months of NOCF.

CY: The SI calculation for these companies is calculated on the average of the last two quarters of NOCF, annualised.

4.7B Reporting Companies – Cash Balances June 30, 2013 (Cont'd)

Commentary

There were 59 ASX listed life science companies (a year ago, 63) for which we tabulated cash flow receipts, net operational cash and for which we calculated Survival Index figures for the June quarter.

There were 27 companies which retained cash resources at June 30, 2013, sufficient to fund less than one year's worth of operational activities (based on previous spending patterns). There were 16 companies with less than six month's cash at hand.

Several companies subsequent to the end of the quarter completed capital raisings. GI Dynamics raised $57.5 million, which means that on adjusted basis its SI would be **2.1**. Similarly, Isonea, which raised $13.5 million, would have an adjusted SI of **3.2**. Benitec Biopharma raised $7.9 million through a placement and a further $2.8 million from a share purchase plan. Its SI, on an adjusted basis, would be **4.4**.

Another group of companies, including Bluechiip, Invion and Phylogica expect to receive refunds under the Commonwealth Government's R&D Tax Incentive rebate scheme.

Each quarter, the majority of ASX listed biotech companies are required to report their cash positions. In turn, a key analytical measure we present each quarter is the 'Survival Index' (SI). The index measures how many years those cash reserves will last, based on a company's recent spending patterns. It is limited because it does not account for companies that may increase spending in the next period of activity.

The index is derived for this quarter by dividing the net operational cash flows (NOCF) for the twelve months ending June 30, 2013, into each company's cash assets as recorded at June 30, 2013. For companies that report on December 31 full year basis, the index is based on the last two quarters of net operational cash flows (NOCF). The NOCF is the net of receipts and outgoings incurred in support of operational activities.

As a rule of thumb, companies that present with an SI of less than one are likely to be raising funds to support their activities, or are in the process of doing so. A healthy SI is either two or more. Companies with SIs of less then 0.5 may be in positions of funding stress and investors should investigate such stocks with a greater degree of concern.

Small cap life science companies that are not required to comply with the 4.7B Rule include: Acrux, Advanced Medical Design and Manufact., Immuron, Bioniche, Cogstate, Circadian Technologies, Clovercorp, Compumedics, Cryosite, Cyclopharm, Ellex Medical Lasers, IDT, ITL Corp, Calzada, Medical Developments Int., Novogen, Optiscan Imaging, Progen Pharm. and Phosphagenics.
Re-domiciled companies,pSivida and Heartware International no longer comply with the 4B Rule.

Phosphagenics Accounting Irregularities – Comment

Phosphagenics (POH: $0.11) announced on July 24 the results of investigations, conducted by Deloitte Forensics, into accounting irregularities.

The company stated that approximately $5.7 million had been misappropriated over a period of eight years through the paying of funds towards false invoices.

Phosphagenics alleges that its former CEO, Esra Ogru is implicated in, and had benefited from the misappropriated funds, and further, that five other people were involved with the fraudulent activities. One of these five people was an employee of the company.

Investment Consideration

Phosphagenics is seeking restitution of the funds it alleges were obtained fraudulently.

However, the company faces an equally serious task stemming from its investigation into accounting irregularities which is that it should commission a full review of the company's operations as undertaken over the last eight years, so that it may properly understand the degree to which the company's 'above board' operations may have been compromised by the deliberate application of sub-standard management actions.

In conjunction with a review of management behaviour, it would be in the best interests of shareholders that a full board replenishment takes place, so that a board unencumbered by association with a suite of very serious issues, can with a clear mind and fresh perspective ensure the company is set on the path to the prudent and diligent generation of returns to shareholders.

Phosphagenics is capitalised $111 million.

Bioshares recommendation: **Sell**

Very Good Data Emerging from Viralytics' Cancer Killing Virus Approach

Terminology & Background

Vitalytics is using a virus, called the *Coxsackievirus* A21, which is involved in the common cold. The approach of using viruses to kill cancer cells, is termed oncolytic virotherapy. Theses viruses work by bursting open solid tumours and then activating the immune system to complete the task of destroying the cancer cells in the body. Viralytics is currently conducting a Phase II trial in 54 people with advanced melanoma. The trial is called CAVATAK. Oncolytic virotherapy is a new approach to treating cancer, with some irony, given it is viruses that have shown to be responsible for some cancers in the first place. The leading company in this field is Amgen with its modified herpes virus, called T-Vec. Amgen has completed a Phase III study and is awaiting overall survival data.

Very good data continues to emerge from Viralytics' Phase II trial with its oncolytic virotherapy. Viralytics (VLA: 30 cents) is conducting a trial in 54 patients with very late stage melanoma. To date, 38 patients have been enrolled, with the company seeking to complete recruitment by year's end.

Earlier this year the principal investigator of this trial, Dr Robert Andtbacka, released some trial data from 10 patients he had treated.

Two weeks ago, Dr Andtbacka presented interim data from the first 35 patients treated. Dr Andtbacka is highly respected in this field, having investigated Amgen's T-Vec oncolytic virotherapy. The T-Vec program was acquired by Amgen from Biovex in a deal worth US$1 billion (which included a US$425 million upfront payment for the company).

Interim data

irPFS = complete response, partial response (more than 30% drop in size of tumours) and stable disease

So far 23 patients have reached the point where immune-related progression free survival (irPFS) can be measured at six months. This measure of progression free survival is adapted for immunotherapies, where it is accepted that the tumours may initially continue to grow as the immune response takes effect, which is somewhere between six to 10 weeks in the injected lesion and responses have been seen as late as nine months after initial treatment in metastatic (non-injected) lesions. In this trial patients are injected with the CAVATAK virus directly into some melanoma lesions.

The minimum goal in this key measure is to get 10 of the 54 patients to reach irPFS at six months, meaning that after six months the person's cancer has been held controlled. Where does this goal come from? An analysis of 40 trials of cancer drugs in people with Stage III and Stage IV melanoma has found that the PFS outcome at six months was 15%. Ten from 54 patients yields an 18% success rate. And if 12 patients reached that target in this study, which is what appears to be the company's unofficial target, that translates to a 50% improvement on previously trialed cancer drugs in late stage melanoma.

To date, eight of the 23 patients evaluable have achieved successful irPFS. This translates to 35% success, which is very impressive. An announcement can be expected when two more patients (from 31 patients) reached irPFS at six months reaching the official target of 10.

Objective Response

An objective response is measured as a greater than 30% reduction in cumulative tumour size in the body. To date, in 30 patients who can be evaluated at 12 weeks on this measure in this trial, eight have reached this target (two complete and six partial responses). This translates to a 27% efficacy on this measure. This result may also improve in these patients as the immunotherapy takes effect.

In the T-Vec Phase II trial completed by Biovex (now Amgen), a 26% objective response was achieved, which is comparable to the current Viralytics CAVATAK data.

Safety – No Grade 3 or 4 SAEs

A major positive from this trial is that there have been no grade 3 or grade 4 serious adverse events. One of the features of such a therapy is the excellent safety profile which is in stark contrast to most other oncology drug treatments. Also of interest is that on average, the patients had failed three prior treatments, so this success is being generated in patients who are very ill and have very few other treatment options.

Other Measures

Other measures that have not specifically been reported are the exact effect on metastatic (non-injected) lesions, and also how durable the effect of the treatment is. Viralytics has indicated that the drug is also destroying distant (metastatic) lesions, but that distant response has not been quantified. Amgen's Phase III trial achieved a 16% durable response and this was viewed positively.

There will not be any survival benefit data from the CAVATAK trial as there is no control group.

How Will CAVATAK Compete With T-Vec In The Market?

One of the issues with a company developing a drug that will be number two or three in a new drug class is how that drug will compete, entering late, with a market leader. One of the interesting aspects of this therapy is that it could be used sequentially following T-Vec. A number of patients in the CAVATAK Phase II trial have previously been on T-Vec therapy, have progressed, and are now responding to CAVATAK.

CAVATAK has other advantages over T-Vec as well. T-Vec is a (benign) form of the herpes virus to which around 80% of the population has already been exposed. Prior population exposure

Cont'd over

– Viralytics cont'd

to the CAVATAK *coxsackievirus* is only around 20%, which means the virus will last longer in the body.

T-Vec has not been progressed as an intravenous delivered form, potentially because its size (as a virus) may trigger an immune response. Viralytics' CEO Malcolm McColl believes the smaller size of the *coxsackievirus* over the herpes virus may make it suitable for IV delivery as well.

The company is planning a Phase I/II intravenous study in 30 patients with a variety of solid tumours in the UK. This trial, called the STORM study, is expected to start by year's end. It will be compared with and without chemotherapy.

All Eyes on T-Vec Data

Amgen has completed a trial in over 400 patients with advanced melanoma (Stage III and Stage IV, similar to Viralytics' trial). Before the end of this year, Amgen is expected to release data on improvement in survival over the control arm. This will be the first time any survival data is generated using an oncolytic virotherapy. Amgen is paving the way through the regulatory process for oncolytic virotherapy. Any progress that company makes should benefit Viralytics as well, drawing more attention to this novel method to treat cancer.

Manufacturing

Oncolytic virus therapy will compete with existing antibody-based cancer drugs on the market and in development. Of the seven drugs approved by the FDA for the treatment of melanoma, four are antibody drugs, which are very costly to make. The manufacture of therapeutic viruses is considerably less expensive and more straightforward than making commercial antibody drugs. Viralytics' drug candidate is genetically unmodified, unlike the Amgen drug candidate T-Vec. Viralytics' virus is grown in mammalian cell culture and then purified. It is currently made by Sigma-Aldrich in the US. This costs of goods advantage will benefit Viralytics and Amgen.

Phase III Trials or Partner?

The Phase II CAVATAK trial is expected to complete recruitment by the end of this year (38 of 54 patients have been enrolled). Results should then be available around mid 2013. From there, the company will seek to either partner or start Phase III trials. CEO Malcolm McColl has a strong background in partnering but did so from the other side of the fence, having been involved with in-licensing at Hospira. McColl said the aim for the company is to position itself such that it can either transact a very lucrative deal or continue into Phase III studies. If the company can negotiate a very good deal then it will.

Summary

Viralytics is capitalised at $26 million. It had $5.1 million in cash at June 30, 2013

Bioshares recommendation: **Speculative Buy Class B**

Viralytics has been added to the Bioshares Model Portfolio at 30 cents.

Bioshares

IDT Australia – A Turnaround Story to Monitor Over the Next 12 Months

IDT Australia (IDT: $0.26) is a company that has a strong chance of becoming a successful growth story over the next 12 months. The company, based in the eastern Melbourne suburb of Boronia, is a contract manufacturer of high containment active pharmaceutical ingredients, provides drug formulation services and manages a Phase I clinical research site in Adelaide.

IDT Australia has posted losses for the last three years: FY2012, -$1.8 million; FY2011, -$0.236 million and FY2010, -$1.6 million.

The reasons for IDT's underperformance has been due to competition from offshore manufacturers associated with a strong Australian dollar, a decision by Pfizer to not use a facility it had funded at IDT's premises, a lack of attention by the company's previous management to the basics of customer management and business development, and lack of an ability to adapt the business to changing client needs.

The company appointed Dr Paul Macleman to the role of CEO on April 15, 2013. His appointment marks a start date for the company's desire to address its financial underperformance.

The company also announced the retirement of Alan Blackman and Robert Burnet from the board at June 30, linking board renewal to reinvigoration of the company's prospects. Graeme Kaufman, well known to many in Australian biotech from his executive involvement with CSL, Amrad, Circadian and Mesoblast, joined the board on June 1, 2013.

Recently, the company took on I'rom Holdings, a Japanese clinical site management organisation, as a strategic investor with a $2 million placement. I'rom is expected to channel business to IDT's operations in Australia. The CFO of I'rom's Australian subsidiary, Reo Shinego, also joined the board on June 1.

The current chairman, Dr Graeme Blackman has announced his intent to stand aside as chairman in the current September quarter.

IDT Australia is capitalised at $13.8 million.

Bioshares recommendation: **Speculative Buy Class B**

IDT Australia has been added to the Bioshares Model Portfolio at 26 cents.

Bioshares

Bioshares Model Portfolio (2 August 2013)

Company	Price (current)	Price added to portfolio	Date added
Invion	$0.060	$0.060	August 13
IDT Australia	$0.260	$0.260	August 13
Viralytics	$0.300	$0.300	August 13
Circadian Technologies	$0.245	$0.270	March 2013
Tissue Therapies	$0.250	$0.255	March 2013
Benitec Biopharma	$0.325	$0.040	November 2012
Nanosonics	$0.720	$0.495	June 2012
Somnomed	$1.15	$0.94	January 2011
Cogstate	$0.320	$0.13	November 2007
Universal Biosensors	$0.70	$1.23	June 2007

Portfolio Changes – 2 August 2013

IN:
Viralytics (see page 4), IDT Australia (see page 5) and Invion have been added to the portfolio. Invion has three Phase III trials underway. It is run by experienced biotech CEO Greg Collier and has a market capitalisation of only $28 million.

OUT:
Atcor Medical (see below)

Atcor Medical to Record Maiden Profit

Atcor Medical (ACG: 13.5 cents) has delivered its best full year result to date. It reported four consecutive quarters of positive cash flow, sales went up 50% to $9.0 million, and its maiden profit result should be between $2.7 - $2.9 million. The company had $2.8 million in cash at June 30, and is now capitalised at $20 million.

Atcor Medical has had the exchange go against it over the last few years and its top line result will now be supported by an appreciating US dollar. Atcor has manufacturing operations in Australia and a sales and marketing team in the US. In the last financial year, its sales to pharmaceutical companies using its central blood pressure measurement in clinical trials grew by 69% to US$6.1 million, accounting for about two thirds of overall sales.

Atcor's sales can still be lumpy, with one US$3.2 million contract secured in FY2013. One aspect that is helping pharmaceutical sales is the company's new version of the Sphygmocor, called the XCEL, which is easier to take readings with, compared to the original device.

The FY2013 result also included a $1.2 million benefit from grants and the R&D tax rebate, which is likely to be less this financial year. The company is still looking for growth in sales this year. The company believes it has now crossed the line with no further capital needing to be raised.

The launch of the Sphygmocor XCEL has also helped drive non-pharmaceutical sales, in the research area and for use by doctors. Sales increased by 21% in the US and by 77% in Australia. The major development for the company over the next 24 months will be to secure Category 1 reimbursement in the US, with renal physicians expected to submit an application to obtain Category 1 reimbursement.

New Thresholds Established for Hypertension Using Central Pressure with Sphygmocor

Atcor has also received positive news from an independent long term clinical trial conducted over 15 years. The trial involved 3,700 people, taking both central and the standard cuff pressure measurements. The authors looked at major cardiac events from this population, and firstly discovered the correct pressure levels at which a person can be categorised as hypertensive, and thereby requiring drug treatment.

For standard cuff pressure, the accepted threshold is 140/90 mmHg. The authors found that for central blood pressure, the threshold for hypertension is 130/90 mmHg.

The second very important finding from this study was that high central blood pressure was very well correlated with cardiovascular-based death and stroke death where cuff pressure was not predictive of cardiovascular related death but was predictive of stroke death.

Bioshares recommendation: **Take Profits**

Atcor Medical was added to the Model Portfolio at 8.2 cents. We will take some profits and remove it from the portfolio.

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. For both groups, the rating "Take Profits" means that investors may re-weight their holding by selling between 25%-75% of a stock.

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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