

**In this edition...**

While the falling Aussie dollar may mean difficulties for some companies, it has a pronounced and positive effect on Australian biotech and pharma firms that export to the US. Companies such as Sirtex Medical, IDT Australia, (which is discussed in this edition), Cogstate and Atcor Medical are just a few of the companies that can be expected to benefit from a low Aussie dollar.

At the other end of the spectrum, the evaporation of capital is beginning to take its toll on biotechs that do not generate earnings. A large number of listed biotechs face the prospects of administration, the scaling down of activities and sacking of staff, the disposal of assets at fire-sale prices or merger on terms previously considered unacceptable.

**Companies covered: ACL, IDT, PAB**

	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 - current)	-32.0%
<b>Cumulative Gain</b>	<b>41%</b>
<b>Av Annual Gain (7 yrs)</b>	<b>17.8%</b>

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# Bioshares

31 October 2008  
Edition 287

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

## **Apollo Life Sciences Appoints Administrators ... Alchemia Sacks 30 Staff...Phenomix Strikes US\$75 Million Upfront Partnering Deal**

In the most difficult capital markets in decades, the challenges for the biotech sector have arguably never been greater. For a sector whose existence and prosperity relies on continuous access to capital, most companies are being forced to review their operations and modify their businesses to ensure survival through chaos that continues to consume financial markets. However, out of this period the fortunes of companies in the sector will be mixed and perhaps there is no clearer example than developments that have occurred in the last week.

On Friday last week, listed biotech **Apollo Life Sciences**, which had months ago flagged a reassessment of its business, was placed into the hands of administrators. On Tuesday, **Alchemia** announced that it had sacked 30 of its R&D team as it seeks to ride out the next two years as capital market conditions improve and the company becomes self sufficient from product sales.

And at the end of last week, private company **Phenomix Corporation Inc**, which is commercialising technology originating from ANU in Canberra with Australian investors on its register including GBS Venture Partners (and CM Capital as an early investor), secured, according to our records, the largest upfront collaboration deal for an Australian-linked company, when it partnered its lead diabetes drug candidate for US\$75 million up front with Forest Laboratories.

### **Funding rounds conducted by Phenomix**

#### **Series C, March 2008, US\$55 million**

Investors: GBS Venture Partners, Nomura Phase4 Ventures (lead), JP Morgan Partners, Delphi Partners, Baker Brothers, Alta Partners, Sofinnova Ventures, Bay City Capital, CMEA Ventures, Novartis Bioventure Fund

#### **Series B, May 2005, US\$40 million**

Investors: GBS Venture Partners, JP Morgan Partners (co-lead), Delphi Ventures (co-lead), Baker Brothers Investments, Alta Partners, Sofinnova Ventures, Bay City Capital, CMEA Ventures, Novartis Bioventure Fund

#### **Series A, March 2002, US\$12 million**

Investors: CM Capital, Rothschild Bioscience Managers (GBS Venture partners), Sofinnova Ventures (co-lead), Alta Partners (co-lead), Bay City Capital, CMEA Ventures, Novartis Bioventure Fund, Versant Ventures

The deal gives Forest access to the company's Phase III Type II diabetes drug candidate, dutogliptin, a small molecule inhibitor of the DPP-4 enzyme. (This stops the enzyme breaking down the GLP-1 peptide, with GLP-1 helping to increase insulin production).

*Cont'd over*

In a Phase IIb study in 422 patients, the drug candidate met all primary and secondary endpoints with statistical significance, including reductions in HbA1c, a primary measure in diabetes management.

The deal is of interest to see what type of deal can be negotiated from a position of technology, corporate and financial strength for a relatively young biotech company. The total deal value is worth up to US\$340 million with over 20% of that up front as mentioned. The two companies will jointly develop and commercialise the drug candidate in the US sharing profits and expenses. Forest will gain rights to Canada and Mexico, and Phenomix will retain rights to all other regions. Phenomix had planned an IPO in the US earlier this year.

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#### Advertisement

## Research Day

Anadis Limited is hosting a "Research Day" where leading scientists collaborating with Anadis will provide an in-depth review of their areas of clinical expertise and research. The talks and question time will aim to give investment professionals further understanding of the advances being made in those areas by biotechnology and biopharmaceutical companies.

Topics will include HIV/AIDS immunology, the innate immune system, influenza virus prevention and treatment, and other topics.

Speakers will include Dr Damian Purcell, Prof Roy Robins-Browne and Prof Lorena Brown, from the University of Melbourne's Dept of Microbiology and Immunology and Prof Colin Chapman, former Dean, Monash University School of Pharmacy.

**Date:** 20th November, 2008

**Time:** 10 am to 12 noon. A buffet lunch will follow

**Location:**

Middletons, Level 25, South Tower 525 Collins Street, Melbourne.

**RSVP (by Friday November 14):** Arie Nudel, Investor Relations, Anadis Limited. Ph. 0409700305, email arie@anadis.com

### Market Comments

Not just in biotech, but across all sectors, exceptional investment opportunities have become common place. To benefit from these opportunities, investors need to have a solid understanding of the nature of these businesses and the risks that confront these companies, both now, and more difficult to predict in the current climate, the risks over the next 12 months.

At *Bioshares* one of our major aims is to assist investors in understanding these businesses and to articulate the risks and potential rewards available to these companies. At present, drug discovery and development companies that need to raise funds over the next 12 - 18 months have seen their risk profile increase considerably.

The falling Australian dollar, the large fall in share prices in Australian life science companies and the expected continued falls in interest rates (which will decrease discount factors, although increased volatility may counter that benefit in the current climate) all improve fundamentals for sector investments for revenue generating businesses. This is particularly the case for companies that generate the majority of their revenue overseas.

Healthcare is also largely immune to discretionary spending which should give mature companies with products in the market added appeal ahead of a looming, severe global recession.

### Falling Australian Dollar Continues Boon for Local Exporters

With the release of quarterly cash flow statements for the September quarter now complete (see details on pages 4-5), the benefit from the falling Australian dollar is becoming evident, and another 30% additional benefit in US sales figures expected to be seen in the current quarter from FX movements.

Sirtex recently indicated that the impact of the falling Australian dollar will have a \$12 million positive impact on sales over last year at the exchange rate of 61 cents, and a \$2.9 million benefit to the bottom line for every 15% depreciation of the Australian dollar.

In the September quarter, when the average AUD/USD exchange rate was 89 cents, **Sirtex Medical** increased receipts from customers to \$10.5 million (15% increase over pcp). This result should improve considerable over the remainder of the financial year at current exchange rates.

**Cellestis** increased receipts from customers to \$6.6 million (116% increase) also without the full impact of the currency movements yet to become evident. **Cogstate** increased revenues to \$2 million (170% increase over pcp) and **Atcor Medical** increased receipts from customers to \$2.4 million (42% increase over pcp),

Sirtex Medical, Cellestis and Cogstate have all now become profitable businesses. We expect Atcor Medical to move in profitability in FY2010. These companies all have an ability to deliver sustained sales growth in markets that should remain largely unaf-

*Cont'd over*

## IDT Update – A Stellar Investment Opportunity in Any Market

Another profitable biotech company, IDT (IDT: \$1.80), held its AGM this week. It was a meeting where all shareholders in attendance and the board could not have been happier with progress at the company. IDT sales increased to \$31.5 million (up 18%) recording a net profit of \$7.1 million (up 30%) for FY2008.

For those biotech investors seeking a biotech company paying dividends, IDT is the most appealing option. The company paid a 12 cent fully franked dividend for the last year which equates to 6.6% dividend yield. Its dividend payout increased by 20% over the previous year and we expect sustained strong growth in net profit and dividends.

IDT is a contract manufacturer of contained pharmaceuticals, including the bulk active pharmaceutical ingredients (API) and finished product. It manufactures marketed drugs as well as drugs in development mainly for major pharmaceutical companies but also for biotechs. It specializes in oncology drugs but also antibiotics and toxic drugs, where the drugs need to be contained from infiltration into the environment and to workers. It also operates a Phase I clinical testing unit in Adelaide.

Growth in the company's business will come from drugs under development and manufactured at IDT moving through to the market, of which there is a steady and good spread at IDT, and from more aggressive marketing of the company's services. The company has a major drug development program with Pfizer for a novel antibiotic with Pfizer having invested over \$20 million in facilities at IDT to have this drug manufactured. If this drug is successful, it could represent substantial and sustained upside for IDT.

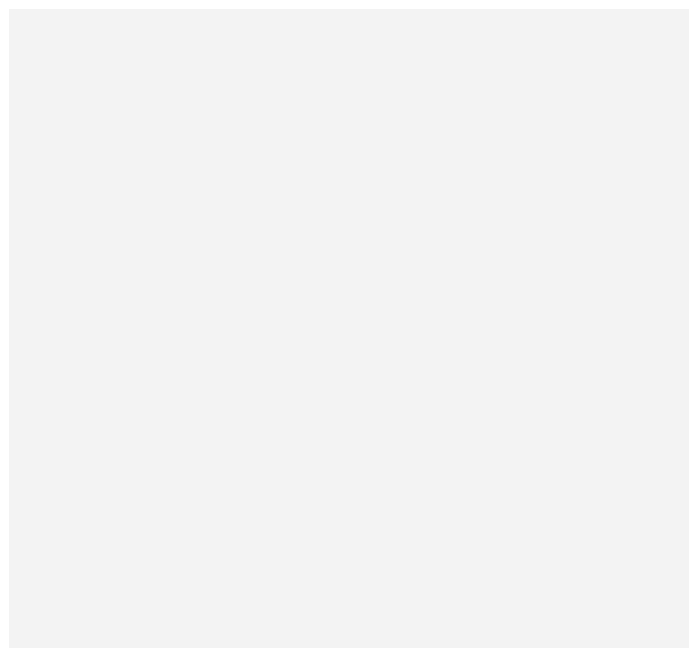
Another reason for solid growth in the company's business, according to the company's Managing Director, Robyn Elliott, is the trend by major pharmaceutical companies to reduce their number of manufacturing and development facilities. Also, according to Elliott there are 750 cancer drugs in clinical trials and the sales of cancer drugs on the market that require containment is increasing at a rate of 12% - 15% a year.

IDT now has a formal relationship with **Hamptom Pharma** in the US, which acts on behalf of drug manufacturers such as IDT in helping to secure new contracts. That relationship is delivering on new manufacturing contracts.

All of IDT's contracts are set in Australian dollars. There are no immediate benefits from a falling dollar to IDT, however it does make the company more competitive and attractive to its clients.

Bioshares recommendation: **Buy**

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'Falling Dollar' - from previous page

ected by a global recession and sales results should be accentuated by favourable current levels of foreign currency exchange rates.

This list of FX rate beneficiary companies also includes **CSL, Cochlear** and **ResMed**, companies receiving a royalty stream from product sales including **Biota Holdings, Arana Therapeutics, Labtech Systems** and **Acrux**, and companies that will be building international sales with new products over the next year such as **Impedimed, CathRx** and **Nanosonics**.

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Keeping Investors Informed

## The CEO Transcript

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## 4.7B Reporting Companies – Cash Balances Sept. 30, 2008

### Sorted by Survival Index

Code	Company	Cash Receipts	Cash End 30/09/08 (\$M)	Survival Index	Events since Sept. 30; other comments
1 BRC	Brain Resource Corp	\$0.45	\$19.0	Not App	
2 CST	Cellestis	\$6.65	\$15.9	Not App	
3 CTE	Cryosite	\$1.63	\$1.4	Not App	
4 LBT	Labtech Systems	\$0.00	\$4.40	Not App	
5 RHT	Resonance Health	\$0.50	\$2.5	Not App	
6 SRX	Sirtex Medical	\$10.49	\$8.1	Not App	
7 UNI	Unilife	\$18.31	\$13.4	Not App	
8 GTG	Genetic Technologies	\$3.30	\$12.57	12.8	
9 ACR	AcruX	\$0.33	\$31.7	9.4	
10 AOS	Advanced Ocular Systems	\$0.00	\$2.2	8.0	Has since received US\$1M on sale of IOL patents
11 ACW	Actinogen	\$0.01	\$2.4	6.4	
12 CUV	Clinuvel Pharmaceuticals	\$0.00	\$46.3	5.8	
13 PXS	Pharmaxis	\$0.19	\$105.6	5.6	
14 HXL	Hexima	\$0.00	\$33.77	4.8	
15 ANP	Antisense Therap.	\$3.48	\$7.4	3.9	
16 CBB	Cordlife	\$4.20	\$9.0	3.9	
17 UBI	Universal Biosensors	\$4.56	\$31.65	CY 3.7	
18 NAN	Nanosonics	\$0.00	\$22.01	3.1	
19 SIE	Scigen	\$10.05	\$8.71	CY 2.8	
20 HGN	Halcygen	\$0.00	\$10.40	2.8	
21 SOM	Somnomed	\$1.19	\$4.9	2.4	
22 CGS	Cogstate	\$1.08	\$1.9	2.4	
23 HTW	Heartware	\$0.00	\$39.27	2.3	
24 QRX	QRxPharma	\$0.00	\$29.9	2.2	
25 PAB	Patrys	\$0.00	\$13.62	2.2	Additional \$2.9 M to flow from Acceptys acquisition
26 AVH	Avita Medical	\$0.78	\$8.1	2.1	
27 PAA	Pharmaust	\$0.39	\$4.21	2.0	
28 BPO	BioProspect	\$0.10	\$3.5	2.0	
29 AVS	Avastra	\$10.39	\$1.3	1.9	
30 MSB	Mesoblast	\$0.00	\$11.54	1.8	
31 BLS	Biolayer	\$0.24	\$2.5	1.7	
33 PLI	Peplin	\$0.15	\$53.0	1.7	
32 OBJ	OBJ	\$0.00	\$1.16	1.5	
34 CXD	CathRx	\$0.00	\$14.0	1.4	
35 BZI	Brainz	\$1.09	\$2.26	MY 1.3	Sale of assets to Natus Medical in progress
36 GBI	Genera Biosystems	\$0.01	\$3.2	1.3	
37 AYG	Austofix	\$0.58	\$2.1	1.3	
38 ACL	Alchemia	\$0.00	\$12.3	1.3	Effected staff cutbacks to trim costs
39 LCT	Living Cell Technologies	\$0.04	\$8.67	1.3	
40 HCG	Helicon Group	\$0.00	\$1.52	1.3	
41 BOD	BioMD	\$0.00	\$1.2	1.2	
42 BDM	Biodiem	\$0.00	\$4.9	1.2	
43 FER	Fermiscan	\$1.42	\$9.8	CY 1.2	
44 UCM	USCOM	\$0.23	\$2.0	1.2	
45 IMU	Imugene	\$0.00	\$1.37	1.2	
46 PXL	Proteome Systems	\$0.00	\$8.4	1.1	
47 BNO	Bionomics	\$2.37	\$5.8	1.1	
48 SPL	Starpharma	\$1.46	\$6.2	1.1	
49 IPD	Impedimed	\$0.57	\$9.14	1.1	
50 AVX	Avexa	\$0.00	\$33.0	1.0	
51 ACG	Atcor	\$2.40	\$3.3	1.0	
52 XCD	Xceed Capital	\$1.01	\$2.5	1.0	Is selling Polynovo to Metabolic (scrip deal)
53 PBT	Prana Biotechnology	\$0.00	\$9.5	0.9	
54 SHC	Sunshine Heart	\$0.00	\$8.0	0.9	
55 NDL	NeuroDiscovery	\$0.58	\$1.60	0.9	
56 BIT	Biotron	\$0.00	\$1.5	0.8	
57 SLT	Select Vaccines	\$0.02	\$0.8	CY 0.8	
58 ALT	Analytica	\$0.00	\$0.7	0.8	
59 SBP	Solbec Pharm.	\$0.00	\$1.0	0.7	NOCF adjusted (excludes) for tax rebate
60 BPH	Biopharmica	\$0.05	\$0.8	0.7	NOCF adjusted (excludes) for R&D grant
61 GBL	Genesis Biomedical	\$0.00	\$0.70	0.7	
62 VLA	Viralytics	\$0.00	\$1.8	0.6	
63 PRR	Prima Biomed	\$0.00	\$0.7	0.5	
64 PYC	Phylogica	\$0.00	\$2.2	0.4	
65 NEU	Neuren Pharmaceuticals	\$0.00	\$3.66	CY 0.4	
66 OMI	Occup.& Medical Innov.	\$0.49	\$0.67	0.4	
67 ICV	Incitive	\$0.00	\$0.55	0.3	
68 SLA	Solagran	\$0.03	\$1.1	0.3	Ann. Rights Issue to raise \$2M
69 BLT	Benitec	\$0.07	\$1.1	0.3	Has raised \$1.9M since end of qtr
70 HTX	Healthlinx	\$0.07	\$0.54	0.3	To issue \$250 K Conv. Notes: Auditors queried HTX as a "going concern" in FY'08 a/c
71 CAU	Colltech	\$0.01	\$0.7	0.3	
72 KXS	KarmelSonix	\$0.02	\$1.8	0.3	Has a \$7.2 line of credit in place
73 MTY	Medical Therapies	\$0.00	\$0.49	0.3	"\$2M commitment by a Japanese investor has been temporarily delayed"

## 4.7B Reporting Companies – Cash Balances Sept. 30, 2008 Sorted by Survival Index

Code	Company	Cash Receipts	Cash End 30/09/08 (\$M)	Survival Index	Events since Sept. 30; other comments
74	ACU Avantogen	\$0.00	\$0.4	0.3	
75	STI Stirling Products	\$0.05	\$0.5	0.3	
76	BOS Biosignal	\$0.00	\$0.7	0.2	
77	STC Stem Cell Sciences	\$0.47	\$1.64	CY 0.2	
78	TIS Tissue Therapies	\$0.00	\$0.7	0.2	
79	NAL Norwood Abbey	\$0.05	\$0.31	0.2	
80	EMS Eastland Medical Systems	\$3.30	\$0.4	0.2	
81	RBY Rockeby Biomed	\$0.39	\$0.3	0.1	Has received \$800K in grants: NRR1 to raise \$500K; General offer to raise \$250K
82	IMI IM Medical	\$0.11	\$0.40	0.1	Has a \$5M standby facility; Auditors queried IMI as a "going concern" in FY'08 a/c
83	DIA Dia-B Tech	\$0.00	\$0.2	0.1	Auditors queried DIA as a "going concern" in FY'08 a/c
84	MGZ Medigard	\$0.00	\$0.03	0.1	Auditors queried MGZ as a "going concern" in FY'08 a/c
85	BNE Bone Medical	\$0.00	\$0.2	0.1	Ann. Plans to raise up to \$1.5M; Auditors queried BNE as a "going concern" in FY'08 a/c
86	MVH Medic Vision	\$0.09	\$0.26	0.1	Ann. underwritten raising for \$1M; Auditors queried MVH as a "going concern" in FY'08 a/c
87	PCC Probiomics	\$0.20	\$0.1	0.1	Ann. Plans to raise \$500K
88	GIA Giaconda	\$0.00	\$0.03	0.0	Auditors queried GIA as a "going concern" in FY2008 accounts
89	NLS Narhex Life Sciences	\$0.00	\$0.01	0.0	Suspended from trading - March 3; No audited account produced
90	ABI Ambri				Did not report
91	AOP Apollo Life Sciences				Did not report - under administration
92	ATW Atos Wellness				Suspended from trading - FY2008 accounts pending
93	PLD Portland Orthopaedics				Did not report; Auditors queried PLD as a "going concern" in FY'08 a/c
94	PVA pSiVida				Does not report until November 14 (US SEC req.)

Note, all figures are in AUD, as of Sept 30, at an exchange rate of USD 0.8211 and NZD 1.2064

### September Quarter Survival Analysis

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 annualised average of net operational cash flows (NOCF) for the last five quarters into each company's cash assets as recorded at September 30, 2008. 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 than 0.5 may be in positions of funding stress and investors should investigate such stocks with a greater degree of concern.

For the September quarter, 37 (2007 - 37) of 94 reporting companies reported SIs of less than one and 26 (2007 - 18) companies reported SIs of less than 0.5 (less than six months cash.) Five companies did not report, with Apollo Life Sciences under administration. Portland Orthopaedics may be in severe financial distress, with the CEO resigning on October 28. Also worth noting is the exit of RiTract from this sector list.

### 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.

**CY:** The SI calculation for these companies is based on the latest 9 months figures, annualised.

**MY:** The SI calculation for these companies is based on the latest 6 months figures.

*Small cap life science companies that are not required to comply with the 4.7B Rule include:*

*Advanced Medical Design and Manufact., Agenix, Anadis, Arana Therapeutics, Biota Holdings, Circadian Technologies, Clovercorp, Compumedics, ChemGenex Pharm., Cyclopharm, Cytopia, Telesso Technologies, Ellex Medical Lasers, Genepharma, IDT Australia, ITL Corp, Life Therapeutics, Metabolic Pharmaceuticals, Medical Developments Int., Novogen, Optiscan Imaging, Progen Pharm., Polartechnics, Phosphagenics, Sirtex Medical\*, Ventracor and Virax Holdings – (27 companies). \* This company elects to report.*

### Alchemia Extends Current Funding Out to 2010

Alchemia made the difficult decision this week to cut staff numbers by 60% from 50 to 20 people. Most of the cuts are around the company's discovery platform, called VAST. Alchemia had \$12 million in the bank at the end of September, enough for 12 months at its former spend rate.

The massive reduction in staff numbers will give the company funding out to 2010, a point at which the company should become self sustainable. The company's generic product, fondaparinux, is expected to reach the market in mid 2009. Our previous estimates are up to \$40 million a year in profit share income for Alchemia.

At the Ausbiotech conference held in Melbourne this week, Barbara Dalton from **Pfizer** gave an insightful anecdote that supports the move by Alchemia this week. She noted that after the tech-crash in 2001, the companies that made the most severe cuts to their operations were shown to have the strongest chance of surviving. Alchemia's move is likely to be followed by several other biotechs over the coming months.

*Bioshares* recommendation: **Speculative Buy Class B**

### Patrys Acquires Remaining Interest in Acceptys

Another company that has been quick to move to improve its cash position in the current climate is Patrys. Patrys has secured \$2.9 million in additional cash issuing shares to Acceptys, a company related Patrys.

Previously, Patrys owned 30% of Acceptys (shares now cancelled) and Acceptys had certain rights to some of the Patrys technology. It's a cleaner structure for Patrys, which now has full rights to all the associated human antibody technology. Previously Acceptys had rights to apply the technology to anti-infectives and Patrys will not be required to pay Acceptys a royalty on sales of any oncology products that may come out of the Patrys portfolio.

The new shares will be issued at 25 cents and will give Patrys an estimated \$17 million in cash, which will be enough to see the company well into 2010.

Patrys is on track to begin to Phase I solid cancer trials in the first half of 2009 in Melbourne and Sydney. The manufacturing of its drug candidates is progressing well.

*Bioshares* recommendation: **Speculative Buy Class B**

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**Bioshares Model Portfolio (31 October 2008)**

Company	Price (current)	Price added to portfolio	Date added
Hexima	\$0.57	\$0.60	October 2008
Atcor Medical	\$0.11	\$0.10	October 2008
CathRx	\$0.65	\$0.70	October 2008
Impedimed	\$0.70	\$0.70	Aug-08
Antisense Therapeutics	\$0.05	\$0.07	Aug-08
Mesoblast	\$0.90	\$1.25	Aug-08
Cellestis	\$2.01	\$2.27	April 2008
IDT	\$1.80	\$1.90	March 2008
Circadian Technologies	\$0.68	\$1.03	February 2008
Patrys	\$0.10	\$0.50	December 2007
Bionomics	\$0.26	\$0.42	December 2007
Cogstate	\$0.16	\$0.13	November 2007
Sirtex Medical	\$2.18	\$3.90	October 2007
Clinuvel Pharmaceuticals	\$0.25	\$0.66	September 2007
Starpharma Holdings	\$0.29	\$0.37	August 2007
Pharmaxis	\$1.50	\$3.15	August 2007
Universal Biosensors	\$0.57	\$1.23	June 2007
Biota Holdings	\$0.34	\$1.55	March 2007
Probiotec	\$1.26	\$1.12	February 2007
Peplin Inc	\$0.35	\$0.83	January 2007
Arana Therapeutics	\$0.78	\$1.31	October 2006
Chemgenex Pharma.	\$0.49	\$0.38	June 2006
Cytopia	\$0.16	\$0.46	June 2005
AcruX	\$0.66	\$0.83	November 2004
Alchemia	\$0.17	\$0.67	May 2004

### Portfolio Changes – 31 Oct 2008

**IN:**

No changes.

**OUT:**

No changes.

**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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