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In this edition...
The Australian biotech sector is finally enjoying significant commercial success after more than 10 years of investment. Acrux this week announced it will pay an interim dividend of around 60 cents a share, paying out about $100 million to its faithful shareholders. Clinuvel has announced it has secured reimbursement pricing in Italy of €32,250 per year. And Mesoblast, which is now capitalised at $780 million, has just gone into a trading halt pending an announcement about a major corporate deal.

We also provide a very useful analysis of the success Australia's largest biotech investor is having as a result, Orbis Investment Management, which now holds just under $400 million worth of Australian biotech stocks.
The Editors
Companies Covered: ACR, CUV, MSB

	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 - May '10)	49.2%
Year 10 (May '10 - Current)	12.3%
Cumulative Gain	**225%**
Av Annual Gain (9 yrs)	**18.5%**

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Bioshares

3 December 2010
Edition 388

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

Clinuvel – Scenesse Pricing in Italy Achieved at €32,250

Clinuvel Pharmaceuticals (CUV: $1.67) held its AGM last month. At this meeting CEO, Philippe Wolgen, stated that for the first time he could say that the company had a approvable product. This came following a meeting with the FDA, in which the regulator indicated it was comfortable with the long-term safety profile of its drug candidate, Scenesse.

Clinuvel is developing a product used as a photo-protective agent, which protects at-risk people from exposure to sunlight by increasing the melanin density of the skin. It has been a very long path with the FDA from when Clinuvel (as Epitan) first sought to develop Scenesse as a tanning drug. Wolgen said that his discussions with the FDA started in negative territory due to a flawed strategy resulting in the FDA having many reservations about the drug candidate from its previous commercialisation pathway.

In total, there were 23 reasons why the FDA was previously not going to allow commercialisation of the drug candidate and Wolgen stated at that time there was 'no hope in hell' to bring this drug to market. It has been a major win for the company that has come after many years of dialogue with the FDA and clinical development by the company. At its recent meeting with the FDA, two of the FDA staff who originally considered the first IND application in 2003 were present at this meeting and have now endorsed the commercialisation approach.

Investor Base Transition

In 2006, European hedge fund **Absolute Capital Management** invested in Clinuvel, at one stage owning 29% of the company. Several other European funds invested along side of ACM. As a result of the Global Financial Crisis, ACM needed to liquidate its listed portfolio, including Clinuvel. Last year ACM finally exited Clinuvel however a number of the other European funds retain a holding in Clinuvel. Wolgen said some issues with the original ACM investment are still being dealt with today.

Clinuvel also has a large number of shareholders who invested in the company because it was developing a tanning product. The transition of this group of investors has resulted in a continuous downward pressure on the stock price, regardless of progress.

Italian Sales

In May this year the company announced that its product had gained reimbursement in Italy. The drug can now be sold in that country under a special scheme allowing certain medicines to be provided to patients before wider European approval is received to meet unmet clinical needs.

Seventeen patients are currently receiving treatment in Italy. The company is being reimbursed €32,250 per year per patient, or €5,375 per implant, which lasts for two months. The company will shortly receive €100,000 from its first sales into Italy. It should be noted

– Cont'd on page 3

Profile of a Biotech Investor – Orbis Investment Management

One investor that looks to have generated exceptional investment returns from its stake in **Acrux** is **Orbis Investment Management (Australia)**, the Australian investment arm of the Orbis group of funds. Orbis' is currently sitting on an $78 million gain over a current nett outlay of $8.7 million. We estimate that Orbis' total investment was $22 million. However, it has recently disposed of shares worth $13.4 million.

The Orbis investment strategy is to build large, open positions up to 19.9% of shares on issue, just below the threshold that would trigger a takeover bid. The investment group is an opportunistic (or contrarian) value investor that takes long positions. The company adds to its positions by participating in placements and rights issues and through on-market transactions.

What makes Orbis of interest to Australian biotech investors is that it is probably the largest single direct investor in Australian biotech, having invested an estimated $300 million in the sector since 2005, when it acquired 12% of Acrux from several shareholders in October 2005 for $15.7 million. The current market value of its stake in nine companies is $376 million, representing 15% of the combined capitalisations of those companies of $2.5 billion.

Orbis' current portfolio comprises **Phosphagenics** (a 16.2% stake), **ChemGenex Pharmaceuticals** (14%), **Acrux** (15.6%), **Pharmaxis** (17.3%), **Alchemia** (19.1%), **Impedimed** (16.7%), **QRxPharma** (8.4%), **Starpharma Holdings** (12.1%) and **Sigma Pharmaceuticals** (12.4%).

The group's opportunistic approach is displayed in its investment this year in battered Sigma Pharmaceuticals, in which it has outlayed $65 million at an average price of $0.44.

Another example of opportunism occurred when it added to its position in ChemGenex when the ChemGenex share price slumped following negative feedback from the FDA ODAC committee in March 2010. Orbis bought 8.5 million shares at a average price of $0.33. The ChemGenex share price is now $0.45.

Exits

Orbis has made at least two exits, firstly leveraging an $18.6 million investment in **Peplin** into an estimated $34 million holding at the time of its acquisition by **Leo Pharma AS**, and a $16.2 million gain (assuming the company disposed of its shares through the formal acquisition process).

On the down side, a $7.4 million foray into **Avexa** in December 2009, resulted in a $6 million loss when Orbis exited in May 2010.

The Orbis Structure

The international Orbis group of investment vehicles is built around a Bermuda-registered entity, **Orbis Investment Management**, with total global funds under management of US$20 billion at December 2009. The group was founded by South African Allan Gray in 1989.

Locally, retail investors can buy or sell units in the Orbis MIS-ORBIS/SM Australia Equity Fund (fund size $500 million). Local professional investors can access the Orbis Global Equity Fund (Australia Registered) (fund size $1.8 billion).

Observations

Several points of interest emerge from studying the Orbis investment strategy and performance. Firstly, Orbis follows a tranche-based approach to investment because it recognises that its investee companies have ongoing capital requirements. Its willingness to buy on-market, especially in a contrarian manner when prices are depressed, can also be seen as a means to build price support into a stock.

Orbis clearly understands that capital protection is a key investment consideration. Orbis is a large entity which can call on substantial funds over time to support the capital needs of investee companies. However, it is not oblivious to that fact that some positions do reach a limit.

Another observation is that the group is not constrained by time limits on its investments. This is especially significant in biotech where the dates for expected key milestones can change many times. In other words, Orbis is a long term patient investor.

Orbis has had a significant impact on the Australian biotech since it started investing in 2005. It has been a pivotal investor in Phar-

– Cont'd on page 5

Orbis Investment Management – Australian Biotech and Pharma Portfolio

Company	Code	CMP	Orbis - shares owned (M) 2009*	2010*	Latest	Latest Total	%	Value ($M)	Est Cost (Nett) ($M)	Gain/Loss ($M)	Company Cap'n ($M)
Phosphagenics	POH	$0.11	127.20	120.15	120.15	739.70	16.2%	$12.6	-$20.1	-$7.4	$78
ChemGenex Pharmaceuticals	CXS	$0.45	28.21	39.64	39.64	283.35	14.0%	$17.8	-$18.1	-$0.3	$128
Acrux	ACR	$3.41	29.70	29.48	25.40	163.28	15.6%	$86.6	-$8.7	$77.9	$557
Pharmaxis	PXS	$2.87	39.15	39.15	39.15	226.11	17.3%	$112.4	-$89.5	$22.9	$649
Alchemia	ACL	$0.64	30.30	36.60	36.60	191.12	19.1%	$23.4	-$32.0	-$8.6	$122
Impedimed	IPD	$0.75	15.96	22.68	22.68	136.01	16.7%	$17.0	-$15.2	$1.8	$102
QRxPharma	QRX	$1.18	n.i	6.02	10.53	125.77	8.4%	$12.4	-$8.7	$3.8	$148
Starpharma Holdings	SPL	$0.76	n.i	27.36	29.22	241.22	12.1%	$22.2	-$15.8	$6.4	$183
Sigma Pharmaceuticals	SIP	$0.49	n.i	n.i	146.37	1178.63	12.4%	$71.7	-$64.5	$7.2	$578
							Total	**$376.2**	**-$272.6**	**$103.6**	**$2,544.5**

* at Annual Report Publication

n.i - not invested at Annual Report publication

– *Clinuvel continued from page 1*

however that patients may not take the treatment during the cooler months of the year.

Market Research for Sale Price

The company has been conducting market research with payors in Europe. A treatment price of €10,000 seems to be acceptable in the UK, Germany and Italy. However moving that price to € 15,000 in Germany starts to look expensive, and in the UK a price of €25,000 a year would not be accepted, with it being hard to get cancer drugs reimbursed for that disease at that price. The EPP disorder Wolgen believes sits somewhere between disabling and life threatening. For PLE, which is characterised by a skin rash in the spring and summer seasons, market pricing studies have indicated that only a price of $200-$400 per injection would be accepted. This will obviously not be an immediate focus for the company.

CEO Recognition

Both chairman Stan McLiesh and non-executive director Jack Wood, were highly complimentary of the current CEO, Philippe Wolgen. Both McLiesh and Wood were former CSL executives and both stated they had worked with two really great CEOs in their careers, the first being CSL CEO Brian McNamee and the second Wolgen.

The efforts of Wolgen have been rewarded with the issue of 300,000 Conditional Performance Rights to shares and a further 600,000 shares conditional on the achievement of certain milestones, these mainly being approval of the Scenesse in Europe and the US and securing sufficient funding to meet these goals. The current value of these 900,000 rights over shares if the milestones are achieved is $1.5 million based on this week's closing price. Wolgen is due to renew his contract with the company.

Share Consolidation

The company has recently conducted a share consolidation. The stated reason for doing so was to allow overseas investors to invest in the stock who can not invest in stocks under $1.00. Whether this type of share price theatrics delivers any value remains to be seen.

Strong Support for Clinuvel Therapy

What Clinuvel does extremely well is to build awareness amongst relevant clinicians and patient networks about the merits and the development of its drug candidate. This awareness has resulted in patients and clinicians in Italy demanding access to the drug ahead of wider European approval. The company is working on two further such 'parallel regulatory pathways' in other regions. McLiesh said there is a ground swell of support, almost 100%, in Australia, Europe and the US from clinicians in this field for the Scenesse treatment.

Markets

Clinuvel has formed an intelligent commercialisation pathway. Its first shot on goal is for the treatment of EPP (erythropoietic protoporphyria), an orphan drug indication. Orphan drugs receive certain benefits from regulators including potentially an accelerated review process with the FDA and market exclusivity in the US for seven years and 10 years in Europe. High prices for therapy can also be commanded, as seen by the $43,000 per year reimbursement price in Italy.

The company earlier this year added a much larger application to its list of potential therapeutic areas, that being the treatment of vitiligo. McLiesh said that vitiligo has the capacity to provide a greatly expanded market opportunity for the company.

Five years ago there was a turnaround in the community, according to Wolgen, in the treatment of vitiligo using a radiation therapy called narrow band UVB. This therapy stimulates melanin growth from melanocyte reservoirs around hair follicles.

In Italy there are around 200 people living with EPP and in the US and Europe the company estimates there are at least 8,000 people living with this condition, which is an absolute intolerance to sunlight. If the EPP market is worth $50 million a year, the market for treatment on non-segmental vitiligo is estimated to be at least eight times as big, at $400 million a year.

Another major market is in the prevention skin cancers for people under severe immune suppression treatment following organ transplant. The company estimates that market to be worth between $140-$200 million a year. However, to show that Scenesse prevents the formation of these skin cancers requires longer term studies, which are currently underway.

Second Generation Program

The company has started work on a next generation product. This program will look at providing localised treatment rather than a system treatment approach.

Comments by the CEO

Wolgen appears to show increased comfort in his role as CEO which may reflect his increased confidence in the company's product. Wolgen stated that the contrast between progress and market value had never been that great as it is now. Perhaps the saddest question Wolgen has received is whether the company could succeed scientifically but fail commercially. That is not an option stated Wolgen, who over the last six months has made a marked change in explaining and focusing on the market potential of the company's lead program, Scenesse.

Wolgen said that patient adoption of Scenesse was very high at 86% with patient demand worldwide very strong for this drug. Clinicians have been surveyed as to whether they would prescribe this therapy to their patients and the answer has been a clear yes, said Wolgen.

The outcome of a meeting with the FDA in late October this year was 'an essential breakthrough' after seven years Wolgen said. The outcome of that meeting is that the FDA has recognised EPP as a severe disease with no treatments, that patient reported outcomes such as quality of life will form a significant part of the assessment of the drug, and most importantly, that toxicology studies will be sufficient for registration i.e. no long term safety

– *Cont'd on page 5*

Reader Comments on Bionomics/Start-up Australia

Last week we invited readers to forward comments on the move by Start-up Australia to sell by tender its stake in Bionomics, a move which would trigger a take-over bid for Bionomics, but also a move that Bionomics intends to resist as it seeks an 'independent future'.

This week we publish a letter from John Ballard from Adelaide:-

The traditional "venture capital model" of funding for drug discovery and development companies was developed in the US 20-30 years ago and included several rounds of equity funding that culminated in a stock exchange listing or (more likely) a trade sale. Both typically occurred before a company became profitable. The VCs were not the seed investor but followed on with Series A preference shares and then Series B, Series C and perhaps one or two additional funding rounds. This process worked well provided there was continuing investment interest in the sector and an investee company was making both technological and commercial progress.

However, the VC model had a weakness that was known but often ignored; the VC funds were not open-ended but all investments had to be liquidated by a fixed time, usually in 10 tears after the fund had been established. This restriction was exacerbated if the initial investment in a company was beyond the first couple of years of the fund's operation. If, for example, the window for an IPO was not open, or after a successful IPO there was minimal liquidity for a company's shares, the pressure on a quick trade sale of the company could become intense.

Before 1997 there was no significant VC activity for early-stage companies in Australia. Traditional private equity investments by institutional funds did occur but was at a later stage after a company became profitable and had already listed on a stock exchange. This all changed when the Government introduced round one of the Innovation Investment Fund (IIF) program in 1997 and round two in 2000 through which the Government contributed $221 million out of an investment pool of $354 million. As the Government did not participate in the profits of any investment by an IIF other than to get its money back plus some interest (and only then if an investment was successful), much of the risk of investment in early-stage companies was removed. But again as with other VC funds, an exit through a trade sale or following an IPO was essential within a maximum of 10 years.

Unfortunately in 2005 the window for ASX listing of drug and development companies began to close and by 2008 it was firmly shut. This removed one of the exit options for VC investors and pushed them inevitably towards trade sales. Then with the GFC in 2008 VCs worldwide became more and more risk averse so that instead of investing in early-stage companies they invested later and later in a company's development. This included investments after a company had listed on a stock exchange which historically was way outside the traditional investment space. Like some other participants in and observers of the biotech industry in Australia, I was amazed that our Government permitted the IIFs to take this route, even though their investment brief was supposedly limited to early-stage companies.

To turn specifically to the Start-Up / Bionomics situation, the VC was permitted to invest IIF funds in Bionomics nine years after it had listed on the ASX; great for Start-Up as the risk had been much reduced through the company's successful growth. At first blush it seemed great for Bionomics too as they raised their development funds quickly. But then the gorilla on their back needed to liquidate its investment.

I believe this was an inevitable outcome, although the way it was implemented leaves a lot to be desired.

Is there a lesson from all of this? I think so. My view and I acknowledge that it might represent a minority one within the industry, is that listed companies should not accept investments by VCs. Rather they should focus on a combination of open-ended institutional investments and those from private individuals.

John Ballard

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Mesoblast Goes into Trading Halt

At this week's AGM, CEO of Mesoblast (MSB: $3.33) Silviu Itescu was present only via a video link-up. Investors were told Itescu was in New York finalising the **Angioblast Systems** acquisition, finalising discussions with the FDA for next year's Phase III bone marrow transplant trial, and in 'key corporate discussions' with pharmaceutical companies. The company has since gone into a trading halt (Monday 6 December) pending a major corporate transaction with a global pharmaceutical company.

Its chairman, Brian Jamieson, said the company has now gained exposure to a new set of (institutional) investors and a new pool of capital, with a capitalisation of around $750 million (once the Angioblast acquisition is completed). (UK investors have become very active in the stock introduced to the company through **Southern Cross Equities**). Jamieson said the company is well positioned to significantly broaden its applications.

It should be a busy year in 2011 for the company. The Phase III trial in bone marrow transplant is slated to begin in the first quarter of 2011. Interim results from the Phase II heart failure trial are due in early 2011 and 12 month data is due in mid 2011. The Phase II spinal fusion trial is due to be completed in mid 2011. And the company will look to move into Phase II studies in diabetes and eye disease.

– Cont'd over

– Mesoblast cont'd

The company is seeking to gain near term revenue from its autologous (patient's own) stem cell treatment in Australia for non-healing bone fractures, where an abbreviated approval outcome has been achieved. The company will target high net worth individuals and offer the treatment to those with serious fractures.

A similar abbreviated approval process may also be achievable for an autologous product in Europe. And Itescu believes the bone marrow transplant product could be approved in three years by the FDA.

The company currently has $32 million in cash with an annual burn rate of $9 million a year.

Bioshares recommendation: **Speculative Hold Class A**

Bioshares

– Orbis cont'd

maxis, with almost $90 million invested, initially investing $44.5 million in November 2005.

Apart from opportunistic plays, Orbis' preference has been for technology platform companies (e.g. Acrux, Phosphagenics, Starpharma) or late stage with products moving towards regulatory approval and market entry (Pharmaxis, QRxPharma, Impedimed).

Calculation of Orbis Investment Positions

We have calculated Orbis' specific investments in investee companies from ASX Substantial Shareholder notices where these have been provided. In some instances we have converted USD investment sums to AUD values based on the USD/AUD rate at the time. In some instances, an investment is net of acquisitions and disposals from sub-accounts. Our calculations should treated as estimates and subject to revision.

Bioshares

– Clinuvel cont'd

studies for potential carcinogenicity of the drug candidate will be required either from the FDA or the EMA (European regulator).

Time to Market

The timeline in getting Scenesse to market has been extended further, with a European submission now planned for Q3 2011. Delays in drug development should always be expected by investors, particularly where the drug is a new molecular entity using a novel chemical pathway.

While Wolgen has always placed aggressive commercialisation timelines for the company, caution must always be exercised as you only get one chance. "Rejection is unrecoverable", said Wolgen.

Financials

The company has the financial reserves to bring this drug to market, according to Wolgen, however further funds may need to be raised in the next three years to expand the market to other indications. That funding could come from debt, equity or from licensing. The company's current burn rate is $900,000 per month. It had $24 million in cash at the end of September 2010. The company is valued at $53 million, giving it currently an enterprise value of only $29 million.

Summary

In 2009, there were 25 new drugs (NMEs) approved in the US. Of these 19 were peptides and six were biologics. Wolgen said that following the company's meeting with the FDA, he believes Clinuvel's drug will now join those 19 peptides.

Clinuvel is an attractive investment because of its low market value, its proximity to market, the unmet medical need is seeking to service, and its strong management which has developed a clever, strategic commercialisation pathway.

Bioshares recommendation: **Speculative Buy Class A**

Bioshares

Acrux AGM Report – 60 Cent Dividend Announced

Acrux (ACR: $3.41) announced at its AGM this week that it will seek to pay a $0.60 cent dividend in the first quarter of 2011, subject to exchange rates and rulings from the Australian Taxation Office. This would equate to a total dividend of approximately $98 million.

The Chairman of Acrux, Ross Dobinson, said "This dividend represents something of a landmark in the biotech sector in Australia". He added that the company anticipated that it would continue to pay dividends in future. Our view is that dividends would flow when further sales-based and other milestone payments of US$195 million are met by **Eli Lilly** and from royalty income.

The announcement of the dividend payment follows that approval of Axiron by the FDA. Axiron has been licensed to Eli Lilly, and the FDA approval triggers an US$87 million milestone payment from Eli Lilly. Following receipt of that payment, Acrux's cash position would stand at a comfortable $145 million.

The company stated its cash burn is $7 million per annum. Allowing for a dividend $98 million and a tax payment we estimate of $20 million, gives Acrux three years of cash at its current burn rate.

The Past

Dobinson revisited the history of Acrux, noting that the initial introduction to the technology was made by Peter Burrowes, who introduced him to Professor Barrie Finnin in 1998. What has been

– Cont'd on page 6

Bioshares Model Portfolio (3 Dec 2010)

Company	Price (current)	Price added to portfolio	Date added
Phylogica	$0.050	$0.053	September 2010
Sunshine Heart	$0.023	$0.036	June 2010
Biota Holdings	$0.97	$1.09	May 2010
Tissue Therapies	$0.47	$0.21	January 2010
QRxPharma	$1.16	$0.25	December 2008
Hexima	$0.37	$0.60	October 2008
Atcor Medical	$0.08	$0.10	October 2008
Impedimed	$0.75	$0.70	August 2008
Mesoblast	$3.33	$1.25	August 2008
Circadian Technologies	$0.63	$1.03	February 2008
Patrys	$0.10	$0.50	December 2007
Bionomics	$0.32	$0.42	December 2007
Cogstate	$0.26	$0.13	November 2007
Sirtex Medical	$5.99	$3.90	October 2007
Clinuvel Pharmaceuticals	$1.67	$6.60	September 2007
Starpharma Holdings	$0.76	$0.37	August 2007
Pharmaxis	$2.87	$3.15	August 2007
Universal Biosensors	$1.62	$1.23	June 2007
Acrux	$3.41	$0.83	November 2004
Alchemia	$0.64	$0.67	May 2004

Portfolio Changes – 3 December 2010

IN:
No changes.

OUT:
No changes.

Note CUV 10 for 1 share consolidation

– Acrux...from page 5

less well known was that Barrie Finnin worked on the technology and IP for 20 years prior to the foundation of the company.

A second historical point made by Dobinson was a foundation investment by the Singapore based **Blue Dot Capital**, which was brokered by Ken Windle and also saw Windle take a board position (retained to this day).

The Future

Dobinson said that since the Axiron project was initiated several alternative development proposals and drug candidates had been assessed and discarded. However, he said that the most compelling proposal assessed by the board was to develop products complementary to Axiron. In contrast, Dobinson said that the Luramist, contraception and NSAID products did not warrant further development support by Acrux 'in the present company structure in their own right'.

Dobinson also said that the organisational structure of the company was being reviewed and that licensing arrangement were being reviewed. A review of licensing arrangements, *could* mean, among other things that its license with **Monash University** is being reviewed. Acrux is obliged to pay approximately 4% of income it receives that relates to IP licensed from Monash University. One possibility is that the license obligation is converted into an equity position in the company, similar to the **Biomolecular Research Institute's** conversion of a license relationship (25% royalty) with **Starpharma** into an equity position in October 2005.

A review of organisational structure could mean that the company is reviewing is Pooled Development Fund (PDF) status, given that status is designed to support development stage companies but not mature stage companies.

Acrux, as a registered PDF, is subject to a rule that says an investee company cannot hold assets of more than $50 million, unless it gets approval from the PDF Board. A PDF is also limited in committing not more than 30% of its committed capital to a single investee company.

The investee companies currently under the Acrux PDF umbrella are Acrux DDS Pty Ltd, Fempharm Pty Ltd, Acrux Pharma Pty Ltd, Acrux Commercial Pty Ltd and Cosmeceutic Solutions Pty Ltd.

Comment

We agree with the Acrux Chairman that the company's prospective dividend payment is landmark in the Australian biotech sector. It is an act that reciprocates that trust that investors supply along with cash to development stage companies, that when significant value is created, significant income flows back to investors.

Acrux is capitalised at $557 million.

Bioshares recommendation:
Long-term investors – Speculative Buy Class A
Short-term investors – Take Some Profits at around $4.00

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

Corporate Subscribers: Pharmaxis, Starpharma Holdings, Cogstate, Bionomics, ChemGenex Pharmaceuticals, Circadian Technologies, Biota Holdings, Halcygen Pharmaceuticals, Impedimed, QRxPharma, Patrys, LBT Innovations, Hexima, Mesoblast, Atcor Medical, BioMD, Tissue Therapies, Viralytics, Phosphagenics, Immuron

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