

In this edition...

Welcome to 2007 and a potentially very exciting year for biotech investors. Already, the year has got off to a very strong start, on the back of the best quarter experienced over the last two years. The Bioshares Index increased 19.2% in the December quarter 2007, compared to 5.9% for the Nasdaq Biotech Index.

Change is a constant in the world of biotech investment and how the year will end no one can say. However, the next quarter has all the makings of one the best yet.

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)	16.9%
Cumulative Gain	225%
Average Annual Gain	26.7%

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Bioshares

12 January 2007
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Delivering independent investment research to investors on Australian biotech, pharma and healthcare companies.

Quarterly Review

Biotech Sector Finds Favour With Investors

Investor sentiment shifted positively towards listed Australian life science firms in the December quarter of 2006, with 80 of 127 companies (63%) recording positive price gains in their share prices over the quarter. More significantly, 37% of stocks recorded quarterly price gains of greater than 20%.

The improvement in sentiment towards biotech occurred for at least three reasons. Firstly, the takeovers of three companies at substantial premiums (**Gropep**, **Zenyth Therapeutics** and **Bresagen**) were completed through to delisting in the fourth quarter (with two more imminent in the March quarter of 2007, **Mayne Pharma** and **Vision Systems**). These events conclusively demonstrate that there is value to be found amongst Australian listed life science firms. More M&A transactions are expected in 2007.

Secondly, several noteworthy capital raisings have occurred over the year, especially **MPM Capital's** \$20 million investment in Peplin. MPM Capital is a high profile US based life sciences investor, with more than US\$2 billion in funds under management.

A third reason is that a reasonable number of companies have advanced the development of their therapeutic product candidates or medical devices to pivotal stages in development at which many more investors are willing to commit investment funds, for example, the gaining of regulatory approval in Europe for Pharmaxis' Aridol and Ventracor's CE mark for VentrAssist.

Index performance

The **Bioshares Index** includes all small-to-medium cap listed life science stocks except for certain listed investment companies and selected large cap stocks, which are included in the Bioshares Large Cap Index. For the December quarter, the **Bioshares Index** posted its strongest gain in eight quarters, increasing by 19.2%. The Bioshares Index outperformed **Nasdaq Biotech Index** (up 5.9%), the **Bioshares Large Cap Index** (up 14.4%) and the **ASX 300 Index** (up 10.4%). However, the Bioshares Index is still well down (-16%) on the position it held at the close of 2004. From two years ago, the Nasdaq Biotech Index is 5% higher, the Bioshares Large Cap Index is up 72% and the ASX 300 Index is

Cont'd over

Index performances for last four quarters

	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Bioshares Index	1.4%	-18.3%	5.2%	19.2%
Nasdaq Biotech Index	6.4%	-11.7%	1.5%	5.9%
Bioshares Large Cap Index	14.9%	-1.3%	2.1%	14.4%
ASX 300 Index	7.8%	-1.1%	1.6%	10.4%

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<p>December 2006</p> <p>Proposed strategic alliance and investment of up to €22,100,000 in</p> <p>The undersigned acted as financial advisor to GeneMedix plc.</p>	<p>December 2006</p> <p>has acquired</p> <p>AS190,000,000</p> <p>The undersigned acted as financial advisor to Novozymes AS.</p>	<p>December 2006</p> <p>Announced M&A advisory and restructuring</p> <p>The undersigned is acting as financial advisor to Panbio Limited.</p>	<p>August 2006</p> <p>has acquired</p> <p>AS170,000,000 (combined) 200.</p> <p>The undersigned acted as financial advisor to Mediatech Research Limited.</p>	<p>July 2006</p> <p>has acquired</p> <p>from</p> <p>The undersigned acted as financial advisor to Novozymes AS.</p>	<p>October 2006</p> <p>M&A advisory and valuation analysis</p> <p>The undersigned acted as financial advisor to CogState Limited.</p>
<p>September 2005</p> <p>MSADQO listing of ADRs (American Depositary Receipts)</p> <p>The undersigned acted as advisor to Genetic Technology Limited.</p>	<p>June 2005</p> <p>MSADQO listing of ADRs (American Depositary Receipts)</p> <p>The undersigned acted as advisor to ChemGenex Pharmaceuticals Limited.</p>	<p>January 2005</p> <p>awarded to</p> <p>for its investment banking role in the creation of</p>	<p>December 2004</p> <p>has been acquired by</p> <p>AS280,000,000</p> <p>The undersigned acted as financial advisor to The Gribbles Group Limited.</p>	<p>June 2004</p> <p>has merged with ChemGenex Therapeutics Inc. to create ChemGenex Pharmaceuticals Limited</p> <p>AS44,000,000</p> <p>The undersigned acted as financial advisor to AGT Biosciences Ltd.</p>	

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41% higher. Despite this latest strong gain for the Bioshares Index, but considering that the small-to-medium cap biotech sector has not been attractive as an asset class for the last two years, its position relative to other sectors may be set to change as investors looking for value opportunities on a sector basis switch to biotech stocks.

Capital raisings

Thirty-three companies secured a total of \$154 million in funds to support working capital requirements in the December quarter. Eighteen companies used private placements to raise new capital. Including funds raised through IPOs of \$37 million, the total funds raised for the quarter was \$191 million.

The largest capital raising was that conducted by **Progen Industries**, which raised \$20 million in a very short space of time in December. The funds will be used to support the Phase III clinical trial program of Progen's angiogenesis inhibitor PI-88. **Clinical**

Cell Culture conducted a very well supported share purchase plan and placement, raising \$13.77 million, with **Hunter Hall Investment Management** entering the register with a 5.7% stake in the firm.

For calendar year 2006, Australian life science firms raised a total of \$627 million, down slightly from the \$638 million raised in 2005, but still well above the \$534 million raised in 2004 and \$532 million raised in 2003.

While the aggregate levels of funds raised seems healthy, the reality is that many smaller companies with weak share prices have struggled to raise funds in a sustainable manner. The relatively harsh conditions over the last two years for companies that have hit rough patches has meant that for some, other funding mechanisms have had to be considered. An emerging trend is the uptake of convertible notes as a funding mechanism, with four compa-

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Capital Raisings by Australian-listed Biotech Companies Q4 2006

Company	Investment manager/Investor	Type of raising	Funds raised (\$M)
Progen Industries	eG Capital	Private placement	\$20.00
Clinical Cell Culture	Bell Potter Securities	Private placement & SPP (Underwritten)	\$13.77
Metabolic Pharmaceuticals	ABN Amro Morgans	Private placement	\$10.50
Apollo Life Sciences	Blackwood Capital	Private placement	\$10.00
Phosphagenics	BBY	Private placement	\$10.00
Avexa	-	SPP	\$9.75
Prana Biotech	n/d	Private placement	\$7.80
Medical Monitors	-	Convertible notes & Private placement	\$6.14
Portland Orthopaedics	Tolhurst Noall	Private placement	\$6.00
Evogenix	Lodge Partners	Private placement	\$5.00
Unilife Medical Solutions	Inteq Ltd	Redeemable Convertible Notes	\$4.70
Clinuvel Pharmaceuticals	n/d	Private placement	\$4.67
Biodiem	-	Non-renounceable rights issue (underwritten)	\$4.18
Proteome Systems	n/d	Private placement	\$4.00
pSivida	n/d	Private placement	\$3.70
Somnomed	Findlay & Company	Renounceable rights issue (Underwritten)	\$3.50
Select Vaccines	Shaw Corporate Finance	Renounceable rights issue (Underwritten)	\$3.31
Cygenics	n/d	n/d	\$3.26
Virax	Tricom Equities Ltd	Rights Issue	\$2.36
Antisense Therapeutics	Firebird Global Master Fund; PowerOne Capital Markets	Private placement	\$2.34
Phylogica	Cygnat Capital	SPP	\$2.25
Ritract	DJ Carmichael	Non-renounceable rights issue (Underwritten)	\$2.09
Eastland Medical Systems		Private placement	\$2.00
Labtech Systems	n/d	Private placement & SPP	\$1.87
Occupational and Medical Innov.	-	Convertible notes, loan & placement	\$1.82
Polartechnics	-	SPP	\$1.68
Neuren Pharmaceuticals	-	SPP	\$1.60
Rockeby biomed	-	Private placement & SPP	\$1.51
Biolayer	-	Convertible notes	\$1.30
Ambri	Queensland BioCapital Funds (QIC)	Private placement	\$0.75
Dia-B Tech	n/d	Private placement	\$0.72
Benitec	-	Loan	\$0.65
Solagran	n/d	Private placement	\$0.65
		Total	\$153.9
		IPOs	\$37.3
Total raised in Q4 2006			\$191.2
Total raised in Q3 2006			\$183.1
Total raised in Q2 2006			\$183.0
Total raised in Q1 2006			\$70.0
Total raised in 2006			\$627.3

nies selecting this approach in the latest quarter compared to two in the previous quarter. Convertible note offerings are often very dilutive as accrued interest as well as the principal is often converted into shares. However, this approach can defer the immediate dilution that occurs with placements or rights issues.

Outperformers

Benitec's share price posted the greatest price gain in the December quarter with an increase of 215%. However, this was off a very low base, with the stock moving from 2.6 cents to 8.2 cents, down significantly from a high of \$1.24 in November 2003. A likely motive for a renewed interest in Benitec might emanate for the acquisition of **Sirna Therapeutics** by **Merck** for US\$1.1 billion, in addition to the sub-licensing of Benitec's technology (ddRNAi) by **Sigma-Aldrich** to **Pfizer** for research purposes. A new management team and board might also have given investors increased confidence in the stock following several years of very poor management by the previous officers of the firm.

Polartech also saw its share price come back off a low base, and a long period in the wilderness, gaining 15.5 cents (163%) over the quarter to finish at 25 cents. New management is attempting to invigorate the company with a sales strategy focused on the Chinese and other Asian markets. Polartech has developed the Truscan product for screening for cervical cancer.

A third company to experience a strong price increase from low base that was reached after a substantial decline over two years was **USCOM**. Possible expectations of a change in management might explain this stock's increase from 42 cents to 95 cents in the December quarter. (A new CEO was appointed on January 9, 2007). USCOM is marketing a non-invasive cardiac output monitor.

Underperformers

The worst performers for the quarter was **Healthlinx** and **Norwood Abbey**, which saw their share prices decrease by 57% for the quarter. Healthlinx is evaluating several biomarkers that have potential in the diagnosis of ovarian cancer. Slower than expected recruitment rates of patients supplying samples for the study is one explanation for the fall in share price. Norwood Abbey's loss can be attributed to a weakening financial position. At September 30, the company held cash assets of \$1.6 million, sufficient for less than two months operations, although the company holds a 20.5% stake in Norwood Immunology that is worth \$20 million according to Norwood Abbey.

IPOs

There were three new listings in the December quarter, 2006. Point-of-care diagnostics technology company **Universal Biosensors** raised \$18.0 million, giving it an indicative capitalisation of \$64 million. The stock has performed well, increasing 124% by the end of the year, from its listing in mid-December. **Fermiscan Holdings** raised \$2.3 million and its stock also performed well, rising steeply by 247% from its re-admission date in late October (the company did a back-door listing through **Olympus Resources**). Fermiscan is commercialising the use of x-

ray diffraction of hair samples as screening test for breast cancer. The third company to list was **Probiotec**, a manufacturer of animal nutrition products, OTC pharmaceuticals and complementary medicines. Probiotec raised \$17 million, on the basis of an indicative capitalisation of \$45.5 million. The company's share price closed the year up a modest 14% from its offer price.

IPOs in Q4 2006

Company	Code	Funds Raised (M)	Issue price	Price 31/12/06	Gain/loss
Universal Biosensors	UBI	\$18.00	\$0.50	\$1.12	124%
Probiotec	PBP	\$17.00	\$1.00	\$1.14	14%
Fermiscan Holdings*	FER	\$2.30	\$0.30	\$1.04	247%

* FER staged a backdoor listing through Olympus Resources

Bioshares



Bioshares Model Portfolio (12 Jan 2007)

Company	Price (current)	Price added to portfolio
Acrux	\$0.76	\$0.83
Alchemia	\$0.87	\$0.67
Bionomics	\$0.27	\$0.210
Cogstate	\$0.23	\$0.18
Cytopia	\$0.65	\$0.46
Chemgenex Pharma.	\$0.75	\$0.38
Evogenix	\$0.77	\$0.47
IDT Australia	\$2.06	\$1.80
Optiscan Imaging	\$0.46	\$0.35
Metabolic Pharmaceuticals	\$1.02	\$0.53
Neuren Pharmaceuticals	\$0.45	\$0.70
Peplin	\$0.86	\$0.83
Peptech	\$1.58	\$1.31
Phylogica	\$0.44	\$0.42
Prima Biomed	\$0.062	\$0.09
Progen Industries	\$5.65	\$3.40
Sirtex Medical	\$2.86	\$1.95
Sunshine Heart	\$0.25	\$0.19
Ventracor	\$1.02	\$0.92

Portfolio Changes

We will take some profits with Mesoblast and remove it from the portfolio at \$2.24

The Australian Listed Life Sciences Sector
December 31, 2006: Capitalisation \$34.1 billion, 127 Companies

Bioshares Large Cap. Index

Company	Code	Cap. \$m	Principal Activities	Change Qtr	Price 31/12/06
CSL	CSL	11,938	Manufactures pharmaceutical products including vaccines and human plasma fractions.	21%	\$65.37
Resmed Inc.	RMD	4,813	Manufactures diagnostic and treatment equipment for sleeping disordered breathing.	17%	\$6.33
Cochlear	COH	3,186	Manufactures cochlear hearing implants.	9%	\$58.00
Sigma Pharmaceuticals	SIP	2,860	Pharmaceutical manufacturing and wholesaling.	15%	\$2.99
Mayne Group	MYP	2,607	Operates generic pharmaceuticals manufacturing business and wholesale distribution business.	-5%	\$4.07
API	API	571	Pharmaceutical wholesaler.	0%	\$2.22

Capitalisation Total 25,975

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change Qtr	Price 31/12/06
Vision Systems	VSL	627	Manufactures and markets automated instruments and biochemical reagents for the detection of cancer and infectious diseases	19%	\$3.75
Pharmaxis	PXS	527	Marketing a lung function test, Aridol, and developing a treatment, Bronchitol, for bronchiectasis and COPD.	32%	\$2.97
Cellestis	CST	364	Marketing a diagnostic for latent tuberculosis.	42%	\$3.80
Biota	BTA	292	Commercialised Relenza anti-flu drug and flu diagnostic kits. Now developing an improved version.	22%	\$1.62
Blackmores	BKL	288	Manufactures vitamin, mineral and herbal supplements and skin & hair products in Australia and N.Z.	23%	\$18.00
Ventracor	VCR	284	Developer of VentrAssist, an artificial heart assist device.	38%	\$1.09
Peptech	PTD	264	Develops treatments for animal health care products using peptides. Holds patent relating to anti-inflammatory compound.	23%	\$1.61
Progen Industries	PGL	263	Developing oncology therapeutics, including an anti-angiogenesis compound.	102%	\$5.94
Novogen	NRT	253	Developing analogues of naturally occurring phenolic hormones to treat cancers and other conditions.	-16%	\$2.60
Metabolic Pharmaceuticals	MBP	247	Developing therapies for obesity, other metabolic diseases and pain.	92%	\$0.83
Clinuvel Pharmaceuticals	CUV	201	Developing an analogue of the alpha-MSH protein as a photo-protective agent	58%	\$0.73
Mesoblast	MSB	198	Developing therapies based adult stem cells called mesenchymal stem cells, with applications in cartilage regrowth and bone repair.	56%	\$1.84
Phosphagenics	POH	197	Commercialising a drug delivery technology improving the delivery of vitamin E and existing pharmaceutical products through phosphorylation.	-8%	\$0.34
Peplin	PEP	162	Developing a plant derived compound, PEP005, to treat non-melanocytic skin cancers and other systemic cancers such as leukemia.	30%	\$0.88
Sirtex Medical	SRX	151	The company's core technology uses radioactive particles to irradiate tumours in the liver. Approved for use in most major regions.	17%	\$2.70

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change Qtr	Price 31/12/06
Universal Biosensors*	UBI	143	Development, manufacture and commercialisation of a range of in vitro diagnostic tests for point-of-care use.	12%	\$1.12
GenePharm Australasia	GAA	139	An emerging generic pharmaceutical manufacturer and distributor.	-9%	\$1.00
Life Therapeutics	LFE	137	R&D of industrial and research grade protein, DNA and viral separation equipment. Acquired Serologicals plasma therapeutics business in 2004.	-9%	\$1.39
Fermiscan Holdings	FER	132	Commercialising the use of x-ray diffraction to aid in the screening of breast cancer.	247%	\$1.04
Genetic Technologies	GTG	127	Provides DNA paternity testing services and holds broad patents relating to the use of non-coding DNA.	-1%	\$0.35
Heartware	HTW	125	Developing a mechanical heart pump (LVAD).	-16%	\$0.67
Alchemia	ACL	114	Commercialising new solid phase carbohydrate synthesis technology. First product, a synthetic heparin, to be launched by partners in 2008.	24%	\$0.81
Acrux	ACR	104	A Pooled Dev. Fund commercialising a drug delivery technology that uses sunscreen penetration enhancers to aid transdermal drug delivery.	-4%	\$0.76
Southern Dental Industries	SDI	100	Manufacture & distribution of amalgam (fillings) & other dental materials and product R&D.	13%	\$0.85
Evogenix	EGX	100	Commercialising a next generation antibody optimisation and humanisation technology.	61%	\$0.74
pSiVida	PSD	98	Developing and marketing drug delivery technologies, with a special focus on ophthalmic applications.	-21%	\$0.25
ChemGenex Pharmaceuticals	CXS	91	Genomics/theranostics company with projects in obesity, diabetes, oncology and hypertension.	25%	\$0.60
Institute of Drug Technology	IDT	87	Manufacturer of pharmaceutical ingredients to international standards for major pharmaceutical groups.	26%	\$2.03
Starpharma Holdings	SPL	79	Developer of pharmaceutical applications of chemical scaffolds known as 'dendrimers'.	-2%	\$0.47
CathRx	CXD	76	Developing novel modular cardiac catheters for the diagnosis and treatment of abnormal heart rhythms	92%	\$2.50
Avexa	AVX	74	Developing antiviral therapies for HIV and Hepatitis B and a novel antibiotic.	30%	\$0.30
Lipa Pharmaceuticals	LIP	73	A contract manufacturer of complementary healthcare products.	7%	\$0.78
Apollo Life Sciences	AOP	72	Developing portfolio of protein drugs to treat various disorders and diseases using human proteins and treatment of effects of ageing.	24%	\$0.46
Portland Orthopaedics	PLD	65	Developer, manufacturer and marketer of surgical hip and knee implants	25%	\$0.42
Prana Biotechnology	PBT	59	Developing drugs to treat CNS diseases such as Alzheimer's and Parkinson's.	-13%	\$0.39
Phylogica	PYC	56	Developing phylomer (protein fragment shapes) compound libraries for use in human therapeutics.	18%	\$0.46
ITL	ITD	55	Develops and distributes medical devices such as safety equipment to prevent needle stick injuries and sterile preparation kits.	41%	\$0.52
Solagran	SLA	54	Developing compounds called Bioeffectives, designed in Russia, and have medicinal properties.	86%	\$0.35
Ellex Medical Lasers	ELX	54	Develops, manufactures and markets solid state ophthalmic lasers used to treat secondary cataracts and retinal disorders.	14%	\$0.88

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change Qtr	Price 31/12/06
Probiotec*	PBP	53	Manufacturer, marketer and distributor of a range of OTC pharmaceuticals, complementary medicines and speciality ingredients	-1%	\$1.14
Neuren Pharmaceuticals	NEU	53	Developing therapeutics in area of neuroprotection and metabolic disorders.	-4%	\$0.40
Clinical Cell Culture	CCE	49	Development of skin treatment products for use in burns and other skin damage. Lead product is CellSpray.	17%	\$0.12
Optiscan Imaging	OIL	48	Manufacture of confocal microscopes for clinical diagnosis including endoscopes through alliance with Pentax.	6%	\$0.48
Cytopia	CYT	47	Small molecule drug development company. Has PDF status.	-9%	\$0.64
Scigen	SIE	46	Developer and manufacturer of biopharmaceuticals. Company is based in Singapore and was spun out of Sonic Healthcare in 2002.	8%	\$0.08
Bionomics	BNO	45	Developing drugs to treat cancer and CNS diseases, and has also developed a gene diagnostic for epilepsy.	38%	\$0.24
Proteome Systems	PXL	44	Developing proteomics hardware and software for drug development and diagnostic applications.	-11%	\$0.29
Sunshine Heart	SHC	43	Developing the C-Pulse heart assist device. The C-Pulse wraps around and compresses the aorta, increasing blood flow through the body.	69%	\$0.25
USCOM	UCM	36	Marketing a non-invasive heart output function monitor.	126%	\$0.95
Medical Developments	MVP	36	Commercialising the Penthrax inhaler for temporary pain relief. Used widely in ambulances across Australia.	34%	\$0.63
Giaconda	GIA	35	Developed novel (patented) combinations of registered drugs for the treatment of gastrointestinal disorders.	71%	\$0.48
Viralytics	VLA	34	Developing a cancer treatment based on the application of viruses (oncolytic virus technology).	15%	\$0.15
Imugene	IMU	33	Developing animal products such as antibiotic alternatives used in the stock feed industry using a vaccine and gene therapy approach.	122%	\$0.26
Unilife Medical Solutions	UNI	33	Developer of retractable syringes.	18%	\$0.23
Brainz	BZI	31	Develops non-invasive brain monitors for the detection of brain injury designed for use at the patient's bedside. A NZ company.	4%	\$0.52
Avastra	AVS	30	Consolidating sleep disorder centres in the USA	29%	\$0.36
Polartech	PLT	30	Develops and commercialises medical instruments to diagnose pre-cancer and cancer, in particular cervical cancer and melanomas.	163%	\$0.25
Anadis	ANX	29	Specialises in R&D of bovine colostrum products for therapeutic use in animals and humans.	18%	\$0.30
Agenix	AGX	29	Manufacture and sale of diagnostics and animal health products. Developing Thrombview, a blood clot diagnostic imaging agent	-4%	\$0.14
Brain Resource Corp	BRC	24	Development and commercialisation of functional brain analysis techniques.	20%	\$0.27
IM Medical	IMI	24	Markets the Intelliheart Cardiovascular Diagnostic System	79%	\$0.03
Living Cell Technologies	LCT	23	Developing cell therapies for diabetes, haemophilia and Huntington's disease.	-5%	\$0.19
Cygenics	CYN	23	Developing tools used in stem cell proliferation, and conducts a tissue banking operation.	-6%	\$0.29
Compumedics	CMP	22	Develops, manufactures and markets sleep diagnostic and monitoring equipment.	45%	\$0.16

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change Qtr	Price 31/12/06
Clovercorp	CLV	21	Development and production of omega-3 food additives from tuna oil.	-4%	\$0.13
Chemeq	CMQ	21	Manufactures and markets antimicrobials for use in livestock industry.	-19%	\$0.21
Antisense Therapeutics	ANP	21	Developing antisense compounds to treat multiple sclerosis and acromegaly.	38%	\$0.04
Advanced Ocular Systems	AOS	21	Developing a steroid - triamciolone acetomide - for treatment of back of the eye diseases.	50%	\$0.11
Biotron	BIT	21	Developing anti-viral therapies and cancer screening technologies.	-4%	\$0.23
Biodiem	BDM	20	Has partnered nasal flu vaccine and is developing other technologies emanating from the St Petersburg Instit. of Exp. Medicine, Russia	8%	\$0.29
Eastland Medical Systems	EMS	20	Developing retractable syringes and other surgical products.	14%	\$0.13
PanBio	PBO	20	Develops and markets vector born infectious diseases diagnostic eg Dengue fever.	34%	\$0.32
Atcor Medical	ACG	20	Markets the SphygmoCor device, a noninvasive technology that provides information regarding the functioning of the cardiovascular system	0%	\$0.20
Virax Holdings	VHL	18	Bio-pharmaceutical R&D company developing a therapeutic and prophylactic vaccine for HIV.	12%	\$0.19
Biosignal	BOS	17	Developing compounds that interrupt the colonisation of bacteria. Applications in contact lenses and anti-fouling for marine paints.	-8%	\$0.17
Occupational & Medical Innovations	OMI	16	Developing safety devices used in the healthcare industry, including safety syringes.	29%	\$0.51
Benitec	BLT	15	R&D company focusing on gene silencing, specifically DNA delivered RNAi, technology.	215%	\$0.08
Labtech Systems	LBT	15	Developing the MicroStreak technology for the automation of microbiology laboratory processing	11%	\$0.20
Avantogen	ACU	14	A developer of various cancer therapeutics.	0%	\$0.05
Narhex Life Sciences	NLS	14	Developed a low cost protease inhibitor for treatment of HIV in Chinese market.	5%	\$0.08
Colltech	CAU	14	Has developed a novel technology for the extraction of collagen from sheepskins.	0%	\$0.10
Bone Medical	BNE	13	Developing treatments for bone and joint degenerative diseases such as arthritis and osteoporosis.	-23%	\$0.20
Medec	MAA	13	Developing energy medicine products, including the Medec Pulse to alleviate localised pain.	-27%	\$0.18
Ambri	ABI	13	Developing rapid diagnostic tests bases on mimicking natural biological sensing processes	63%	\$0.06
Medical Monitors	MDM	12	Develops and manufactures cardiac monitoring and diagnostic devices.	-14%	\$0.16
Rockeby Biomed	RBV	12	Research, development and marketing of rapid testing technologies for infectious diseases in animals and humans.	47%	\$0.03
Norwood Abbey	NAL	11	A drug delivery company that uses laser skin ablation technology. Has investment in Norwood Immunology.	-57%	\$0.06
Tissue Therapies	TIS	11	Commercialising growth factors for spray-on skin product, other wound healing and in research and industrial cell growth applications.	23%	\$0.54
Somnomed	SOM	10	Commercialising an oral device for the treatment of sleep apnea and snoring.	-30%	\$0.02

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change Qtr	Price 31/12/06
PharmAust	PAA	10	Its subsidiary, Epichem, provides chemistry services to biotech and pharma companies. Developing a drug discovery program.	9%	\$0.12
RiTract	RTL	10	Developing a safety needle and needle sleeve.	-33%	\$0.10
Probiomics	PCC	10	A probiotics company that has launched a range of products to aid management of irritable bowel syndrome, diarrhoea and intestinal health.	18%	\$0.06
Prima Biomed	PRR	10	Commercialising research from the Austin Research Institute, Melbourne, relating to auto-immune diseases and cancer.	-15%	\$0.05
Cogstate	CGS	10	Marketing cognitive performance diagnostic products.	10%	\$0.22
Stirling Products	STI	10	Commercialising a production animal growth promotant and meat finisher.	27%	\$0.10
Biolayer	BLS	9	Developer of a biological coatings technology that can applied to immunoassays, bio-separations, drug delivery and other medical devices.	-7%	\$0.13
Medical Therapies	MTY	9	Developing therapies to treat inflammatory diseases, using copper- and zinc- indomethacin	-30%	\$0.17
Solbec Pharmaceuticals	SBP	9	Developing plant-based compounds for the treatment of melanomas and asbestos related lung cancers.	-34%	\$0.04
Resonance Health	RHT	8	Marketing the FerriScan technology, a non-invasive tool for measuring liver iron levels	0%	\$0.02
BioMD	BOD	8	Acquired an interest in a tissue engineering technology company, Celxcel.	15%	\$0.11
Genesis Research & Development Corp.	GEN	8	Developing RNAi based therapeutics. Interests in agricultural biotechnologies.	38%	\$0.28
Visiomed Group	VSG	7	Commercialising a device, the Funhaler, used to aid asthma medication for children.	-33%	\$0.01
Medigard	MGZ	7	Developed retractable syringe technology and other safety medical products.	11%	\$0.10
Biopharmica	BPH	7	Managing cancer treatment and detection and bacterial DNA diagnostic projects. Portfolio investment approach.	-29%	\$0.11
NeuroDiscovery	NDL	7	Provides electrophysiology services to biotech and pharma, and is developing range of compounds for treating neuropathic pain.	3%	\$0.18
Dia-B Tech	DIA	6	Developing therapeutics and diagnostics in the area of diabetes.	15%	\$0.06
Eqitx	EQX	6	Developing therapeutic drugs for chronic diseases and disorders affecting the aged patients.	0%	\$0.13
Cryosite	CTE	6	Building a business in the provision of services for storing umbilical cord blood through cryopreservation and ultracold technologies.	13%	\$0.17
BioProspect	BPO	6	Developing insecticides from naturally occurring molecules	25%	\$0.02
Inctive	ICV	6	Development of compounds to to treat cancers and auto-immune diseases.	-23%	\$0.14
KarmelSonix	KSX	5	Respiratory and pulmonary devices company. Acquired technologies from PulmoSonix and Karmel Medical Acoustics Technologies.	38%	\$0.05
Analytica	ALT	5	A medical devices company that has developed retractable syringe.	-13%	\$0.03
Select Vaccines	SLT	5	Development and commercialisation of infectious diseases diagnostics, vaccines and therapeutics specialising in area of hepatitis diseases	-48%	\$0.02
Eiffel Technologies	EIF	4	Developing Super Critical Fluid technology to improve the extraction process of compounds from raw materials.	42%	\$0.02

Bioshares Index

Company	Code	Cap. \$m	Principal Activities	Change Qtr	Price 31/12/06
Acuron	AVP	3	Development and marketing of wound-care products	15%	\$0.02
Healthlinx	HTX	3	Detecting novel functions of known and new protein and peptides for therapeutic purposes.	-57%	\$0.02
Capitalisation Total		8,026			

Price change for FER, PBP and UBI are from close on first day of listing

Listed Biotech Investment Funds

Company	Code	Cap. \$m	Principal Activities	Change Qtr	Price 31/12/06
Circadian	CIR	62	Management and funding of R&D projects with Australian and NZ universities. Holds investments in Optiscan, Metabolic Pharmaceuticals, Antisense Therapeutics and Avexa.	11%	\$1.56
Biotech Capital	BTC	35	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.	-7%	\$0.40
Xceed Biotech	XBL	23	Holds an 60% stake in Polynovo, which is developing biodegradable polyurethane-based polymers. Also operates Boron Molecular, a chemistry services company.	-17%	\$0.20
Premier Bionics	PBI	15	A listed venture capital group that invests in medical device companies but is expected to focus wholly on its Medec Vision investment in the near future.	7%	\$0.23
Genesis Biomedical	GBL	8	Venture capital company with an investment in a fertility diagnostic	47%	\$0.05

Capitalisation Total 135

**Capitalisation Total -
All Indexes** 34,137

How Bioshares Rates Stocks

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

Group A

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

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

Group B

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

Speculative Buy – Class A

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

Speculative Buy – Class B

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

Speculative Buy – Class C

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

Speculative Hold – Class A or B or C

Sell

Corporate Subscribers: Phylogica, Neuren Pharmaceuticals, Pharmaxis, NeuroDiscovery, Prima Biomed, Biotech Capital, Cygenics, Psivida, Cytopia, Biodiem, Peptech, Starpharma Holdings, Cogstate, Xceed Biotechnology, Healthlinx, Incitive, Optiscan Imaging, Bionomics, ChemGenex Pharmaceuticals

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