

**In this edition...**

The dollars are getting bigger! The forthcoming IPO of QRxPharma is looking to raise \$50 million, which is as far as we can tell the biggest clip ever sought by a biotech at an ASX listing. Follow-on fundraising rounds have also increased for companies with the right message and stage of development. Our cash flow analysis of 89 companies for the March quarter discusses the very strong funding position several companies now find themselves in.

We also offer the Bioshares Top Six Picks for May, a concisely presented argument for six stocks we think investors should be focused on.

**The editors**

**Companies covered: ACR, BDM, BOS, BTA, CXS, CYT, TIS QRxPharma**

	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 (from 4 May '07)	0.9%
<b>Cumulative Gain</b>	<b>230%</b>
<b>Av Annual Gain (6 yrs)</b>	<b>26.8%</b>

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# Bioshares

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Edition 216

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

## IPO Preview – QRxPharma Ltd

Following on from **Universal Biosensors** and **Pharmaxis** before that, another 'blue blood' biotech is set to list on the ASX at the end of this month. **QRxPharma** will raise \$50 million and will list at a valuation of \$150 million. It will be the largest biotech listing to date both in terms of funds raised on listing and capitalisation upon listing.

In some respects QRxPharma is a straightforward company to assess. It has one core technology and some minor preclinical programs underway as well. However, it could be assumed that the overwhelming value in this company – if the emphasis in the prospectus is any indication – is the lead program.

### Core Technology

QRxPharma has licensed patents from the **University of Queensland** which cover combinations of several existing drugs, namely oxycodone with other opioid drugs including morphine, that allows the same level of pain control with significantly less morphine.

### Results to date

Six clinical trials have been conducted using the combination of these drugs. Three of these were conducted in healthy volunteers and three in patients with chronic, moderate to severe pain. In one study in 21 patients with chronic pain, 40% less morphine was required when dosed with oxycodone. In another study, 34% less morphine equivalent was required when combined with oxycodone in patients with severe pain when a different ratio of these two marketed drugs was used.

### Path to market

The majority of the proceeds from this capital raising (\$32.7 million) will be used fund two Phase III clinical trials. Each trial will enrol 660 patients with moderate to severe chronic lower back pain. It is expected that the trials will take 15 months to complete and will be conducted at 40 sites, predominantly in the US.

### Background

The technology was developed by Marie Smith at the University of Queensland in 1997. The core patent around this invention has been granted in the US, Europe, Australia, New Zealand, South Africa and China. Patents are pending in Japan and Canada. The patents expire in most regions above from 2016 although could be extended in the US for up to five years under provisions of the Hatch-Waxman Act.

The Phase II studies were completed at the end of 2003 and the company received FDA clearance to proceed with its Phase III trial protocol in early 2006.

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**Top tier biotech board**

The QRxPharma board is made up of an elite group of experienced biotech executives, headed up by **Resmed** chief, Peter Farrell. There are two other Resmed directors on the board, Gary Pace (also on the board of **Peplin**) and Michael Quinn, a founder of **Innovation Capital** and co-founder of **Memtec**. Innovation Capital and **Nanyang Ventures** were early investors in this technology. Peter Campbell, a director of **Sonic Healthcare** and **Silex Systems**, is also on the board. The CEO is Dr John Holaday, an American who co-founded **EntreMed** and **Medicis Pharmaceutical** and founded **MaxCyte**.

**Company Strengths**

The company has generated positive Phase II data in patients with moderate to severe chronic pain and these results have achieved statistical significance. The company is about to move into Phase III trials and market launch of the product could occur as early as 2010. The company has a granted patent over its technology in most major regions, excluding Canada and Japan. QRxPharma is well placed, given its ability to secure an underwritten listing that will raise \$46.4 million (net of costs) that should be sufficient to get the drug (Q8003IR) to market. Its high market value upon listing would in all likelihood also attract institutional investors into this stock.

The high market valuation will also allow the company to consolidate pain therapeutic programs in Australia through M&A opportunities if it chooses to do so.

The US pain market is reasonably concentrated, where a sales force of up to 100 people could access 30% of opioid prescribers, according to the prospectus. This allows QRxPharma to potentially become a specialty pharmaceutical business with its own sales force in the US and removes the risk of working through third party distributors. In Europe the company will operate through distributors and in Australia and New Zealand will market and distribute the drug through Sigma Pharmaceuticals.

The company is also developing a sustained release version of its lead compound, which is expected to move into the clinic this year. The company has other earlier stage programs although very little information was supplied in the prospectus, reflective of the relative value of these programs compared to its core technology.

**Opportunities**

According to the QRxPharma prospectus, the market for opioid pain drugs has been estimated at US\$9 billion in 2005 for drugs such as morphine, fentanyl, oxycodone and oxymorphone, which are used to treat moderate to severe pain. If the company elects to directly sell its product in the US, it will generate higher gross margins for its product.

**Risks/Weaknesses**

The core technology comprises of a combination of two marketed drugs, morphine, and oxycodone. The latter of these two, oxycodone, is coming off patent in about one year. There is the risk that users will replicate the ratio of oxycodone and morphine after receiving their existing prescription. QRxPharma expects to

charge only a 20% premium to the currently marketed drugs to try to prevent this happening.

Another risk is there is little evidence of commercial success in patented combinations of marketed drugs. Another possible issue is that getting a combination pain product through the FDA approval process will be challenging, with the FDA increasingly introducing higher hurdles for the approval of such products.

With respect to the pre-money valuation of \$100 million, it is the equal largest pre-money valuation for a biotech float, equal to that of Acrux and Proteome Systems. Its high valuation upon listing will require the company to convincingly educate the market of the merits of its commercialisation model. That the company has been waiting for over a year now to commence its Phase III studies suggests raising the necessary funds has been a difficult process.

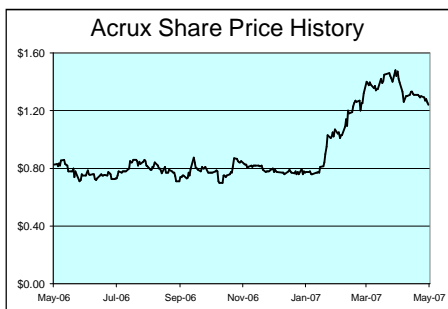
<p><b>Summary of the Offer</b>                  Funds to be raised: \$50 million                  Pre-money valuation: \$100 million                  Listing valuation: \$150 million                  Listing price: \$2.00 per share                  Underwriter: JP Morgan Australia                  Offer Closed                  Expected Listing Date: 29 May 2007</p>
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**Bioshares Model Portfolio ( 18 May 2007)**

Company	Price (current)	Price added to portfolio
Acrux	\$1.24	\$0.83
Alchemia	\$1.15	\$0.67
Biodiem	\$0.34	\$0.29
Biota Holdings	\$1.71	\$1.55
Cytopia	\$0.70	\$0.46
Chemgenex Pharma.	\$0.83	\$0.38
Optiscan Imaging	\$0.43	\$0.35
Neuren Pharmaceuticals	\$0.44	\$0.70
Peplin	\$0.85	\$0.83
Peptech	\$1.66	\$1.31
Phylogica	\$0.46	\$0.42
Probiotec	\$0.92	\$1.12
Sunshine Heart	\$0.19	\$0.19
Tissue Therapies	\$0.54	\$0.58

## The Bioshares Top Six Picks For May

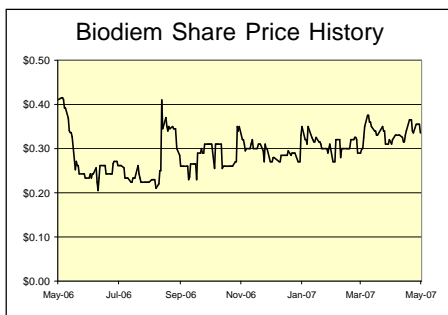


### AcruX Ltd

Market Cap: \$177 million; SP: \$1.24; Cash (31/3/07): \$18.3 million ; 12 mth high: \$1.50

#### Key Points

- Lead product, Evamist (spray on prescription estrogen product), expected to receive FDA approval in Q3 2007. Peak sales of US\$125 million forecast.
- US Evamist rights sold to **KV Pharmaceutical** for US\$150 million, pending FDA approval. AcruX to receive an estimated 10% royalty stream.
- Phase II trial of testosterone lotion product for men commenced, with Phase III trials to begin in 2008.
- Female testosterone product (licensed to Vivus Inc) waiting to move into Phase III studies.

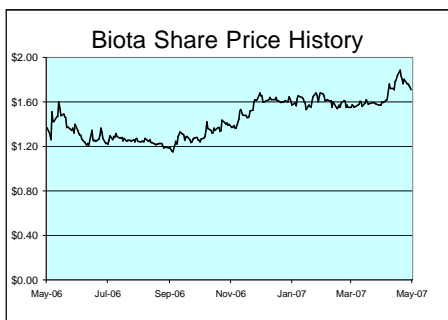


### Biodiem Ltd

Market Cap: \$17.5 million ; SP: \$0.355; Cash (31/3/07): \$4.2 million; 12 mth high: \$0.52

#### Key Points

- 192 patient trial underway with lead compound, BDM-E, for the treatment of diabetic macular oedema. Patient recruitment complete. Results out end of 2007.
- Live attenuated influenza vaccine (LAIV) licensed to **Nobilon** (which is to be acquired by **Schering-Plough**). Vaccine to enter clinic end of 2008.
- Only one other LAIV, Flumist, owned by MedImmune which is to be acquired by **AstraZeneca**.
- Flumist sales expected to increase significantly in next northern hemisphere flu season with new refrigerated product, now approved for people aged 2 – 49 years.
- Low market cap.

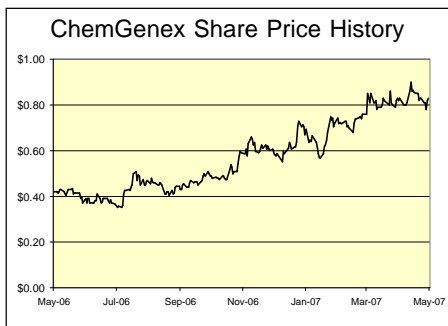


### Biota Holdings Ltd

Market Cap: \$310 million ; SP: \$1.71; Cash (31/12/06): \$42 million ; 12 mth high: \$1.90

#### Key Points

- Escalating royalty from **GlaxoSmithKline** from sales of flu drug Relenza. Last quarter net royalty flow totaled \$13.7 million.
- Upside in further increases in Relenza orders and settlement with GSK over current litigation relating to earlier alleged inadequate marketing of Relenza.
- Second generation flu drug compound expected to move into Phase II trials in 2H 2007.
- Hepatitis C program partnered with **Boehringer Ingelheim** and RSV program partnered with **MedImmune**.



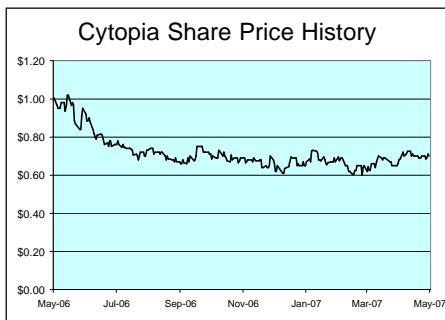
### ChemGenex Pharmaceuticals

Market Cap: \$154 million ; SP: \$0.83; Est.Cash (31/3/07): \$26 million ; 12 mth high: \$0.96

#### Key Points

- Two clinical oncology programs underway.
- Lead compound, Ceflatonin, for treatment chronic myeloid leukemia in patients resistant to existing therapy (Gleevec) with particular point mutation (T315I). Interim results expected mid 2007. Final results expected Q1 2008.
- Second compound, Quinamed, for the treatment of solid cancers, is due to report results from a Phase II trial in 50 people at ASCO cancer conference, beginning 1 June 2007 (2 weeks time).
- Prominent investors on register – **GBS Ventures** and **Alta Partners**.

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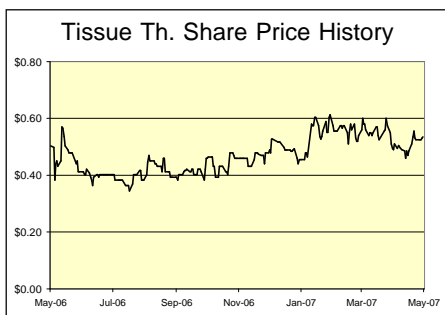


### Cytopia Ltd

Market Cap: \$52 million; SP: 70 cents; Cash (31/12/06): \$18 million ; 12 mth high: \$1.05

#### Key Points

- Phase Ib trial with lead compound, CYY997, a vascular disrupting agent (VDA). Trial due to finish next month. Two patients continuing treatment under Special Access Scheme.
- Major partnering deal with **Novartis** announced last year (for JAK3 assets) in area of autoimmune diseases.
- Phase II trial with CYT997 to start second half 2007.
- Pooled Development Status not expected to be renewed mid year. Cost base for capital gains tax purposes expected to be set around mid year.
- 22 million \$1 options to expire 19 November 2007.



### Tissue Therapies Ltd

Market Cap: \$14 million; SP: 53.5 cents; Cash (31/3/07): \$2.3 million ; 12 mth high: 69 cents

#### Key Points

- Developed VitroGro product that facilitates cell growth.
- Distribution agreement signed with Invitrogen for Invitrogen to sell VitroGro as animal-free growth factor product for growth of stem cells.
- Development agreement with **Novozymes** for wound dressing products. TIS a possible acquisition target for Novozymes, which last year acquired GroPep.
- Three 80 patient trials (240 patients in total) to begin mid 2007 to treat patients with burns, venous ulcers and diabetic ulcers
- Awarded \$1.9 million Federal Government P3 grant

*Bioshares* recommendations:

Acrux – **Speculative Buy Class A**

Biodiem – **Speculative Buy Class A**

Biota – **Buy**

ChemGenex Pharmaceuticals – **Speculative Buy Class A**

Cytopia – **Speculative Buy Class A**

Tissue Therapies – **Speculative Buy Class B**

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### **Cytopia: Two Patients Continue CYT997 Treatment Via Special Access Scheme**

Cytopia (CYT: 70 cents) has announced that two of its patients from its Phase Ib trial with its lead compound CYT997, delivered intravenously, are continuing treatment under the Federal Government's Special Access Scheme. Almost 30 patients, all with solid tumours, have now been treated, as the company nears the completion of the trial, when a maximum tolerated dose has been found.

That clinicians have recommended continuing treatment may suggest that the drug is having some effect. The trial could be completed around mid year and results should be available within eight weeks of trial completion. A Phase II study is expected to begin in the second half of the year.

Another Phase I trial is also underway although with an oral version of the same drug. This trial is expected to be completed towards the end of the year.

Bioshares recommendation: **Speculative Buy Class A**

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### **Biosignal Reports Success with Furanone Compounds**

Biosignal's (BOS: 18.5 cents) share price moved strongly (up 85 %) this week following an announcement by the company that some of Biosignal's anti-biofilm compounds (furanones) were successful in removing corrosion caused by bacterial colonisation found in oil and gas pipes. Previous studies have shown furanones to be effective in preventing bio-film build up.

The bench studies have been supported by two major oil and gas companies, **Santos** and **BHP Billiton**. However, an important next step is for these partners, or others, to commence field trials. Commencing field trials would be a highly positive event for Biosignal, given that the oil and gas industry biofilms program has been running for two years.

The investment test for Biosignal is that it can crystallise value from its furanones platform in a timely fashion. So far, the company has had mixed success, and has yet to see a furanone based product hit the market. Biosignal is capitalised at \$19 million.

Bioshares recommendation: **Speculative Buy Class B**

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## Thredbo Biotech Summit

*The Essential Biotech Investment Event*

July 20-21, 2007 · Thredbo Alpine Hotel · Thredbo Village, NSW

#### **Thredbo Biotech Summit 2007**

The third annual Thredbo Biotech Summit is being held on Friday 20 and Saturday 21 July, 2007. Once again, the conference aims to provide the ideal turf-neutral venue for investment and commercial biotech participants to meet and discuss key issues affecting the Australian biotech sector.

Registration is now open. Full conference details are available on our website <http://www.bioshares.com.au/thredbo2007.htm>

Building on the success of previous years, the aim is to provide a high quality networking opportunity with a challenging and relevant program geared to encourage lively discussion, all within the picturesque location of the Thredbo Alpine Village. If you only attend one biotech conference this year, make it the Thredbo Biotech Summit, the essential biotech investment event in Australia!

\*\*\*\*\*Please note that you need to book accommodation early\*\*\*\*\*



## 4.7B Reporting Companies – Cash Balances March 31, 2007 Commentary

A component of biotech investment analysis involves the assessment of biotech companies cash resources and in a consequential manner the respective capabilities of biotech firms to raise funds to meet business development goals. Most ASX listed biotech companies are required to report their cash positions on a quarterly regime. This discipline has been of much benefit to shareholders and prospective investors who have been able to, in a timely manner, gauge the financial health of the majority of ASX listed life science firms.

For the March quarter 2007, we have tabulated the cash positions of 89 listed life science companies (see the next page), and calculated their respective Survival Indices. One company, Avantogen did not file a 4.7B report.

For four companies, it was not appropriate to calculate Survival Indices – **Cryosite**, **GenePharm**, **PharmAust** and **Eastland Medical** – because these companies recorded positive net operational cash flow or have in recent quarters recorded a relatively small operational losses whilst recording solid revenues.

There are 124 life science companies listed in Australia. Of the 90 4.7B reporting companies, 37 recorded SIs of less than one, and 20 had, at March 31, less than 6 months cash at hand.

### In a Strong Position...

Several companies have of late put themselves in a strong financial position. In particular, **Clinuvel Pharmaceuticals** now has raised more funds past the close of the quarter, and its cash reserves now total \$63 million, with a share purchase plan in progress. On an adjusted basis, its SI is 7.5. Similarly **Avexa**, with an SI of 1.2, has concluded fund raising activities after March 31, which sees now with an estimated \$78 million in cash. Its SI on an adjusted basis is 4.7. One other company worth noting is **Starpharma**, which recorded an SI of 7.2. This company's strong financial position is due to the inflow of funds from the US NIH grants that are supporting Starpharma's Vivagel clinical program.

Three drug discovery and development firms that have an SI of 1, which is one years cash at hand, are **Phylogica**, **Prana Biotechnology** and **Alchemia**. These companies may raise funds in the next three-to-six months, depending on the degree of positive progress recorded in their programs.

### Funding post-March 31

Many of the companies that registered SI of less than one have since the March quarter close subsequently raised or announced plans to raise funds.

**Solagran** has raised \$500,000 through the issue of options, as did **Bone Medical** which raised \$2.1 million. Healthlinx has through a placement raised \$890,000. US company **Avant Immunotherapeutics** has invested \$735,000 in **Select Vaccines**.

### The Survival Index

The majority of listed life science companies are required to file cash flow statements with the ASX on a quarterly basis. This provides investors with a means to monitor the financial health of cash depleting biotech firms on more timely basis than is available through half yearly and annual reporting requirements.

A key analytical measure we present is the 'Survival Index' (SI). The index is derived for this quarter by dividing a company's annualised latest nine months net operational cash into the company's cash balance. The index measures how many years those cash reserves will last, based on the company's recent spending patterns. It is limited because it does not account for companies that may ramp up spending in the next period of activity.

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 should therefore be investigated cautiously by investors.

**Proteome Systems** has sold the rights to several research instruments to Shimadzu, but is also set to receive a US\$4 million upfront payment from **Minerva Healthcare** for the rights to several pharmaceutical compounds.

**Advanced Ocular Systems** raised \$761,000 through a placement, as has **Solbec Pharmaceuticals**, which raised \$800,000. **Narhex Life Sciences** has announced plans to raise \$2.8 million through a rights issue. **KarmelSonix** has raised \$1.5 million through a rights issue and placement.

**Benitec**, a company that is experiencing new found favour with the market, now has cash reserves in the order of \$6.4 million, after raising \$5.3 million. This gives Benitec about two years worth of funding.

**pSivida** received \$11 million through a placement. Unfortunately this company's financial prospects have not continued to improve, and on an adjusted basis its SI is 0.7. In other words, based on its spending patterns for the first nine months of FY2007, the company has a little over six months cash to support its activities.

Two companies, **Heartware** and **Living Cell Technologies** announced the establishment of ADR programs in the USA. LCT announced a Level I program and Heartware a Level II program. We would expect these companies to be actively focused on raising funds in the near future in North American investment markets with these mechanisms in place.

## 4.7B Reporting Companies – Cash Balances March 31, 2007 Sorted by Survival Index

### Life Science Companies - Cash Balances Mar Q 2007

Code	Company	Cash End 31/03/07 (\$M)	Survival Index
1	CTE Cryosite	\$1.5	n.a
2	AVS Avastra	\$9.3	n.a
3	EMS Eastland Medical Systems	\$2.2	n.a
4	GAA Genepharma	\$12.2	n.a
5	SRX Sirtex Medical	\$10.7	n.a
6	UBI Universal Biosensors*	\$21.9	7.3
7	SPL Starpharma	\$12.7	7.2
8	FER Fermiscan*	\$25.1	4.8
9	CST Cellestis	\$12.0	4.5
10	CUV Clinuvel Pharmaceuticals	\$36.4	4.3
11	LBT Labtech Systems	\$5.6	4.2
12	ANP Antisense Therap.	\$8.5	3.6
13	PXS Pharmaxis	\$79.9	3.5
14	RHT Resonance Health	\$2.8	3.0
15	OBJ OBJ	\$2.3	2.4
16	BLS Biolayer	\$1.8	2.3
17	XBL Xceed Biotech	\$5.9	2.3
18	BPH Biopharmica	\$2.0	2.2
19	ACR Acrux	\$18.3	2.1
20	BPO BioProspect	\$2.0	2.0
21	BRC Brain Resource Corp	\$3.4	1.9
22	EGX Evogenix	\$7.6	1.9
23	SIE Scigen	\$5.0	1.9
24	PEP Peplin	\$33.6	1.8
25	BZI Brainz**	\$6.2	1.8
26	CGS Cogstate	\$1.8	1.7
27	MSB Mesoblast	\$14.5	1.7
28	GTG Genetic Technologies	\$7.5	1.6
29	ABI Ambri	\$5.4	1.6
30	GBL Genesis Biomedical	\$1.5	1.5
31	CCE Clinical Cell Culture	\$14.2	1.5
32	UCM USCOM	\$5.1	1.5
33	ACG Atcor	\$7.5	1.4
34	BOS Biosignal	\$4.2	1.4
35	AOP Apollo Life Sciences	\$11.0	1.3
36	BDM Biodiem	\$4.2	1.3
37	SOM Somnomed	\$3.6	1.3
38	SHC Sunshine Heart	\$11.2	1.3
39	OMI Occup.& Medical Innov.	\$2.1	1.2
40	AVX Avexa	\$19.8	1.2
41	GIA Giaconda	\$2.7	1.2
42	CYN Cygenics	\$5.2	1.2
43	ICV Incitive	\$1.7	1.1
44	CXD CathRx	\$5.7	1.1
45	BOD BioMD	\$1.5	1.1
46	BNO Bionomics	\$5.4	1.1
47	MAA Medec	\$2.3	1.1
48	NDL NeuroDiscovery	\$1.5	1.0
49	EQX Eqitx	\$0.8	1.0
50	PYC Phylogica	\$3.5	1.0
51	PBT Prana Biotechnology	\$9.5	1.0
52	ACL Alchemia	\$13.6	1.0
53	IMU Imugene	\$1.5	0.9
54	SLA Solagran	\$1.9	0.8

### Life Science Companies - Cash Balances Mar Q 2007

Code	Company	Cash End 31/03/07 (\$M)	Survival Index
55	HTX Healthlinx	\$1.6	0.8
56	SLT Select Vaccines*	\$2.1	0.8
57	PBI Premier Bionics	\$2.9	0.8
58	PXL Proteome Systems	\$5.0	0.8
59	PLD Portland Orthopaedics	\$5.2	0.8
60	ALT Analytica	\$0.3	0.7
61	VLA Viralytics	\$2.5	0.7
62	AOS Advanced Ocular Systems*	\$0.8	0.7
63	HTW Heartware*	\$15.0	0.7
64	BIT Biotron	\$2.4	0.7
65	VSG Visiomed	\$1.1	0.7
66	DIA Dia-B Tech	\$2.4	0.6
67	MTY Medical Therapies	\$1.8	0.6
68	IMI IM Medical	\$1.8	0.6
69	LCT Living Cell	\$3.6	0.6
70	NEU Neuren Pharmaceuticals*	\$6.4	0.5
71	STI Stirling Products	\$1.2	0.5
72	NLS Narhex Life Sciences	\$1.9	0.5
73	BLT Benitec	\$0.8	0.5
74	RBY Rockeby Biomed	\$1.6	0.5
75	TIS Tissue Therapies	\$2.3	0.5
76	CMQ Chemeq	\$8.4	0.4
77	CAU Colltech	\$1.1	0.4
78	MGZ Medigard	\$0.2	0.4
79	PCC Probiomics	\$0.5	0.4
80	MDM Medical Monitors	\$0.5	0.4
81	KSX KarmelSonix	\$0.7	0.4
82	PRR Prima Biomed	\$1.2	0.3
83	PAA Pharmaust	\$1.4	0.3
84	UNI Unilife	\$2.4	0.3
85	PSD pSiVida	\$7.4	0.3
86	BNE Bone Medical	\$0.3	0.2
87	SBP Solbec Pharm.	\$0.3	0.1
88	NAL Norwood Abbey	\$0.6	0.1
89	RTL RiTract	\$0.2	0.1
<b>Total</b>		<b>\$586.7</b>	
<b>Average</b>		<b>\$6.6</b>	
<b>Median</b>		<b>\$2.8</b>	

\*SI calculation is based on one-quarters data annualised, except for Brainz, which is 7 months annualised.

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

Agenix, Anadis, Biota, Circadian, Clovercorp, Compumedics, Chemgenex Pharmaceuticals, Cytopia, Eiffel Technologies, Ellex Medical Lasers, IDT Australia, ITL Corp, Life Therapeutics, Metabolic Pharmaceuticals, Medical Developments International, Novogen, Optiscan Imaging, Panbio, Progen Industries, Polartech, Phosphagenics, Peptech, Sirtex, Ventracor and Virax Holdings - (25 companies).

**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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