

In this edition...

Wilson HTM held its 6th annual life science conference in Sydney this week, showcasing 12 of the sector's leading companies.

Themes to emerge from the conference included the near term prospects for revenues for a number of companies, as well as a strategy that factors in manufacturing as a key element in value creation and control.

Overall, the conference highlighted the significant opportunities that will occur, (if not already occurring) for investors with an exposure to well structured biotech companies.

The Editors

Companies Covered: ACL, ACR, BTA, CXD, CXS, CST, HXL, MSB, PXS, QRX, SPL, UBI

	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 - Current)	63.0%
Cumulative Gain	217%
Av Annual Gain (9 yrs)	20.1%

Bioshares is published by Blake Industry & Market Analysis Pty Ltd.

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Individual Subscriptions (48 issues/year)
\$320 (Inc.GST)
Edition Number 333 (16 October 2009)
ISSN 1443-850X

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Bioshares

16 October 2009
Edition 333

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

Extract from Bioshares –

Wilson HTM Life Sciences Conference Report

Wilson HTM held its 6th annual life sciences conference this week in Sydney. The conference aims to showcase the twelve best listed life science companies in Australia in the one day with analyst interviews with each company. For the second year in row, the mood at this event was distinctly positive, with a genuine level of heightened anticipation and growing confidence towards the Australian biotech sector.

Mesoblast – Multiple Products, Multiple Opportunities

Mesoblast is developing products from adult stem cells, which are harvested from bone marrow. From a population of 1:100,000 cells, the stem cells are isolated and are highly expandable and immunogenic. The company can produce 10 billion adult stem cells from a batch of one million initial cells within six weeks.

Mesoblast founder, Silviu Itescu, said the company can produce products with different concentrations and formulations, delivering multiple products for different partners with distinct pricing points. With these products, Itescu said the technology would be treated more like a device and likely require only single pivotal Phase III trials to get to market.

One new application for which the company has recently generated positive preclinical results, is in intervertebral disc damage, which is a precursor before spinal fusion is required. The preclinical studies have shown outstanding complete reversal of destruction pathology in large animal studies according to Itescu. This is a very large market, with around 20% of the population with some type of intervertebral disc damage, ten times larger than the spinal fusion market. A adult stem cell treatment could sell for \$5000 - \$7000 per treatment. For the knee osteoarthritis program, the company is likely to partner out earlier.

The products being developed by Angioblast are more in sync with pharmaceutical products said Itescu. The current Phase II heart failure trial (in 60 patients) is expected to be finished in the first quarter of 2010. From initial results in patients who were extremely ill with less than 30% heart blood ejection fraction, a 50% improvement was seen in some patients within only three months.

In the non-union long bone repair trial, an adolescent who had been in a car accident with no bone repair after six months, was healed in just 12 weeks with the Mesoblast adult stem cells.

Manufacturing Theme

One theme emerging from the conference was that of companies seeking to maintain manufacturing control of their products. These include **Chemgenex, Universal Biosensors, Pharmaxis, Cellestis, CathRx** and **Acrux**. Itescu said Mesoblast can also maintain future manufacturing of its stem cell products, with significant potential profit from that alone.

On a comparison with competitor **Osiris Therapeutics**, Itescu said Mesoblast's cells were 100% homogeneous based on a superior purification process. Mesoblast has sufficient cash at hand to complete its current Phase II programs.

(Mesoblast is capitalised at \$149 million. It had \$15.6 million in cash as of June, and made a net loss of \$12.3 million in FY2009.)

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, Pharmaxis, Cytopia, Arana Therapeutics, Starpharma Holdings, Cogstate, Bionomics, ChemGenex Pharmaceuticals, Circadian Technologies, Biota Holdings, Halcygen Pharmaceuticals, Peplin, BioMD, Impedimed, QRxPharma, Patrys, Labtech Systems, Hexima, Tyrian Diagnostics, Mesoblast, Atcor Medical, CathRx

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