

In this edition...

Well what a year for Australian biotech! Three acquisitions of local companies by international groups during the year, and in particular two \$300 million plus deals have highlighted the potential value that can be generated from such technologies. Will we see more? The year ahead in 2010 promises to be just as eventful with many late stage companies potentially in play.

In this edition we give our Top 5 mid cap and Top 5 small cap picks for 2010. And on a very relevant issue, Marilyn Sleigh, former CEO of Evogenix, which was acquired by Arana Therapeutics, looks at the impact on the local sector from businesses that have been acquired by larger suitors in recent years. We wish you a safe and festive season ahead and look forward to assisting you with your investments in 2010!

The Editors

Companies Covered: ACR, ACL, ACG, BDM, BOD, CGS, CXS, MSB, PAB, SPL

	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)	73.7%
Cumulative Gain	237%
Av Annual Gain (9 yrs)	21.2%

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Bioshares

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

Extract from *Bioshares* –

Stock Picks – 2010

It has been an exceptional year for the Australian biotech sector. In this last edition for 2009, we select our top five mid-cap biotechs (greater than \$50 million) and the top five biotech small caps (less than \$50 million).

Larger Caps

Mesoblast (MSB)

Share Price: \$1.36

Capitalisation: \$189 million

2010 should be a pivotal year for Mesoblast. Results from Phase II trials in several applications, progression to pivotal/Phase III studies in the US and potentially a licensing/partnering deal are the major milestones for the company next year.

In 2009, the company and its investee company Angioblast (of which Mesoblast owns 38.4%) have seen positive results from Phase II studies in treating heart failure, bone marrow transplant (expansion of hematopoietic and progenitor cells using the company's own allogeneic stem cells), and positive preclinical results in new applications. These new applications are for the treatment of intervertebral disc damage and some early results in the potential treatment of diabetes.

The launch of a product in Australia under a Special Access Scheme for the treatment of non-healing bone fractures in 2010, while not being a major revenue earner, will be a very public example of the utility of adult stem cell treatment in a commercial setting. In a 10 patient study, eight of the 10 patients, whose bones had previously not healed for several months, achieved complete union following stem cell implants provided by Mesoblast.

Bioshares recommendation: **Speculative Buy Class A**

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Publication Dates – Break over Holiday Period

Bioshares is published 48 times per year.

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