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to be placed closer together, accounting for the interference between electrodes through the algorithm, thereby requiring less volume of blood to be taken for each measurement. Another advantage is that the tests all use dry chemistry, with no need for chemical reagents, and the test is expected to be completed more quickly.

Risks

Sales and distribution agreement

A major risk for the company is that its partner, Lifescan, may not take up a sales and distribution agreement with Universal Biosensors for the glucose product. If and when an agreement is signed, this leaves Universal Biosensors exposed to the development schedule of its partner. However the glucose product represents a moderate potential income stream from manufacturing the glucose diagnostic strips and the diagnostic monitor.

With other diagnostics in development, the company will need to form sales and distribution agreements with international diagnostic groups.

Technical

The most significant risk is the technical risk, in developing sensors that work robustly and reproducibly and can pass regulatory hurdles. Development of biosensors, as seen with **Ambri**, can be a technically challenging task, although the Universal Biosensors approach is more simple, building on existing diagnostic platforms.

Relatively low funding risk

Funding risk is low for this company. Universal Biosensors raised \$18 million with strong institutional support. Further capital raisings can be expected and, if the share price continues to perform well, additional and sufficient funds for commercialisation should be available to the company.

Summary

There is a quiet air of confidence emanating from this company. Universal Biosensors has an A-grade pedigree that is revealed in the calibre of its founders and board members, but also in its investors and commercialisation partner. Board and management have an impressive track record in building successful businesses which places Universal Biosensors in an above average position for commercial success. The company has rallied strongly since listing, and now sits with a capitalisation of \$134 million, and we place a long term **Speculative Buy Class A** on the stock.

Bioshares

Stock Briefs

Cogstate

Cogstate (CGS: \$0.22) reported its quarterly sales and cashflow figures this week. It was a good quarter for the company, with sales increasing by 124% to \$0.82 million. Over the last six months, the result was less impressive, increasing by only 43% to \$1.2 million over the previous corresponding period. Net cash outflow for the last six months was \$1.0 million.

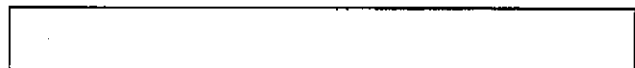
Overall the company continues to generate strong growth, albeit off a low base, and growth over the last six months has been less than anticipated. The target of reaching a breakeven point for this financial year is unlikely however the company is aiming to approach a cashflow positive position in approaching quarters. This will be an important target with cash reserves now down to \$1.6 million. The company has increased staff costs with personnel added to its US operations.

As the Cogstate business continues, its ability to secure additional contracts for providing cognitive testing for the clinical trial setting to pharma and biotech should increase as the company's product becomes more established. Very successful businesses have been created over the last 20 years in providing cognitive testing for this market.

The immediate challenge for Cogstate is to secure repeat contracts from more than one large pharma (at present only **Pfizer** is a regular customer). If the company can secure four big pharma as regular clients, then work should flow on relatively quickly to biotech companies.

Bioshares recommendation: **Speculative Buy Class B**

Bioshares



The Bioshares 20 Index

<i>Change from June 30, 2006</i>	43.8%
<i>Change from Dec 31, 2006</i>	13.9%
<i>Change - week ago</i>	1.8%

(Latest data from Thurs. 25 Jan Close)

Nasdaq Biotech Index

<i>Change from June 30, 2006</i>	9.4%
<i>Change from Dec 31, 2006</i>	1.8%
<i>Change - week ago</i>	-2.1%