

In this edition...

At the end of the day, drug development is about treating diseases more safely to either eradicate them, or extend life or improve quality of life if the disease is chronic. Cancer therapy developer Prima Biomed faces a critical point this year when data from its Phase II trial becomes available and its potential as a new, safer way to treat cancer by harnessing the immune system is made clear. We re-visit the Prima proposition in a reader friendly Q&A format.

We also update readers on Evogenix's osteoporosis protein drug prospect, Cogstate's distribution deal in Japan and Sirtex's strong profit result.

The editors

Companies covered: **CGS, EGX, PRR, SRX**

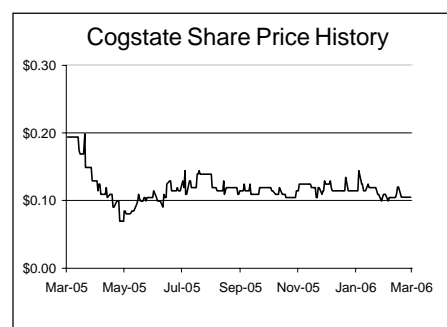
Bioshares

17 March 2006
Edition 159 extract

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

Cogstate moves into cognitive health market in Japan

Cogstate (CGS: 12 cents) has signed a distribution arrangement in Japan with Health Solutions Inc. Whilst distribution deals are not always significant events for investors, there are aspects to this deal that warrant discussion. Firstly, it's a profitable arrangement for Cogstate which will see the company receive US\$500,000 in revenue over the first two years (US\$325,000 in the first year) for delivering a Japanese version of the company's cognitive testing program and for allowing access to this service over the period.



Secondly, it sees Cogstate branch out into testing of cognitive decline in the senior population age. This has been a difficult market for Cogstate to break into in the US and Australia. However in Japan, there is a greater emphasis on monitoring and managing declining cognitive function in the aged.

The deal is also an important validation of the Cogstate technology. Health Solutions CEO, Dr Akiko Fujiwara, was formerly regional Vice President for **Johnson & Johnson**. Her company has been formed, with venture capital backing, to rollout the Cogstate product in Japan (and presumably other products will be added to the company's distribution portfolio). After the initial two-year period, Cogstate will continue to offer the same service to Health Solutions but will receive a royalty from sales.

Cogstate is capitalised at \$4.7 million and had \$2.3 million in cash at the end of last year.

Bioshares recommendation: **Speculative Buy Class B**

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	Bioshares Portfolio
Year 1	21.2%
Year 2	-9.4%
Year 3	70.0%
Year 4	-16.3%
Year 5 (to date)	67.6%
Cumulative Gain	162%
Average Annual Gain	26.6%

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Blake Industry & Market Analysis Pty Ltd
ACN 085 334 292
PO Box 193
Richmond Vic 3121
AFS Licence
No. 258032

Enquiries for *Bioshares*
Ph: (03) 9326 5382
Fax: (03) 9671 3633
Email: info@bioshares.com.au

David Blake
Ph: (03) 9326 5382
Email: blake@bioshares.com.au

Mark Pachacz
Ph: (03) 9671 3222
Email: pachacz@bioshares.com.au

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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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**Bioshares
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