

**In this edition...**

Starpharma has done it again, securing another significant grant from the NIH in the US. It further validates the company's direction in providing much needed solutions to the transmission of sexual diseases with its dendrimer-based microbicides. For investors, it gives added confidence that the company is cementing its position as a tier one biotech stock.

We also open up discussion on potential merger possibilities following the proposed Alchemia-Mediatech merger, with two possibilities that arguably could be strongly considered. And we update readers on the developments at Cygenics and Cogstate.

**The editors**

Companies covered: CGS, CYN, OIL, PTD, SPL, VSL, ZTL

*Bioshares* is published by Blake Industry & Market Analysis Pty Ltd. The company also provides market and company analysis of the Australian pharmaceutical and biotech industries for local and international funds management institutions, venture capital funds and other related industry groups. For further details contact David Blake (see details below).

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Individual Subscriptions (48 issues/year)  
**\$320** (Inc. GST)  
 Edition Number 163 (21 April 2006)  
 ISSN 1443-850X

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# Bioshares

21 April 2006  
 Edition 163 extract

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

## Cogstate Maintains Solid Performance

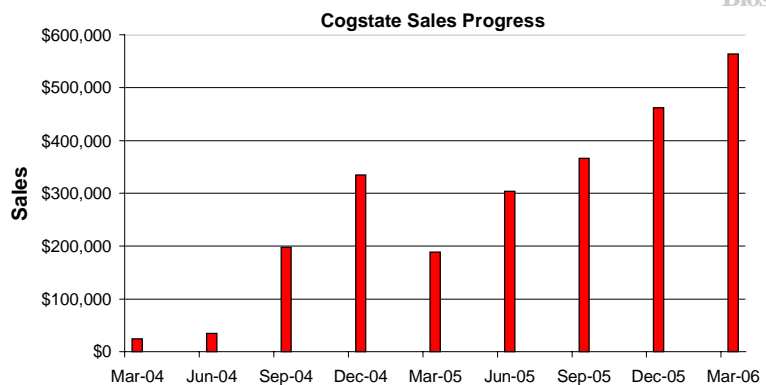
Cogstate (CGS: 23 cents) is generating a series of promising quarterly sales performances as it seeks to build a profitable business from its cognitive testing platform. This turnaround in the business has not gone unnoticed by the market, with the stock up 100% this year.

Sales revenue in the March quarter of this year was \$564,000, a 200% increase over the previous corresponding quarter. Net operating cash flow for the quarter was \$403,000, which included \$433,000 of grant income. Excluding the grant income, the company was near cashflow neutral (-\$30,000).

With staff costs reduced (by approximately \$200,000) and with a clear sales growth trend, the company is approaching a position of profitability over the next 12 months. At the end of February this year, the company indicated at its EGM that it had in excess of \$2 million in contracted revenue that had yet to be invoiced.

Cogstate is currently capitalised at \$10 million with \$3.1 million in cash. Key milestones to look out for are clinical testing contracts with other major pharmaceutical companies. The major risk for the company remains the reliance on contracts from one major customer (Pfizer) although the company is continuing to broaden its customer base.

*Bioshares* recommendation: **Speculative Buy Class B**



Bioshares

**Thredbo Biotech Summit**  
 July 21- 22, 2006



**For details, visit: [www.bioshares.com.au/thredbo2006.htm](http://www.bioshares.com.au/thredbo2006.htm)**

**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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