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Companies covered: **BIT, PAB, PXS, RCE, 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)	70.6%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.4%
Year 7 (May '07 - May '08)	-35.8%
Year 8 (May '08 - May '09)	-7.4%
Year 9 (May '09 - May '10)	50.2%
Year 10 (May '10 - May '11)	45.4%
Year 11 (May '11 - May '12)	-18.0%
Year 12 (May '12 - May '13)	3.1%
Year 13 (May '13 - May '14)	26.6%
Year 14 (May '14 - May '15)	23.0%
Year 15 (May '15 - May '16)	33.0%
Year 16 (May '16 - May '17)	16.8%
Year 17 (May '17 - May '18)	-7.1%
Year 18 (May '18 - May '19)	-2.3%
Year 19 (May '19 - May '20)	39.5%
Year 20 (May '20 - Current)	34.8%
Cumulative Gain	1368%
Av. Annual gain (19 yrs)	17.3%

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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) 9329 3350
Email: info@bioshares.com.au

David Blake - Editor/Analyst
Ph: (03) 9326 5382
Email: david@bioshares.com.au

Mark Pachacz - Editor/Analyst
Ph: 0403 850 425
Email: mark@bioshares.com.au

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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* –

Boehringer Ends Development of Pharmaxis Compound

In 2015, Pharmaxis (PXS: \$0.081) signed a major agreement with Boehringer Ingelheim for the asset sale of a drug development compound. That deal generated revenue of around \$83 million for Pharmaxis. However, this week it was announced that Boehringer would end development after insufficient and inconsistent efficacy signals in a Phase IIa trial in diabetic retinopathy.

This followed a decision to stop development of the compound in NASH last year after completing a drug interaction study which alerted the company to potential drug interaction issues. The drug interaction complication was also cited as a factor in ending the diabetic retinopathy program with this compound.

The asset will now be returned to Pharmaxis with the clinical data, which is extensive. Pharmaxis will assess the data and any other potential clinical indication applications for the asset.

There are three other key milestones remaining this year for Pharmaxis. The first is a commercial deal for the LOXL2 program, which continues to progress according to CEO Gary Phillips. Based on the number of discussions underway and the stage of these discussions, Phillips is seeking to transact a deal this calendar year.

The second milestone, which is out of the company's control, is a decision from the FDA on the approval of Bronchitol for the treatment of cystic fibrosis on November 1. If positive, which we expect it will be, Pharmaxis will receive a US\$7 million immediate milestone payment from its partner Chiesi Farmaceutici and a further US\$3 million on launch.

The third major milestone is the commencement of a Phase II study in myelofibrosis with its pan LOX inhibitor, PXS-5505.

Last week the company announced that it received \$1 million of funding to bring a therapeutic program in Duchenne Muscular Dystrophy towards the clinic. Another LOX inhibitor will be developed to address the inflammatory and fibrotic processes that advance this disease.

Pharmaxis is capitalised at \$32 million.

Bioshares recommendation: **Speculative Buy Class B**

Bioshares

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. For both groups, the rating “Take Some Profits” means that investors may re-weight their holding by selling between 25%-75% of a stock.

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: Cogstate, LBT Innovations, Opthea, ResApp Health, Pharmaxis, Dimerix, Adalta, Actinogen Medical, Patrys, Cyclopharm, Antisense Therapeutics, Imugene, Exopharm, Immutep, Neuroscientific Biopharmaceuticals, Invex Therapeutics, Anteris Technologies

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Bioshares
PO Box 193 Richmond VIC 3121
Fax: +61 3 9329 3350

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