Analyst
Dr Tara Speranza 612 8224 2815

Authorisation
John Hester 612 8224 2871

Universal Biosensors (UBI)

Strong first quarter

Speculative
See key risks on Page 5 and Biotechnology Risk Warning on Page 8. Speculative securities may not be suitable for Retail Clients.

Recommendation
Buy (unchanged)
Price
$0.58
Valuation
$1.15 (previously $1.25)
Risk
Speculative

GICS Sector

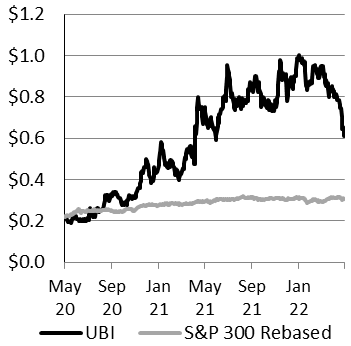
Pharmaceuticals & Biotechnology

Expected Return	
Capital growth	**97.5%**
Dividend yield	**0**
Total expected return	**97.5%**
Company Data & Ratios	
Enterprise value	**$107.6m**
Market cap	**$114.8m**
Issued capital	**185.5m**
Free float	**99%**
Avg. daily val. (52wk)	**$0.17m**
12 month price range	**$0.58-$1.04**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.84	0.86	0.70
Absolute (%)	-27.38	-28.65	-12.86
Rel market (%)	-25.05	-34.06	-16.82

Absolute Price



SOURCE: IRESS

1Q22 Trading Update

Revenue for UBI was up as expected in this past quarter. The increase was in line with our previous forecast. The company also completed a capital raise for A$6m. The resulting dilution reduced the valuation by 8% from $1.25 to $1.15.

UBI have begun work on upgrading their engineering capabilities to increase their manufacturing of the portable biosensing devices and the new 3-electode test strips.

The company released interim results from a clinical trial of their new 2- and 3-electrode testing device for patients with colorectal, prostate or breast cancer. The results were highly encouraging, particularly in the colorectal cancer patients, and the UBI portable device seems to outperform current standard of care tests for monitoring of all three cancers. We look forward to further results from this and other trials of the new devices.

136 patients have now been recruited (out of a total 360 required) for a clinical trial of the Xprecia Prime™ portable coagulation test. This trial is a requirement of the FDA approval process. The device is already approved for use in 32 countries in Europe.

Sales and distribution of the Xprecia Prime™ and the Sentia™ wine testing device are likely to continue the upward trajectory following the setup of distribution centres in The Netherlands and in Portland, Oregon (US). The saes teams in both regions also continue to grow.

Investment view: Valuation $1.15, Retain Buy (Spec.)

We maintain our Buy (Spec.) rating and have reduced our valuation to $1.15 from $1.25 per share. The valuation is DCF driven and incorporates modest growth in the uptake and sales of commercial products, and conservative assumptions around increases to the services provided by the company through their specialist haematology laboratory. We observed modest changes (increases) to our forecast revenues, EBIT and NPAT, and the extra cash positively impacted our forecast earnings per share.

Earnings Forecast

December Year End	FY21	FY22e	FY23e	FY24e
Revenues	5.8	10.3	17.7	30.7
EBIT (A$m)	-10.5	-7.5	-1.8	6.2
NPAT (A$m)	-10.5	-7.6	-2.0	6.1
EPS (cps)	-5.9	-4.2	-1.1	3.3
EPS growth (%)	nm	nm	nm	nm
PER (x)	nm	nm	nm	17.7
FCF yield (%)	nm	nm	nm	nm
EV/EBIT (x)	nm	nm	nm	nm
Dividend (cps)	0.0	0.0	0.0	0.0
Franking (%)	0.0%	0.0%	0.0%	0.0%
Yield (%)	0.0%	0.0%	0.0%	0.0%
ROE (%)	-38%	-29%	-8%	20%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Interim results from clinical trial of Tn antigen test.

In April 2022, UBI announced encouraging interim results from a clinical trial of their handheld, portable Tn antigen test.

UBI have been working on enhancing the detection sensitivity of their electrode system in the test strip by coating the electrode plates with a synthetic version of the protein, lubricin. Coating the electrodes contained in the test strips used in UBI's portable devices allows the small target analytes to pass through the lubricin layer, while larger biomolecules that are present in the sample are kept away from the electrodes. This is important because often these larger molecules build-up on the electrodes (biofouling), reducing the sensitivity and reliability of the test (Greene, et al., Adv. Mater. Interfaces 2018, 5, 1701296).

The first trial of this technology is testing for Tn antigen in patients with breast, colorectal and prostate cancer. The Peter Mac Development Clinical Trial is run by the Peter Mac Cancer Centre in Melbourne. Tn antigen is almost exclusively expressed by tumorous cells and thus makes for a good target for monitoring of remission and reoccurrence of tumours in these patients. The biosensor itself is designed for delivering easier, cheaper, and more frequent tests than what is currently available.

The trial tests the sensitivity and specificity of UBI's biosensor (both the original 2-electrode disposable strips and a newer model 3-electrode strips) against the current standard care for monitoring tumour status in each of the 3 cancer groups. The "sensitivity" is the true positive rate of detection of the target molecule in cancer subjects, and the "specificity" is the true negative rate in healthy subjects. All results were positive for UBI – particularly their newer 3-electrode device, although these are interim results in a small number of patients.

Results summary tables for colorectal and prostate cancer patients:

Table 1: Tn Antigen test interim results

Colorectal cancer patients:

Cancer (n=16), Healthy (n=10)	Sensitivity (%)	Specificity (%)
2 Electrode	100	60
3 Electrode	100	90
CEA (current standard care)	55.2	83.6

Prostate cancer patients:

Cancer (n=44), Healthy (n=10)	Sensitivity (%)	Specificity (%)
2 Electrode	92.9	60
3 Electrode	72.7	90
PSA (current standard care)	85.4	30.3

SOURCE: COMPANY DATA

Breast cancer patients:

Data from breast cancer patients was inconclusive with little differentiation between cancer and control subjects likely due to the small sample size (n=6) of cancer patients. UBI state the 3 electrode strips performed better than 2 electrode strips although no data was presented.

UBI are pleased with the interim results and will now invest in a new manufacturing line for the 3 electrode test strips, including an engineering upgrade (work on this has begun). We expect this production line to be ready for manufacturing in ~12 months and to cost ~AUD$2m.

1Q22 Result

UBI had a good 1Q2022 result with sales up by 10% for products and 15% for services compared to the prior current period (pcp). The services increase was in line with our expectations given this is mostly driven by clinical trials – which have found momentum again post-COVID interruptions. Overall receipts from customers increased by 203% compared to the pcp. This increase was led by:

- the successful launch and sales of the Sentia™ wine testing product in 2021 for sulphur dioxide, to which malic acid was added in Q12022;
- Deferred revenue from UBI's prior obligation to transfer Xprecia Stride™ strips to Siemens (received in 2019) was fully utilised in 2021; and
- Finally, revenue from coagulation testing increased by 15% as a result of new contracts and more customers, all of which was helped by the completion of distribution centre set-ups and hiring of associated sales forces in both The Netherlands and the US (Oregon).

Not surprisingly, the R&D spend for the quarter was up at A$3,6m, representing an increase of A$2.2m compared to pcp. UBI invested A$1.7m in the development of the veterinarian blood glucose product and a further A$0.2m on a clinical trial for Xprecia Prime that is required by the FDA in the USA. Remaining R&D spend was used for testing and development of UBIs oncology, fertility and COVID biosensors.

Share placement effects

UBI raised A$6m and issued 7.8 million shares (CDIs) via an institutional placement in April 2022. This capital raise and associated increase in shares on issue has had a material effect on our forecasts as follows:

Cash increased from FY22e onwards

Table 2: Effects of capital raise on cash balance and forecasts

Cash + Restricted cash (A$m)	FY20	FY21	FY22e	FY23e	FY24e
New	28.1	18.1	16.0	12.6	14.8
Old	28.1	18.1	9.9	6.4	8.5
% Change	0.0%	0.0%	61.6%	96.9%	74.1%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Note that UBI intends to raise a further A$20 million via a fully underwritten 1 for 6.85 non-renounceable pro rata entitlement offer of CHESS depositary interests over new UBI ordinary shares (New CDIs) to eligible retail and institutional security holders at an offer price of A$0.77 per New CDI. We will update our forecasts at completion of this entitlement offer (20 May 2022).

Valuation

FY22 forecasts modestly shifted following placement and 1Q results

The activities described above have impacted our forecasts and valuation modestly, resulting in a new valuation of A$1.15 (from A$1.25), with no change to our strong Buy recommendation.

The cash raised during this 1Q2022 has improved the company's cash balance as described above, and 7.8 million new shares were issued. We observed modest changes (increases) to our forecast revenues, EBIT and NPAT, and the extra cash positively impacted our forecast earnings per share (see table 3).

Our valuation is derived from a discounted cash flow model. The WACC is 11.5% and we have assumed a terminal growth rate of 3%.

Table 3 - Key changes to our forecasts

	FY22e			FY23e		
	New	Old	% Change	New	Old	% Change
Revenues	10.3	10.2	1.0%	17.7	17.6	0.6%
EBIT	-7.5	-7.6	-1.3%	-1.8	-2.0	-10.0%
NPAT	-7.8	-7.7	0.8%	-2.0	-2.1	-4.8%
EPS (cps)	-4.2	-4.3	2.3%	-1.1	-1.2	8.3%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Universal Biosensors (UBI)

COMPANY DESCRIPTION

Universal Biosensors first listed on the ASX in 2006, having been established in 2001. In partnership with LifeScan– a diabetes-focussed company that was a Johnson & Johnson subsidiary at the time, UBI first developed a portable, handheld blood glucose monitor (glucometer): the OneTouch Verio that used the electrochemical cell-based biosensing technology that is now synonymous with UBI. UBI now manufactures products based around a their unique and versatile electrochemical sensor technology, including the Sentia™ wine testing device and the Xprecia™ series (Xprecia Stride™ and now the Xprecia Prime™) for the analysis of blood coagulation. Additionally, they are developing a range of new tests that use their proprietary electrochemical sensing technology. The company is also growing its commercial services laboratory (HRL), via contracts with research partners – mostly those running clinical trials.

KEY RISKS

Key risks we consider to be specific to UBI include, but are not limited to:

Commercial risk: Our forecasts assume revenue growth from both the product sales segment of the business, and from the ability of UBI to continue and to grow contract revenues for its specialty laboratory services business. Failure to achieve growth from either division of the revenue base would could see the company's earnings differ from both our forecasts and the company's forecasts.

Competitive risk: There are a number of companies with tests that operate wine testing services or devices (although none of these are as small, accessible, easy to use or inexpensive as the Sentia™. These may be viewed as competition to UBI in certain instances, especially when winemakers have large volumes (of barrels) and already have either an onsite analyser or a long-standing arrangement with a laboratory service. In our view, however, the Sentia™ leads the field in terms of accuracy, reproducibility, price and ease of use.

Various handheld PT/INR devices are currently on the market (see Figure 6). The most comparable product to the Xprecia Prime™ is the Roche CoaguCheck® Plus, and UBI will quite easily undercut this product with Xprecia Prime™ on price. UBI have already captured part of the market with their first iteration of the device (the Xprecia Stide™) and thus have a suitable track record for marketing and distribution of PT/INR devices. In addition, UBI has set up new distribution centres and associated sales force teams in The Netherlands and now the US.

Clinical and regulatory risk: UBI have commenced a clinical trial for the Xprecia Prime™ to fulfil FDA requirements for approval in the US. 160 patients have been recruited onto the trial thus far (out of a total of 360) and completion is expected mid CY22 – with approval likely to follow in 2HCY22 or early CY23. We do not anticipate any issues given the European CE mark has already been awarded to UBI for this same device. Nevertheless, this is a potential source of regulatory risk for the product.

Funding risk: The company is not yet profitable and yet to generate cash flow from operations. Future profitability is dependent upon successful commercialisation of existing and future products. Shareholders may yet be required to contribute further equity in order to fund the company's operations.

Universal Biosensors
as at 3 May 2022

Recommendation	Buy, Speculative
Price	$0.58
Valuation	$1.15

Table 4- Financial summary

A$m	FY20	FY21	FY22e	FY23e	FY24e
Year Ending 30 June					
Revenue	**3.2**	**5.8**	**10.3**	**17.7**	**30.7**
Change	*-54%*	*80%*	*40%*	*53%*	*55%*
	0.0	0.0	0.0	0.0	0.0
Cost of sales	-2.6	-3.7	-5.1	-7.8	-12.2
Gross profit	**0.6**	**2.1**	**5.1**	**9.9**	**18.5**
Gross margin	*19%*	*36%*	*50%*	*56%*	*60%*
	0.0	0.0	0.0	0.0	0.0
Other income/(expense)	4.9	4.5	4.5	6.0	6.0
Expenses (excl. D&A, int.)	**-11.0**	**-15.0**	**-15.0**	**-15.5**	**-16.1**
% of revenue	*-342%*	*-259%*	*-146%*	*-88%*	*-53%*
	0.0	0.0	0.0	0.0	0.0
EBITDA	**-5.4**	**-8.3**	**-5.3**	**0.3**	**8.4**
Depreciation and amortisation	-2.2	-2.2	-2.2	-2.2	-2.2
EBIT	**-7.6**	**-10.5**	**-7.5**	**-1.8**	**6.2**
Net interest (expense)/revenue	0.0	0.0	-0.1	-0.1	-0.1
Pre-tax profit	**-7.6**	**-10.5**	**-7.6**	**-2.0**	**6.1**
Income tax expense	0.0	0.0	0.0	0.0	0.0
NPAT	**-7.6**	**-10.5**	**-7.6**	**-2.0**	**6.1**

Cashflow (A$m)	FY20	FY21	FY22e	FY23e	FY24e
Net loss	-7.6	-10.5	-7.6	-2.0	6.1
D&A and other non cash items	3.0	2.1	2.2	2.2	2.2
Change in w orking capital	-3.6	-1.5	-2.2	-3.1	-5.5
Operating cash flow	**-8.3**	**-9.9**	**-7.6**	**-2.9**	**2.8**
Proceeds from sale of PPE	0.0	0.0	0.0	0.0	0.0
Purchases of PPE	-0.4	-0.7	-0.5	-0.5	-0.5
Proceeds from gov grants and insurance	0.0	0.0	0.0	0.0	0.0
Acquisition of assets	0.0	0.0	0.0	0.0	0.0
Investing cash flow	**-0.4**	**-0.7**	**-0.5**	**-0.5**	**-0.5**
Reypayment/proceeds of borrow ings	0.0	0.0	0.0	0.0	0.0
Borrow ing costs	0.0	0.0	0.0	0.0	0.0
Proceeds from stock options exercised	0.0	0.1	0.0	0.0	0.0
Financing cash flow	**0.0**	**0.1**	**6.0**	**0.0**	**0.0**
Net change in cash	**-8.6**	**-10.5**	**-2.1**	**-3.4**	**2.3**
Cash at start of period	37.2	28.1	18.1	16.0	12.6
Exchange rate impact	-0.5	0.5	0.0	0.0	0.0
Cash at end of period	**28.1**	**18.1**	**16.0**	**12.6**	**14.8**

Balance Sheet (A$m)	FY20	FY21	FY22e	FY23e	FY24e
Cash & restricted cash	28.1	18.1	16.0	12.6	14.8
Inventories	1.9	2.1	4.9	8.5	14.7
Accounts receivable	0.1	0.5	0.5	0.9	1.6
PPE	4.4	4.1	4.6	5.1	5.6
Intangibles	14.3	12.7	10.5	8.3	6.1
Right-of-use assets	4.0	2.1	2.1	2.1	2.1
Other assets	8.2	7.8	7.8	7.8	7.8
Total assets	**56.4**	**44.5**	**43.6**	**42.4**	**49.9**
Accounts payable	0.4	0.4	1.1	1.9	3.3
Accrued expenses	1.2	2.8	2.8	2.8	2.8
Contingent consideration	1.9	2.1	2.1	2.1	2.1
Current Lease liabilities	0.5	0.5	0.5	0.5	0.5
Asset retirement obligations	2.7	2.7	2.7	2.7	2.7
Lease liabilities	3.6	1.7	1.7	1.7	1.7
Other Lliabilities	8.0	6.7	6.7	6.7	6.7
Total liabilities	**18.4**	**16.9**	**17.6**	**18.4**	**19.8**
Net Assets	**38.0**	**27.6**	**26.0**	**24.1**	**30.2**
Share capital	93.6	93.7	93.7	93.7	93.7
Accumulated deficit	-47.7	-55.3	-55.3	-55.3	-55.3
Current year losses	-7.9	-10.8	-18.4	-20.4	-14.2
Total shareholders' equity	**38.0**	**27.6**	**26.0**	**24.1**	**30.2**

Valuation Ratios (A$m)	FY20	FY21	FY22e	FY23e	FY24e
Reported EPS (cps)	-4.3	-5.9	-4.2	-1.1	3.3
Normalised EPS (cps)	-4.3	-5.9	-4.2	-1.1	3.3
EPS grow th (%)	nm	nm	nm	nm	nm
PE(x)	nm	nm	nm	nm	17.7
EV/EBIT (x)	nm	nm	nm	nm	nm
Total assets	56.4	44.5	43.6	42.4	49.9
Net Assets	38.0	27.6	26.0	24.1	30.2
NTA	23.7	15.0	15.5	15.8	24.0
NTA/share cps	0.1	0.1	0.1	0.1	0.1
Book value per share	0.0	0.0	0.0	0.0	0.0
P/NTA (x)	434.8	689.3	692.6	682.0	447.5
Book Value Per Share (cps)	0.2	0.2	0.1	0.1	0.2
Price/Book (x)	271.3	373.4	413.7	447.4	355.8
DPS (cps)	0.0	0.0	0.0	0.0	0.0
Payout ratio %	0.0	0.0	0.0	0.0	0.0
Dividend Yield %	0.0	0.0	0.0	0.0	0.0
Franking %	0.0	0.0	0.0	0.0	0.0
FCF yield %	nm	nm	nm	nm	nm
Net debt/(Cash)	-23.5	-15.3	-13.2	-9.7	-12.0
Net debt/Equity %	0%	0%	0%	0%	0%
Net debt/Assets %	0%	0%	0%	0%	0%
Gearing %	0%	6%	6%	6%	6%
Net debt/EBITDA (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Interest cover (x)	na	na	na	na	na
ROE %	-20%	-38%	-29%	-8%	20%

Segmentals (A$m)	FY20	FY21	FY22e	FY23e	FY24e
Revenue					
Sale of Goods	2.6	3.8	7.6	13.7	24.7
Services Income	0.6	2.0	2.6	4.0	6.0
Total revenue	**3.2**	**5.8**	**10.3**	**17.7**	**30.7**
Growth					
Sales of goods	-47%	49%	100%	80%	80%
Services income	-69%	208%	35%	50%	50%
Total growth	**-54%**	**80%**	**40%**	**53%**	**55%**

InterimResults	1H21	2H21	1H22e	2H22e
Revenues	3.4	2.4	4.6	5.6
EBIT	-2.6	-7.9	-3.4	-4.2
NPAT	-2.6	-7.9	-3.5	-4.2

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Tara Speranza	Healthcare	612 8224 2815	tsperanza
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Hamish Murray	Industrials	613 9235 1813	hmurray
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
Regan Burrows	Resources	618 9326 7677	rburrows
Joseph House	Resources	613 9235 1624	jhouse
Associates			
Michael Ardrey	Associate Analyst	613 9256 8782	mardrey
Daniel Laing	Associate Analyst	612 8224 2886	dlaing

Disclosures

Research Coverage & Policies

For Bell Potter Securities' Research Coverage Decision Making Process and Research Independence Policy please refer to our company website: https://bellpotter.com.au/research-independence-policy/.

Authoring Research Analyst's Certification

The Authoring Research Analyst is responsible for the content of this Research Report, and, certifies that with respect to each security that the Analyst covered in this Report (1) all the views expressed accurately reflect the Analyst's personal views about those securities and were prepared in an independent manner and (2) no part of the Analyst's compensation was, is or will be, directly or indirectly, related to specific recommendations or views expressed by that Research Analyst in the Research Report.

Research Analyst's Compensation

Research Analyst's compensation is determined by Bell Potter Securities Research Management and Bell Potter Securities' Senior Management and is based upon activities and services intended to benefit the investor clients of Bell Potter Securities Ltd. Compensation is not linked to specific transactions or recommendations. Like all Company employees Research Analysts receive compensation that is impacted by overall Company profitability.

Prices

The Price appearing in the Recommendation panel on page 1 of the Research Report is the Closing Price on the Date of the Research Report (appearing in the top right hand corner of page 1 of the Research Report), unless a before midday (am) time appears below the Date of the Research Report in which case the Price appearing in the Recommendation panel will be the Closing Price on the business day prior to the Date of the Research Report.

Availability

The completion and first dissemination of a Recommendation made within a Research Report are shortly after the close of the Market on the Date of the Research Report, unless a before midday (am) time appears below the Date of the Research Report in which case the Research Report will be completed and first disseminated shortly after that am time.

Disclosure of Interest

Dissemination

Bell Potter generally disseminates its Research to the Company's Institutional and Private Clients via both proprietary and non-proprietary electronic distribution platforms. Certain Research may be disseminated only via the Company's proprietary distribution platforms; however such Research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the Author's previously published Research. Certain Research is made available only to institutional investors to satisfy regulatory requirements. Individual Bell Potter Research Analysts may also opt to circulate published Research to one or more Clients by email; such email distribution is discretionary and is done only after the Research has been disseminated.

The level and types of service provided by Bell Potter Research Analysts to Clients may vary depending on various factors such as the Client's individual preferences as to frequency and manner of receiving communications from Analysts, the Client's risk profile and investment focus and perspective (e.g. market-wide, sector specific long term and short term etc.) the size and scope of the overall Client relationship with the Company and legal and regulatory constraints.

Disclaimers

This Research Report is a private communication to Clients and is not intended for public circulation or for the use of any third party, without the prior written approval of Bell Potter Securities Limited.

The Research Report is for informational purposes only and is not intended as an offer or solicitation for the purpose of sale of a security. Any decision to purchase securities mentioned in the Report must take into account existing public information on such security or any registered prospectus.

This is general investment advice only and does not constitute personal advice to any person. Because this Research Report has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited Broker (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this Research Report.

While this Research Report is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in this document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee expressly or impliedly, that the information contained in this Research Report is complete or accurate.

Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views, opinions or recommendations contained in this Research Report or for correcting any error or omission which may have become apparent after the Research Report has been issued.

Bell Potter Securities Research Department has received assistance from the Company referred to in this Research Report including but not limited to discussions with management of the Company. Bell Potter Securities Policy prohibits Research Analysts sending draft Recommendations, Valuations and Price Targets to subject companies. However, it should be presumed that the Author of the Research Report has had discussions with the subject Company to ensure factual accuracy prior to publication.

All opinions, projections and estimates constitute the judgement of the Author as of the Date of the Research Report and these, plus any other information contained in the Research Report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice.

Notwithstanding other departments within Bell Potter Securities Limited advising the subject Company, information obtained in such role is not used in the preparation of the Research Report.

Although Bell Potter Research does not set a predetermined frequency for publication, if the Research Report is a fundamental equity research report it is the intention of Bell Potter Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental Research Reports, Bell Potter Research may not provide regular updates to the views, recommendations and facts included in the reports.

Notwithstanding that Bell Potter maintains coverage on, makes recommendations concerning or discusses issuers, Bell Potter Research may be periodically restricted from referencing certain Issuers due to legal or policy reasons. Where the component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Research Report. Upon lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the Analyst continues to support it or it will be officially closed.

Bell Potter Research may provide different research products and services to different classes of clients (for example based upon long-term or short term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative Research Report, provided each is consistent with the rating system for each respective Research Report.

Except in so far as liability under any statute cannot be excluded, Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in the document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of the document or any other person.

In the USA and the UK this Research Report is only for institutional investors. It is not for release, publication or distribution in whole or in part in the two specified countries. In Hong Kong this Research Report is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States this Research Report is being distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this Research Report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

Biotechnology Risk Warning

The fact that the intellectual property base of a typical biotechnology company lies in science not generally regarded as accessible to the layman adds further to the riskiness with which biotechnology investments ought to be regarded. Clinical and regulatory risks are inherent in biotechnology stocks. Biotechnology developers usually seek U.S. FDA approval for their technology which is a long and arduous three phase process to prove the safety, effectiveness and appropriate application or use of the developed drug and even after approval a drug can be the subject of an FDA investigation of subsequently discovered possible links between the drug and other diseases not previously diagnosed. Furthermore, the Australian exchange listed biotechnology sector is subject to influence by the global biotechnology sector, particularly that in the USA. Consequently, Australian exchange listed biotechnology stocks can experience sharp movements, both upwards and downwards, in both valuations and share prices, as a result of a re-rating of the sector both globally and in the USA, in particular. Investors are advised to be cognisant of these risks before buying such a stock.

Bell Potter Securities Limited
ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1701, 17/F
Prosperity Tower, 39 Queens Road Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street London, England W1J 8DZ, United Kingdom
Telephone +44 7734 2929