



Benitec (BLT) \$0.07

TAKING one of his semi-regular jaunts down Penny (dreadful) Lane, *Criterion* couldn't help notice this struggling biotech's dramatic share price spurt.

Benitec sprinted to a high of 7.9c on October 31 from 2c on October 24, when the stock was reinstated after being suspended for three weeks for failing to lodge full-year accounts.

Queried by the bourse, Benitec attributed the share surge to its "recovery plan and the response from shareholders". The company's December (first) half loss is expected to reduce to \$1.5 million from the 2005-06 full-year loss of \$7.67 million.

The more likely catalyst was the news that tiny US company Sirna Therapeutics — which also dabbles in Benitec's domain of gene silencing — had been acquired by Merck for \$US1.1 billion (\$1.4 billion) in cash.

Punters assume that Benitec would also be of interest to Big Pharma, given its central role in

applying the technology — discovered back in 1998 — to therapeutic purposes.

Benitec holds a number of patents relating to gene silencing, which is a way of switching off nasty genes that can even cause cancer:

Benitec's form of gene silencing has been shown to work on diseased pineapples and mice, but in terms of human trials it's all at an early stage. That's about the extent of our understanding, we're afraid.

Benitec is still awash with red ink, but the gene silencing technology company seems to be getting its act together.

Benitec's recent history is a none too salutary tale of contract disputes and ballooning expenses. Closing the US operations resulted in the 2004-05 loss of \$14 million being trimmed back to \$7.6 million in 2005-06.

Since then Benitec has

received a \$1 million injection from a major investor and has converted \$440,000 million of debt into equity. There's also been a management cleanout and a redefining of a collaborative link with the CSIRO.

Criterion rates Benitec as a **SPECULATIVE BUY**, but of course investors should seek to understand the company before they plunge in.

In his esteemed organ *Bioshares*, biotech watcher David Blake notes that the Merck-Sirna deal is one of several big recent transactions globally.

"The broad implication for Australian biotech companies is an increasingly positive sentiment to biotech stocks in the US," he says. "The Nasdaq Biotech Index is up 9.3 per cent since the end of June this year." borehamt@theaustralian.com.au

