Return of the drug developer

"Taking on a challenge is a lot like riding a horse; if you're comfortable while you're doing it, you're probably doing it wrong" Ted Lasso

Anthony Kavanagh
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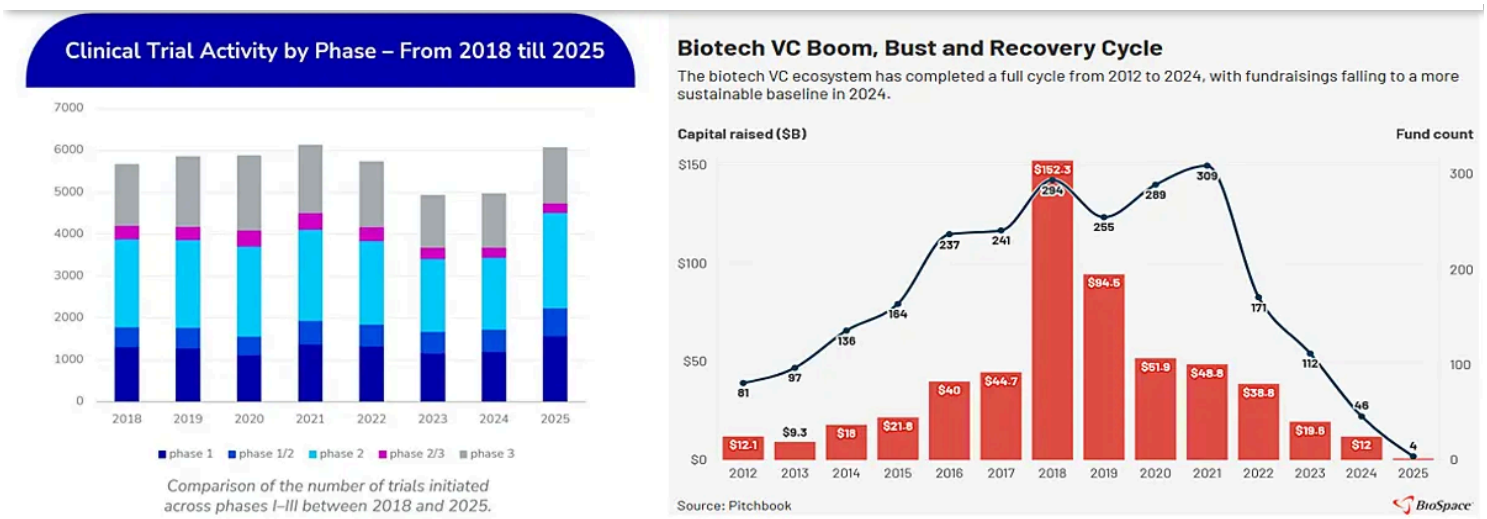
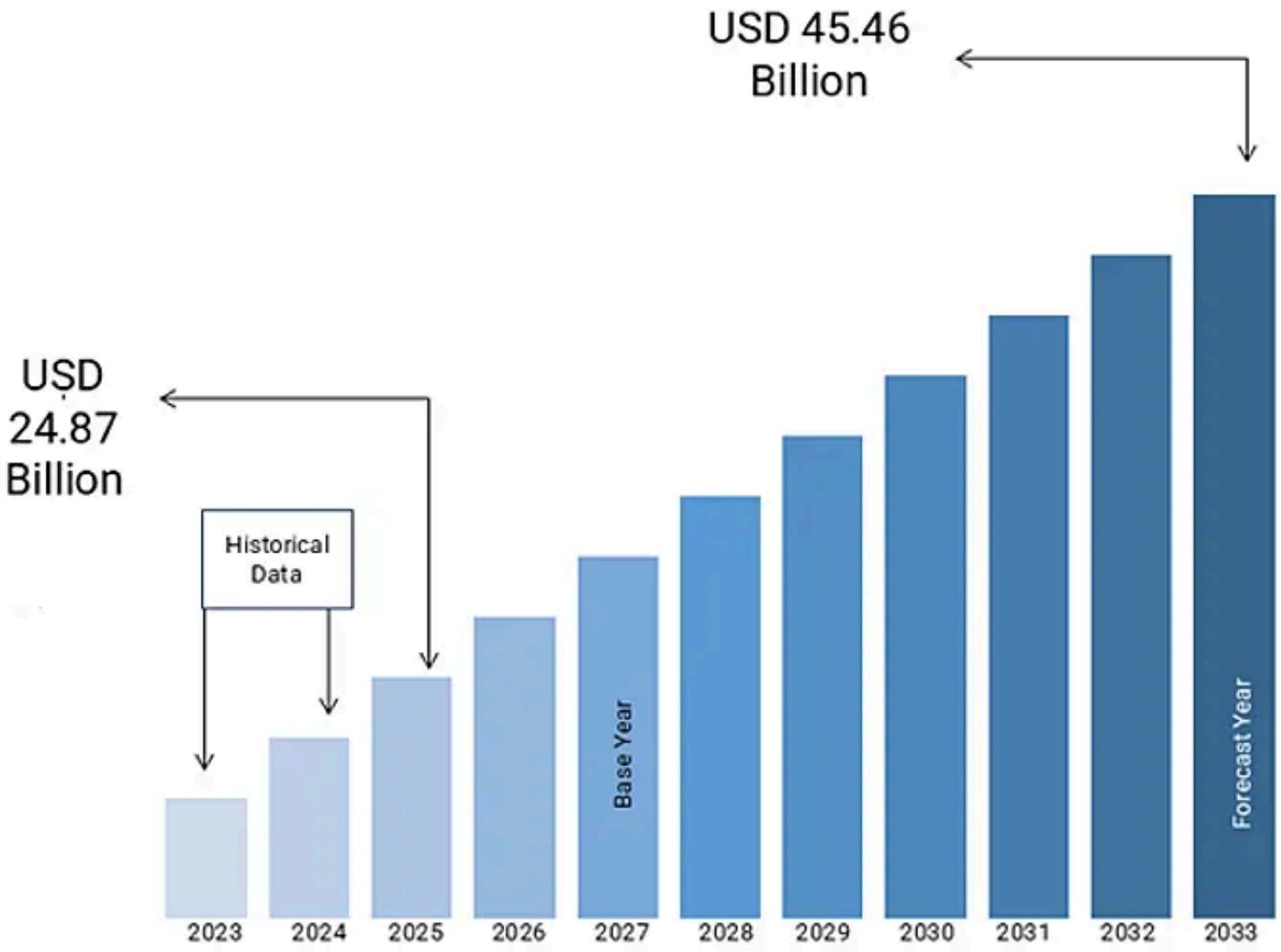
There is something about watching copious amounts of World Cup football that inspires us to think and write. At the time of the last World Cup, we wrote a paper that we remain proud of to this day called Return of the Developer[1]. This time around we actually travelled to the US to watch the World Cup and in between flights have been somewhat reflective on the world and our previous notes. Hence this one is a pet project of ours, that has been driven by the fact that for the first time in this writer's investing memory healthcare has gone from a secular grower to somewhat of a cyclical, and although it remains one of the worst performing sectors on the ASX over the past 12 months, we believe the worm may have turned, headlined by CSL's >20% rise from below AUD100/share in May.

Interestingly the US biotechnology (biotech) space performed strongly in the 6 months to June with the SPDR S&P Biotech ETF (XBI) up ~30% vs the S&P500's 10% rise. This move is occurring as we are seeing an increased number of clinical trials commencing, following declines in trials commenced in 2023 and 2024 (COVID and DOGE overhang?). Increased capital is entering the space after what can only be described as a washout in VC funding.



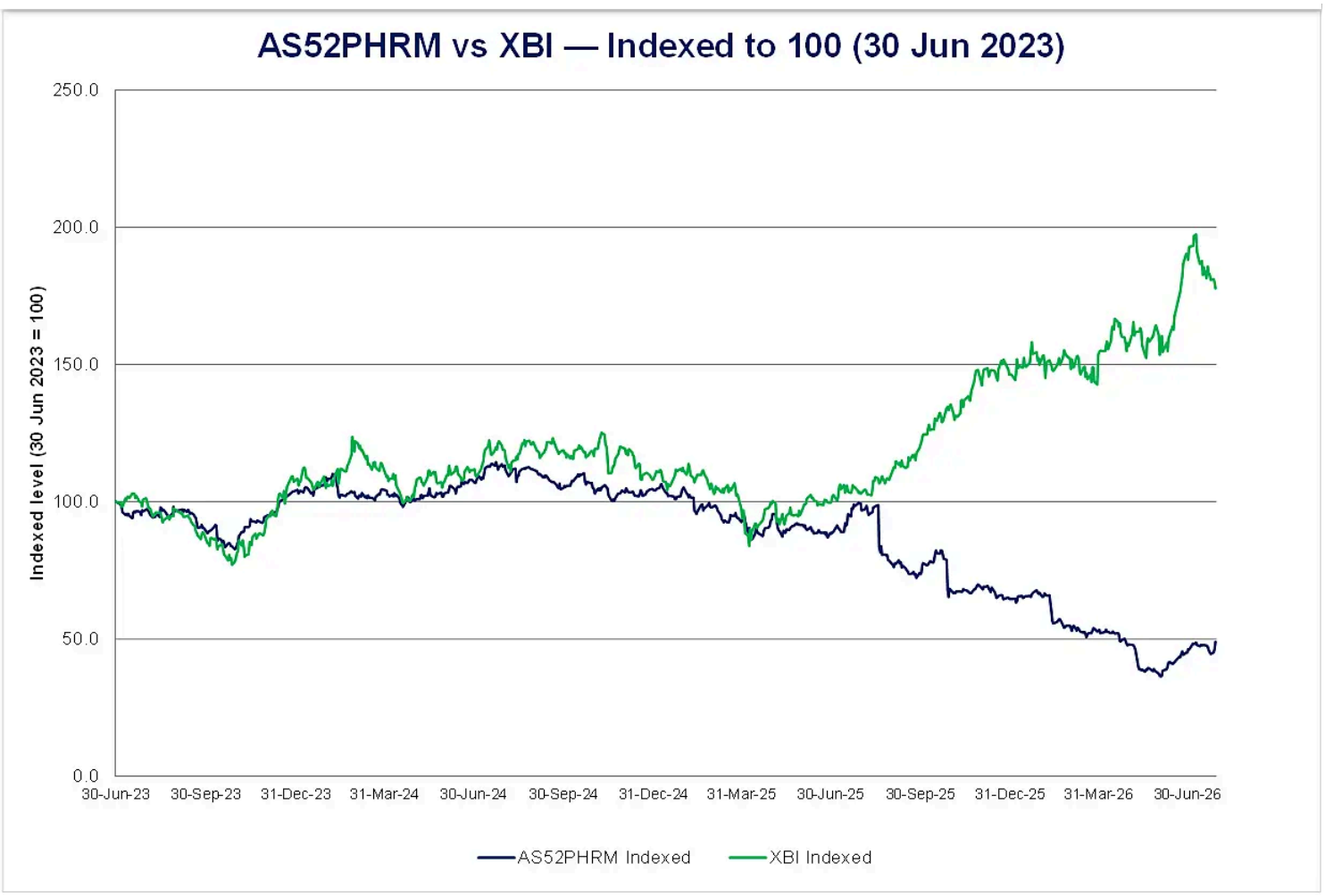
The Cyclicality of Biotechs. Sources: Anjusofrware.com (LHS), Pitchbook RHS

The AFR is reporting that the number of biotech deals this year has surpassed the record from the whole of last year[2], from a combination of a “patent cliff”, large companies like Eli Lily flush with obesity drug windfalls and industry policy changes in the US. It appears the industry is set up for a period of strong growth, many industry commentators projecting an ~8% p.a. CAGR into the medium term.



Project Clinical Trials growth, ~8% CAGR. Source: Marketdataforecast.com

Despite the global tailwinds emerging for biotechnology, the ASX300 Biotechnology index[3] appears to be down ~30% for the past 12 months noting that it does have a heavy weighting towards CSL. We believe high profile ASX biotech failures such as Opthea (OPT) and Immutep (IMM), have caused some ASX investors to blackball the space entirely.



ASX Biotech Index vs US Biotech Index. Source: Bloomberg

This writer having historically been a commodities investor has seen a cycle or two which maybe ASX healthcare investors missed prior to 2025 due to almost uninterrupted growth.

At Chester we are always curious about spaces shunned by the rest of the investing world. We couldn't help but draw the biotech/healthcare analogy to the exploration and resource development cycles which we investigated in Return of the explorer[4] and Return of the Developer! So we thought we'd delve into some key ideas and outline where we see asymmetric opportunities in the space. In doing so we leverage the key concepts and companies we discussed in Investing in a World of Options and Asymmetry[5], given the biotechnology focus within that paper.

We remind readers that we are coming at the space with a less medically oriented brain than industry analysts but feel our background in cycles and valuing options (EMVs) for resource companies provides us with somewhat of a unique perspective. But hey we work in portfolio management where the odds are highly stacked against us, so we clearly love a challenge. Take this as a generalists guide to biotechs!

Areas we have chosen to consider in this paper:

- The binary nature of biotechnology – a quick refresher from IWOA
- Biotech contractors – picks and shovels way to play – CGS
- Established biotechs with underappreciated trial upside – NEU and TLX
- Delineation / development plays - The Lassonde curve - BOT, IMR, DXB

The binary nature of biotechnology

We thought it worth rehashing the concept discussed in IWOA of plays that are binary vs asymmetric in healthcare with the bleedingly obvious point that early-stage biotechnology companies are generally binary in nature. In IWOA we somewhat compared the economic profiles of Telix Pharmaceuticals (TLX) and Neuren Pharmaceuticals (NEU) to that of Clarity Pharmaceuticals (CU6). TLX and NEU both being biotechnology companies (biotechs) with a base level of earnings and shots at material phase III trials to CU6 who also has a material phase III trial(s) but doesn't have a base level of earnings.

At the time we wrote:

CU6 doesn't have a base level of earnings but 2 Phase III trials currently related to Cu-SAR-bisPSMA. Hence by the maths of above we would have to assess their value at 50% of their estimated share of TAM. We have heard glowing commentary on the potential of their product however for us without the requisite skills to assess the science, we would class the economic payoff as too binary for us to entertain. That's not to say that it isn't the right investment for others with the requisite skills. I.e. if it was potentially going to capture AUD10bn of value and had a 50% chance of payoff at <AUD2bn market cap that payoff is undervalued. However for us it's binary not asymmetric.

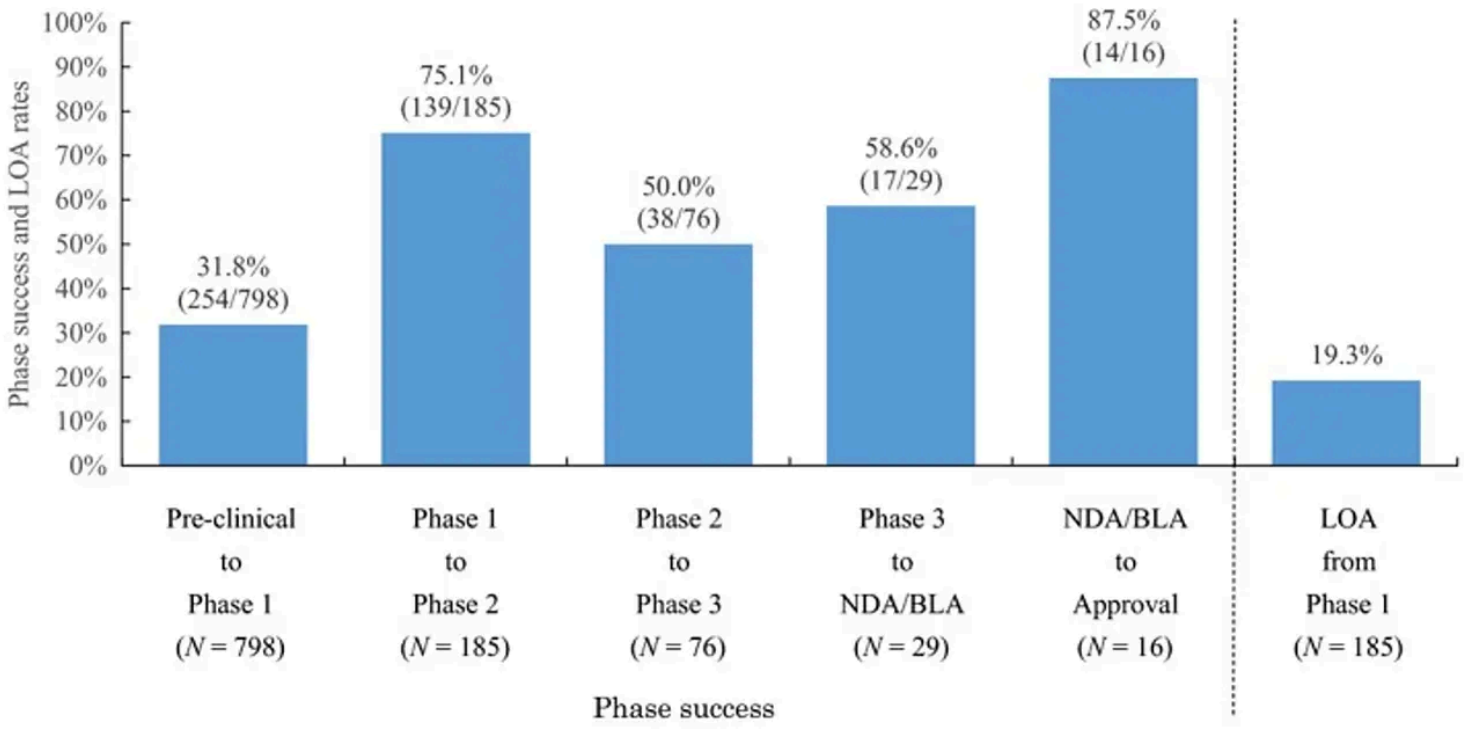
This was not just a comment about CU6 but a comment about almost any biotechnology company going through phase III trials for us. This paragraph feels all the more stark given the impacts of different phase III trials on the ASX since this comment was made.

Opthea (OPT) was/is an interesting one. It is a name we hadn't spent a huge amount of time on given what we perceived to be a binary future we didn't feel we had edge on. Funnily enough this writer is the son of an optometrist and recently had laser eye surgery but knows our limits. Most readers would be aware that OPT's phase III trials (as announced March 2025) did not meet their

primary end points and the majority of shareholder value was wiped out after over a year in suspension.

Immutep (IMM) was one we had tried to get our heads across during the journey given the potential enormous upside but again found it too binary. In March 2026 the TACTI-004 trial for first line treatment in non-small cell lung cancer was announced as discontinued and the share price fell almost 90%.

Obviously single drug biotech plays are binary in nature, but what does that mean other than they either fail or succeed? At a general level the probability of success of different trials can somewhat be a function of historical evidence.



Historic successes of clinical trials. Source: National Library of Medicine Paper[6]

From our reading, including the National Library of Medicine paper from which the image above is lifted a drug that has completed phase III successfully has historically had an 88% chance of approval and a drug that is at a phase III gate likely has a ~60% chance of being successful in that trial and passing to the approval stage.

Hence, we frame our thinking on biotech options around these cases (i.e. 50% for phase III trials and ~30% for phase II). We adjust this factor based on evidence that the drug has been successfully approved in another jurisdiction or has been pre-approved for critical use prior to final approval. Also

noteworthy is the likelihood of a drug progressing from phase I to final approval is about 8%. Success rates can also differ notably depending on the therapeutic area they are associated with.

Biotech contractors - a picks & shovels play

If the binary factor has already scared you off buying biotechs, apart from building a portfolio with multiple plays, one way to gain exposure is through service providers. Unfortunately the ASX isn't blessed with a deep pool of exposures like the US which contain names like: Thermo Fischer Scientific (TMO.US), IQVIA Holdings (IQV.US) and Charles River Laboratories (CRL.US), etc.

Tying this note with our commodities notes one way to gain exposure is actually through ALS Limited (ALQ). However Food and Pharmaceuticals only accounts for 26% of total revenue with this skewed more towards Food. Other potential options with greater exposure include IDT Australia (IDT) and Trajan Group (TRJ) but both are small and TRJ in particular has had its challenges. One name we like, is a somewhat unique exposure called Cogstate (CGS).

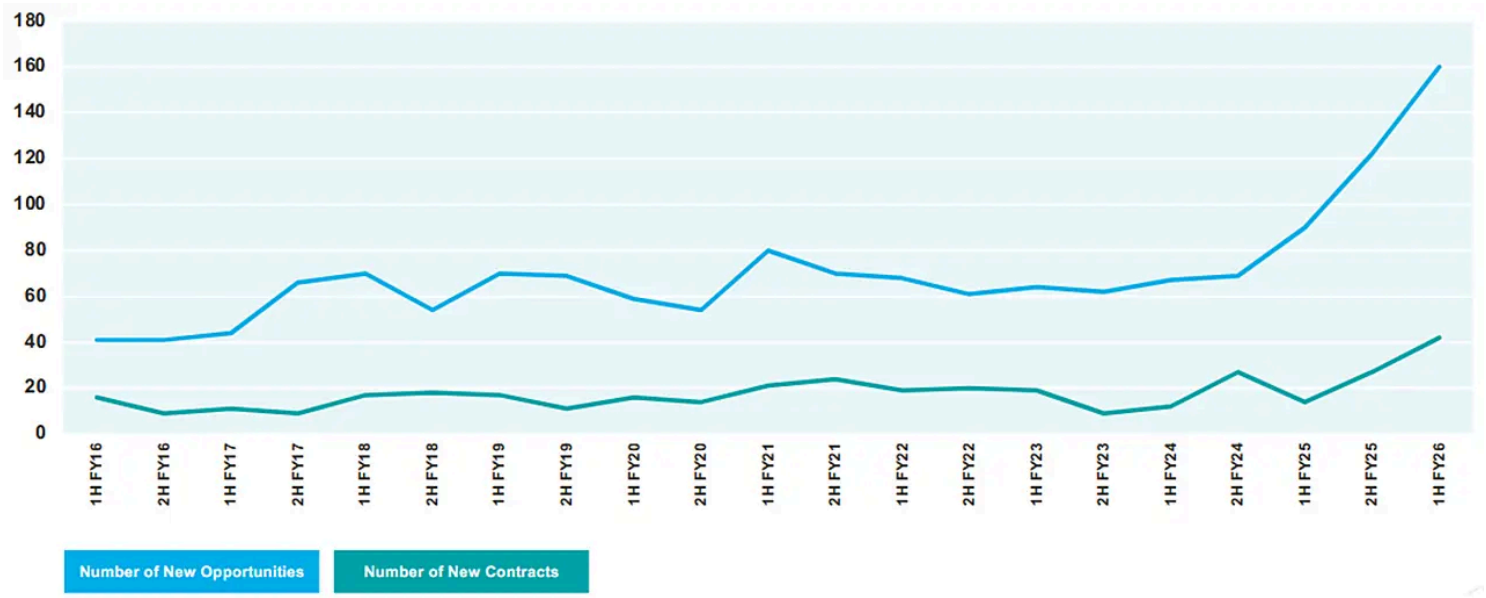
COGSTATE (CGS)

CGS develops and delivers specialised cognitive testing solutions used to measure brain function in clinical trials, healthcare and research settings. Its digital tests are validated, highly sensitive to subtle changes in cognition and can be deployed repeatedly, overcoming the limitations of traditional paper-based assessments that are slow, subjective and prone to variability. By enabling faster, more reliable detection of cognitive change, CGS's platform improves decision-making in neurology and psychiatry drug development and supports better patient management in clinical practice. The company has deep scientific roots and long-standing relationships with major pharma, biotechs and academic groups, having spent decades refining its technology, data assets and workflows to make high-quality cognitive measurement scalable and economically attractive

Its core value proposition lies in de-risking clinical trials in high-stakes indications like Alzheimer's disease, providing digital, validated endpoints, AI-driven quality control, and scalable, multilingual platform tools for trial sponsors worldwide. The company's relationships with major pharmaceutical players—most notably Eli Lilly and Eisai—underscore its trusted-partner status in central nervous system (CNS) trials. Many of these relationships have been built over two decades.

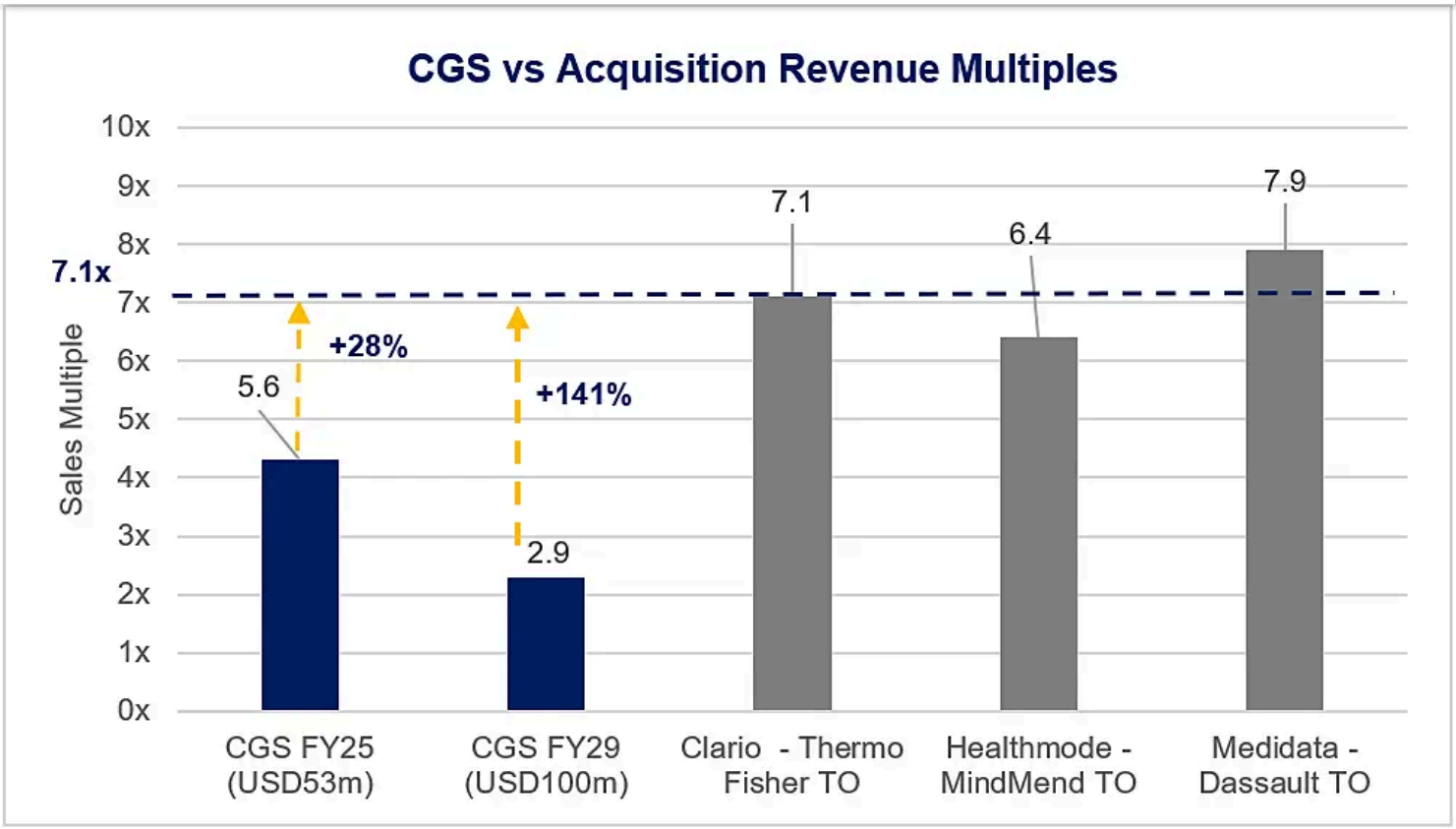
With a tailwind starting to emerge in biotechnology spend, particularly in the CNS space where CGS have stated the CNS Trial market is growing at 10-15% annually, CGS are able to grow beyond this from: expansion into new indications, leverage to higher growth partners such as Eli Lily and

channel partners like Medidata. Particularly the partner channel has led to an explosion in pipeline opportunities for the business which we see as translating into future revenue (with a 6-9 month historical lag).



CGS Contracts and Sales Opportunities. Source: CGS Investor Webinar June 2026

Additionally, one of CGS's key competitors Clario Holdings (private) was acquired by Thermo Fisher for USD8.9bn, announced October 2025, completed March 2026. This equates to ~7.1x trailing revenue, with earn-outs possible), highlighting the premium for scaled, high-quality endpoint data platforms. Clario's implied revenue multiple was almost double Cogstate's multiple at the time of 3.5x (since moved higher to ~5x, but before adjusting for the potential earnings uplift from pipeline conversion. We show below the upside available at that multiple to an investment in CGS.



CGS Potential future upside at takeover multiples. Source: Chester Asset Management, Bloomberg

The Inflection and Operating Leverage

As we note above CGS has hit an inflection in the past 18 months off the back of partner relationships. The more than doubling in the pipeline should see revenue double as CGS execute on delivering this pipeline. Given the highly fixed cost nature of their business, we believe this should translate to meaningful operating leverage for CGS. Consensus expectations do not factor in the appropriate leverage this could provide to the bottom line of the business with meaningful upside to consensus expectations.

Item	Measure	Amount	Comment
FY25 Revenue	USDm	53.0	Per financials
FY25 EBITDA	USDm	16.0	Per financials
FY29 Revenue	USDm	100.0	~Double Revenue
EBITDA Add	USDm	24.0	50% (GM 60% + 10% R&D)
FY29 EBITDA	USDm	40.0	USD16 + USD24m
EBIT	USDm	37.0	D&A ~USD3m
NPAT	USDm	26.8	Based on ~25-30% tax
FY29 Consensus	USDm	18.5	Per Bloomberg (NPAT)
Potential Upside	%	45%	Meaningful Upside

CGS - Potential Operating Leverage. Source: Chester Asset Management, Bloomberg

Established biotechs with underappreciated trial upside

We deliberately introduced this and our IWOA biotechnology papers discussing the binary nature of biotechs, as we choose to focus on asymmetric options. One way this is achieved is by theoretical valuation support of base earnings in established players. Often in these names we see clinical trial optionality underappreciated and even sometimes free, as was the case with Neuren (NEU) 18 months ago and Telix (TLX) earlier this year. This directly ties to the comment we made about some exciting exploration plays in ROTE within producing mining companies. We discuss the asymmetry available in each below.

TELIX PHARMACEUTICALS (TLX)

Despite some regulatory, operational and share price challenges in the last 18 months, which pushed things to the right, our Telix Pharmaceuticals (TLX) thesis is largely unchanged so we rehash (and update) some of it below. It remains one of the best ASX examples of a diversified biotechnology portfolio and a great example of options and asymmetry in the sector.

Company Background / Refresher

For those unfamiliar with TLX they are a biopharmaceutical company that focuses on the development of diagnostic and therapeutic products based on targeted radiopharmaceuticals, or

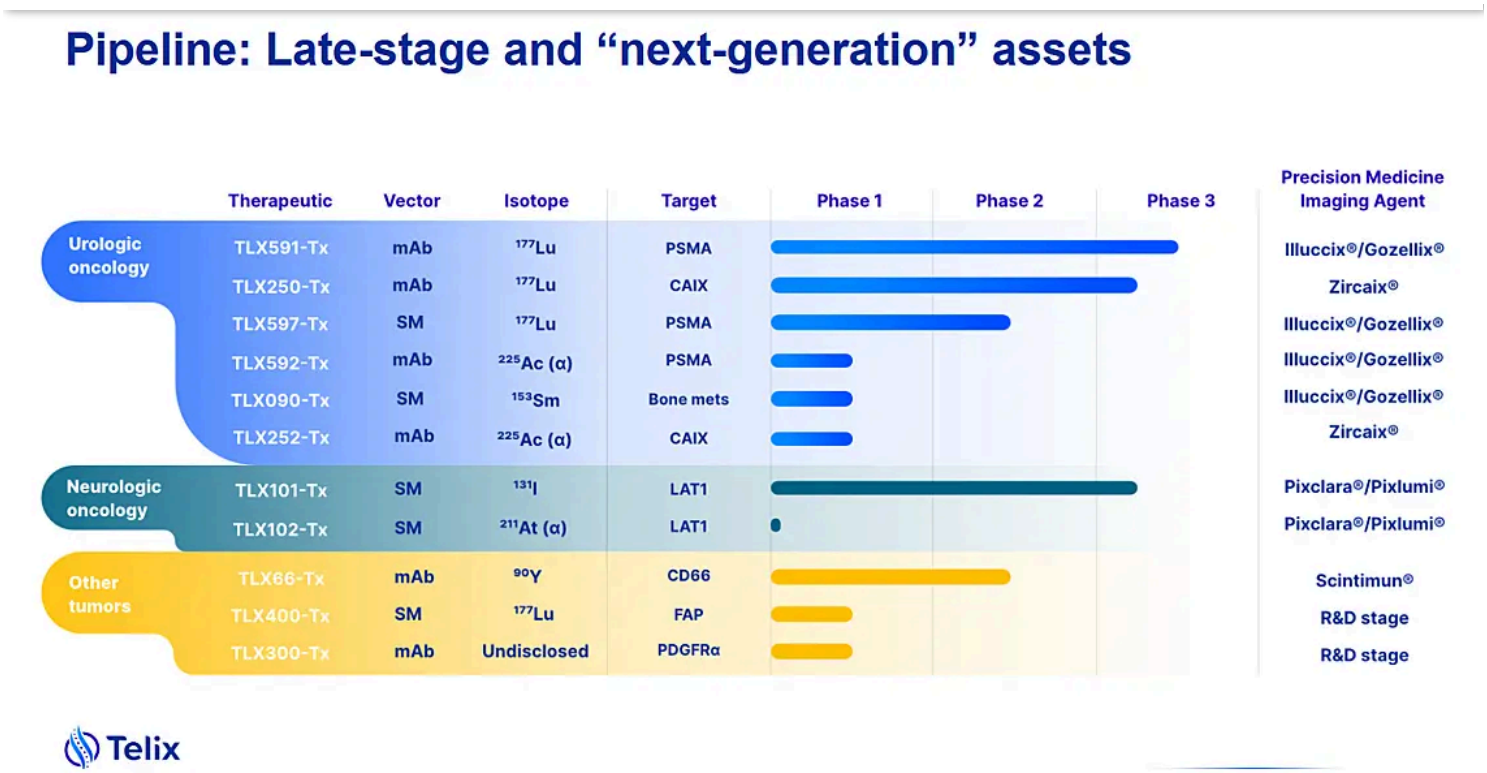
"molecularly targeted radiation" (MTR). The pipeline addresses major unmet needs in oncology — historically centred on prostate, renal and brain cancers, though it has since broadened.

With diagnostic imaging TLX's portfolio includes: Illuccix, the PSMA-PET prostate cancer imaging agent developed after the 2020 TheraPharm acquisition, which remains the commercial anchor of the portfolio but is no longer TLX's only approved product after Gozellix, was approved in March 2025 giving TLX a differentiated product in its core prostate imaging franchise (but with longer shelf life, wider distribution radius from a cyclotron). Illucix has now been launched in 22 countries globally, including 16 in Europe. Cardinal Health remains a key distribution partner of Illucix and Gozellix but TLX now has its own distribution (and manufacturing capabilities) after the ~USD230m acquisition of RLS (Radioisotope Life Sciences) — America's only Joint Commission-accredited radiopharmacy network. Within diagnostics, TLX also has two (extremely advanced) products in Zircaix and Pixclara.

- Zircaix (renal imaging), (TLX250-CDx) is a PET imaging agent for kidney cancer. Its BLA (Biologics Licence Application) was accepted with priority review in early 2025, but the FDA issued a Complete Response Letter in August 2025 citing manufacturing/CMC deficiencies at TLX and two third-party partners — not efficacy or safety concerns. TLX has since aligned with the FDA on a remediation plan and is expected to resubmit the application shortly
- Pixclara (brain cancer imaging) — resubmitted and back on track. TLX-101's diagnostic companion, Pixclara (TLX101-CDx), also received an initial FDA rejection but the resubmitted NDA was accepted in April 2026, with a new PDUFA target date of 11 September 2026

Therapeutics has seen meaningful advances since our last note. TLX591-Tx[7] completed Part 1 of its pivotal Phase 3 ProstACT Global study, presenting positive safety/tolerability data in a late-breaking session at ASCO 2026, and has now moved into Part 2, a randomised 490-patient expansion enrolling across Australia, NZ, Canada, the UK and other markets. TLX250-Tx (a lutetium-177 renal cancer therapy) has dosed its first patient in the LUTEON pivotal trial and TLX592, the targeted alpha therapy for prostate cancer, has completed proof-of-concept work and advanced into a Phase I/II study. TLX has also advanced TLX-597 a next-generation targeted radiation therapy for prostate cancer that's now moving into trials (Phase II) for patients with earlier-stage disease.

The Regeneron partnership, announced in April 2026 is also a major new strategic development, to jointly develop next-generation radiopharmaceutical therapies, initially targeting lung cancer, pairing Regeneron's antibody discovery platform with TLX's manufacturing and radiopharmaceutical expertise. TLX received a USD40m non-refundable upfront payment, with total potential milestones of up to USD2.1b if it opts out of a 50/50 cost/profit-sharing model.



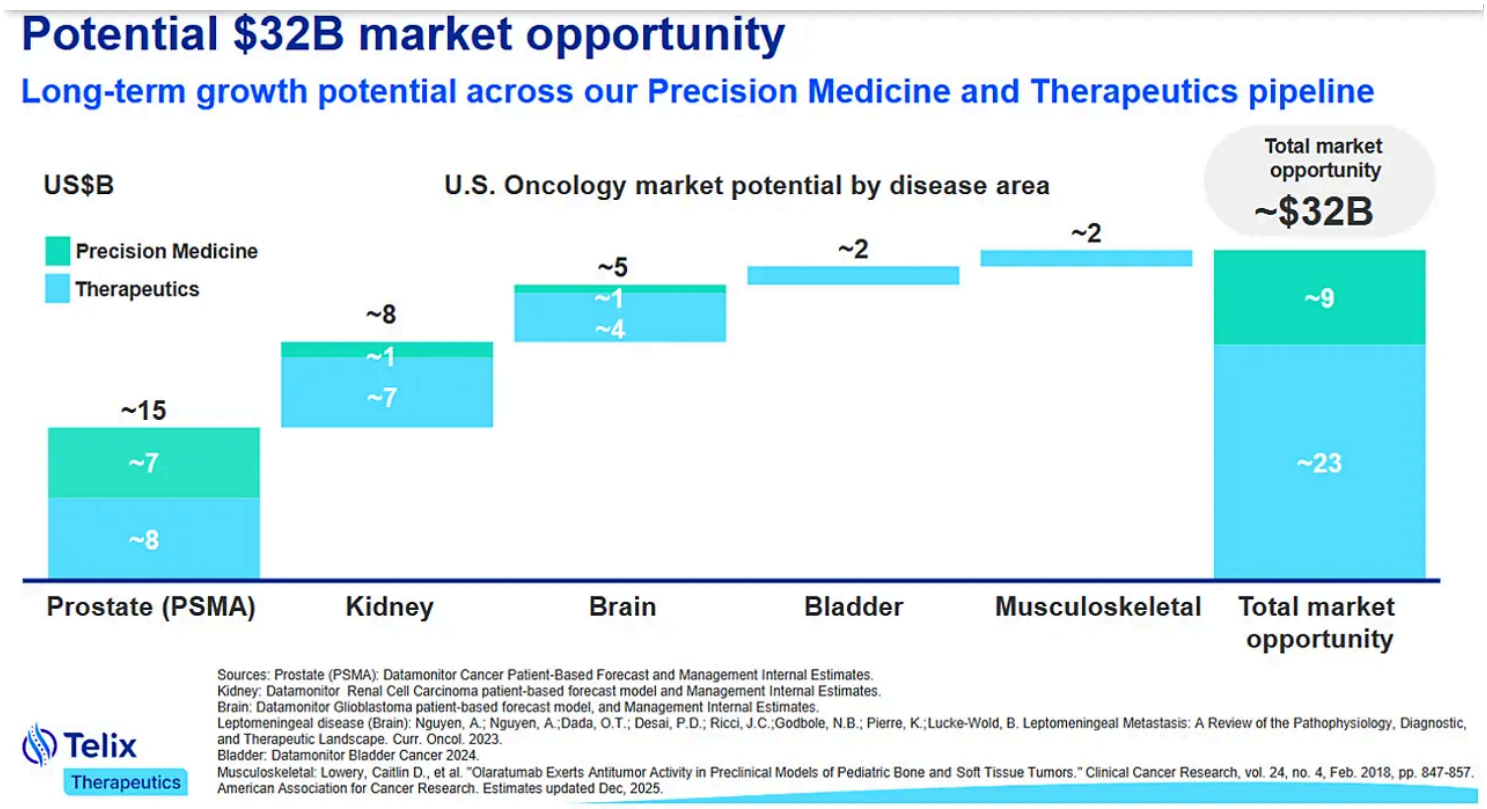
Telix Pipeline, Late Stage and Next Generation Assets. Source: Telix Presentation June 2026

Earnings Asymmetry

As anyone who has looked at TLX can attest (and we noted previously) analysing the company can be somewhat complex but we continue to try and simplify our detailed model below. We haven't tried to reinvent the wheel here from our last note but show both the potential for future revenue, supported by company TAMs below and also Chester valuations for each product.

TLX Potential Opportunities	FY31 Market	Estimated Share	Unrisked Revenue	Risking	Risked Revenue	Risked Valuation	Comments
Measure	**USDm**	**%**	**USDm**	**%**	**USDm**	**AUD/share**	
RLS, Corporate, Other, D			300	100%	300	10.30	RLS Revenue ~USD200m currently, nominal growth
Illucix & Gozellix PSMA PET	3,500	35%	1,225	100%	1,225		Current Market USD2.5bn, TLX USD3.5bn (expanded market)
Bi-Pass PSMA PET Upside	3,200	35%	1,120	20%	224	2.50	TLX Upsized market estimate (USD6.7bn), 1.7m scans
Illucix Global	3,000	15%	450	100%	450	3.10	Global market similar size to US, estimates 1/3 the size of US
TLX-250 (Kidney) - US	1,000	30%	300	90%	270	2.85	Current TAM USD750m + growth, refer below
TLX101-CDx (Brain) - US	1,000	30%	300	90%	270	2.85	Current TAM USD470m + growth, refer below
TLX-591 & 592 Therapeutics	8,000	20%	1,600	30%	480	5.75	TAM could be USD23bn but they arent in all markets yet
Total	**19,700**	**25%**	**4,995**	**1%**	**2,919**	**27.35**	
Consensus / Share price	**N/A**	**N/A**	**2,041**	**N/A**	**2,041**	**14.85**	
% > consensus			145%		43%	84%	

TLX CAM Valuation and Revenue projections, Source Chester Asset Management, Telix February 2026



TLX TAMs. Source: Telix 2025 Results presentation

In relation to the above:

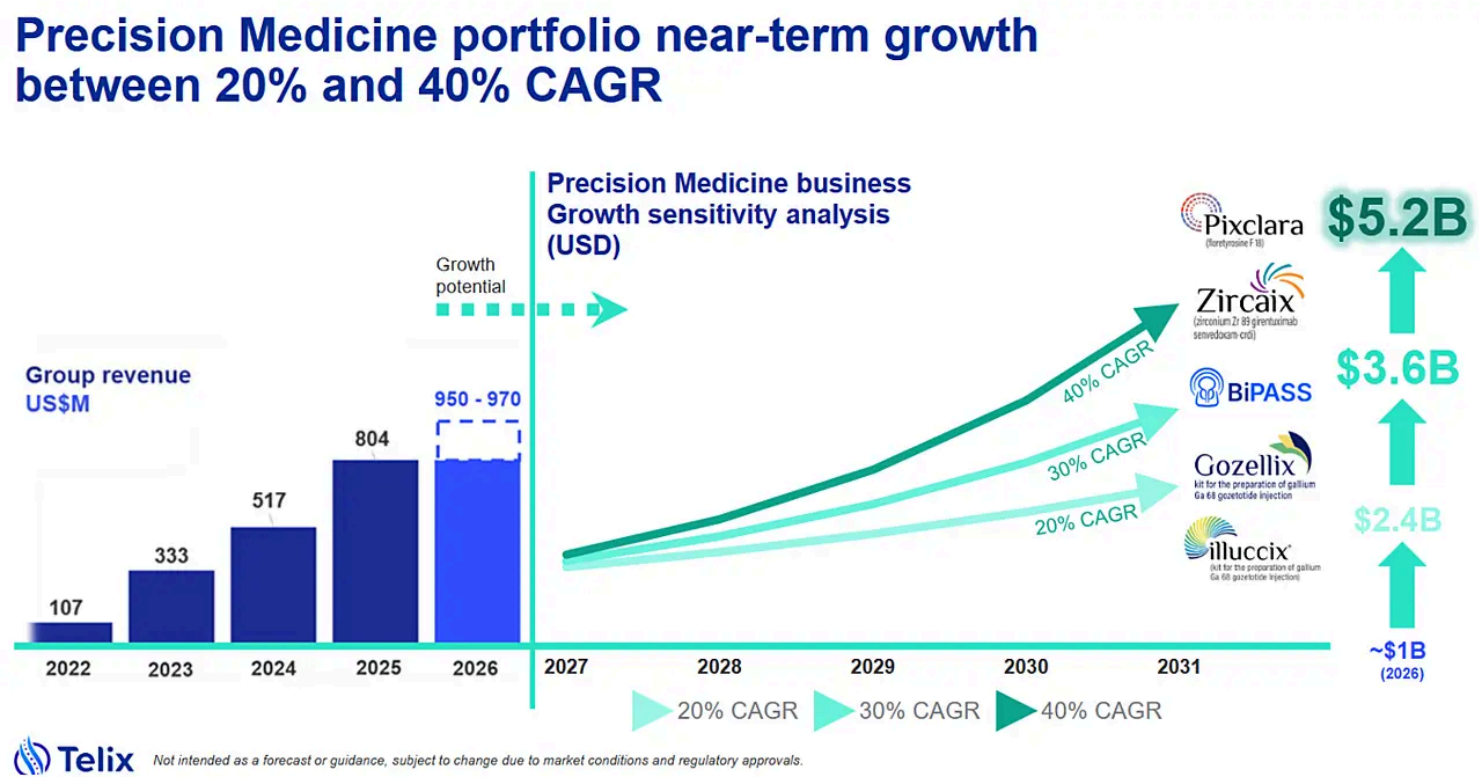
- Precision medicine in 2025 carried a GM of 65%, with the acquisition of RLS this may alter the margin (positively going forward), as well as different markets, however we assume a GM of ~65% for most products
- By estimates off the back of theirs and primarily Lantheus' most recent quarterlies TLX have ~35% market share in the US of PSMA PET from a combination of Illucix and Gozellix, we assume this stays reasonably steady into the future despite this trending upwards
- Global sales are more opaque but management has previously suggested TLX could be achieving a rate in ROW at ~1/3 of their US sales. We don't see any reason to differ from that. Illucix globally (like almost all drugs) is anticipated to have a lower ASP but similar gross margins to the US
- In relation to Kidney, TLX250-CDx (Zircaix), despite regulatory delays, TLX continue to have a 4 year head start on the competition. It is likely to be priced at a higher ASP to Illucix and if successful being approved TLX could achieve material market share in the first few years, maybe not 100% but meaningful – however potentially conservatively we project that in the share reverts to a similar level as Illucix+ Gozellix
- TLX-101-CDx (Pixclara) despite regulatory delays was previously included in international clinical practice guidelines for the imaging of gliomas. TLX see it as strategic as it potentially paves the

way for TLX-591. So, if approval is received for Pixclara then it somewhat derisks their therapeutics business
- Therapeutics Prostate products TLX-591 and TLX-592. Prostate TAM is USD8-10bn and TAMs for all cancers is ~USD40bn. Hence why TLX want to play in that market but it is competitive, we consequently estimate a lower market share and carry a higher risk weighting than the 50% we carry for most phase III trials

In summary for TLX, based on our analysis we believe there are further upgrades implicit in earnings projections as

- Global PSMA PET markets are penetrated
- TLX-250-CDx and TLX-101-CDx are commercialised
- Application of imaging products expands as the number of scans increases (Bi-Pass studies successful?)
- TLX progresses Therapeutics businesses and TLX-591 and 592 (and maybe TLX-597) are commercialised and scaled
- Further applications are progressed and developed such as musculo-skeletal

Admittedly earnings for products that aren't even approved yet can be difficult to forecast but we continue to see upside bias to consensus estimates. This appears to be supported by TLX's own bullish projections, recently providing a 2031 sensitivity analysis for their Precision Only business[8].



TLX Projected Revenue to 2031. Source: Telix Presentation June 2026

Compares to consensus of USD2bn and Chester risked revenue projection of USD2.4bn and unrisked of USD3.4bn (refer table above).

Valuation Asymmetry

In addition to the potential for earnings asymmetry we have recently seen TLX display what we see as material value asymmetry, in a similar way to Neuren. In (IOWA) we wrote:

Our analysis suggests that NNZ-2591 is being priced at close to zero within the NEU share price. We have to ask ourselves if NNZ-2591 was sitting as the sole drug within a company would it be valued at <AUD150m? Asymmetric?!

If we reconsider our valuation above for TLX, where we see a risked valuation of AUD10.30/share including their exposure to Illucix + Gozellix in the US[9], or AUD13.40/share including our global value for these products[10] but excluding any Bi-Pass upside, buying TLX around this mark, or even <AUD10.00/share as the market was afforded in February offers material/extreme valuation asymmetry.

Maybe TLX-591 has too much uncertainty vs NNZ-2591 but our AUD13.40/share base TLX Valuation (Illucix + Gozellix) includes no Bi-Pass upside, no Zircaix, no Pixclara and no Therapeutics. Asymmetric?!

Information Asymmetry

Without getting too offtrack, TLX also notably blends in with a number of the other papers we have written[11], that appear to support our thesis of upside bias to consensus earnings.

Why it pays to read the account notes

First off on the account notes TLX has one of the most detailed Remuneration Reports of any ASX company. Not sure how many people actually still read annual reports (TLX's last one is ~370 pages long) but we find Rem Reports like TLX's very constructive, particularly the long term variable remuneration (LTVR) targets released with the AGM material in April 2026. Despite not necessarily aligning easily with consensus (EBITDA vs EBITDAR) we have normalised these by sampling the sell side for consensus R&D spend[12]. We present the analysis in the table below.

LTVR Item	Measure	Amount	Note
CY26 to CY28 EBITDAR Target base	USDm	1365	Per Results Presentation
CY26 to CY28 EBITDAR Target mid	USDm	1837	Per Results Presentation
CY26 to CY28 EBITDAR Target stretch	USDm	2042	Per Results Presentation
CY26 R&D Guidance	USDm	-220	Per guidance USD200-240
CY27 R&D Consensus - proxy	USDm	-275	Cana 282, Jef 279, Bjoey 263
CY28 R&D Consensus - proxy	USDm	-279	Cana 332, Jef 251, Bjoey 253
CY26 Consensus EBITDA	USDm	52	Per Bloomberg
CY26 TLX guidance R&D	USDm	-220	Refer above
CY26 Consensus EBITDAR	USDm	272	EBITDAR based on calculations above
CY27 Consensus EBITDA	USDm	87	Per Bloomberg
CY27 R&D Consensus - proxy	USDm	-275	Refer above
CY27 Consensus EBITDAR	USDm	362	EBITDAR based on calculations above
CY28 Consensus EBITDA	USDm	156	Per Bloomberg
CY28 R&D Consensus	USDm	-279	Refer above
CY28 Consensus EBITDAR	USDm	435	EBITDAR based on calculations above
CY24 to CY26 Consensus EBITDAR	USDm	1068	EBITDAR based on calculations above
Base upside	%	27.8%	Interesting
Mid upside	%	72.0%	More Interesting
Stretch Upside	%	91.1%	Super Interesting

TLX 2026 LTVR Table Comparison. Source: Chester Asset Management June 2026, TLX Rem Report

Although these are incentive *targets* for management and *not guidance* we always find them instructive, particularly when management are incentivised to achieve earnings materially higher than consensus. Notably 2 years prior when we performed this same exercise we commented that Christian's package incentivised him to generate returns less than consensus and since then we have seen downgrades. We have reproduced our February 2024 analysis below.

LTVR Item	Measure	Amount	Note
CY24 to CY26 EBITDAR Target	USDm	450	Per Results Presentation
AUDUSD Assumed	:	0.68	Assumption
CY24 to CY26 EBITDAR Target	AUDm	662	USD450m / 0.68
CY24 R&D	AUDm	-185	Per guidance
CY25 R&D Consensus	AUDm	-180	Jarden 187, Jeff 220, CLSA 140
CY26 R&D Consensus	AUDm	-170	Jarden 166, Jeff 198. CLSA 140
CY24 Consensus EBITDA	AUDm	108	Per IRESS
CY24 TLX guidance R&D	AUDm	-185	Per Results Presentation
CY24 Consensus EBITDAR	AUDm	293	EBITDAR based on calculations above
CY25 Consensus EBITDA	AUDm	166	Per IRESS
CY25 R&D Consensus	AUDm	-180	Jarden 187, Jeff 220, CLSA 140
CY25 Consensus EBITDAR	AUDm	346	EBITDAR based on calculations above
CY26 Consensus EBITDA	AUDm	188	Per IRESS
CY26 R&D Consensus	AUDm	-170	Jarden 166, Jeff 198. CLSA 140
CY26 Consensus EBITDAR	AUDm	358	EBITDAR based on calculations above
CY24 to CY26 Base Target	AUDm	662	EBITDAR based on calculations above
CY24 to CY26 Consensus EBITDAR	AUDm	997	EBITDAR based on calculations above
Consensus > Target	AUDm	-335	Suggest Consensus is AUD335m > Target!
		-49.4%	Suggest Consensus is 50% > Target on rolling 3 years

TLX 2024 LTVR Table Comparison Source. Chester Asset Management Feb 2024, TLX Rem Report

If we assume the EBITDAR figure for CY2026 above of USD272m and add it to the EBITDAR achieved in CY2024 (USD188m) and CY2025 (USD202m) funnily enough it adds up to USD662m (~AUD950m) which ended up being similar to consensus (~5% below) EBITDAR in February 2024. The bulk of the profit downgrades have actually been driven by R&D increases, which are excluded from management LTVR budget! What's that old saying, "show me the incentive and I'll show you the outcome?!" This probably remains the one key rub with TLX that base earnings are all disappearing in R&D spend but if we start to see approvals come through maybe the market will start to see this spend as an asset rather than a liability.

Why it pays to follow the insiders

Mixed signal or not, we never skip an insider trade across our holdings — management's own money always warrants a second look. Like everyone else in the market we prefer not to see insiders selling stock if we are buying and love to see insiders buying stock. In that vein, on top of all the other considerations for TLX in the past 18 months some of the insider transactions were noteworthy, in particular the following trades by directors:

Insider	Date	Buy / Sell	Shares #	Price (AUD)	Total (AUD)	1 Month perf	6 Month perf	1 Year perf
Dr Christian Peter Behrenbruch	27/02/2025	Sell	2,000,000	29.50	59,000,000	-6.7%	-37.6%	-66.1%
Mr Harry Kevin McCann	27/02/2025	Sell	30,000	30.43	912,900	-9.5%	-39.5%	-67.1%

TLX Director Sells 2025. Source: ASX announcements, Chester Asset Management

Christian's sales were described as being less <10% of his holding and conducted for divorce settlement and estate planning purposes. He's clearly allowed to sell shares but it did coincide with a 2/3 drop in the share price in the 12 months that followed. ASX announcements weeks later also revealed ex-Chairman Harry Kevin McCann selling stock on the same day. Maybe it paid to follow the insiders in this instance. We hope Christian and newly appointed board member Mr David Gill can be as lucky in reverse

Insider	Date	Buy / Sell	Shares #	Price (AUD)	Total (AUD)	1 Month perf	To Today
Dr Christian Peter Behrenbruch	29/04/2026	Buy	67,935	14.67	996,606	-1.2%	1.3%
Mr David Gill	11/06/2026	Buy	10,200	13.47	137,409	18.7%	10.3%

Source: Chester Asset Management, ASX announcements

Either way there are generally fewer reasons for buying (mainly the expectation of stock price increases) vs selling shares.

NEUREN (NEU)

Company Background / Refresher

Neuren (NEU) is an Australian biopharmaceutical company specialising in developing therapies for neurodevelopmental disorders that emerge in early childhood. Their lead product, DAYBUE™ (trofinetide), is approved in the US for treating Rett syndrome in patients aged two years and older. NEU is also advancing NNZ-2591, currently progressing a Phase 3 clinical trial for Phelan-McDermid (PMS)[13], and potentially advancing Pitt Hopkins (PTHS) and Hypoxic Ischemic Encephalopathy (HIE) to phase III trials. The company has granted Acadia Pharmaceuticals an exclusive worldwide license for trofinetide in Rett syndrome and Fragile X syndrome, while retaining rights to NNZ-2591 for other indications.

In December 2025 the FDA approved a powder formulation for DAYBUE (STIX) that mixes easily with beverages, is highly portable and doesn't require refrigeration that Acadia and NEU believe could drive incremental demand for DAYBUE via new and discontinued patients. They (Acadia) have

also recently expanded their focus for DAYBUE beyond centres of excellence (COEs) which we believe is currently providing a boost to penetration rates.

Acadia (and NEU) are also in the process of commercialising DAYBUE throughout Europe after seeing the negative Committee for Medicinal Products for Human Use (CHMP) trend vote from February 2026 overturned with a positive opinion after a re-examination procedure. The European Commission (EC) will review the opinion and are expected to issue a final (highly likely positive) decision in coming months which would apply to all 27 EU member states, but for a slightly smaller patient cohort[14].

Valuation and Asymmetry

NEU was one of the focus points of IWOA given it is a self-funding clinical research company with this portfolio of attractive options. We made the point 18 months ago that *"we are (were) increasingly gaining conviction the share price is underwritten by DAYBUE's value and the potential of NNZ-2591, despite being extremely material under a successful commercialisation, is being priced at near zero within the share price"*

Although the economic equation now doesn't seem as asymmetric as it did 18 months ago the upside to downside ratio still presents a positive risk reward skew and we continue to see value in holding a position. The recent CHMP reversal was also an intriguing example of the binary nature of drug trials and approvals.

We preface this analysis by saying we aren't experts on the science of their assets and have leveraged off the work of some of the covering analysts to gain views on success, but NEU are currently the leading drug contender for the indications of Phelan McDermmitt, Pitt Hopkins and HIE. They are very much third in the case of Angelman (so we have removed value upside there) but their progress continues to potentially provides them with at least 3 lucrative shots on goal (beyond DAYBUE).

Substantial market opportunities in PMS, PTHS and HIE

Disorder	Published prevalence estimates	Potential patients		
		US	Europe	Japan
PMS	1/8,000 to 1/15,000 males and females[1] ~1% of autism patients have SHANK3 mutations	19,000 - 36,000[4]	21,000 - 41,000[4]	5,000 - 9,000[4]
PTHS	1/34,000 to 1/41,000 males and females[2]	7,000 - 8,000[4]	8,000 - 9,000[4]	1,000 - 2,000[4]
HIE	2-3 / 1,000 births in high income countries; 10-30 / 1,000 births in low and mid income countries[3]	*Addressable patients*[5]		
		~6,000 p.a.	~7,400 p.a	~1,140 p.a.

[1] Phelan McDermid Syndrome Foundation (PMSF) (www.pmsf.org)
[2] Pitt Hopkins Research Foundation (PHRF) (pitthopkins.org)
[3] Hope for HIE (Hope for HIE - Hypoxic Ischemic Encephalopathy)
[4] Estimates based on United Nations population data 2024, derived by applying the estimated prevalence range to the populations under 60 years
[5] Neuren estimates based on various published literature and company publications

NEU TAMs. Source. Source: Neuren AGM Presentation, May 2026

Arguably NEU remains a harder proposition to model than TLX given there is a wider array of uncertainty on each of the prospective markets for NNZ-2591 however we do have the available TAM of each of these rare diseases, as highlighted above.

Key things we don't know are:

- Whether Phase III trials will be successful – but refer averages from the studies noted above (we have assumed 50% risking in the US for PMS, PTHS and HIE)
- Potential level of market penetration – we have assumed similar stabilised levels for DAYBUE which is arguably conservative given the lower levels of side effects noted to date
- How much NNZ-2591 will cost - however we have used DAYBUE (gross USD590k) as somewhat of a guide. And despite higher potential efficacy, lower side effects + rarer diseases potentially suggesting a higher price than DAYBUE conservatism has led to us reducing this to (gross USD500k) as well as a similar gross to net factor as DAYBUE and a global discount factor of 20%
- Timing of roll-out. We have assumed 1 January 2029 now for PMS and ~1 January 2032 for PTHS and HIE - however note that a 6 or 12 month delay to that matter doesn't make or break the point of the exercise
- The Commercial model – We have assumed DAYBUE is the only drug that is under licence to Acadia and 2591 they distribute themselves. Notably 2591 could cannibalise DAYBUE for Rett but we have assumed no change here

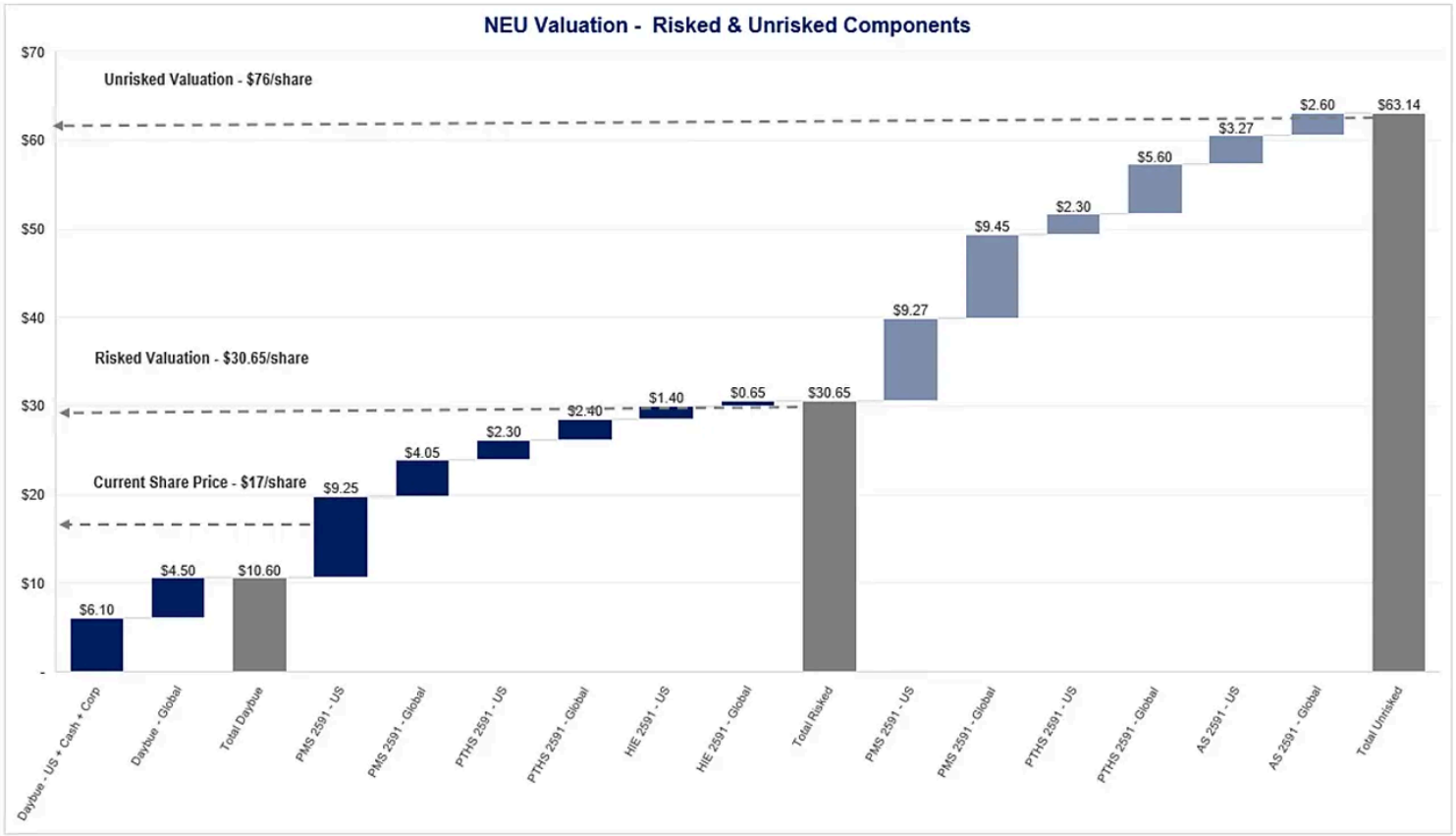
- Whether they will achieve comparable economics globally to the US. We have assumed a lower level of economics

The net effect of all of these assumptions is an EMV Sum of the Parts that looks like the following:

Item	Commercial Model	Start Date	LT Patients	TAM	Max Penetration	Penetration Terminal yr	Gross Sale Price	Net Sale Price	Gross Margin	EBITDA Margin	Unrisked Val	Risking	Risked Val
Measure		mm/yy	#	USDm	%	%	USDk	USDk	%	%	AUD/sh	%	AUD/sh
Daybue - US + Cash + Corporate	Royalty - Acadia Distribution	Mar-23	7,500	2,800	22%	15%	595	390	100%	100%	6.10	100%	6.10
Daybue - Global	Royalty - Acadia Distribution	Jan-27	14,500	3,828	15%	8%	400	264	100%	100%	4.50	100%	4.50
Total Daybue including Corporate Costs	AUD										10.60		10.60
Phelan-McDermid Syndrome (PMS) 2591 - US	Direct - NEU Distribution	Jan-29	27,500	9,075	12%	8%	500	330	80%	50%	18.52	50%	9.25
Phelan-McDermid Syndrome (PMS) 2591 - Global	Direct - NEU Distribution	Jan-30	38,000	10,260	10%	5%	400	270	70%	40%	13.50	30%	4.05
Pitt Hopkins Syndrome (PTHS) 2591 - US	Direct - NEU Distribution	Jan-30	7,500	2,475	12%	8%	500	330	80%	50%	4.60	50%	2.30
Pitt Hopkins Syndrome (PTHS) 2591 - Global	Direct - NEU Distribution	Jan-31	36,000	9,720	10%	5%	400	270	70%	40%	8.00	30%	2.40
Hypoxic Ischemic Encephalopathy (HIE) 2591 - US	Direct - NEU Distribution	Jan-30	6,000 p.a.	1,980	15%	15%	500	330	80%	50%	4.67	30%	1.40
Hypoxic Ischemic Encephalopathy (HIE) 2591 - Global	Direct - NEU Distribution	Jan-30	8,500 p.a.	2,295	10%	10%	400	270	70%	40%	3.25	20%	0.65
Total including NNZ-2591	AUD										63.14		30.65

CAM NEU Valuation details. Source: Chester Asset Management, Neuren ASX announcements

I.e. our analysis suggests that as an investor you are paying for ~AUD7.00/share of an unrisked AUD32.00/share of PMS value. Based on historical data (assuming our valuation is correct!) it suggests you could realistically pay for up to 50% of PMS value. Although not as asymmetric as NEU was 18 months ago <AUD10/share, our valuation suggests you are still getting PHS and HIE value for free and only paying for some of PMS.



NEU Optionality Value. Source: Chester Asset Management

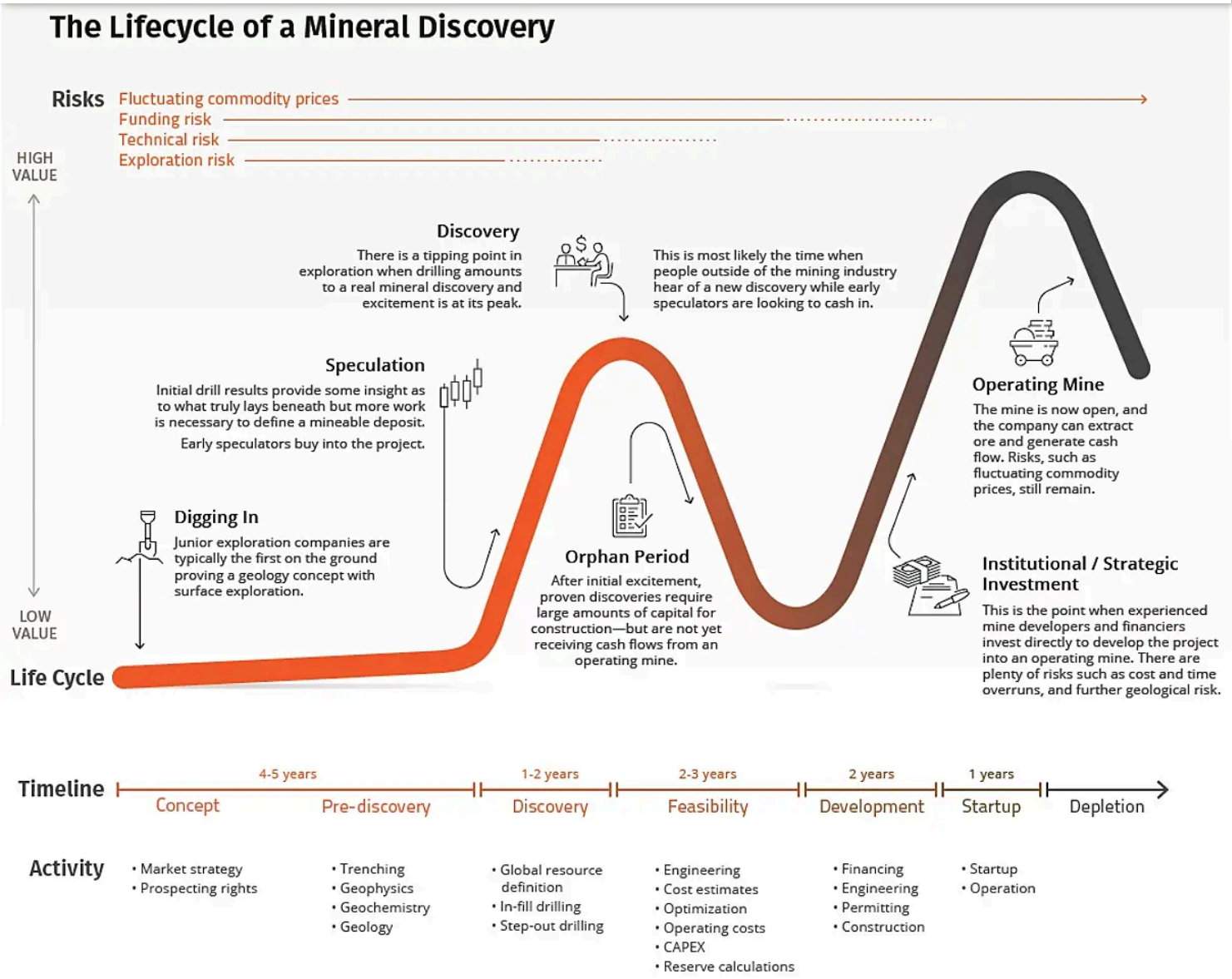
Delineation / Development (individual) plays

Ok, so if you've gotten to this point and haven't been scared off binary biotech plays (we rarely play them due to lack of asymmetry) how do you tilt the odds further in your favour, particularly if like this writer you don't possess the skillset to assess phase III data?!

The first point is understanding the odds. We have already provided stats related to historic trial success but one area we have been keen to investigate for some time is the historic returns of companies undertaking phase III clinical trials. As someone who began their investing career focused on commodities we couldn't help but ask the question...

DOES THE LASSONDE CURVE APPLY TO BIOTECHS?

For investors unfamiliar with the famous Lassonde curve, it tries to simplify and standardise the typical phases of investing in mining projects. We investigated the phenomenon on (ASX) mining companies in Return of the Developer.



The Lassonde Curve. Source: The Visual Capitalist

With this article we are not just asking ourselves does it apply to biotechs we are also asking ourselves if so, how does it apply? One notable point is the fact that almost all resource companies that commence development of a mining project finish at least constructing it (there are examples to the contrary but they are few and far between). However not all companies that commence a phase III trial are successful in that trial, refer above, historically the success rate has been ~60%.

Hence in this exercise we have had to stratify the data further than we did with mining projects but we were excited to try and understand what the returns profile of biotechnology companies around these trials was/is!

The Exercise

We have essentially tried to copy the exercise we completed in ROTD where we discussed “The Development = Alpha phase of a mining project” by considering single mine commodity companies developing that project. In this instance however we have replaced

- Single mine companies with single drug companies undergoing a phase III trial
- “Construction period” with the phase III Trial and approval period
- & Commercial production with FDA approval / trial cessation date

We would have loved for this exercise to be purely ASX focused but there haven’t been many single drug ASX companies to undergo phase III trials historically. We have tried to include all those we can find however have had to subsidise these with US names. Furthermore to develop a reasonable sample we have tried to honour the empirical data which shows 60% success rate historically on phase III trials by selecting a combination of drug trials emblematic of history with 10 successes, 6 failures (60/40).

The results from our sample are tabled below

(For those that can't see the table there is a link to an attached PDF file)

Phase III Companies	Neuren Pharmaceuticals	CycloPharm	Botanix Pharmaceuticls	EBR Systems	Mesoblast	Madrigal Pharmaceuticls	Ardelyx	Amylyx	Travere Therapeutics	Geron Corporation	Immutep	Opthea	Biohaven	Replimune Group	Quince Therapeutics	Neumore Therapeutics			
Ticker	NEU.ASX	CYC.ASX	BOT.ASX	EBR.ASX	MSB	MDGL	ARDX	AMLX	TVTX	GERN	IMM.ASX	OPT	BHVN	REPL	QNCX	NMRA			
Exchange	ASX	ASX	ASX	ASX	ASX	NASDAQ	NASDAQ	NASDAQ	NASDAQ	NASDAQ	ASX	ASX	NASDAQ	NASDAQ	NASDAQ	NASDAQ			
Drug	DAYBUE (Tofinetide)	Technegas	Sofdra (Sofpironium)	WISE system	(remestemcel-L)	Rezdiffra (resmetirom)	Xphozah (tenapano)	(sodium phenylbutyrate)	Filspari (sparsentan)	Imestelstat (Rytelo)	TACTI-004-1L	COAST	Troriluzole	RP1 + Opdivo (vusolimogene)	(dexamethasone sodium	KOASTAL			
Area	Rett Syndrome (neurodevelopmental)	Pulmonary Embolism	Hyperhidrosis (dermatology)	Rezdiffra (resmetirom)	Pediatric steroid-refractory acute graft-vs-host disease (SR-	NASH / metabolic liver disease	Oral medication to reduce serum phosphorous	Treatment for Amyotrophic Lateral Sclerosis (ALS)	IgA nephropathy	lower-risk myelodysplastic syndromes (MDS) with transfusion-	NSCLC (oncology)	Optical	Spinocerebellar ataxia (SCA)	Anti-PD1 failed melanoma	Ataxia-Telangiectasia (A-T)	Major Depressive Disorder (MDD)			
Succesful / Unsuccesful	Approved	Approved	Approved	Approved	Approved	Approved	Approved	Approved	Approved	Approved	Ceased	Ceased	CRL - Rejected	CRL - Rejected	CRL - Rejected	Trial Failed			
Phase III Timeline																			
Trial commences	31/10/2019	26/09/2017	4/05/2022	1/07/2022	4/06/2015	28/03/2019	28/02/2019	8/08/2017	20/12/2018	10/10/2019	10/12/2024	12/03/2021	14/03/2019	14/08/2024	24/06/2024	15/09/2023			
Trial Decision / FDA Approval	13/03/2023	2/10/2023	20/06/2024	14/04/2025	19/12/2024	14/03/2024	17/10/2023	29/09/2022	14/04/2026	6/06/2024	13/03/2026	24/03/2025	5/11/2025	10/04/2026	29/01/2026	2/01/2025			
At Trial Commencement																			
Share price (Local Currency)	2.29	0.74	0.086	0.492	3.52	126.00	2.81		17.15	1.33	0.340	1.41	50.06	9.86	141.00	16.25			
Exchange level - All Ordinaries	6,773	5,730	7,565	6,720	5,518	7,669	7,885		6,528	7,951	8,650	7,018	7,630.91	17,192.60	17,689.00	13,400.00			
12 months prior to approval / completion																			
Share price (Local Currency)	4.10	1.30	0.11	0.81	0.30	244.58	1.48	19.00	14.83	3.60	0.29	0.63	51.41	7.31	328.00	16.90			
Exchange level - All Ordinaries	7,422	6,667.5	7,548.5	8,009.4	7,716	11,428	10,676	15,081	16,831	13,276	7,406	8,045	18,439	16,387	19,632.00	14,766.00			
At Trial Completion / Approval																			
Share price (Local Currency)	9.09	2.87	0.36	1.31	3.05	243.57	3.45	30.19	42.13	4.59	0.05	0.014	8.35	1.70	54.02	1.97			
Exchange level - All Ordinaries	7,311	7,235.50	8,012.12	7,959.74	8,415.02	16,129	13,534	10,738	23,639	17,173	8,839	8,770	23,500	22,902.89	23,316.00	19,622.00			
																	Average Successes	Average All	Avg All ex MSB
Share price change - Trial Len	297%	288%	319%	166%	-13%	93%	23%		146%	245%	-87%	-99%	-83%	-83%	-62%	-88%	174%	82%	77%
Index Change - Trial Length	8%	26%	6%	18%	53%	110%	72%		262%	116%	2%	25%	208%	33%	32%	46%	75%	69%	69%
																	99%	13%	8%
Share price change - T- 12mo	122%	121%	227%	62%	934%	0%	133%	59%	184%	28%	-84%	-98%	-84%	-77%	-84%	-88%	187%	96%	28%
Index Change T- 12month	-1%	9%	6%	-1%	9%	41%	27%	-29%	40%	29%	19%	9%	27%	-95%	-100%	-97%	13%	-1%	-8%
																	174%	97%	36%
3 months later																			
Share price (Local Currency)	13.02	1.91	0.38	1.10	2.06	277.590	8.52	35.83	56.74	4.25									
Exchange level	7,329.00	7,867.40	8,437.22	8,815.27	8,055.30	17,689	14,856	10,478	26,107	16,691									
Share price change	43%	-33%	4%	-16%	-32%	14%	147%	19%	35%	-7%	17%								
Index Change 3 months	0%	9%	5%	11%	-4%	10%	10%	-2%	10%	-3%	5%								
											12.7%								
12 months later																			
Share price (Local Currency)	19.31	1.53	0.30	0.61	2.91	348.35	5.83	18.31		1.60									
Exchange level	8,002.45	8,470.00	9,234.28	9,168.66	8,922.60	17,754.09	18,373.61	13,523.00		19,529.95									
Share price change	112%	-47%	-17%	-54%	-5%	43%	69%	-39%		-65%	0%								
Index Change 12 months	9%	17%	15%	15%	6%	10%	36%	26%		14%	16%								
											-16.7%								

CAM Exercise, Lassonde Curve for Biotechs. August 2026

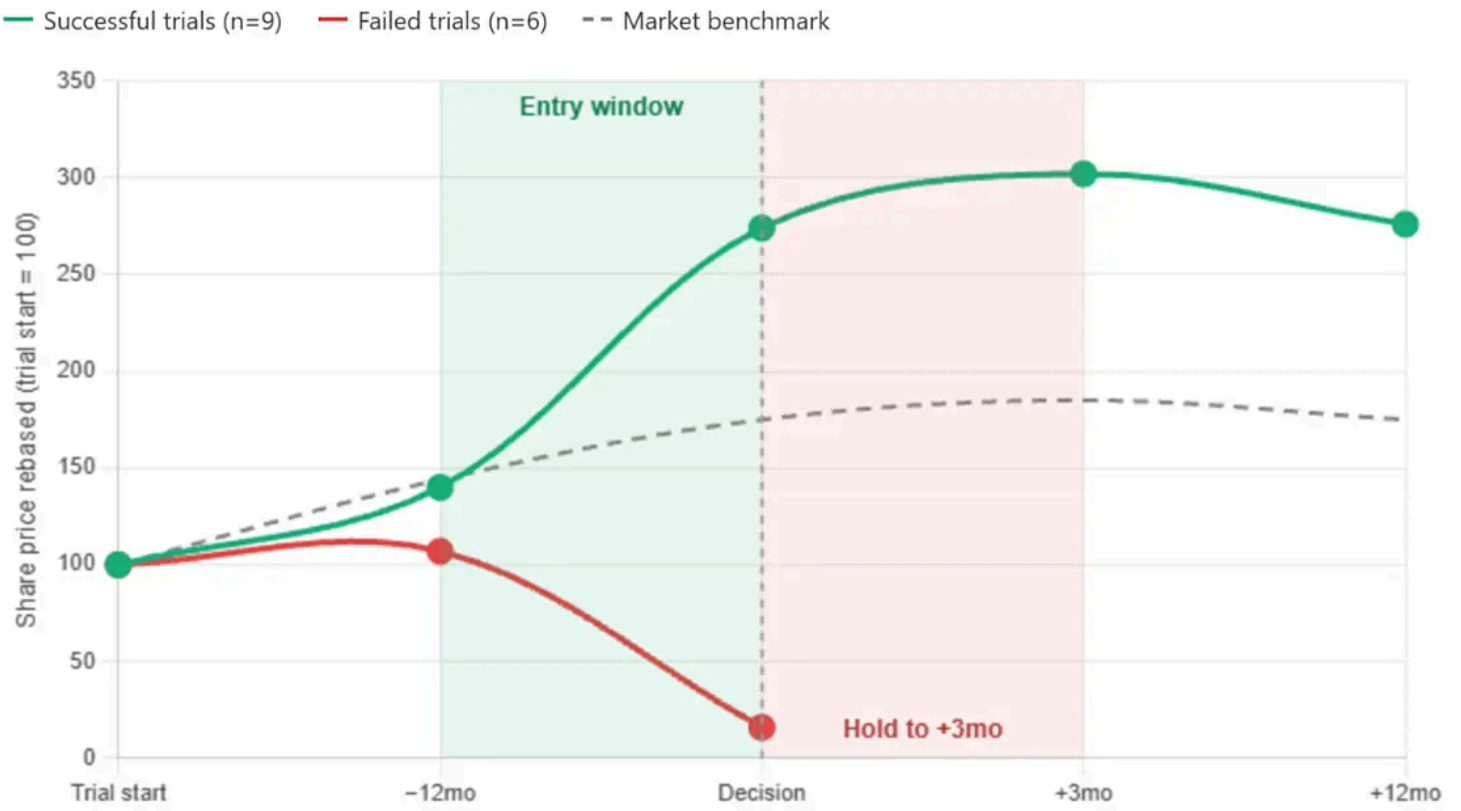
This was a fun and interesting exercise! Given the small sample size though we are reticent to draw too many conclusions from it, but it does provide some interesting observations:

1. There is in fact a Lassonde curve for biotechs, similar to resources!

2. Many of these trials were interrupted by COVID but these phase III trials shows an elongated gestation period from trial commencement to FDA approval.
3. There does appear, even considering the 40% of traditionally failed trials, that investing in biotechs generates alpha. Obviously if you could avoid the failures and just invest in the successful trials that alpha would be meaningful but even if we do include the failed tests a diversified portfolio of different drugs does appear to outperform the benchmark.
4. Alpha is concentrated in the final 12 months. This is telling and provides insight into a strategy to minimise risk and maximise returns if investing in single drug phase III companies. If we look at average phase III trial length as ~4 years, by waiting ~3 years once a trial has started before investing, may limit the chance of failure while capturing the bulk of the alpha.
5. Furthermore, there appears to be alpha on the table for the 3 months post drug approval, hence you aren't necessarily forced to sell as soon as a drug gets approved.
6. However, the results support selling somewhere between the 3 and 12 month mark post approval. That isn't inherently conclusive as there are examples like Neuren and Madrigal that continued to be successful post this time.
7. Stocks seemed to run up into scheduled FDA approval events and on the back of strong phase III data (well before the decision date). Rejections, on the other hand, are often partly anticipated — Biohaven and Replimune were both falling before the CRL landed.

Bearing all these factors in mind may help enhance alpha potential. We however would want to extend the sample further and perform follow-on analysis to be more comfortable with the data. But considering this and other factors can help. Obviously for those with the expertise to be able to synthesise and interpret data themselves it is an advantage. But outside of these we'd suggest it similar to the mining space, a refresher of things to keep in mind to tilt the odds in your favour:

- Investing with companies with strong phase III data, rely on the experts if you lack the skills
- Investing with ~ 12 months to go in the phase III trial and holding up to 3 months after approval
- Investing with historically successful management teams – there aren't many repeat offenders though!
- Identifying companies with a derisked pathway – i.e. they already have a funding partner(s)
- Or investing in companies with multiple shots on goal, even better one that has already achieved commercial success and has earnings/valuation support (refer TLX and NEU above)



Lassonde Curve Phase III CAM Exercise Visual. Source Chester Asset Management

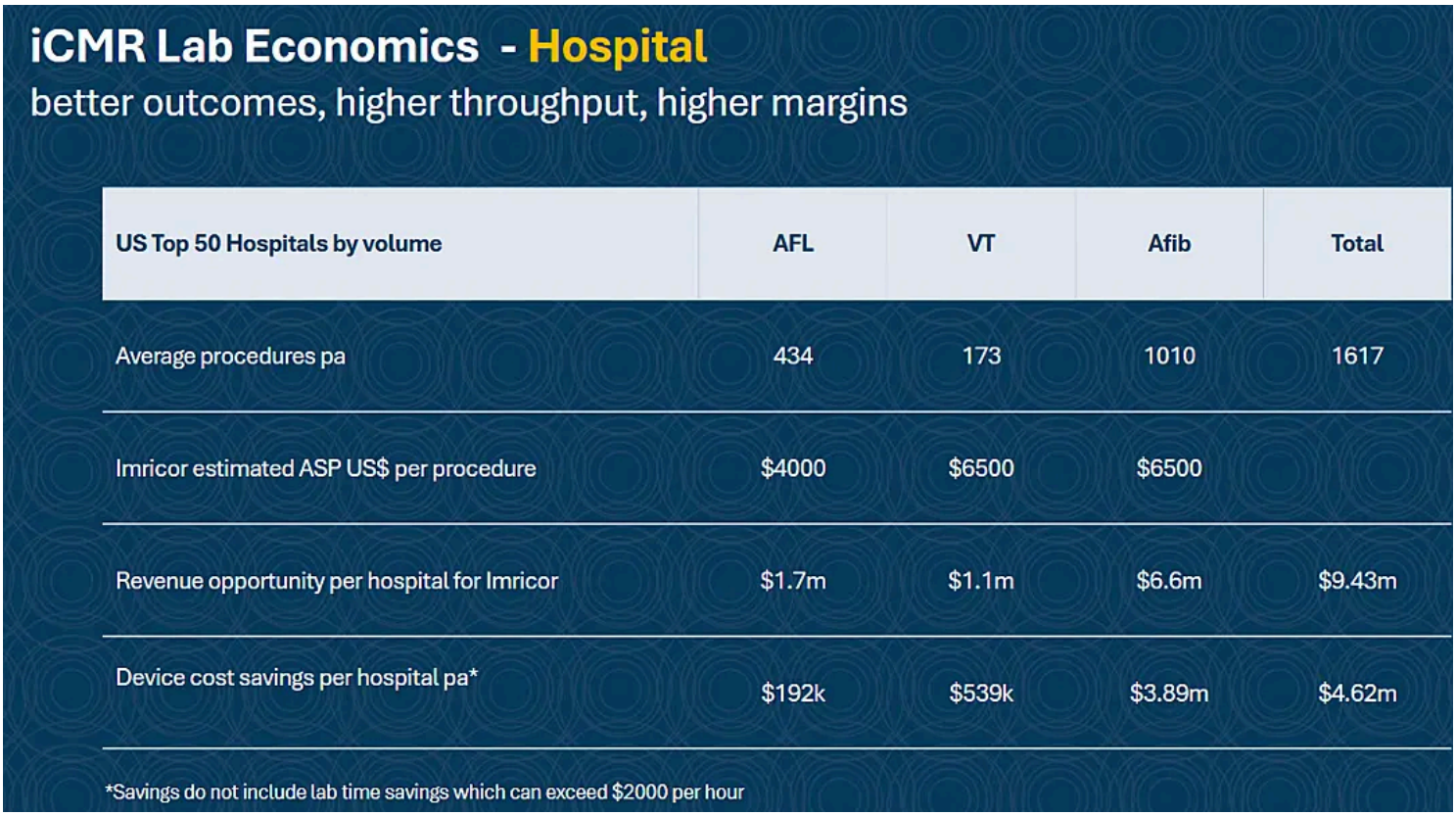
IMRICOR (IMR)

Not exactly a biotech but the closest thing we have to a single asset drug within our portfolio is Imricor (IMR) as they near completion of their AFL trial and hopefully FDA approval. Despite becoming discovered since our IWOA note it remains an exciting proposition. To rehash: IMR produces MRI-compatible catheters and systems that enable cardiac ablation procedures to treat cardiac arrhythmias (irregular heartbeat). The catheters developed by IMR are a world first — other manufacturers only have X-Ray capability, and given the heart is a muscle, use of 2D X-Rays for these minimally invasive procedures is not optimal. MRI-guided procedures are more accurate, quicker and, IMR believes, more economic, presenting a more effective option for both patients and cardiologists. The business is founder-led by Steve Wedan, who first designed MRI and ultrasound systems at GE and has spent 20 years painstakingly developing the full suite of products needed to make cardiology labs MRI compatible.

Although IMR is a Medtech rather than a biotechnology company, we originally (and continue) to like the optionality it offers given its FDA trial for Atrial Flutter (AFL), which is somewhat derisked by pre-existing approvals in Europe and the Middle East and a strong track record of flutter procedures

performed there. The AFL trial (of 91 patients) remains, like most of the trials analysed above has taken longer than anticipated but we believe is in the process of being completed, with the clinical data package to thereafter be submitted to the FDA. Importantly, IMR is running its FDA submission as three parallel modules rather than one bundle, manufacturing and quality modules are already lodged, leaving the clinical data module as the final piece. That structure gives us reasonable confidence in a PMA approval decision in the second half of 2026 or early 2027, which we see as the single largest re-rating catalyst for the stock over the coming months. IMR also picked up its first FDA clearances in January 2026 (its 3D mapping system and diagnostic catheter, via the faster 510(k) pathway), giving it an initial US commercial foothold ahead of the AFL decision itself. In July 2026 IMR actually announced the launch of US Commercial operations with Rady Children's Hospital in San Diego becoming the first US customer to purchase IMR NorthStar mapping and guidance system.

There is also granular detail on the expected number of procedures performed per lab each year, equipment and catheter costs, and hence the opportunity available to IMR if it achieves FDA approval and penetrates the US cardiology market.



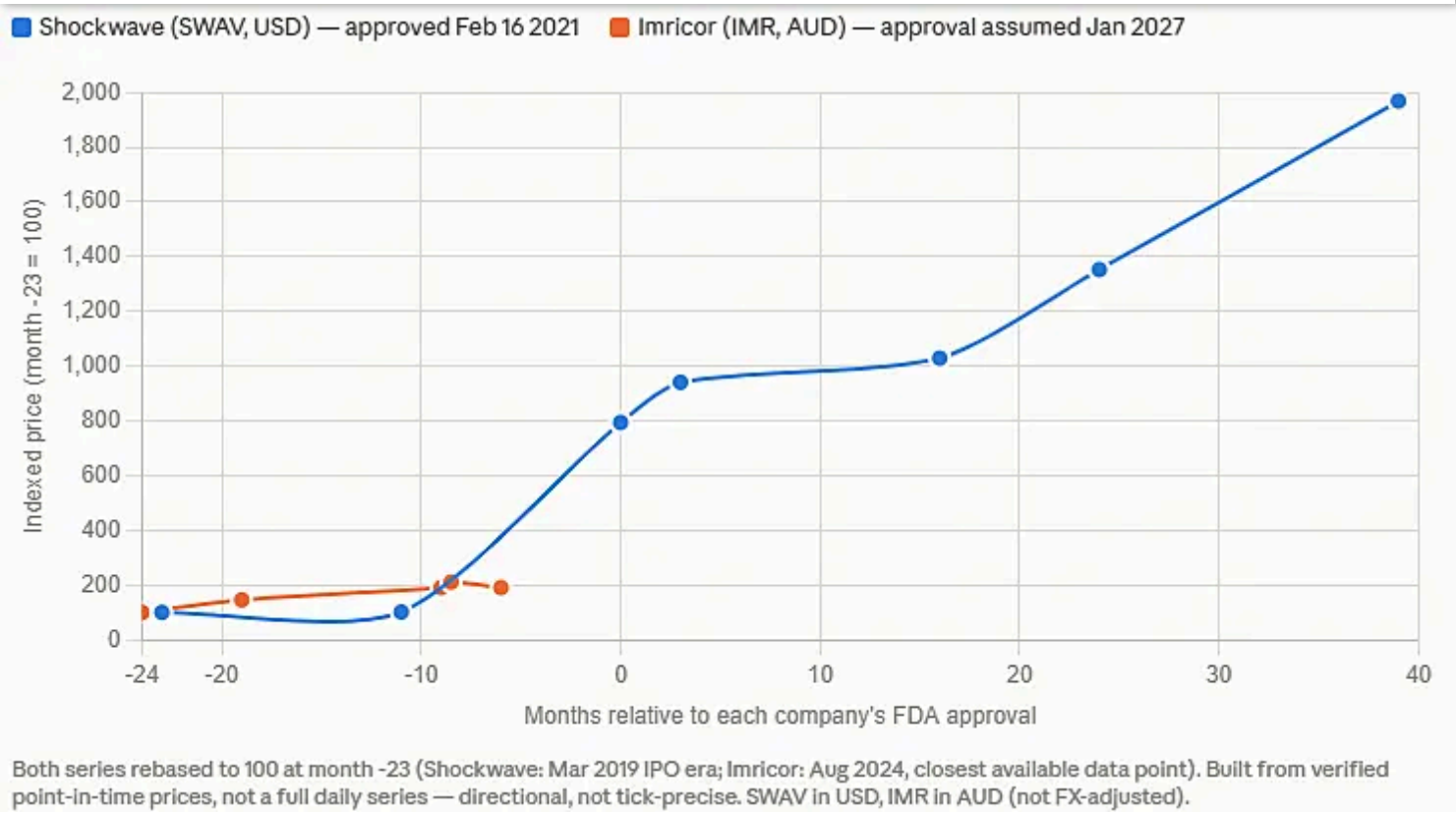
ICMR Lab Economics. Source: IMR Presentation May 2026

Despite the prescriptive nature of these elements there remains downside risk that FDA approval isn't received for AFL, VT or AFIB or commercial ramp-up in the US fails to deliver as

hoped. However, we note:

- The FDA has cleared NorthStar and the diagnostic catheter already for use in children and infants, it would be highly unusual to approve catheters for use in children and not approve them for adults! The diagnostic catheters being very similar to the ablation catheters. We also suspect if there had been safety issues we would have heard about them by now so remain optimistic that AFL approval is coming imminently
- Additionally if the catheters are deemed safe and effective to burn scar tissue in the right atrium for flutter we believe it fair to assume it can do the same thing in the ventricle for VT or the left atria for Afib. Furthermore IMR treated its first ischemic VT patient under real-time MRI guidance in October 2025 (successfully), and the VISABL-VT trial is now enrolling across multiple sites
- Not only does NorthStar provide a platform to assist in ablation procedures it serves as a commercial opportunity in its own right for intervention procedures and we note IMR has just launched a new vertical to do MR guided diagnostic procedures. We see IMR expanding into a whole range of applications and tools for biopsies and potentially specialties like oncology, neurology, etc. Hence we see them having multiple shots on goal, rather than just a binary exposure to AFL ablation success
- Additionally in relation to commercial ramp-up risk to have signed a meaningful contract with Rady Children's Hospital within weeks of FDA paediatric approval we see as encouraging

We continue to be encouraged by IMR's progress and believe they are past the binary risk stage with strong indicators of demand, which will hopefully lead to commercial success. We can't help but be attracted to the Shockwave analogy, hence we include this graph as an optimistic case study of the possibilities (assuming AFL FDA approval within 6 months) however note that Shockwave had one shot on goal: a single FDA approval in Feb 2021 which turned a flatlined, <USD20 stock into a USD335 buyout in three years. It's not a perfect parallel; Shockwave brought a genuinely novel mechanism to an underserved market, while IMR faces more established (fluoroscopy) alternatives and has already run up ahead of its own approval, so some of the surprise may be priced in. Caveats aside, we'd happily take even a fraction of Shockwave's trajectory as IMR shareholders!



Shockwave - An upside case study for IMR? Source: Chester, Claude

Founder

Furthermore we have mentioned IMR is founder-led but continue to reiterate our attraction to that fact per our previous notes (Why it pays to follow the insiders). Steve Wedan has been the driving force behind Imricor since co-founding the company in 2006 and leading it as CEO ever since, with the business consistently framed around a mission to bring iCMR to cardiac centres worldwide and improve outcomes for patients. His long tenure, hands-on leadership, and clear alignment with the company's stated vision reflect a founder deeply invested in building the platform for the long term rather than simply maximising short-term personal gain.

BOTANIX (BOT)

It would be somewhat disingenuous and a missed opportunity if we didn't mention Botanix Pharmaceuticals (BOT) as it featured in our previous report. To refresh Botanix Pharmaceuticals (BOT) is an Australian dermatology company focused on developing and commercialising treatments for prevalent skin diseases and infections. Its lead product, Sofpironium Bromide (Sofdra), targets primary axillary hyperhidrosis (excessive underarm sweating). In June 2024 Sofdra

received FDA approval to be distributed in the US which set them on the path to commercialisation. Despite securing FDA approval and launching Sofdra, as our original thesis anticipated, the commercial ramp has proven much harder than anticipated. BOT shares peaked at >AUD0.50/share in February 2025 but have since fallen to <AUD0.03/share, taking the market capitalisation down to just AUD60m. The inflection came in July 2025, when six months of (gross) Sofdra sales totalling only ~AUD25m missed consensus badly with very poor Gross to Net (GTN) realisation, ~ halving the share price in a single session. Prescriptions and gross revenue have kept climbing since, but with BOT retaining only ~23% (GTN) of each script's headline value once insurer rebates and other sales costs are stripped out they have been incurring ongoing losses which have forced repeated dilutive raises.

We have obviously seen something before (particularly within the mining space!). You could say it's the biotech equivalent of the production phase of the Lassonde Curve - the speculative re-rating happens on the promise of approval, but a "commercialisation valley" follows where distribution, reimbursement and margin economics get proven out in real time. Pierre Lassonde even once stated, "The maximum NAV is actually the minute before you push the button and the thing starts producing". We hope for management's sake Sofdra can be the NAL (North American Lithium) project of the biotech space.

DIMERIX (DXB)

Dimerix (DXB) is not a name we have spent a huge amount of time on but it was somewhat discovered in our reading for this note that we think warrants further thought. DXB is a clinical-stage biopharmaceutical company built around a proprietary drug discovery platform called Receptor-HIT (Receptor Heteromer Investigation Technology), which it uses to identify novel combinations of already-understood drug targets. Its lead program is DMX-200, being developed for focal segmental glomerulosclerosis (FSGS) — a rare, serious kidney disease with essentially no approved targeted therapies — dosed alongside standard-of-care blood pressure medication. The company also has a second program, DMX-700, in respiratory disease, though FSGS is by far the dominant value driver right now.

Several de-risking factors have stacked up ahead of the pivotal readout.

- First, DXB has already reported positive interim results on the pre-specified proteinuria endpoint from the trial's first patients, and the study has since passed eight separate Independent Data Monitoring Committee safety reviews with no protocol changes or safety concerns flagged

- Second, regulatory endpoint risk has been reduced: the FDA has separately approved another FSGS drug based on proteinuria as an endpoint, and gave DXB direct positive feedback that its own proteinuria endpoint is appropriate for a full approval pathway
- Third, recruitment risk is off the table — the trial finished enrolment and actually over-recruited (333 patients dosed against an original target of 286), which strengthens the statistical power of the eventual readout
- Finally, DXB has already signed a licensing deal with Amicus Therapeutics for the US and, more recently, with Everest Medicines for Greater China, South Korea and Southeast Asia — bringing in non-dilutive capital and commercialisation partners before the pivotal result is even in hand, which is atypical for a company this size and reduces the "cliff-edge" financing risk that often accompanies a single make-or-break phase III in smaller biotechs

None of this removes the fundamental binary risk of the final blinded readout itself — interim positivity and a clean safety record don't guarantee the confirmatory analysis holds up, and DXB is still overwhelmingly a single-asset story. It's "lower risk" in a relative sense (de-risked mechanics around the trial) rather than in absolute terms.

CLARITY (CU6)

We continue to highlight Clarity Pharmaceuticals (CU6) as one of the highest impact single drug (phase III) exposures on the ASX. CU6 is a Sydney-based, clinical-stage radiopharmaceutical company. Its whole platform is built around copper isotopes, which is really the company's key point of difference: copper has a longer half-life than the isotopes typically used in this space (like gallium or the technetium-99 that TLX and others often rely on), which in practice means scans can be taken the next day rather than just hours after injection, giving clearer pictures and picking up smaller tumours that same-day imaging can miss. The same underlying molecule can, in principle, be swapped to a different copper isotope and used to actually treat the cancer rather than just image it — hence "theranostic," a combined diagnose-and-treat approach. Their lead product, SAR-bisPSMA, targets prostate cancer, putting them squarely in the same territory as some of TLX's own franchises.

As we wrote previously though, unlike TLX, Clarity doesn't have a base level of product-driven earnings to fall back on — it's still pre-revenue in any commercial sense (recent reported "revenue" is really just R&D tax credits and grant/service income, not product sales). It currently has two trials at the pivotal (Phase III) stage: CLARIFY, checking whether the diagnostic scan can spot cancer that has spread to lymph nodes before surgery in high-risk patients, and AMPLIFY, checking whether it

can pick up cancer coming back in men whose PSA is rising after treatment. Worth noting: both of these Phase III trials are for the diagnostic (imaging) version of the drug, not the treatment version — the actual cancer-killing therapy (using a different copper isotope, 67Cu, on the same targeting molecule) is still a step behind, in an earlier-stage trial called SECuRE, though the company has put out some encouraging individual patient stories from it, including a few cases of the cancer becoming undetectable after treatment.

As we noted previously we've heard plenty of commentary on the science and the early data reads well on the numbers we can see (better detection rates than the current standard scan, no major safety flags so far) — but without the clinical background to properly weigh the trial risk ourselves, we'd still class the payout as too binary for us, rather than genuinely asymmetric. That's not a comment on whether it's the right investment for someone who can assess the science — if it's a company that could plausibly capture a multi-billion-dollar share of this market and the true odds of success are meaningfully better than what a ~AUD800m market cap implies, then for someone with the skills to make that call, the position could well be undervalued. Given 64Cu-SAR-bisPSMA has already shown strong data to date and has an FDA fast track designation we might be nearing the 12 months period to approval so if you do play single drugs it might be nearing the time to get interested.

But CU6 does continue to reinforce the same point we made about resource stocks: the market seems more willing to price in optionality for pure development/exploration companies than for those already generating earnings.

OTHER

There are a host of other ASX companies currently undergoing phase III trials we could have discussed further (CYP, PAR, NTI, ACW, RCE, etc) but this note is already long enough!

End

Thanks for your attention to this report. We hope you enjoyed reading it as much as we enjoyed writing it. Giddy Up.

[1] ROTD

[2] (VIEW LINK)

[3] AS52PHRM

[4] ROTE

[5] IWOA

[6] The Current Status of Drug Discovery and Development as Originated in United States Academia: The Influence of Industrial and Academic Collaboration on Drug Discovery and Development

[7] a PSMA-targeted lutetium-177 therapy for metastatic castration-resistant prostate cancer

[8] I.e. not inclusive of TLX-591, TLX-592 or TLX-597 revenues

[9] And excluding all other products and global global sales

[10] Illucix is approved in 22 countries

[11] Why it pays to read the account notes; and Why it pays to follow the insiders

[12] Note this was prior to the R&D increase noted with the 21 July update

[13] First patient dosed 6th February 2026 in the "Koala" trial

[14] 5 years + rather than 2 years + which only slightly reduces the TAM

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