Profiting from “Tiny” Biotech Stocks

Over the years, development-stage biotech stocks have certainly been some of our biggest winners. For example, IDEC Pharmaceuticals skyrocketed 4300%, Avagen Biosciences soared 2300% and Elan Pharmaceuticals shot up 1500% from our recommendations. (These three superstar stocks have since been bought out and are no longer trading.) A few other biotech stocks that performed well for us are Vanda Pharmaceuticals (VNDA), which soared 2467%, Dynavax Technologies (DVAX), which flew 2036% and Arena Pharmaceuticals (ARNA), which jumped 878%.

Recently I saw an article on the internet titled, Five Tiny Biotech Stocks to Own in 2015. Intrigued, I read it and was astonished to discover a huge discrepancy between what that author and I consider “tiny”. In The CHEAP Investor, we generally define a tiny biotech as one selling from $1 to $3 per share. To qualify for a Cheap Investor recommendation, that biotech needs to be selling near its 52-week low, have a few products in various stages of FDA approval and a large amount of cash to bring those products to market. Normally our biotech stocks have a market cap of $50 to $200 million.

On the other hand, that article listed these five “tiny” stocks:

- Insys Therapeutics (INSY) Stock Price: $60 – Market Cap $2.1 billion
- Ophthotech Corporation (OPHT) Stock Price $53 – Market Cap $1.8 billion
- Portola Pharmaceuticals (PTLA) Stock Price: $38 – Market Cap $1.9 billion
- Acceleron Pharma (XLRN) Stock Price: $40 – Market Cap $1.3 billion
- Achillion Pharmaceuticals (ACHN) Stock Price: $12 – Market Cap $1.3 billion

We are very familiar with the last stock, Achillion Pharmaceuticals, since we recommended it in the December 2013 issue at $2.92, and it flew to $16.87 (+477%) a year later in December 2014.

Several of our “tiny” biotech stocks hit new 52-week highs this past month. Curis (CRIS), recommended in the July issue at $1.66, shot up 111% to a high of $3.50. Rigel Pharmaceuticals (RGL), a buy in the October issue at $2.03, signed a contract with Bristol-Myers, and it almost doubled to $3.91 or +93%. ArQule (ARQL), a recommendation in last month’s issue at $1.11, jumped 89% to a high of $2.10. Our home run this month was Horizon Pharma (HZNP), which exploded to $18.98 from our $2.15 recommendation in the March 2013 issue – an incredible 783%!

Several other stocks have performed well this month. Office Depot (ODP) is being bought out by Staples at $11 per share. We recommended Office Depot twice – in December 2010 at $4.47 and in August 2012 at $1.75. At the $11 buyout price, our subscribers have potential profits of 145% and 429% respectively. Mattson Technologies (MTSN), recommended in the July issue at $2.11, more than doubled, hitting a new 52-week high of $5.04 or +139%. Rio Alto Mining Ltd. (RIOM) also hit a 52-week high of $3.06, up 60% from our buy in June at $1.91.

Bill Mathews
Biota Pharmaceuticals, Inc.
NASDAQ Stock Symbol – BOTA  Price: $2.54

Biota Pharmaceuticals, Inc. focuses on the discovery and development of products to treat serious viral respiratory infectious diseases. The Company currently has two late-stage product candidates:

- 
anaminivir octanoate, a one-time, inhaled treatment for influenza A and B infections
- 
vapendavir, a potent, broad spectrum capsid inhibitor of enteroviruses for the treatment of human rhinovirus infected patients with underlying respiratory illnesses, such as moderate-to-severe asthma and chronic obstructive pulmonary disease.

The Company is also conducting Investigational New Drug (IND)-enabling studies with BTA-C585, an orally bioavailable F protein inhibitor, in development for the treatment of respiratory syncytial virus infections.

Biota Pharmaceuticals has a good balance sheet with $77 million ($2.18 per share) in cash, a book value of $2.35 per share and no debt. Insiders own about 13% of the 35 million shares outstanding, and 57 institutions own 38% of the float (shares in public hands). For the quarter ended December 31, 2014, institutions purchased 2.8 million more shares than they sold.

The negative factor is that on April 29, the price plunged from almost $6.00 to $3.50 on the news that the Biomedical Advanced Research and Development Authority (BARDA) asked Biota to stop developing its experimental influenza drug, pending a decision related to its contract with the agency. BARDA had awarded a contract to Biota in 2011 for the development of laninamivir Octanoate as a potential treatment for influenza A and B infections.

During Biota’s second fiscal quarter, it resolved the majority of its outstanding claims with BARDA associated with the termination of its contract in May 2014. As of December 31, 2014, Biota Pharmaceuticals had $7.4 million in accounts receivable due from BARDA, of which $5.4 million was collected in early January, 2015. The Company believes that pursuant to applicable government regulations, it is entitled to be reimbursed for the remaining $2.0 million of accounts receivable it had recorded at December 31, 2014 related to the terminated BARDA contract. At this time, the Company cannot determine when and to what extent a final termination settlement will be reached with BARDA.

Biota’s second quarter and six month financial results for the period ended December 31 are shown below.

### Biota Pharmaceuticals, Inc.

#### Buy Recommendation

**Second Quarter**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$13,900,000</td>
<td>$18,500,000</td>
<td>$14,600,000</td>
<td>$30,800,000</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>6,500,000</td>
<td>(100,000)</td>
<td>(400,000)</td>
<td>(4,000,000)</td>
</tr>
<tr>
<td>Net Income (Loss) per Share</td>
<td>0.19</td>
<td>---</td>
<td>(0.01)</td>
<td>(0.14)</td>
</tr>
<tr>
<td>Avg. Shares Outstanding</td>
<td>35.1 Million</td>
<td>28.3 Million</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

“We are off to a great start in 2015 with the initiation of the Phase 2b SPIRITUS trial of vapendavir in patients with moderate-to-severe asthma, an above average quarter of royalties associated with an increase in seasonal Relenza® and Inavir® sales, continued progress with our RSV program towards filing an Investigational..."
New Drug (IND) and the successful resolution of the majority of the financial provisions related to the termination of our BARDA contract last year," commented Dr. Joseph Patti, President and Chief Executive Officer of Biota Pharmaceuticals. "We ended the quarter with $76.6 million in cash, cash equivalents and investments and believe we are currently well-capitalized to continue to execute on the strategic plan adopted in August 2014."

The Company has commenced patient screening for its Phase 2b SPIRITUS trial of vapendavir in patients with moderate-to-severe asthma. The goal of the study is to enroll approximately 150 laboratory-confirmed human rhinovirus infected patients over the next 12 months and to report top-line data in mid-2016.

Biota Pharmaceuticals has successfully completed the requisite in vitro studies to support an IND application for its respiratory syncytial virus (RSV) fusion inhibitor, BTA-C585, and pending successful completion of ongoing in vivo studies, the Company intends to file the IND application by mid-year 2015.

The Company plans to meet with the U.S. Food and Drug Administration (FDA) in the second quarter of the 2015 calendar year to discuss the results of the Laninamivir Octanoate (LANI) Phase 1 asthma and Thorough QT/QTc (TQT) studies, the Phase 1/2 pediatric study, and the Phase 2 IGLOO study to determine the appropriate primary endpoint for, and which patient reported outcome tools would be acceptable for use in prospective registration trials of LANI to treat uncomplicated influenza. Further, the Company is pursuing partnering opportunities for Phase 3 development and the commercialization of LANI outside of Japan.

A year ago, Biota Pharmaceuticals was trading over $7 per share, but now it’s fallen almost 65% from that high. Biota is an interesting speculation, which could move at least 25 to 50%. If the Company releases good news about its FDA trials, the stock could move considerably higher.

The stock can be followed daily through Internet quote services. For more information contact: Biota Pharmaceuticals, Inc., 2500 Northwinds Parkway, Suite 100, Alpharetta, Georgia 30009 or call 1-678-221-3343. The Website: http://www.biotapharma.com.

OncoGenex Pharmaceuticals, Inc.
NASDAQ Stock Symbol – OGXI Price: $2.29

OncoGenex Pharmaceuticals develops and commercializes therapies that address treatment resistance in cancer patients. Its lead drug candidate, Custirsen is in Phase III clinical development for the treatment in men with metastatic castrate-resistant prostate cancer, and in patients with advanced, unresectable non-small cell lung cancer. Custirsen is an experimental drug designed to block the production of the protein clusterin, which may play a fundamental role in cancer cell survival and treatment resistance. The Company also develops Apatorsen, which is in seven randomized Phase II trials for the treatment of bladder, lung, pancreatic, and prostate cancers. Apatorsen is an investigational drug designed to inhibit the production of heat shock protein (Hsp27), a protein that is elevated in various cancers and that has been shown to promote cancer cell growth and tumor metastasis. In addition, it develops OGX-225 that is in pre-clinical development for the treatment of solid tumors.
OncoGenex has a good balance sheet with $54 million ($2.55 per share) in cash, a book value of $1.83 per share and no debt. Insiders own 11% of the 21 million shares outstanding, and 69 institutions own 44% of the float. Institutions sold 2.6 million more shares than they bought for the quarter ended December 31, 2014.

On December 30, OncoGenex announced that it executed an initial agreement with Teva Pharmaceutical Industries Ltd. (TEVA) to regain rights to custirsen, an investigational compound currently being evaluated in Phase 3 clinical development as a treatment for prostate and lung cancers. This transfer of rights would occur in connection with the termination of the collaboration agreement between OncoGenex and Teva executed in 2009.

Following execution of the final agreement to terminate the collaboration between the parties, OncoGenex will receive a $27 million payment from Teva, subject to certain adjustments. In addition, OncoGenex will take over responsibility for all custirsen related expenses, including those related to the ENSPIRIT trial, as well as manufacturing and regulatory activities for custirsen programs, which are currently being managed by Teva. OncoGenex expects that the $27 million payment from Teva will allow for the completion and final results from the AFFINITY trial, as well as continuation of the ENSPIRIT trial through the second interim futility analysis expected in the first half of 2015.

The Company’s third quarter and nine month financial results for the period ended September 30 are shown below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration Revenue</td>
<td>$4,803,000</td>
<td>$9,862,000</td>
<td>$21,463,000</td>
<td>$21,278,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>(4,907,000)</td>
<td>(10,054,000)</td>
<td>(20,559,000)</td>
<td>(25,171,000)</td>
</tr>
<tr>
<td>Net Loss per Share</td>
<td>(0.23)</td>
<td>(0.68)</td>
<td>(1.21)</td>
<td>(1.72)</td>
</tr>
<tr>
<td>Avg. Shares Outstanding</td>
<td>21.1 Million</td>
<td>14.7 Million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

OncoGenex has several drug candidates in various stages of FDA trials. The custirsen Phase 3 AFFINITY trial successfully completed patient enrollment of 635 men. AFFINITY is designed to evaluate a survival benefit for custirsen in combination with cabazitaxel treatment as second-line chemotherapy in men with metastatic castrate-resistant prostate cancer. The timing of the AFFINITY survival primary endpoint data is event-driven and results are currently expected in late 2015 or early 2016.

The Phase 3 ENSPIRIT trial completed the first of two interim futility analyses and is continuing patient enrollment per the recommendation of the Independent Data Monitoring Committee. ENSPIRIT is evaluating custirsen in combination with docetaxel in the treatment of non-small cell lung cancer in patients who have progressed after initial chemotherapy treatment.

Patient enrollment continues in five of the seven Phase 2 trials evaluating apatorsen across four tumor types, including bladder, lung, pancreatic and prostate cancer. Data results from the 180-patient randomized, placebo-controlled Phase 2 Borealis-1™ trial of apatorsen in combination with first-line gemcitabine and cisplatin in patients with metastatic bladder cancer are expected to be announced by the end of first quarter of 2015.

Based on current expectations, the Company believes its capital resources as of September 30, 2014 will be sufficient to fund its currently planned operations into the third quarter of 2016, and through the expected release of final results from the Borealis-1 trial by the end of first quarter of 2015; expected release of final results from the AFFINITY trial in late 2015 or early 2016; and the expected completion of enrollment and results from the Spruce and Rainier clinical trials.

OncoGenex is a speculative biotech with enough cash to last almost two years, at the current burn rate. The stock has the potential to move 50 to 100% over the next year or two. With several products in FDA trials,
positive results could send the price significantly higher. The stock can be followed daily through Internet quote services. For more information contact: OncoGenex Pharmaceuticals, Inc., 1522-217th Place SE, Suite 100, Bothell, Washington 98021 or call 1-425-686-1500. The Website: http://www.oncogenex.com.

Warren Resources, Inc.
NASDAQ Stock Symbol – WRES  Price: $1.26

Warren Resources, an independent energy company, holds interests in various properties in California, Wyoming, New Mexico, and Texas. It focuses primarily on the exploration and development of waterflood oil recovery properties in the Wilmington field within the Los Angeles Basin of California; and on the exploration and development of coalbed methane properties located in the Rocky Mountain region. As of December 31, 2013, the company owned natural gas and oil leasehold interests in approximately 93,350 net acres located in the Rocky Mountains; and had estimated net proved reserves of approximately 33.7 million barrels of oil equivalent.

We recommended Warren Resources in the May 2012 issue at $3.05. Crude oil prices plunged that month, so we recommended the stock again in the June issue at $2.29. The stock eventually shot to a high of $7.02 or +130% and +207% respectively. With the price at a very attractive $1.26, we think Warren Resources could be an interesting speculation.

The Company has a fair balance sheet with $1.8 million in cash, a book value of $3.61 per share and a large debt of $418 million. (Large debt is normal for an oil and gas company.) Insiders own about 5% of the 79 million shares outstanding, and 169 institutions own 60% of the float. The negative factor is that institutions sold about 19 million more shares than they bought for the quarter ended December 31, 2014. We are not surprised that institutions are bailing out since the price has fallen so low. Even though revenues have increased nicely, net income has fallen, adding in the huge drop in crude oil prices, it's no wonder that the stock price is in a downward trend. On the other hand, insiders have recently purchased 361,000 shares at prices ranging between $1.43 and $2.99 per share.

Warren Resources’ third quarter and nine month financials for the period ended September 30 are shown below.

<table>
<thead>
<tr>
<th></th>
<th>Third Quarter</th>
<th>Nine Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>$40,513,000</td>
<td>$34,682,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>3,725,000</td>
<td>14,658,000</td>
</tr>
<tr>
<td>Net Income per Share</td>
<td>0.05</td>
<td>0.20</td>
</tr>
<tr>
<td>Avg. Shares Outstanding</td>
<td>78.6 Million</td>
<td></td>
</tr>
</tbody>
</table>

The Company’s financial results in the third quarter of 2014 were impacted by $3.7 million of unrealized gains on hedges, a $1.1 million positive accounting adjustment to G&A for lower litigation expenses than previously accrued for, and $4.1 million of one-time acquisition expenses related to the Marcellus acquisition. Results in the third quarter of 2013 were impacted by $1.0 million of unrealized losses on hedges and a $5.3 million gain resulting from an adjustment to recapture certain previously undercharged post production costs.
In announcing the results, Philip A. Epstein, Chairman and Chief Executive Officer, commented, "We are pleased to announce our third quarter results, which benefitted from the integration of our Marcellus assets, which we acquired in August, 2014. The Marcellus assets are outperforming expectations, which allows us to increase our full year 2014 natural gas guidance by 7%.

"While there has been significant volatility in energy commodity prices and capital markets, Warren has over $100 million of liquidity and will continue to focus on growth within cash flow. Warren is well positioned to ride-out market fluctuations while maintaining financial flexibility to execute on attractive growth opportunities. Following our large Marcellus acquisition, Warren adjusted its 2014 capital allocations by scaling back our Wyoming CBM drilling program from 50 to 33 wells, which allows us to further emphasize cash flow growth on high return assets and positions the Company for even stronger growth into 2015."

Recently, Philip Epstein announced his resignation to pursue other opportunities. Lance Peterson, a Warren Resources board member, was appointed as interim C.E.O. Mr. Peterson has more than 30 years experience in the oil and gas industry. In addition, he owns about 10.5 million shares of Warren Resources’ stock, and he recently purchase 160,000 shares at $1.46. We think he would be an excellent choice to become the permanent C.E.O.

Warren estimates production for the full year 2014 grew 77% year-over-year to approximately 22.8 billion cubic feet of equivalent, approximately 70% of which is natural gas. This production growth is primarily attributable to increased volumes resulting from the acquisition of the Marcellus assets in the third quarter of 2014. With the ongoing volatility in commodity and capital markets, Warren is revising its 2015 capital budget lower to approximately $21 million from the Company's preliminary $80 million budget released in early December 2014.

Warren Resources is a very speculative stock selling at a good low price. We think the stock has the potential to do very well when crude oil prices rebound. It can be followed daily through Internet quote services. For more information contact: Warren Resources Inc., 1114 Avenue of the Americas, 34th Floor, New York, New York 10036 or call 1-212-697-9660. The fax number is 1-212-697-9466. The Website: http://www.warrenresources.com.

Koss Corporation
NASDAQ Stock Symbol – KOSS Price: $2.01

Renowned for the invention of the original stereophones, Koss Corporation has been pioneering hi-fi since 1958. Koss markets a complete line of high-fidelity headphones, wireless Bluetooth® speakers, telecommunications headsets, computer headsets, active noise canceling headphones, wireless headphones, and compact disc recordings of American Symphony Orchestras on the Koss Classics label.

In January 2014, Koss was selling at $6.50 per share. The Company incurred a large loss in 2014, and its stock plunged to a low of $1.26. After Koss returned to profitability, the price recovered to the $2 level. It has a fair balance sheet with $125,000 ($0.02 per share) in cash, a book value of $2.07 and a small debt of $1.3 million. Insiders own about 69% of the 7 million shares
outstanding, and 23 institutions own 46% of the float. For the quarter ended December 31, 2014, institutions sold about 400,000 more shares than they bought.

The Company’s sales and earnings for the second quarter and six-month periods ended December 31 are shown below.

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th>Six Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Net Sales</td>
<td>$7,040,150</td>
<td>$6,524,215</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>165,586</td>
<td>(3,452,841)</td>
</tr>
<tr>
<td>Net Income (Loss) per Share</td>
<td>0.02</td>
<td>(0.47)</td>
</tr>
<tr>
<td>Avg. Shares Outstanding</td>
<td>7.4 Million</td>
<td></td>
</tr>
</tbody>
</table>

"Given the recent challenges, we are encouraged by the increase in sales for the quarter and the fact that the Company reported a profit for both the quarter and the first six months. Sales in certain export markets, especially Scandinavia, increased in the quarter," commented Michael J. Koss, President and CEO. "Sales in Ukraine, Czech Republic and Japan continued to struggle compared to last year."

U.S. sales in the quarter ended December 31, 2014 increased by approximately 2.7% when compared to the same three month period last year. For the first six months of this fiscal year, U.S. sales were down by approximately 2.4% compared to the same period a year ago, primarily due to a large promotional load-in transaction in 2013 that was not repeated in 2014, which was partially offset by solid increases in sales in 2014 to certain distributors, retailers, and original equipment manufacturers.

"We are beginning to experience a turnaround in some markets with encouraging strength in the U.S. market. Last year's promotional load-in transaction with a domestic customer resulted in net sales for the three and six months ended December 31, 2013 of approximately $990,000 and $1,380,000, respectively. Those net sales had to be covered by other customers in the current quarter," Koss added. "Our cost reduction efforts have allowed us to be profitable at the current sales level and to conserve cash. Various cost reduction projects helped to reduce selling, general and administrative expenses by approximately $1.7 million from last year's levels in the first six months of the year."

Koss is a well-known name in the headphone industry. It has a history of being profitable, so if Koss continues to grow its revenues and earnings, the stock could move 50 to 100% over the next couple of years. It can be followed daily through Internet quote services. For more information contact: Koss Corporation, 4129 North Port Washington Avenue, Milwaukee, Wisconsin 53212 or call 1-414-964-5000. The Website: http://www.koss.com.

Office Depot, Inc. - Buyout

NYSE Stock Symbol – ODP   BUYOUT Price: $11.00

Formed by the merger of Office Depot and OfficeMax, Office Depot, Inc. is a leading global provider of products, services, and solutions for every workplace –office, home, school, or car. Office Depot has combined pro forma annual sales of approximately $17 billion, employs more than 58,000 associates, and serves consumers and businesses in 57 countries with more than 2,000 retail stores, award-winning e-commerce sites and a dedicated business-to-business sales organization – all delivered through a global network of wholly owned operations, joint ventures, franchisees, licensees and alliance partners. The Company operates under several banner brands including Office Depot, OfficeMax, OfficeMax Grand & Toy, Reliable and Viking. Office Depot’s portfolio of exclusive product brands include TUL, Foray, DiVOGA, Ativa, WorkPRO, Realspace and HighMark.
The CHEAP Investor recommended Office Depot twice – at $4.47 in the December 2010 issue and at $1.75 in the August 2012 issue. On February 4, Staples, Inc. (SPLS) announced it would buy Office Depot at $11 per share. This gave our subscribers potential profits of 146% and 529% respectively.

Under the terms of the agreement, Office Depot shareholders will receive, for each Office Depot share, $7.25 in cash and 0.2188 of a share in Staples stock at closing. Based on Staples closing share price on February 2, 2015, the last trading day prior to initial media speculation around a possible transaction, the transaction values Office Depot at $11.00 per share. This represents a premium of 44% over the closing price of Office Depot shares as of February 2, 2015, and a premium of 65% over the 90-day average closing price of Office Depot shares as of February 2, 2015. The transaction values Office Depot at an equity value of $6.3 billion. With the acquisition of Office Depot, Staples will have pro forma annual sales of approximately $39 billion.

“This is a transformational acquisition which enables Staples to provide more value to customers, and more effectively compete in a rapidly evolving competitive environment,” said Ron Sargent, Staples’ chairman and chief executive officer. “We expect to recognize at least $1 billion of synergies as we aggressively reduce global expenses and optimize our retail footprint. These savings will dramatically accelerate our strategic reinvention which is focused on driving growth in our delivery businesses and in categories beyond office supplies.”

In connection with the acquisition, Staples has obtained financing commitments from Barclays and BofA Merrill Lynch for a $3 billion ABL credit facility, and a $2.75 billion 6-year term loan. The closing of the transaction is not subject to financing conditions. Staples is committed to maintaining its current quarterly dividend of $0.12 per share and has temporarily suspended its share buyback program to focus on paying down transaction related debt.

Office Depot shareholders have two choices. They can sell at the current market price for $9.30 or wait until the deal is consummated and receive $7.25 in cash and 0.2188 of a Staples share (equivalent to $11 per share). The acquisition announcement spawned a number of lawsuits seeking a higher buyout price for Office Depot shares. Will all those lawsuits cause Staples to back away from the deal? Probably not, but there’s always a chance that the acquisition won’t go through. The transaction is subject to customary closing conditions, including antitrust regulatory approval and Office Depot shareholder approval, and is expected to close by the end of calendar year 2015. Staples will remain focused on its strategic reinvention plan, and Office Depot will remain focused on its integration of OfficeMax during this period.

The stock can be followed daily in some major newspapers or through Internet quote services. For more information contact: Office Depot, Inc., 6600 North Military Trail, Boca Raton, Florida 33496 or call 1-561-438-4800. The Website: http://www.officedepot.com.

Curis, Inc.

Curis, Inc. focuses on developing cancer drug candidates. It has collaborations with Genentech, Inc. and F. Hoffmann-La Roche Ltd. for the development and commercialization of Erivedge, an orally-administered small molecule Hedgehog pathway inhibitor.

We recommended Curis in the July issue at $1.66 and this month the stock more than doubled to a new 52-week high of $3.50 or +111%. A license and option agreement with Aurigene Discovery Technologies, Ltd. is the catalyst that moved the stock upward.

The collaboration provides for inclusion of multiple programs, with Curis having the option to exclusively license compounds once a development candidate is nominated within each respective program. The partnership draws from each company's respective areas of expertise, with Aurigene having the responsibility
for conducting all discovery and preclinical activities, including IND-enabling studies and providing Phase 1 clinical trial supply, and Curis having responsibility for all clinical development, regulatory and commercialization efforts worldwide, excluding India and Russia, for each program for which it exercises an option to obtain a license.

The first two programs under the collaboration are an orally-available small molecule antagonist of programmed death ligand-1 (PD-L1) in the immuno-oncology field and an orally-available small molecule inhibitor of Interleukin-1 receptor-associated kinase 4 (IRAK4) in the precision oncology field. Curis expects to exercise its option to obtain exclusive licenses to both programs and file IND applications for a development candidate from each in 2015.

Dr. Fattaey continued, "Aurigene has a long and well-established track record of generating targeted small molecule drug candidates with bio-pharmaceutical collaborators and we have significantly expanded our drug development capabilities as we advance our proprietary drug candidates in currently ongoing clinical studies. We believe that we are well-positioned to advance compounds from this collaboration into clinical development."

In connection with the transaction, Curis has issued to Aurigene approximately 17.1 million shares (19.9% of its outstanding common stock immediately prior to the transaction), in partial consideration for the rights granted to Curis under the collaboration agreement. The shares issued to Aurigene are subject to a lock-up agreement until January 18, 2017, with a portion of the shares being released from the lock-up in four equal bi-annual installments between now and that date.

The agreement provides that the parties will collaborate exclusively in immuno-oncology for an initial period of approximately two years, with the option for Curis to extend the broad immuno-oncology exclusivity.

In addition Curis has agreed to make payments to Aurigene as follows:

- For the first two programs: up to $52.5 million per program, including $42.5 million per program for approval and commercial milestones, plus specified approval milestone payments for additional indications, if any.
- For the third and fourth programs: up to $50 million per program, including $42.5 million per program for approval and commercial milestones, plus specified approval milestone payments for additional indications, if any.
- For any program thereafter: up to $140.5 million per program, in including $87.5 million per program in approval and commercial milestones, plus specified approval milestone payments for additional indications, if any.

Curis has agreed to pay Aurigene royalties on any net sales ranging from high single digits to 10% in territories where it successfully commercializes products and will also share in amounts that it receives from sublicensees, depending upon the stage of development of the respective molecule.

Even though Curis could continue to move higher, shareholders should consider taking some of their profits off the table. The stock can be followed daily through Internet quote services. For more information contact: Curis, Inc., 4 Maguire Road, Lexington, Massachusetts 02421 or call 1-617-503-6500. The fax number is 1-617-503-6501. The Website: http://www.curis.com.

**Pioneer Energy Services, Inc.**

**NYSE Stock Symbol – PES**  Price: $5.23

Through its subsidiaries, Pioneer Energy Services provides contract land drilling and production services in the United States and Colombia. With its fleet of 62 drilling rigs in Texas, North Dakota, Utah, Appalachia, and
Colombia, the Company offers its contract land drilling services to oil and gas exploration and production companies. It also provides a range of services, including well servicing, wireline services, coiled tubing services, and fishing and rental services.

Recommended in last month’s issue at $4.41, Pioneer Energy Services shot up 48% to a high of $6.53. Then the stock fell back after releasing its fourth quarter and year-end financial results for the period ended December 31 as shown below.

### Update – Buy at Lower Price

<table>
<thead>
<tr>
<th></th>
<th>Fourth Quarter</th>
<th>Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$283,110,000</td>
<td>$238,183,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>(47,753,000)</td>
<td>(2,515,000)</td>
</tr>
<tr>
<td>Net Loss per Share</td>
<td>(0.75)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Avg. Shares Outstanding</td>
<td>63.8 Million</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$1,055,223,000</td>
<td>$960,186,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>(38,018,000)</td>
<td>(35,932,000)</td>
</tr>
<tr>
<td>Net Loss per Share</td>
<td>(0.60)</td>
<td>(0.58)</td>
</tr>
<tr>
<td>Avg. Shares Outstanding</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

"As our clients respond to the dramatic drop in commodity prices by reducing expenditures, we are responding in-kind and have moved quickly to reduce our costs and capital expenditure plan," said Wm. Stacy Locke, President and CEO of Pioneer Energy Services. "We intend to sell an additional 18 mechanical and lower-horsepower electric drilling rigs in the near-term which will accelerate our strategy to substantially exit vertical drilling markets and focus on our higher margin businesses.

"Our Production Services Segment, which typically experiences less pressure during market downturns, should remain relatively active as our clients focus their capital on lower-cost projects to maintain production. We expect to see pricing pressure and a highly competitive production services environment, but we believe our high-quality equipment and services are well positioned to compete.

"Throughout 2013 and 2014, we focused on reducing our total debt and interest expense. Since the second quarter of 2013, we have successfully reduced debt by over $100 million while also substantially lowering our borrowing costs, extending all debt maturities, and increasing liquidity through our revolver. Despite the challenging market, we believe that we are well positioned to maintain a healthy balance sheet throughout 2015," Mr. Locke concluded.

In October, we redeemed the remaining $125 million of our 9¾% Senior Notes primarily using borrowings under our amended revolving credit facility. We currently have $150 million outstanding and $18.5 million in committed letters of credit under our amended $350 million revolving credit facility.

In the first quarter of 2015, drilling rigs utilization is expected to average 78% to 80% based on an average fleet of 46 rigs. Drilling Services Segment margin is expected to be approximately $10,000 to $11,000 per day, which includes a benefit from rigs earning but not working.

Production Services Segment revenue in the first quarter is expected to be down approximately 15% to 20% as compared to the fourth quarter due to overall reduction in industry activity. Production Services Segment margin as a percentage of revenues is expected to be down approximately 5% to 7% as compared to the fourth quarter.

With the 50% plunge in crude oil prices, we expected the Company to post a loss, but were surprised by how large the loss was when it was announced on February 17. As we go to press, crude oil prices are continuing to fall and Pioneer Energy’s price follows suit. We would consider buying more shares if the price fell under $4.

We continue to like the stock for the longer term, but shareholders should consider taking some profits off the table. The stock can be followed daily in some major newspapers or through Internet quote services. For more information contact: Pioneer Energy Services Corporation, 1250 N.E. Loop 410, Suite 1000, San Antonio, Texas 78209 or call 1-210-828-7689. The Website: [http://www.pioneeres.com](http://www.pioneeres.com).
Thompson Creek Metals, Inc.
NYSE Stock Symbol – TC    Price: $1.58

Thompson Creek Metals mines, mills, processes, and markets copper, gold and molybdenum products in the United States and Canada. Its principal operating properties include 100% owned in Mt. Milligan mine, an open-pit copper and gold mine and concentrator in British Columbia; 100% owned Thompson Creek mine, an open-pit molybdenum mine and concentrator in Idaho; and 75% joint venture interest in the Endako mine, an open-pit molybdenum mine, concentrator, and roaster in British Columbia, as well as the Langeloth metallurgical facility in Pennsylvania.

Thompson Creek Metals produces molybdenum products, primarily molybdic oxide and ferromolybdenum, as well as high soluble technical oxide, pure molybdenum tri-oxide, and high purity molybdenum disulfide. As of December 31, 2013, its consolidated proven and probable reserves totaled 197.9 million pounds of contained molybdenum in the Thompson Creek Mine and the Endako Mine.

We last recommended Thompson Creek Metals in the January 2014 issue at $1.88, and it moved up to $3.17 or +69%. The Company’s fourth quarter and year end results for the period ended December 31 are shown below.

<table>
<thead>
<tr>
<th></th>
<th>Fourth Quarter</th>
<th>Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$168,000,000</td>
<td>$117,100,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>(135,600,000)</td>
<td>(210,500,000)</td>
</tr>
<tr>
<td>Net Loss per Share</td>
<td>(0.63)</td>
<td>(1.24)</td>
</tr>
<tr>
<td>Avg. Shares Outstanding</td>
<td>214.1 Million</td>
<td></td>
</tr>
</tbody>
</table>

"We achieved very good operational and financial performance in 2014 and ended the year with a strong cash position," said Jacques Perron, President and CEO of Thompson Creek. "We are pleased to have met our 2014 copper and total molybdenum production guidance, and are particularly pleased with our 2014 copper cash costs of $1.15 per pound on a by-product basis, which we expect to be lower in 2015.

"The fourth quarter brought challenges to the mining industry, including our business, with falling copper and molybdenum prices. Although TC Mine and Endako Mine are not currently in operation, we expect to generate sufficient revenue from the conversion of third party material at our Langeloth Facility and sales of inventory from our molybdenum mines to have positive cash flow from our molybdenum business in 2015.

"Our focus for Mount Milligan Mine in 2015 is to achieve mill throughput of 60,000 tons per day by year-end, which we think is doable with the temporary crushing circuit currently in place. By completing the detailed engineering for the permanent secondary crusher in 2015, we will be well-positioned to commence construction once market conditions improve, and we feel it is appropriate to make the capital investment," added Mr. Perron. "We believe that our payable copper and gold production will significantly increase in 2015 and that we will achieve cash costs of $0.60 to $0.85 per pound of copper on a by-product basis, making Mount Milligan one of the lowest cost copper producers in the world on a by-product basis."

On January 29, the stock plunged to a low of $1.17 and has since recovered to the $1.60 level. Thompson Creek posted a good increase in revenues and has a solid cash position. Even though the loss is lower than last year, it’s still large. Our major concern is low molybdenum commodity prices have caused the Company to temporarily suspend operations at its Endako and Thompson Creek mines.

We would consider purchasing more shares only if the price fell below $1.25. The stock can be followed daily in some major newspapers or through Internet quote services. For more information contact: Thompson Creek Metals Company Inc., 26 West Dry Creek Circle, Suite 810, Littleton, Colorado 80120 or call 1-303-761-8801. The fax number is 1-303-761-7420. The Website: http://www.thompsoncreekmetals.com.
DISCLAIMER AND DISCLOSURE NOTICE: The Cheap Investor is a monthly subscription-based newsletter, along with its related publications (including, but not limited to special reports, but not including paid for alerts) and other services (the "Newsletter"), is edited by Bill Mathews (the "Editor") in association with Mathews and Associates, Inc. ("MAI"), and is published by Core Capital Media, LLC ("Core Capital"). The Newsletter presents publicly available data and information concerning publicly traded/quoted companies to our subscribers and potential subscribers. None of Core Capital, the Editor, or MAI, is registered as an investment advisor or broker/dealer. Unless the context otherwise dictates, reference in this disclaimer to "us," 'we," or "our," refer collectively to Core Capital, the Editor and MAI.

Other than subscription revenues, we receive no compensation with respect to any of the companies detailed in the Newsletter.

As of February 27, 2014 the Editor and MAI do not own securities of any of the companies initially detailed in this edition of the Newsletter (identified with the words "Buy Recommendation" in bold type). Note: last month’s issue should have contained this information: As of January 23, the Editor and/or MAI own the following securities of companies initially detailed in this edition of the Newsletter (identified with the words “Buy Recommendation” in bold type): ArQule Inc. – 9,500 shares.

However, please note that Core Capital, and its respective principals, employees, partners, directors, and officers may from time to time own, buy or sell the securities of a company detailed in the Newsletter. We have implemented a policy restricting our principals, employees, partners, directors and officers from purchasing the securities of any company detailed in the Newsletter less than seven (7) days after the date of the publication of the Newsletter in which such company is detailed and selling the securities of such company until at least thirty (30) days have lapsed from the date of the publication of the Newsletter in which such company is detailed.

For companies that are detailed in the Newsletter in order to update readers regarding the securities of such company (these companies are identified with the word “Update” before the Editor’s recommendation), please refer to the Newsletter in which the Company was initially detailed for additional disclosures. For your convenience the paragraph regarding each updated company will identify the issue in which such company was initially detailed.

We have not made, nor do we make, any claim that we have taken any steps to ensure that the securities of any company detailed in the Newsletter are suitable for any particular investor. In particular, such securities may not be suitable for you and it is recommended that you consult with an independent advisor if you have any concerns or questions regarding such securities. Accordingly, you should not view the information in the Newsletter as constituting investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you. Information, opinions and estimates referenced in the endorsement reflect a judgment at its original date of publication and are subject to change without notice. You should note also that the price and value of the securities of a company detailed in the Newsletter is as of a date prior to publication and may not reflect the most recent price for such security. The price and value of the securities of a company detailed in the Newsletter can fall as well as rise, and may have a high level of volatility and associated risk.

We do not claim any special expertise or knowledge of the industries in which a detailed company operates. You should conduct your own research and due diligence to independently verify the data, material and other information contained in the Newsletter. You are solely responsible for your own investment decisions.

The opinions and analyses presented in the Newsletter are based on sources and information believed to be reliable, but no representation or warranty, expressed or implied, as to the reliability, accuracy or completeness of any of the data, material and other information presented and we are not responsible for errors or omissions contained in the Newsletter.

The views and opinions expressed in the Newsletters are those of the Editor and do not necessarily reflect the views of Core Capital, MAI, its affiliates, or its employees.

Past performance is no guarantee of future success and you should not assume that the securities of companies detailed in current or future Newsletters will perform better than or even equal to the performance of the securities of companies detailed in prior Newsletters. All stock investments carry some degree of risk. By investing in any of the stocks of the companies detailed in the Newsletter you can and may lose some or all of your investment. Do not invest in any stock if you are not prepared to lose your entire investment.