



Biotech Daily

Friday December 19, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECHS DOWN: STARPHARMA UP 15%, SUNSHINE DOWN 29%**
- * **BIOGUIDE BRIEF: METABOLIC SHAREHOLDERS GET IT RIGHT**
- * **VIRALYTICS EVATAK ACTIVE AGAINST GASTRIC CANCERS IN MICE**
- * **FLUOROTECHNICS WINS UK CUSTOMER**
- * **TYRIAN TO SUPPLY DIAGNOSTIQS TO BAYER**
- * **ANTEO APPOINTS JAMES HENDERSON CHAIRMAN**
- * **AUSBIOTECH, ABN AMRO, BLUEPRINT 'LATE STAGE' SAN FRAN SHOW**

MARKET REPORT

The Australian stock market was up 0.7 percent on Friday December 19, 2008 with the All Ordinaries up 25.5 points to 3,547.2 points.

Ten of the Biotech Daily Top 40 stocks were up, 13 fell, eight traded unchanged and nine were untraded.

Starpharma was best, up three cents or 15 percent to 23 cents with 5,000 shares traded, followed by Mesoblast up 11.84 percent to 85 cents.

Pharmaxis climbed 9.32 percent; Phylogica was up 8.11 percent; Cellestis was up 4.17 percent; Cochlear and CSL were up more than three percent; Genetic Technologies rose 2.63 percent; with Arana, Phosphagenics, Novogen and Universal Biosensors up more than one percent.

Sunshine Heart led the falls, down two cents or 28.57 percent to five cents with 100,000 shares traded, followed by Living Cell down 17.27 percent to 9.1 cents.

Alchemia and Ventracor fell more than 14 percent; Tyrian lost 11.43 percent; Circadian was down 10.77 percent; Biota and Viralytics were down more than nine percent; Polartechnics was down 7.69 percent; Peplin lost 6.25 percent; Acrux fell 4.04 percent; with Progen and Sirtex down less than one percent.

MARC SINATRA'S BIOGUIDE BRIEF: METABOLIC

Metabolic shareholders who voted for the Polynovo merger at the company's November 27, 2008 annual general meeting should be thanking those who voted it down.

While it may have been an embarrassing meeting described by one observer as "a debacle" and unprecedented for a board to split and a major shareholder to vote down an agreed merger, the result has been a better business deal for Metabolic.

The original deal valued Polynovo at \$9.5 million dollars, based on Metabolic's share price of 3.9 cents on the day the deal was announced last July.

Yesterday, however, Metabolic was able to acquire 60 percent of Polynovo for \$3.5 million dollars, implying a value of only \$5.8 million for the company. The deal includes an option for Metabolic to invest up to a further \$5 million dollars at the same price up to 2013.

If Metabolic is valued on a cash basis rather than share price, the improvement in the deal is not quite as good as illustrated above, but it is still much better than the original deal.

Essentially, what happened is that Polynovo entered into some business deals that were dependent on the cash that would be made available by the merger with Metabolic, such that if the merger were to fall over, Polynovo would be in great amount of difficulty.

Presumably, some astute Metabolic shareholders recognized this and decided to take advantage of the situation.

With limited time for due diligence by other investors, Metabolic remained in the box seat to snare Polynovo and so they did, at a much more attractive price.

This may not have been 'nice' business, but it sure was good business. It is also a timely reminder to us all that a deal ain't done 'til it's done.

Metabolic fell 0.4 cents or 13.33 percent to 2.6 cents.

Marc Sinatra

GENETIC TECHNOLOGIES

There is a rule in court reporting that one can only report what one hears said in court. To do otherwise is to run the very big risk of getting facts wrong, committing "a sub judice" and ending up before the court, oneself.

Biotech Daily does not have the resources to cover properly the ongoing and potentially lengthy cases involving Genetic Technologies founder Dr Mervyn Jacobson, his daughter Tamara Milstein and her husband and former Genetic Technologies executive Geoff Newing, along with two former stockbrokers.

The Age newspaper's Ari Sharp has attended several of the hearings and for readers interested in the matter, he appears to be the only reporter "on the case".

<http://business.theage.com.au/business/stockbroker-faces-jail-because-of-loyalty-20081218-71pd.html>

Genetic Technologies climbed 0.1 cents or 2.63 percent to 3.9 cents.

VIRALYTICS

Viralytics says pre-clinical data shows anti-cancer activity of its oncolytic virus candidate, Evatak on cultures of gastric or stomach cancer.

Viralytics said the Evatak or Echovirus type 1 data would be published in the 'Journal of Molecular Medicine' by staff at the University of Newcastle on behalf of the company.

The company said the article, entitled, 'Regional administration of oncolytic Echovirus 1 as a novel therapy for the peritoneal dissemination of gastric cancer' described the positive oncolytic activity of Evatak on laboratory cell cultures of human gastric cancer and against gastric tumors grown in the peritoneal cavity, or the walls of the abdomen, of mice.

The company said it would post an electronic link on its website to the published article when it became available online.

Viralytics chief scientific officer Prof Darren Shafren said the data generated from pre-clinical trials of Evatak against human ovarian, prostate and gastric cancers "makes it a significant addition to our product pipeline, second in line to our lead product Cavatak".

Earlier this year, Viralytics received a notice of allowance from the US Patent Office for its application covering the use of Echoviruses (including Evatak) for the treatment of all cancers, including gastric cancer, bearing expression of the integrin $\alpha 2\beta 1$.

Evatak is the trade name for Viralytics' proprietary formulation of the Echovirus Type 1.

The US National Cancer Institute predicts that 21,500 Americans will be diagnosed with gastric cancer in 2008 and 10,880 will die from the disease.

Treatment is dependant on stage and extent of the stomach cancer and options include surgery, chemotherapy and radiation therapy.

Viralytics fell 0.4 cents or 9.3 percent to 3.9 cents.

FLUOROTECHNICS

Fluorotechnics says it will supply precast gels and fluorescent dyes to England's North East Proteome Analysis Facility.

Fluorotechnics said North East Proteome Analysis Facility (NEPAF) was a high profile European customer.

The company said the contract had been taken into consideration in determining the expected sales for the 2009 financial year announced yesterday (see Biotech Daily December 18, 2008).

Fluorotechnics said NEPAF serviced small to middle sized pharmaceutical and biotechnology companies that previously lacked access to proteomics tools and technologies and was looking to expand its international reach.

Fluorotechnics said NEPAF was managed by Cels, and organization "driving the growth of North East England's £8 billion [\$A17.6 billion] healthcare economy".

Fluorotechnics said NEPAF would use its standard vertical technique, horizontal electrophoresis gels and flat-top tower units for high-throughput two-dimensional electrophoresis.

Fluorotechnics chief executive officer Dr Duncan Veal said the choice of his company's technology "by a leading institution like NEPAF confirms our ability to deliver high-quality products to market".

Fluorotechnics was untraded at 99 cents.

TYRIAN

Tyrian Diagnostics says Bayer Cropscience AG will market and sell 10,000 Wheatrite kits and 500 Readrite instruments and develop a new test for Bayer.

Tyrian chief executive officer Dr Jenny Harry said the Wheatrite purchase by Bayer “not only generates revenue for Tyrian, it also provides validation of our Diagnostiq platform technology”.

Tyrian will receive an undisclosed annual licence fee and royalties on net sales of Wheatrite kits.

“We are extremely pleased with the initial market feedback for the Wheatrite product and we look forward to building on our collaboration with Bayer to develop and commercialize new products,” Dr Harry said.

Tyrian also said it would begin development of a second point-of-need diagnostic product with Bayer Cropscience.

Tyrian’s said the test content would be provided by Bayer, but gave no details.

Tyrian said it expected to complete the proof-of-concept phase by April 2009.

Tyrian said Bayer would fund the development costs and Tyrian would receive annual licence fees and royalties on net sales of a commercial product.

The company said it would manufacture the Wheatrite tests for Bayer in-house with the intention to outsource to a manufacturer as volumes increase.

The Wheatrite tests will be produced in kits of 10 or 100 for distribution by Bayer in North America and Europe.

Tyrian expects to complete manufacturing of the tests by April 2009.

Readrite is a portable reader to enable quantitative results to be obtained from Wheatrite tests. Bayer is expected to sell the readers to high-volume users of Wheatrite tests such as grain buyers, handlers, and millers.

Readrite will be manufactured by a Sydney-based specialist engineering company.

The sale of the readers will generate a commercial return to Tyrian, and the company expects to complete delivery of the readers to Bayer by June 2009.

Tyrian said its product pipeline includes Wheatrite for measuring wheat quality, which is partnered with Bayer and a rapid test for active tuberculosis, in collaboration with Becton Dickinson.

Tyrian said Diagnostiq was a point-of-need diagnostic test platform for the development of rapid and quantitative tests.

The technology has an antibody/antigen printed membrane, a pre-filter device and an incubation chamber in a vertical flow-through format.

Tyrian said the test was simple to use, gave rapid and accurate results and was suitable for use with crude samples such as whole blood, sputum, saliva, or plant materials.

The test can be used with a portable digital reader when quantitative test results are required and has the potential to be used as a diagnostic platform for virtually any analyte for which antibodies or antigens are available.

Wheatrite is a rapid wheat quality test that can be completed in five minutes and enables growers to make an on-farm assessment of the extent of rain damage to a crop in order to separate sound grain from damaged grain.

The Wheatrite reader, Readrite, provides a quantitative measure of alpha amylase in wheat samples and can convert the amylase result to a corresponding value for different varieties of wheat.

Tyrian fell 0.4 cents or 11.43 percent to 3.1 cents.

[ANTEO DIAGNOSTICS](#)

Anteo Diagnostics has appointed James Henderson as a director replacing Bruce Rathie as non-executive chairman.

Mr Rathie continues as a non-executive director.

Anteo (formerly Biolayer) said Mr Henderson specialized in advising emerging companies and had expertise in corporate strategy and structure, capital raising and commercial negotiation.

The company said Mr Henderson advised companies in a number of industry sectors and had a proven ability to assist companies execute their business plan and advise on all aspects of development of emerging companies.

Mr Henderson is the principal of Transocean Securities, a Sydney based advisory firm that underwrote Anteo's entitlement issue earlier this year.

Anteo was untraded at 1.7 cents.

[AUSBIOTECH](#)

Ausbiotech says Australian biotech companies in phase III trials or selling products will be showcased to institutional investors and fund managers in San Francisco next month.

Ausbiotech said it organized the event with ABN Amro Morgans stock broking and the US-based Blueprint Life Science investment advisors.

The industry organization said it was the beginning of its 2009 efforts "to advance the commercial interests of members and raise the international investment profile of member companies".

Ausbiotech said the meeting coincided with the JP Morgan Healthcare Conference January 12-15, 2009, which was expected to attract more than 4,000 investors, companies and analysts.