



Biotech Daily

Friday November 14, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECHS DOWN: AVEXA UP 8%, GENETIC TECHNO DOWN 19%**
- * **BIO-GUIDE BRIEF: PROGEN'S BEERWORTH REVIEW ON THE MONEY**
- * **PROGEN COUP GROUP WINS EGM**
- * **STEM CELL WINS EURO PATENT APPEAL; NEW UK PATENT**
- * **MESOBLAST STEM CELLS WIN FROST & SULLIVAN GONG**
- * **IMPEDIMED IN US INNOVATION SHOOT-OUT**
- * **GOODBYE PROTEOME; HELLO TYRIAN**

MARKET REPORT

The Australian stock market recovered 1.5 percent on Friday November 14, 2008 with the All Ordinaries up 53.6 points to 3,726.0 points.

Seven of the Biotech Daily Top 40 stocks were up, 13 fell, 10 traded unchanged and 10 were untraded.

Avexa was best, up one cent or 8.0 percent to 13.5 cents with 1.6 million shares traded, followed by Clinuvel up 6.25 percent to 25.5 cents.

Arana climbed 5.81 percent; Cellestis and Cochlear were up more than four percent; Resmed was up 3.98 percent; with Benitec, Circadian, CSL and Polartech up more than one percent.

Genetic Technologies led the falls, down 1.4 cents or 18.92 percent to six cents with 237,000 shares traded, followed by Phylogica down 10 percent to 4.5 cents.

Novogen lost 8.16 percent; Mesoblast fell 7.77 percent; Antisense was down 6.67 percent; Ventracor and Viralytics lost more than five percent; Pharmaxis fell 4.23 percent; Alchemia, Living Cell and Peplin shed more than two percent; with Biota down 1.23 percent.

[MARC SINATRA'S BIO-GUIDE BRIEF: PROGEN](#)

Yesterday, Progen Pharmaceuticals released the key findings of a strategic review by Beerworth and Partners in the light of axing its cancer drug, PI-88.

Being a skeptic, I admit I was expecting an aggressive plan that centred on acquisitions and in-licencing – in short, a quick fix intended to rapidly return the cash rich Progen to its former glory and keep its management and directors employed.

Instead, Beerworth produced recommendations that I largely agree with.

The main recommendation is a capital return of 50 cents per share. A tidy sum since Progen last traded at 64 cents, but still leaves the company with \$35 million.

Progen raised nearly all of its money under the guise that it would fund development of PI-88 and, since that project no longer effectively exists, shareholders seem entitled to get their money back.

Others might argue that, with the biotech sector in the dog house, Progen would do better for its shareholders to invest its excess capital back into the sector.

Individual shareholders, however, can do the same thing and choose exactly what they want to invest in. Alternatively, they can give their money to a specialist investment entity, rather than relying on a drug development company to invest for them.

Others may argue the capital return should go further, but shareholders have been aware of Progen's pipeline for some time and it probably justifies further investment.

Also, the two to three years cash Progen would retain is enough to progress their pipeline sufficiently that the market can decide if it is of worthy further investment.

The rest of the Beerworth findings largely deal with ensuring Progen's problems of the past don't resurface and that they are ready to face the future; this includes reviews of the suitability of board and management, the product pipeline and corporate governance and risk management structures - all stuff that MUST occur.

The only issue I have with the recommendations pertain to a new business model centred on a balanced portfolio of projects and licencing before phase III trials.

Unlike investor portfolios, a company's projects do not need to be balanced, unless synergies exist between a company's assets which justify their grouping.

Defined licencing strategies give too much away and can adversely affect bargaining positions and flexibility. I would much rather a company simply continuously assesses the viability and opportunities for their projects.

In the end, if a company does right by its shareholders, the company, including its directors and management will benefit. The Beerworth recommendations could go a long way to Progen starting to do right by its shareholders.

Progen was unchanged at 63 cents with 964,597 shares traded.

[PROGEN](#)

Progen says it has received a notice requisitioning a general meeting of shareholders from shareholders representing, 5.65 percent of the company.

The shareholders narrowly failed to requisition a meeting last week and subsequently Biotech Daily published their demands for change at Progen (see Biotech Daily November 10 and 11, 2008).

Progen said a general meeting of shareholders will be called within the next 21 days.

[STEM CELL SCIENCES](#)

Stem Cell Sciences says the European Patent Office has upheld a patent covering its internal ribosome entry site technology.

Stem Cell said that in Munich on November 12, 2008, the European Patent Office Technical Board of Appeal dismissed objections against the patent raised by Institut Pasteur on April 12, 2007.

The company said its internal ribosome entry site technology enabled researchers to monitor the activity of a gene of interest in living cells or tissues without blocking the normal function of the gene.

Stem Cell said internal ribosome entry site (Ires) was important for evaluating the success of gene deletions (knock-outs) or insertions (knock-ins) in stem cells, which is crucial for the successful creation of transgenic mouse and rat disease models.

The company said the decision confirmed "the validity of the patent protection for this technology in Europe" and added value to its licencing and commercialization strategy. Maintenance of this patent will enable the company to complete licencing deals held up while potential licencees awaited the outcome of the appeal hearing, generating another source of licencing income.

[UK Patent Granted](#)

Stem Cell Sciences also said that the UK Intellectual Property Office granted a patent on November 5, 2008 covering methods for obtaining cells, especially stem cells, which are particularly useful for drug screening applications and high-throughput assays examining the effects of genes and molecules on stem cell growth.

The company said the key step protected by the patent related to a process known as 'episomal expression' whereby genes of interest remain as free DNA in the cell (an 'episome') rather than being integrated into the chromosome, resulting in more efficient expression of the genes and molecules under assay.

Assays based on this technology were used by scientists at the University of Edinburgh to identify Nanog, a key gene expressed in embryonic stem cells, whose protein product can be used to reprogram adult cells into a pluripotent state, that is, similar to embryonic stem cells, Stem Cell Sciences said.

Technology based on human and mouse Nanog is protected by separate European patents and was exclusively licenced to Stem Cell Sciences from the University of Edinburgh.

Stem Cell chief executive officer Dr Alastair Riddell said that "over the past 14 years, Stem Cell Sciences has built an extensive portfolio of intellectual property covering stem cell technologies that may have important application in the discovery and development of new therapeutics".

"This confirmation of validity of our Ires patent in Europe, which is also granted in the US and elsewhere, as well as this new UK patent, will greatly assist our current discussions with potential licensees to our intellectual property," Dr Riddell said.

Stem Cell was untraded at 19 cents.

MESOBLAST

Mesoblast says its adult stem cell technology platform has been awarded the 2008 Frost & Sullivan US Stem Cell Market Technology Innovation of the Year.

Mesoblast said the award from the US business consultancy recognized its US sister company, Angioblast Systems, for its "success in developing and introducing new, disruptive technology, formulating a well-designed product family and making significant technology contributions to the industry".

Mesoblast said the selection was based on interviews and primary market analysis conducted by Frost & Sullivan and the award was made to the company that received the number one industry rank.

Mesoblast quoted Frost & Sullivan analyst Katheryn Symank saying: "Angioblast's proprietary technology has several attractive attributes that set it apart from other stem cell products, including very accurate identification and isolation."

"This technology allows for a cell population with up to 1000-fold greater concentration of stem cells compared to other conventional sorting methods," Ms Symank said.

"Moreover, due to the non-immunogenic nature of the cells, Angioblast's highly concentrated and pure population of stem cells can provide a well-regulated, consistent batched product with stringent release criteria akin to small molecule pharmaceuticals," she said

"Since Angioblast's proprietary technology allows for a very pure, potent and homogenous cell population, we view the recent pharmaceutical partnering activity in the stem cell space as a major validation of Angioblast's approach," Ms Symank said.

"This underscores the company's prospects for significant commercial transactions," Ms Symank said.

Mesoblast fell eight cents or 7.77 percent to 95 cents.

IMPEDIMED

Impedimed chief executive officer Greg Brown says his company will represent Queensland in the Innovation Shoot Out at next year's G'Day USA: Australia Week. The G'Day USA: Australia Week 2009 website <http://www.australia-week.com> says the Australian Federal and State governments sponsored event was a festival from January 13 to 24, 2009 "that showcases the best of Australian culture, business and tourism". The website said that with more than 15,000 participants in 2008, it was "the largest annual foreign country promotion in the United States".

Mr Brown said the Shoot Out will be held on January 15, 2009 and would see Impedimed capitalize on its strong US presence.

"With first-to-market advantage for the [US Food and Drug Administration]-cleared L-Dex U400 device and US operations headquarters in San Diego, Impedimed will promote Queensland's ability to provide innovative solutions to aid medical professionals in the clinical assessment of a common morbidity issue related to cancer treatment - lymphoedema," he said.

"Through the event, Impedimed will have the opportunity to engage with key business decision makers and look for real trade and investment outcomes," Mr Brown said.

Impedimed said it would first present in Los Angeles and then compete in the Shoot Out in Silicon Valley, in front of a panel of high profile American judges.

Impedimed was untraded at 65 cents.

PROTEOME SYSTEMS, TYRIAN DIAGNOSTICS

Proteome says that following shareholder approval yesterday the company's name has become Tyrian Diagnostics Limited.

The company said its ASX code would change to TDX on November 19, 2008.

Proteome chief executive officer Dr Jenny Harry said the management team had "focused on leveraging the company's core strengths in the validation and development of biomarkers and diagnostic tests".

"The divestiture of the technology platform and an exit from the therapeutic business enabled the allocation of the appropriate resources to achieve corporate growth," Dr Harry said.

"This fundamental shift in strategy has prompted the name change, and we are pleased to have the support of our shareholders," Dr Harry said.

Proteome was untraded at six cents.