



Biotech Daily

Friday April 17, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX EVEN, BIOTECH UP; AVEXA UP 20.5%, NOVOGEN DOWN 5%**
- * **POLARTECHNICS FERMISCAN MERGE INTO NOVUS DIAGNOSTICS**
- * **EURO-PARTNER TO FUND CHEMGENEX FLYING SOLO IN THE US**
- * **SAFETY REVIEW DELAYS LIVING CELL'S NZ DIABETES TRIAL**
- * **AGENIX SAYS CHINA DEAL BACK ON TRACK OVER THE ABYSS**
- * **NEUREN DOUBTS TALKS SPARKED 333% SHARE PRICE RISE**
- * **POLARTECHNICS REQUESTS 'MERGER' TRADING HALT**
- * **FERMISCAN REQUESTS 'PROPOSED TRANSACTION' TRADING HALT**

- * **AVEXA PLEADS SCHULTZ TO ASX 39% SHARE PRICE QUERY**

- * **FLUOROTECHNICS RIGHTS ISSUE RAISES \$1.2m**
- * **INCITIVE RIGHTS ISSUE RAISES \$784k**
- * **MEDICAL THERAPIES' PLACEMENT RAISES \$700k**

- * **CEPHALON TAKES 30% OF ARANA**
- * **QUESTOR TAKES 5% FERMISCAN STAKE FROM MANIFEST CAPITAL**
- * **ASIA UNION CEASES SUBSTANTIAL IN ANTEO**

- * **BENITEC LOSES DIRECTOR DR KEN REED**

MARKET REPORT

The Australian stock market edged up 0.03 percent on Friday April 17, 2009 with the S&P ASX 200 up one point to 3,776.7 points. Fourteen of the Biotech Daily Top 40 stocks were up, 10 fell, seven traded unchanged and nine were untraded.

Avexa was best, up 1.7 cents or 20.48 percent to 10 cents with 8.1 million shares traded followed by Psivida up 14.6 percent to \$1.89. Optiscan climbed 8.7 percent; Clinuvel, Phosphagenics, Starpharma, Tissue Therapies and Universal Biosensors were up more than five percent; Benitec was up four percent; Pharmaxis and Resmed climbed more than three percent; Circadian and Nanosonics rose more than two percent; Acrux and CSL were up more than one percent; with Arana up 0.36 percent.

Novogen led the falls, down 2.5 cents or 5.4 percent to 44 cents with 71,518 shares traded. Bionomics lost 4.8 percent to 20 cents; Cathrx, Heartware and Living Cell fell more than three percent; Chemgenex and Viralytics shed more than two percent; Genera and Sirtex fell more than one percent; with Cellestis and Cochlear down less than one percent.

POLARTECHNICS, FERMISCAN

Polartech and Fermiscan will merge to create what they describe as “Australia’s largest women’s health business”.

The companies said the merged company would be called Novus Diagnostics and would commercialize the companies’ combined diagnostic screening tests for the detection of breast cancer, cervical cancer and sexually transmitted diseases for women world-wide. Polartech will make an off-market takeover offer for all the issued ordinary shares in Fermiscan.

Polartech has also agreed to make individual offers to holders of Fermiscan options if certain conditions are met.

Polartech will offer three of its ordinary shares for every two Fermiscan ordinary shares. The offers to Fermiscan option holders will be on corresponding terms.

The offer will be subject to conditions, including the requirement that Polartech acquires a relevant interest in at least 90 percent of Fermiscan’s ordinary shares on issue by the end of the offer period.

Polartech and Fermiscan have agreed to co-operate on an exclusive basis in relation to the implementation of the offer and have entered into an implementation agreement.

Fermiscan directors intend to unanimously recommend that Fermiscan shareholders accept the offer, subject to their appointed independent expert concluding that the offer is both fair and reasonable and in the absence of a superior proposal.

Fermiscan directors said they had obtained independent advice in relation to their responsibilities for governance, tax, audit, finance and legal due diligence which has formed the basis of this recommendation.

Polartech has also entered into a pre-bid acceptance agreement with Rellcain Pty Ltd under which it has agreed to accept the offer with respect to that part of the Fermiscan shares held by it representing approximately 19.9 percent of Fermiscan’s issued capital. Rellcain’s obligation under the agreement to accept the offer is subject to Polartech having acquired a relevant interest in 50.1 percent of Fermiscan’s issued shares, including the shares that are the subject of the pre-bid acceptance agreement.

Polartech and Fermiscan said the two businesses were “highly complementary”.

Polartech has international distribution agreements for the delivery of leading screening technology for the real-time detection of cervical cancer and other gynaecological diseases.

Fermiscan is commercializing an innovative non-invasive diagnostic test for the detection of breast cancer with international patents and distribution opportunities.

Both businesses are focused on improving outcomes for women’s health and the merger provides significant synergistic benefits as the businesses concentrate on the international commercialization of their respective diagnostic tests.

The merged group will benefit from combined sales and supply channel opportunities which have been developed in Australia and overseas.

The companies said the merger would result in “significant and immediate cost savings” with Fermiscan relocating to Polartech’s head office and manufacturing facility in Erskineville, Sydney.

The merged board will comprise chairman Robert Hunter, deputy chairman Gary Garton, executive directors Ben Dillon and David Young with Prof Neville Hacker and Dr Ronald Shnier as non-executive directors.

Polartech last traded at 13 cents.

Fermiscan last traded at 18 cents.

CHEMGENEX

Chemgenex chief executive officer Dr Greg Collier says the company will market omacetaxine for drug-resistant leukemia in the US, while licencing it out in Europe. In a telephone conference, Dr Collier told Biotech Daily that he wanted to “hold onto as much value as we can”.

“We want to book our own sales ... find the patients ourselves and sell the drugs ourselves in the US,” Dr Collier said.

He said omacetaxine was initially targeted at the \$US336 million market of chronic myeloid leukemia patients with the T315I mutation who are resistant to Gleevec.

Dr Collier and the company’s chief medical officer Dr Adam Craig said the phase II/III was fully-enrolled with submissions to the US Food and Drug Administration and the European Medicines Agency expected in the middle of 2009 for approval early in 2010.

Dr Collier said new data from the trial would be presented in May and June this year and he expected an “increased news flow” during the course of the year.

Dr Collier said omacetaxine had a novel mechanism of action allowing it to be used with existing drugs, but it was important that omacetaxine had shown that it could kill chronic myeloid leukemia stem cells.

“We want to get the drug on the market as soon as possible for patients with the T315I mutation which will generate significant revenues in the near term,” Dr Collier said.

Dr Craig said Chemgenex had a successful pre-new drug application meeting with the FDA in March 2009 and several parts of the application had already been filed. He said the company would meet with the European Medicines Agency by the end of June 2009.

Dr Craig said the FDA required “durable responses and our responses are durable”.

He said the mean duration of complete haematological response was 11.5 months and one patient was in the third year of treatment.

Dr Craig said omacetaxine could be taken by patients at home and did not have adverse events associated with many cancer treatments.

He said omacetaxine did not result in hair loss or nausea and vomiting.

Dr Collier said omacetaxine was also in trials for myelodysplastic syndrome and acute myeloid leukemia.

Chemgenex fell one cent or 2.17 percent to 45 cents.

LIVING CELL TECHNOLOGIES

Living Cell says a request for further safety data for its New Zealand xenotransplantation trial of porcine islets of Langerhans for type 1 diabetes has delayed the trial.

Living Cell said that in October 2008 the New Zealand Minister of Health authorized an application from the company to conduct a clinical trial of Diabecell pig cells in New Zealand (BD: Oct 21, 2008).

At the time Living Cell founder and medical director Prof Bob Elliott told Biotech Daily the recruitment process effectively had begun and the company expected to dose the first patient early in 2009.

Today, Living Cell said one of these conditions was completion of an international peer review to advise on the application and the risk management and safety procedures in the protocol and to make recommendations on any changes required.

The peer reviewer has asked for further information. Living Cell has provided a response and expects the review will be completed by early May 2009.

Living Cell is continuing to monitor the seven patients in the on-going Russian trial and is planning further implants.

Living Cell fell half a cent or 3.33 percent to 14.5 cents.

AGENIX

Agenix says it has a “final and binding all-in settlement” to resolve its dispute over the acquisition of two Chinese pharmaceutical companies.

Agenix company secretary Jeffrey Luckins told Biotech Daily that although a previous settlement arranged late last year had not been honored, (BD: Dec 10, 2008; Jan 16, 2009) this settlement held the Chinese parties personally liable.

Mr Luckins said he expected Agenix to re-list on the ASX by the middle of 2009.

The dispute over the acquisition led to questions of ownership including for accounting and reporting purposes and Agenix is yet to file accounts for the previous financial year.

The acquisition stalled when a four percent shareholder, who was also the landlord, failed to provide a waiver for the completion of the share transaction (BD: Jul 24, 2008).

Agenix said in a media release to the ASX late yesterday that under the main settlement agreement, Shanghai Rui Guang Bio-Pharma Development Co would pay Agenix RMB44,000,000 (\$A9 million) by November 30, 2009.

Agenix said security for the payment included “personal guarantees from Jonathan Zheng and Richard Zhang, directors of the ... vendors under the 2007 transaction documents and a banking pay-when-paid direction in favor of Agenix”.

The company said the parties had signed formal documentation implementing the deal and RMB100,000 was received on signing.

Agenix chairman Nick Weston said that once the terms of the agreements were implemented the company would have access to a pipeline of products and completion of the payment would double its capitalization.

“As Kierkegaard put it, 'where once a dreadful abyss yawned a railway bridge now stretches, from which the passengers can look comfortably down into the depths',” Mr Weston said. “The current board inherited some tremendously difficult legacy issues and to some extent has had to keep its own counsel during this negotiation but we are now much closer to articulating a clear way forward for Agenix.”

Shareholders will vote to approve the settlement at the next annual general meeting.

The first RMB2,200,000 installment was received on December 15, 2008, RMB100,000 was received on signing, RMB700,000 is due by April 26, 2009 with monthly installments RMB500,000 from May to October 2009, with the final balance by November 30, 2009.

Agenix said that if the Chinese company obtained finance by May 29, 2009, payment of RMB15,200,000 would be due on May 29, 2009; otherwise it would be due by November 30, 2009 along with the balance of RMB22,800,000.

The payments are refundable by Agenix if shareholder approval is not given.

The Agenix Wholly Foreign Owned Enterprise (WFOE): Agenix Biopharmaceutical (Shanghai) Co has obtained all rights to market the hepatitis B anti-viral Youheding (adefovir dipivoxil) outside China and the Chinese parties retain all rights in China.

The parties will establish a joint venture to own the intellectual property of the pipeline of generic tenofovir for hepatitis B, new generation generic adefovir, generic capecitabine (two acyclic nucleotide anti-cancer indications for colorectal cancer and liver cancer) and a natural Chinese integrase inhibitor technology for HIV.

Agenix will own 57 percent of the joint venture through the WFOE, the School of Pharmacy of Second Military Medical University, Shanghai, will own 40 percent and an equity interest of three percent will be owned by the vendors of the 2007 transaction.

The joint venture will grant an exclusive irrevocable licence to the Agenix WFOE to make all commercialization decisions for the pipeline products.

Agenix said IMS Health estimates a total value to Agenix of the products from China alone at \$14.9 million.

Agenix is in a voluntary suspension and last traded at 1.7 cents.

NEUREN

Neuren has told the ASX that its share price jump may be related to negotiations for two of its programs along with a search for investment funds.

The ASX said the company's share price rose from 0.6 cents on April 9, 2009 to 2.6 cents on April 16, a rise of 333 percent, along with an increase in trading volume (BD: Apr 16, 2009).

Neuren said it had "for some time been in negotiations" relating to two programs.

The company said new investment sourced from the US market was being sought to compliment the previously announced US Army funding for the development of NNZ-2566 through phase II trials and beyond and a partner was being sought for the preclinical cancer program to enable development to a value point which will allow further partnering or collaboration.

Neuren said negotiations were incomplete and the company was unable to announce further details.

"Once negotiations are complete, expected to be in the next two to three weeks, a detailed announcement will be made," Neuren said.

"While the company does not believe that these negotiations are an explanation for recent trading in the company's shares, if either or both of these negotiations are successful they could be expected to have a positive effect on the company's share price, particularly having regard to recent price levels," Neuren said.

While market observers have guessed that day-trader activity might be responsible, the pattern is unusual with the company sustaining the price rise on very large volumes.

About 16 percent of Neuren's total issue of 257 million shares has turned over in the past two days. Yesterday, Neuren closed up 0.4 cents or 44.44 percent at 1.3 cents with 6,675,429 shares traded.

Today, Neuren climbed as high as 3.3 cents during trading and closed up 1.4 cents or 107.7 percent at 2.7 cents with 36.2 million shares traded.

POLARTECHNICS

Polartech has requested a trading halt pending an announcement "to finalize negotiations on a possible merger".

Trading will resume on April 21, 2009 or on an earlier announcement.

Polartech last traded at 13 cents.

FERMISCAN

Fermiscan has requested a trading halt pending an announcement "in relation to a proposed transaction".

Trading will resume on April 21, 2009 or on an earlier announcement.

Biotech Daily noted that the Fermiscan announcement was made at 11.27am and the Polartech announcement followed at 11.34am.

Polartech has refused to comment on the possible "friendly merger" target (BD: Apr 1, 2009) other than to say it was in a similar industry.

Industry observers told Biotech Daily that obvious potential partners included Fermiscan, along with CSL, Genera, Healthlinx, Prima and Cellscreen Direct.

Today, Fermiscan managing director David Young flatly denied to Biotech Daily that his company was involved in the Polartech merger.

Genera collaborates with Polartech but is not believed to be the merger target.

Fermiscan last traded at 18 cents.

AVEXA

Avexa has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price rose from 8.3 cents on April 16, 2009 to 11.5 cents on April 17, 2009, a rise of 38.55 percent, along with an increase in trading volume.

Avexa said it had been conducting a series of investor forums and the presentation materials were lodged with the ASX today.

Avexa closed up 1.7 cents or 20.48 percent at 10 cents with 8.1 million shares traded.

FLUOROTECHNICS

Fluorotechnics says it has raised \$1,233,000 through its rights issue at 70 cents a share with applications for 1,762,784 new shares.

Fluorotechnics said the company hoped to raise \$1.5 million and the shortfall was 432,385 shares.

Fluorotechnics was untraded at 66.5 cents.

INCITIVE

Incitive says it has raised \$783,907 through its one-for-one rights issue at half a cent a share and 156,781,507 new shares have been issued.

Incitive said the rights issue was fully underwritten by Cygnet Capital.

Incitive was untraded at 0.9 cents.

MEDICAL THERAPIES

Medical Therapies has raised \$700,000 through a placement at one cent a share.

Medical Therapies said subscribers to the placement would receive one option for every five new shares.

Medical Therapies was unchanged at two cents.

ARANA

Cephalon International Holdings increased its substantial shareholding in Arana from 64,721,800 shares (28.43%) to 67,785,560 shares (29.78%) on April 15, 2009.

The change was through an increase in takeover acceptances (BD: Feb 27, Mar 2, 2009).

Arana was up half a cent or 0.36 percent to \$1.385.

FERMISCAN

Questor Financial Services has become substantial in Fermiscan by taking direct control of 7,697,169 shares (5.36%) it owned under management by Manifest Capital Management.

In substantial shareholder notices yesterday Questor said it acquired the shares at no cost through "the release from investment management agreement" and became substantial on April 13, 2009.

The registered holder is National Nominees.

Manifest Capital said its substantial shareholding was reduced by 7,697,169 shares from 15,407,650 (10.73%) to 8,106,291 shares (5.65%).

[ANTEO DIAGNOSTICS](#)

Asia Union Investments has ceased its substantial shareholding in Anteo, selling 15,000,000 shares (8.33%) for \$89,898.80 or 0.6 cents a share.

Anteo (formerly Biolayer) fell 0.1 cent or 12.5 percent to 0.7 cents.

[BENITEC](#)

Benitec says director Dr Ken Reed has resigned but will continue as the chair of the company's scientific advisory board.

Benitec was up 0.1 cents or four percent to 2.6 cents.