



Biotech Daily

Thursday April 2, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP; UNIVERSAL BIO UP 18%, ANTISENSE DOWN 6%**
- * **CRISIS, WHAT CRISIS? 'STRUGGLING' BIOTECHS RAISE \$370m-\$500m**
- * **STUDY 'VALIDATES' PRANA ALZHEIMER'S STRATEGY**
- * **STEM CELL SELLS ASSETS TO STEMCELLS FOR UP TO 2,650,000 SHARES**
- * **AVITA PRODUCT SALES UP 72%; MANUFACTURING ON SCHEDULE**
- * **INCITIVE RAISES \$784k**
- * **MEDICAL THERAPIES SHARE ISSUE EGM**
- * **PROGEN SHRUGS OFF COUP, MERGER DISTRACTIONS; BACK TO WORK**
- * **ADVANCED OCULAR TAKES 80% OF REVERSE TAKEOVER TARGET**

MARKET REPORT

The Australian stock market climbed 2.81 percent on Thursday April 2, 2009 with the S&P ASX 200 up 100.5 points to 3,680.2 points.

Nineteen of the Biotech Daily Top 40 stocks were up, 10 fell, five traded unchanged and six were untraded.

Universal Biosensors was best, up 10 cents or 17.9 percent to 66 cents with 325,890 shares traded, followed by Bionomics up 15 percent to 23 cents.

Benitec and Phosphagenics climbed more than 13 percent; Cathrx was up 12.9 percent; Living Cell rose 10 percent; Polartechnics and Prana were up eight percent or more; Optiscan and Sunshine Heart climbed more than seven percent; Biota and Pharmaxis were up more than four percent; Starpharma climbed 3.45 percent; Cellestis, Genera, Novogen and Tissue Therapies rose more than two percent; CSL and Nanosonics were up more than one percent; with Mesoblast up 0.6 percent.

Antisense led the falls, down 0.2 cents or 6.1 percent to 3.1 cents with 316,000 shares traded, followed by Alchemia and Viralytics down five percent or more. Clinuvel fell 4.65 percent; Chemgenex and Peplin were down more than three percent; Heartware shed 2.63 percent; Circadian and Cochlear were down more than one percent; with Arana and Resmed down less than one percent.

CAPITAL RAISINGS

Despite claims that biotechnology is about to disappear and there are no funds available for the high risk sector, at least \$370 million has been raised in the past 12 months.

Biotech Daily has compiled the list below of known capital raisings published by companies in the sector. It is believed that private biotechnology funds and life sciences companies have raised other significant funds, but that data is not publicly available.

The largest amount raised was the closing of the GBS Venture Partners fund with \$122.5 million of which \$11.5 million is also included in Peplin's \$46 million October 2008 raising. Brandon Capital has raised \$50 million. Intersuisse and Strategic Life Sciences have been active but have not disclosed the amounts they have raised. Biotech Daily called Starfish Ventures but did not have a comment at the time of publication.

There may be some double accounting in that funds raise the money and then contribute to company raisings, but a total of at least \$42.914 million has been raised by listed companies since January this year not including GBS Ventures' \$122.5 million.

The cumulative total raised over the last 12 months not including venture capital raisings is \$176.917 million, with at least a further undisclosed \$31 million raised by other venture capital firms. A further private raising of up to \$100 million is expected "soon".

California's Essex Woodlands Health Ventures raised \$US900 million (\$A1,280 million) for drug, device and service companies in North America, Europe and Asia on March 30, 2009 and the Swiss and UK-based Index Ventures closed a EUR350 million (\$A661 million) fund for early stage investment in Europe, the US and Israel on March 3, 2009.

For the record:

CBio \$1.5m
Incitive \$784k; April 2, 2009
Polartech \$2.5m; Apr 1, 2009
Biomd \$426k; Apr 1, 2009
Mesoblast \$10.81m; Mar 30, 2009
GBS Venture Partners \$122.5m; Mar 19, 2009
Healthlinx \$3m; Mar 25, 2009; \$144k; Mar 24, 2009
Prima \$12m; Mar 11, 2009
Tissue Therapies \$1.2m; Mar 4, 2009
Eastland \$4-6m (being raised); Mar 3, 2009
Medical Therapies \$450k; Feb 23, 2009
Karmelsonix \$1m; Feb 23 2009
Bionomics \$4m; Feb 5, 2009
Ellex \$1.6m; Jan 16, 2009
Benitec \$1m; Jan 2009
Safety Medical \$9.5m; Dec 17, 2008
OMI \$503k; Nov 7, 2008
Peplin \$US30.7m (\$A46m); Oct 2008
Fluorotechnics \$9m; Oct 2008
Chemgenex \$13m; Sep 17, 2008
Spinifex \$12m; Sep 2008
Heartware \$30m; May 2008
Phosphagenics \$9m; May 2008
Genera Biosystems \$5m; June 11, 2008

PRANA

Prana says that an independent study by the University of California, Irvine, “validates its fundamental drug strategy for Alzheimer’s disease”.

Prana said the study entitled ‘A role for Synaptic Zinc in Activity-Dependent A-Beta Oligomer Formation and Accumulation at Excitatory Synapses’, published in the Journal of Neuroscience showed that the release of zinc from synapses was critical for amyloid beta, or Abeta, to form oligomers and to aggregate.

Prana quoted study author Dr Charles Glabe saying the results were “very exciting news for understanding the mechanism of Alzheimer pathogenesis”.

“They help elucidate the fundamental role of metal ions like zinc in causing the formation of Abeta oligomers which damage synapses,” Dr Glabe said.

Prana said its drug strategy was to block “the toxic interaction between Abeta and brain metals, such as zinc, that damages synapses and cause cognitive loss”.

Prana’s lead Alzheimer’s disease compound, PBT2, targets a toxic form of the amyloid beta protein in the synapses of the brain by inhibiting the interaction between amyloid beta and zinc.

The company said the findings explained how PBT2 demonstrated the ability to restore normal function to amyloid beta-impaired synapses and reverse cognitive loss in animal models.

Prana said PBT2 had completed a phase IIa study in Alzheimer’s disease patients, demonstrating a lowering of amyloid beta levels in the cerebrospinal fluid and signs of cognitive improvement within three months.

The chair of Prana’s scientific advisory board Dr Jeffrey Cummings said the role of amyloid beta oligomers in damaging synapses resulting in cognitive impairment was “well established in the literature”.

“What has been less clear is why oligomers congregate at the synapse,” he said.

“The work by Dr Glabe and his colleagues provides an explanation, showing that synaptic activity stimulates the release of Abeta and zinc leading to the build up of toxic Abeta oligomers at the synapse,” Dr Cummings said.

“Previous studies demonstrating that PBT2 can disperse Abeta oligomers attracted by synaptic zinc, suggest that the benefit of PBT2 seen in the recent clinical trial may reflect this synaptic effect,” he said.

The abstract is at: <http://www.jneurosci.org/cgi/content/abstract/29/13/4004>.

Prana was up 1.5 cents or 8.33 percent to 19.5 cents.

STEM CELL SCIENCES

Stem Cell Sciences has completed the disposal of its trading subsidiaries and “certain ancillary agreements, assets, properties and rights” (BD: Mar 3, 2009).

Stem Cell said it received 2,120,000 shares in Stemcells Inc; a waiver of \$US715,000; and the right to receive up to 530,000 Stemcells shares.

The company said it expected Stemcells to register the 2,120,000 shares within the next 60 days, which will permit the Stem Cell Sciences to sell the shares.

Following completion, Stem Cell Sciences’ name will be changed to Asset Realization Company Plc and its trading facilities on London’s Alternative Investment Market and the will be cancelled no later than the close of business on June 26, 2009.

Stem Cell said it would sell the Stemcells shares and distribute proceeds to shareholders “as swiftly as possible”.

Stem Cell Sciences is in a voluntary suspension and last traded at 15 cents.

AVITA MEDICAL

Avita says its respiratory product sales are up 72 percent to \$1.829 million for the year to date, compared to the corresponding period last year.

Avita said the first production of Breath-A-Tech under the company's new manufacturing process was shipped ahead of schedule with manufacturing costs reduced by more than 30 percent.

Avita general manager for the Asia Pacific region Lorraine Glover said the respiratory division showed signs of continued good performance through the remainder of the financial year.

Ms Glover said spacer sales in Australia were up more than 45 percent in the three months to March 31, 2009 compared to 2008.

"Respiratory sales for the year to date are significantly ahead of expectations and we anticipate continued acceleration of sales as we enter the winter months which is traditionally our busiest period," Ms Glover said.

Avita previously announced a revision of its spacer manufacturing process including the relocation to a facility in Malaysia.

The company said all tool qualification, validation processes and first production run had been completed and the initial production lot of Breath-A-Tech spacers manufactured under the new process was shipped one week ahead of schedule.

Avita chief executive officer Dr William Dolphin said the increased sales volume "added pressure to meet the timeline and left little room for error in getting production on line".

"The company has made tremendous progress over the first nine months of the 2009 financial year," Dr Dolphin said.

"The improved efficiency, reduced manufacturing costs and increased sales will positively impact our top and bottom lines and will be increasingly apparent over the next several quarters," Dr Dolphin said.

Avita was up 0.6 cents or 8.33 percent to 7.8 cents.

INCITIVE

Incitive has raised \$783,907 through applications for 45,658,717 shares in its non-renounceable rights issue.

Incitive said the issue closed on March 30, 2009 with a shortfall of 111,122,790 shares.

The company said the issue has been fully underwritten by Cygnet Capital.

Incitive was untraded at half a cent.

MEDICAL THERAPIES

Medical Therapies will ask shareholders to ratify five resolutions relating to the issue of shares and raising capital.

The resolutions are to approve: the issue of 735,295 shares to the holders on conversion of the convertible notes; the issue of 10,353,999 shares, to the holders on conversion of the convertible notes; the conversion of 7,500,000 converting notes into 7,500,000 shares by Seistend Pty Ltd, a related party to Medical Therapies' chairman David King; the issue of 15,000,000 shares to Cell Signals; and to raise up to \$3 million by the issuing of shares at a price not lower than a 20 percent discount to the average market price over the last five days on which sales were recorded before the issue is made, within three months from the date of approval.

The meeting will be held at level 6, 40 King Street, Sydney on May 5, 2009 at 10.30am
Medical Therapies was untraded at one cent.

PROGEN

Progen says it “continues to advance anti-cancer drugs following the resolution of recent corporate issues” (BD: Mar 27 and 30, 2009).

Progen chief executive officer Justus Homburg said that despite the events of the past year, Progen’s research and clinical development teams continued to advance the company’s portfolio of anti-cancer drugs.

Progen cancelled a phase III trial of PI-88 for liver cancer, followed by an attempted board spill by interests associated with Medigen and Antisense chairman Bob Moses, a failed merger with Avexa and surviving a hostile merger bid from Cytopia.

Mr Homburg said the development of the company’s drug portfolio was “tracking well”, with the completion of recruitment of the PI-88 phase II trial in metastatic melanoma, “the continuation of excellent recruitment in the two phase I trials for PG11047” as well as PG545, PG562, PG11122 and PG11144 progressing through preclinical development and “encouraging results coming from the small-molecule heparanase inhibitor discovery program”.

“All of us at Progen are excited about the future and are convinced that the strategy we outlined on March 9, 2009 will deliver long-term shareholder value,” Mr Homburg said.

“While we anticipate resources to be tight, we expect to be in a sound financial position to be able to drive forward key components of our technology platforms,” he said.

Mr Homburg said there had been distinct shareholder groups with different objectives, but the opportunities available to all shareholders over the coming weeks would create a solid foundation for the company’s future.

“If the majority of our shareholders were only interested in cash or wanted a board committed to a very different path, then they could have changed the outcome last week,” Mr Homburg said.

“Clearly, a large portion of our shareholder base supports our strategy of focusing resources on developing PI-88 in Taiwan and taking forward our other compounds,” he said.

“Shareholders have shown support for our strategic plan and we are moving forward with this focus,” Mr Homburg said.

Progen was untraded at 80 cents.

ADVANCED OCULAR

Advanced Ocular has received acceptances in the off-market takeover bid for International Formwork & Scaffolding amounting to 80 percent of the company’s issued shares.

Advanced Ocular said all International Formwork shareholders should accept the offer “as soon as possible” (BD: Feb 20, 2009).

Advanced Ocular was unchanged at 0.7 cents.