



# Biotech Daily

Thursday April 30, 2009

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECH UP: UNIVERSAL BIO UP 14%, BONE DOWN 40%**
- \* **AVEXA RIGHTS ISSUE OVER-SUBSCRIBED; RAISES \$17m**
- \* **CSL DEVELOPING SWINE FLU VACCINE, STILL A BIOTECH AT HEART**
- \* **INTERSUISSE-BIOSCIENCE MANAGERS FUND UP 21% IN 9 MONTHS**
- \* **PHOSPHAGENICS CLAIMS SUPERIOR TRANSDERMAL ACNE TREATMENT**
- \* **BIOTECH DAILY EDITORIAL: APPENDIX 4C v THE REAL WORLD**
- \* **HEARTWARE HAS 1½ QUARTERS CASH; AWAITING TAKEOVER**
- \* **IMPEDIMED HAS 1½ QUARTERS CASH; BURN REDUCED**
- \* **SAFETY MEDICAL HAS INCOME, A \$10m LOAN, BUT NO CASH**
- \* **STIRLING HAS ONE MONTH CASH; HOPES FOR \$1.8m**
- \* **NEUREN HAS 2 MONTHS CASH**
- \* **GENERA HAS ONE QUARTER CASH; EXPECTS NEW INVESTOR**
- \* **ROCKEBY, EASTLAND, SOLAGRAN CASH-STRAPPED**
- \* **CEPHALON TAKES 37% OF ARANA**
- \* **TYRIAN DIRECTOR PHILLIP MORLEY RESIGNS**

## MARKET REPORT

The Australian stock market climbed 2.3 percent on Thursday April 30, 2009 with the S&P ASX 200 up 85.2 points to 3,780.5 points. Fifteen of the Biotech Daily Top 40 stocks were up, 11 fell, seven traded unchanged and seven were untraded.

Universal Biosensors was best, up 10 cents or 14.3 percent to 80 cents with 31,641 shares traded, followed by Genetic Technologies and Progen up 12.5 percent to \$1.08 and 4.5 cents respectively and Biota up 11.4 percent to \$1.47 with 6.2 million shares traded. Phosphagenics climbed 9.7 percent; Optiscan was up 6.98 percent; Prana and Psivida were up more than five percent; Bionomics, Cytopia and Sirtex were up more than four percent; CSL, Heartware and Novogen climbed more than three percent; Alchemia rose 2.9 percent; with Avexa and Cochlear up more than one percent.

Bone Medical led the falls, down eight cents or 40 percent to 12 cents with 1,291 shares traded, followed by Viralytics down 11.9 percent to 3.7 cents. Benitec lost 7.1 percent; Tissue Therapies fell 6.98 percent; Phylogica fell 5.88 percent; Mesoblast and Polartech fell four percent or more; Acrux, Clinovel and Starpharma were down more than three percent; with Chemgenex down 1.28 percent.

## AVEXA

Avexa's one-for-two rights issue has raised \$17 million compared to the \$14.8 million the company hoped when it announced the issue last month (BD: Mar 25, 2009).

In doing so, Avexa has taken Biotech Daily's table of biotechnology company capital raisings to more than \$200 million in the past 12 months (BD: Apr 2, 2009).

Avexa said it received applications for entitlements and for additional shares totaling \$17 million, with eligible shareholders applying for 123,735,088 new shares, or 58 percent of the rights issue, raising \$8,661,456 before costs.

The rights issue was under-subscribed by 88,602,419 shares or \$6,202,169 but the company received applications for 119,149,009 additional shares worth \$8,340,430.

The company said the applications for additional shares exceeded the number of under-subscribed shares and it intended to allot the under-subscribed shares to shareholders who applied for additional shares, thereby raising the maximum amount expected in the rights issue.

Avexa said it intended to undertake placements of up to 30,546,590 shares in respect of applications for additional shares that were not fully satisfied by the allotment of additional shares and expected to raise a further \$2,138,261.

Avexa chief executive officer Dr Julian Chick said the company "now has a much stronger cash position and balance sheet and is in a good position to progress our pipeline of product candidates".

The company deferred settlement trading of the new shares would end on May 5, 2009 with normal trading the following day.

Avexa was up 0.1 cents or 1.01 percent to 10 cents.

## CSL

CSL is developing a vaccine for swine influenza using synthetic gene technology

CSL public affairs director Dr Rachel David told Biotech Daily that the company was developing the vaccine as part of its normal operating business.

"It is an issue of expertise," Dr David said.

"We do this because it is part of our core capability and we do it literally all the time," Dr David said. "We are trying to create the vaccine entirely synthetically. We make enough of the virus to cause an immune response, but not enough to do harm."

Dr David said there were several options in building a vaccine and CSL was pursuing a synthetic method of receiving a gene sequence of the swine influenza virus and creating a genetically modified safe version of the virus, in addition to pursuing the traditional process from samples of the wild virus.

She said CSL was cooperating with, rather than competing against, other companies.

"We all work together. It's not a commercial issue. It's not a race against other companies. It's a race against the virus," Dr David said.

CSL was up \$1.22 or 3.67 percent to \$34.42.

## IB AUSTRALIAN BIOSCIENCE FUND I

The IB Australian Bioscience Fund I which hopes to close at \$100 million was up 21 percent for the nine months to March 31, 2009.

The improvement is in line with the Biotech Daily BDI-20 Index to be updated tomorrow and compares with the S&P ASX 200 falling 31 percent for the same period.

The Intersuisse-managed unit trust has investments in Alchemia, Sunshine Heart, Bionomics, Arana, Heartware, Neuren and Acrux and will close June 30, 2009.

## PHOSPHAGENICS

Phosphagenics says a phase I clinical trial showed that its drug delivery system could increase the delivery of retinoic acid with less irritation than a commercial acne treatment. Phosphagenics said retinoic acid was the drug most often prescribed by dermatologists for topical treatment of acne.

The company said the drug often caused adverse side effects with irritation being the most common, affecting about 90 percent of patients.

Phosphagenics said that half the patients who withdrew from retinoic acid treatment prematurely did so because of irritation.

“Consequently retinoic acid is often formulated into products that contain small amounts of the active [ingredient] reducing its effectiveness,” Phosphagenics said.

Despite these adverse events, the US market for topical prescription retinoids, such as retinoic acid, for the treatment of acne was more than \$US300 million a year, the company said.

Phosphagenics said the first stage of the two-stage phase I trial, conducted in the US using 27 healthy subjects, “clearly established that irritation as measured by erythema was significantly reduced with Phosphagenics’ tocopheryl phosphate mixture retinoic acid or TPM-RA formulation as compared to Retin-A, a leading commercial acne treatment.

The second stage of the trial was conducted in Australia with 10 subjects and was designed to determine the comparative dermal absorption, depth of penetration and systemic exposure of retinoic acid after topical application of Phosphagenics’ TPM-RA formulation or Retin-A.

One hour after application of the products, Phosphagenics’ formulation delivered, on average, 375 percent more retinoic acid into the skin than Retin-A.

The company said that at every depth of skin surveyed during the study, the amount of retinoic acid was greater for the Phosphagenics’ formulation than Retin-A.

However the magnitude of the difference between the two formulations in their ability to deliver retinoic acid increased with depth.

At the deepest stratum of skin measured, Phosphagenics’ formulation delivered greater than 20 times more retinoic acid as Retin-A, the company said.

In spite of the greater dermal absorption achieved with Phosphagenics’ formulation, there was no difference found in the blood plasma levels of retinoic acid between Retin-A and the company’s TPM-RA formulation.

Phosphagenics said this was “an important outcome as high levels of retinoic acid in plasma may lead to systemic toxicity”.

Phosphagenics’ vice-president of research and development Dr Paul Gavin said the ability to reduce acne was directly related to the amount of retinoic acid delivered into the skin.

“However, an increased dose typically leads to increased irritation,” Dr Gavin said.

“To be able to increase the amount of retinoic acid delivered and the depth of retinoic acid penetration is important for the effective treatment of acne,” Dr Gavin said.

“To achieve this with a decrease in erythema should ensure good patient compliance and the commercial success of the product,” he said.

“With the previously announced successful phase I trials for lidocaine and diclofenac, Phosphagenics has clearly demonstrated that it has an exceptionally viable platform technology for the targeted, localized delivery of many drugs into the skin and muscle tissues while limiting systemic exposure,” Dr Gavin said.

Phosphagenics was up 1.5 cents or 9.7 cents to 17 cents.

### BIOTECH DAILY EDITORIAL

Reporting Appendix 4Cs is a painful enough procedure as it is, but if the exercise is intended to make companies transparent, it fails one major test.

Biotech Daily was about to report the parlous state of Phylogica which had a cash burn of \$949,000 for the three months to March 31, 2009 and just \$594,000 cash at hand. But Phylogica has just raised \$3.8 million, most of which has been received by the company (BD: Apr 22, 2009).

The form should have a box clearly labeled 'Since the reporting date have you raised, or are you expecting to raise, money?'

For investors unable to closely follow a company, the Appendix 4C can be a misleading document.

But there is no ASX rule to prevent companies explaining their position in a covering letter or media announcement and some companies already do this voluntarily.

Biotech Daily urges companies that appear to be low on cash, but have resolved or are resolving that problem, to clearly say so.

### HEARTWARE

Heartware says its total operating and investing cash burn for the three months to March 31, 2009 was \$7,647,000 with cash at the end of the quarter of \$12,592,000.

Heartware said that despite regulatory delays, Thoratec's \$429 million acquisition of the company was expected to be settled by the end of 2009 (BD: Feb 16; Mar 27, 2009).

Heartware was up three cents or 3.14 percent to 98.5 cents.

### IMPEDIMED

Impedimed says its total operating and investing cash burn for the three months to March 31, 2009 was \$2,668,000 with cash at the end of the quarter of \$3,968,000.

Impedimed chief executive officer Greg Brown told Biotech Daily the company's cash burn had been reduced following completion of development of the UB500 lymphoedema test and the existing funds would take the company into the next calendar year.

Impedimed was untraded at 75 cents.

### SAFETY MEDICAL

Safety Medical says its total operating and investing cash burn for the three months to March 31, 2009 was \$1,037,000 with a cash debt of \$103,000.

Safety Medical had receipts from customers of \$1,204,000 and said it had a loan facility from the National Australia Bank of \$10 million of which \$1.9 million had been used.

The company is preparing to market its sterilized tampons, pads and panty liner products. Safety Medical was up half a cent or 5.26 percent to 10 cents.

### NEUREN

Neuren says its net operating cash flow for the three months to March 31, 2009 was \$958,000 with cash at the end of the quarter of \$698,000.

Neuren gave no further explanation.

Neuren was up 0.4 cents or 11.1 percent to four cents with 8.4 million shares traded.

### GENERA BIOSYSTEMS

Genera says its total operating and investing cash burn for the three months to March 31, 2009 was \$1,280,000 with cash at the end of the quarter of \$1,217,000.

Genera said it was "close to finalizing a capital raising initiative with a further announcement anticipated within three weeks".

The company said the raising was expected "to see an institutional investor make an investment in Genera sufficient to ensure that the company is well funded through to the finalization of an appropriate strategic arrangement for the commercialization of Papttype" and was expected to be the last capital raising required prior to the company's operations becoming self-funding.

Genera was untraded at 48 cents.

### STIRLING PRODUCTS

Stirling Products says its total operating and investing cash burn for the three months to March 31, 2009 was \$296,000 with cash at the end of the quarter of \$98,000.

Yesterday, Stirling said that pending shareholder approval it had raised \$1.8 million through the issue of 75 million shares and two sets of convertible notes.

Previously a mining company, Stirling says that a 12-patient trial in Kiev, Ukraine showed that the natural Immnoxel compound the company is "commercializing" was effective against tuberculosis and yesterday announced it was also effective against swine influenza (BD: Apr 16 and 29, 2009).

Stirling fell 0.2 cents or 6.25 percent to three cents with 7.7 million shares traded.

### ROCKEBY, EASTLAND, SOLAGRAN

Rockeby Biomed had less than one month's cash; Eastland Medical had less than three month's cash but less than six month's cash including a loan facility; and Solagran had less than two months cash.

Rockeby fell 0.2 cents or 3.57 percent to 5.4 cents with 1.8 million shares traded.

Eastland was untraded at 5.5 cents.

Solagran fell 0.8 cents or 8.42 percent to 8.7 cents.

### ARANA

Cephalon International Holdings increased its substantial shareholding in Arana from 80,250,940 shares (35.25%) to 83,859,077 shares (36.84%).

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

Arana was unchanged at \$1.375

### TYRIAN DIAGNOSTICS

Tyrian says director Phillip Morley resigned on April 29, 2009.

Tyrian was untraded at 2.3 cents.