



Biotech Daily

Monday February 9, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECH DOWN: BENITEC UP 30%, ANTISENSE DOWN 9%**
- * **BENITEC GENE-MODIFICATION HIV THERAPY 'PROMISING'**
- * **USCOM 'STANDARD OF PAEDIATRIC CARE'**
- * **EUROPEAN PATENT FOR ARANA'S EVIBODIES**
- * **CYTOPIA, 18% INVESTORS TURN UP HEAT ON PROGEN MEETINGS**
- * **MEDICAL THERAPIES AVOIDS \$1.5m PAYMENT; ISSUES 15m SHARES**
- * **SOLAGRAN LOSES CO-FOUNDER DENIS KILROY; NEW CEO, DIRECTOR**
- * **BENITEC'S ANGEL DR CHRISTOPHER BREMNER INVESTS \$595k**
- * **HEALTHLINX SIGNALS SHARE PLAN, CAPITAL RAISING**
- * **OBJ LOSES DR LEEARNE HINCH**

MARKET REPORT

The Australian stock market climbed 1.1 percent on Monday February 9, 2009 with the S&P ASX 200 up 38.7 points to 3,508.6 points.

Eight of the Biotech Daily Top 40 stocks were up, 10 fell, 11 traded unchanged and 11 were untraded.

Benitec was best, up 0.9 cents or 30 percent to 3.9 cents with 553,677 shares traded, followed by Sirtex up 37 cents or 16.59 percent to \$2.60 and Phosphagenics up one cent or 11.11 percent to 10 cents.

Alchemia climbed 7.14 percent; Clinuvel was up 6.82 percent; Labtech and Starpharma were up five percent or more; with Pharmaxis up 0.43 percent.

Antisense led the falls, down 0.3 cents or 8.57 percent to 3.2 cents with 149,743 shares traded.

AcruX, Avexa, Heartware and Novogen fell more than four percent; Chemgenex and Cochlear shed more than two percent; with Arana, Mesoblast, Optiscan and Progen down more than one percent.

BENITEC

Benitec says there has been “unprecedented interest in the update on the City of Hope HIV trial recently presented in the US”.

Benitec said the findings from the trial were presented at the Stem Cell World Congress in Palm Springs, California on January 20, 2009 by the director of haematopoietic cell therapies at City of Hope Medical Centre Dr David DiGiusto.

The presentation entitled ‘A Pilot Study of Safety and Feasibility of Stem Cell Therapy for AIDS Lymphoma Using Stem Cells Treated with a Lentivirus Vector Encoding Multiple anti-HIV RNAs’ and the key findings were that the isolation, genetic modification with a Lentiviral vector and infusion of CD34+ cells from aids-related lymphoma patients was safe and feasible.

Gene marking in vivo was within the expected range predicted by in vitro analysis of transduced CD34+ cells and gene marked cells persist and express short interfering RNA (siRNA) for up to 10 months post-infusion.

“We are trying to prevent the immunodeficiency that is a result of HIV infection,” Dr DiGiusto said.

“It is still an experimental treatment at the moment, but we hope that eventually we will be able to give Aids patients just one transplant and that would then protect them for life,” Dr DiGiusto. “We have data to show that the resistant cells are persisting in our lymphoma patients.”

The technique involves isolating genes which curb the spread of HIV inside the body, introducing the genes into human stem cells in a laboratory, then transplanting the stem cells into a patient's bone marrow.

Benitec chief executive officer Sue MacLeman said the research genetically modified a fraction of the patient's stem cells with genes that target three different aspects of HIV that allow it to get into the immune cells and replicate (BD: Oct 23, Dec 8, 2008).

“When those stem cells are transplanted into patients, they create mature immune cells that circulate in the patient and protect against HIV,” Ms MacLeman said.

“This study has shown that we can deliver gene-modified cells which have the potential to limit the HIV infection,” Ms MacLeman said.

“If we can continue to develop this approach and successfully apply it to other AIDS patients, then genetic therapy for HIV could become a reality,” she said.

Ms MacLeman said the early results had been welcomed by AIDS and HIV charities which have described the experimental treatment as “promising”.

Ms MacLeman told Biotech Daily she was in New York presenting at a biotechnology chief executive officers investment conference.

Benitec said that about 40 million people worldwide are infected with HIV and an estimated three million die each year with the virus. HIV is a sexually-transmitted infection, attacking white blood cells known as T-lymphocytes, which play a central role in the immune system by fighting other forms of infection.

Over time the number of T-lymphocytes in the body decreases as the virus spreads and the immune system stops working, leading to the condition known as Auto-Immune Deficiency, meaning patients are no longer able to fight off infections themselves.

Most Aids patients die from pneumonia or cancers such as lymphoma.

Bone marrow contains stem cells that are capable of forming all types of blood cells including the white blood cells that form part of the immune system.

By giving patients stem cells that carry these anti-HIV genes, the patients' bodies are able to produce new white blood cells that are resistant to attack from HIV and so able to defend the body from other forms of infection.

Benitec was up 0.9 cents or 30 percent to 3.9 cents with 553,677 shares traded.

[USCOM](#)

Uscom says its heart monitor has been included in global clinical guidelines for management of septic shock in neonates, infants and children.

The company said its ultra-sonic cardiac output monitor was included in the guidelines "as a standard of care" presented by the American College of Critical Care Medicine at the Society of Critical Care Medicine Annual Scientific Meeting in Nashville.

Uscom said the guidelines were "a consensus statement of best practice authored by 53 world experts".

The company said sepsis occurred in adults and children and was the severe complication of infections characterized by complex abnormalities of the circulation.

Sepsis is responsible for up to 25 percent of all intensive care unit bed use and has a 10 percent mortality in children.

Uscom's executive chairman Rob Phillips said recognition of his company's device as part of a standard of care was "satisfying for everyone who has worked with and invested in Uscom".

"Haemodynamics is what we do and these children need expert haemodynamic management if they are to survive," Mr Phillips said.

"Infection is a huge and growing issue in hospitals worldwide and Uscom contributes by improving management and, by being non-invasive, reducing the incidence of hospital acquired sepsis," he said.

Uscom chief executive officer Paul Butler said the inclusion in the guidelines was "a milestone for Uscom".

"We identified paediatrics as a discipline in which we would change clinical practice and stated explicitly that our goal was to become a standard of care in paediatric sepsis," Mr Butler said. "The inclusion of Uscom technology in the sepsis guidelines shows that we have achieved this goal."

Uscom fell four cents or 6.67 percent to 56 cents.

[ARANA](#)

The European Patent Office has granted Arana a patent for its Evibodies, described as "small antibody-like proteins".

Arana said Evibodies could be used as drugs or diagnostic agents in applications where whole antibodies might be unsuitable.

Arana said the European patent covered its development and use of Evibodies, adding to its technology platform by supplying a means of discovering new targeting agents.

The granted patent has been validated in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Switzerland, Sweden, Spain and UK and has passed the time-limited opposition period unopposed.

Arana's acting chief executive officer Dr Steffen Nock said the patent was "another important milestone".

"We were actively developing Evibodies due to their key benefit of being synergistic with the company's other technology capabilities," Dr Nock said.

"The grant of this patent supports the continued development of Evibodies, further strengthening and expanding Arana's technology platform," Dr Nock said.

Arana said Evibodies were about one tenth the size of an antibody and could be manufactured more economically and had attachment capabilities similar to antibodies, but may be preferred to antibodies under some settings when, for example, a smaller molecule which enabled better penetration of tissues was beneficial.

Arana was down one cent or 1.23 percent to 80 cents.

CYTOPIA, PROGEN, AVEXA

Cytopia says more than 18 percent of Progen shareholders support its choice of a cash-back option, a new Progen board and one combined general meeting.

Progen has proposed two separate extraordinary general meetings to consider a merger proposal with Avexa and a hostile merger proposal from Cytopia.

Progen has about \$70 million in cash following the discontinuation of its PI-88 phase III liver cancer trial.

Today, Cytopia said there was a "significant funding shortfall" identified in the Progen-Avexa merger proposal (BD: Feb 5, 6, 2009) and that Progen was committed to the Avexa merger and a limited share buyback, to the exclusion of other proposals.

With the proposed Avexa merger, shareholders would effectively become investors in an HIV company "with long and costly funding requirements", Cytopia said.

Cytopia said its proposal offered the choice of either staying as investors in a cancer-focused biotechnology company or redeeming the cash backing of their shares, subject to available net cash reserves.

Cytopia said the resolutions it put forward with other Progen shareholders, did not include a merger resolution, nor were the appointments of the three new director candidates conditional on a merger.

The directors seek appointment on a platform of considering a merger between Cytopia and Progen but such a merger could only occur once the share buyback had been carried out, remaining net assets were determined and merger terms were agreed.

Cytopia said a general meeting should be held so that any merger with Avexa was considered at the same time as the Cytopia proposal.

Cytopia and a further 18 percent of Progen investors, has formally requested Progen align the two meetings and the same request has been made directly to the company by others. Progen has said that a combined meeting was not possible because of a constitutional requirement for 35 business days' notice for directors' nominations.

Cytopia said the Avexa merger meeting should be delayed to enable all the proposed resolutions to be considered together.

Cytopia said that "after adopting a high-risk strategy of electing to fund a phase III clinical trial, raising \$100 million at about \$5 a share, then cancelling the trial, Progen was asking shareholders to support the same strategy again in a different disease area".

Cytopia said Progen had advised that the merged entity would have combined cash of around \$60 million, but \$155 million would be needed to complete the four year phase III program for the HIV drug candidate, leaving a \$95 million shortfall.

The board has also confirmed that Progen would bring \$70 million of cash, pre share buyback, to the Avexa merger, which should be sufficient to fund the offer of a full access buy-back of \$1.10 per share to all shareholders.

Cytopia said that all Progen shareholders should vote against the proposed merger with Avexa and demand the additional choices being sought under the requisition notice.

Cytopia said "a considerable number of Progen shareholders would elect to remain as investors in Progen if able to vote on the choice resolutions".

Cytopia said a new board was likely to be more receptive to carrying out the strategic recommendations outlined by the company on November 13, 2008, and it would provide the opportunity to recover some of the value that may have been lost over recent years.

Assuming the choice resolutions were passed Cytopia said it would present "a compelling proposition" to create "a leading Australian cancer focused biotechnology company that has the full support of both shareholder bases".

Cytopia was untraded at 11 cents.

Progen fell one cent or 1.16 percent to 85 cents.

MEDICAL THERAPIES

Japan's Cell Signals has agreed to accept 15 million Medical Therapies shares in lieu of a \$1.5 million cash payment for intellectual property rights to Midkine assets.

Subject to shareholder approval, the agreement is a variation of the terms signed on April 16, 2008 that the \$1.5 million was to be paid to Cell Signals within 90 days after the completion of the transfer of all Midkine related patents.

Medical Therapies said the last applications for assignment of the intellectual property were lodged in December and a payment obligation would have arisen once the assignments were completed by Nagoya University, the co-owner of four of the ischemia-related patents.

By agreeing to a share package, as opposed to cash Cell Signals had expressed its continued confidence in the Midkine technology, Medical Therapies said.

Cell Signals chief executive officer Dr Sadatoshi Sakuma said his company was "glad to have the opportunity to share in the upside from the developments of the Midkine portfolio of technologies by being issued shares as opposed to a fixed cash amount".

"We are confident that the [Medical Therapies] team, together with our key people, will deliver the collaborations and partnerships which should prove to be profitable to our shareholders," Dr Sakuma said.

Medical Therapies chairman Dr David King said that "with a high value technology portfolio but limited cash this amendment is significant as far as easing our immediate cash requirements are concerned".

Medical Therapies chief executive officer Maria Halasz said the agreement was "a win-win situation for both companies".

"We can spend all new capital on developing treatments for diseases such as cancer and inflammatory conditions, which should then translate into solid returns to our shareholders," Ms Halasz said.

Medical Therapies was untraded at three cents.

SOLAGRAN

Solagran has announced the resignation of co-founder and director Denis Kilroy as an executive director.

Solagran said Mr Kilroy was resigning "due to health issues and his desire to apply his creative talents to other areas of interest" and was returning to strategy consulting with his KBA Consulting Group.

Solagran said chief operating officer Branko Jovanovic had been promoted to chief executive officer and appointed a director of the company.

Prior to joining Solagran Mr Jovanovic was with the Australian Chamber of Commerce and Industry in Canberra as trade development manager and business council executive director for Russia, Thailand and Malaysia.

Previously, Mr Jovanovic was a director in a Swiss company exporting pharmaceuticals to Russia. He speaks five languages including Russian, Solagran said.

Sibex managing director Alexander Kurganov has also been appointed a director of Solagran.

The Sibex production facility is an 85 percent-owned subsidiary of Solagran based in Tomsk, Siberia.

Solagran said it has continued its search for a non-executive director and has made an offer to a suitable person who has not yet responded.

Solagran said it intended to appoint a non-executive director as soon as possible.

Solagran fell to 11.5 cents, closing down half a cent or 3.85 percent at 12.5 cents.

[BENITEC](#)

Benitec has issued a further 13,222,222 ordinary shares and 13,222,222 unlisted options following the investment of a further \$595,000 by Dr Christopher Bremner.

Benitec said a general meeting on January 7, 2009, shareholders authorized the issue of up to 34,771,010 ordinary shares at an issue price of 4.5 cents with 34,771,010 free attaching unlisted options with an exercise price of 10 cents and an expiry date of December 31, 2012.

This investment brings the total investment in recent months by Dr Bremner to \$1 million.

[HEALTHLINX](#)

Healthlinx has announced a share plan offering eligible shareholders up to \$5,000 shares in the company under the Plan.

Healthlinx said investors could buy shares in lots of \$1,000, \$3,000 or \$5,000.

The share price and timetable are yet to be announced.

Healthlinx said it was “also considering additional funding options” to ensure it had the funds required to deliver its strategy and “ensure that it delivers on milestones and objectives”.

Healthlinx has launched its Ovplex diagnostic which it described as “the world’s most accurate early stage ovarian cancer diagnostic”.

Healthlinx fell 0.3 cents or 4.76 percent to six cents.

[OBJ](#)

OBJ says that as part of reducing operating costs the role of the chief operating officer held by Dr Leeane Hinch has been made redundant effective from February 6, 2009.

OBJ said Dr Hinch had agreed to a termination package and her duties would be taken over by existing personnel.

OBJ fell 0.5 cents or 16.67 percent to half a cent.