



Biotech Daily

Tuesday July 14, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: BENITEC UP 20%, BONE DOWN 50%**
- * **BIOGUIDE BRIEF: TO DELIST OR NOT TO DELIST**
- * **CSIRO IN \$2m AVEXA HEPATITIS C COLLABORATION**
- * **BENITEC COLLABORATES WITH CHINA'S BIOMICS ON HEPATITIS B**
- * **COCHLEAR EXPECTS LOWER RECORD REVENUE, PROFIT**
- * **MEDIGEN, TAKES 8.5%, CCH TAKES 5% OF PROGEN**
- * **GENESIS SHARE PLAN TO RAISE UP TO \$379k**
- * **CATHRX APPOINTS SETFARMA PORTUGAL DISTRIBUTOR**
- * **BIODIEM APPOINTS JULIE PHILLIPS CEO**

MARKET REPORT

The Australian stock market climbed 3.47 percent on Tuesday July 14, 2009 with the S&P ASX 200 up 129.6 points to 3,867.1 points.

Fourteen of the Biotech Daily Top 40 stocks were up, 12 fell, six traded unchanged and eight were untraded. All three Big Caps were down.

Benitec was best, up half a cent or 20 percent to three cents with 413,627 shares traded.

Chemgenex, Clinuvel, Pharmaxis, Prana and Tissue Therapies climbed five percent or more; Genetic Technologies was up 4.2 percent; Cathrx was up 3.1 percent; Labtech and Optiscan rose more than two percent; with Biota, Heartware, Novogen and Starpharma up more than one percent.

Bone Medical led the falls, down 10 cents or 50 percent to 10 cents with 833 shares traded, followed by Circadian down 5.4 percent to 70 cents with 60,420 shares traded.

Cochlear and Phosphagenics lost more than four percent; Living Cell, Nanosonics and Resmed fell more than three percent; Cytopia shed 2.9 percent; Mesoblast was down 1.2 percent; with Acrux, Cellestis, CSL, Peplin, Psivida and Sirtex down by less than one percent.

MARC SINATRA'S BIOGUIDE BRIEF: OFF-SHORE LISTINGS

It is interesting to note that a second significant Australian biotech has chosen to voluntarily delist from the Nasdaq in about as many weeks, with Pharmaxis announcing today that its shares are likely to last trade on the Nasdaq on August 3, 2009.

Chemgenex ceased trading on the Nasdaq on July 9, 2009 (BD: Jun 29, 2009).

In the past, ASX listed companies have mainly chosen to list on the Nasdaq in an effort to gain entry to US capital markets, hoping that their presence on a premiere exchange and the requirements that go along with that listing will make them more desirable to prospective investors.

While it is debatable whether a Nasdaq listing has made any Australian biotech more desirable to investors, it is clear that the listing does have costs.

The major costs of maintaining a Nasdaq listing are those associated with additional US Securities and Exchange Commission compliance requirements beyond those required by the ASX.

While it is difficult to find hard data on what the total cost of these additional requirements might be, a figure somewhere between \$500,000 and \$1 million seems a reasonable estimate.

Pharmaxis and Chemgenex now have high enough international profiles and attractiveness to investors that any benefits a Nasdaq listing may have had for them, are irrelevant.

A word to the wise, though, some of the additional requirements for listing on the Nasdaq are desirable.

Take for example, the Nasdaq's requirement for a majority of independent directors. While in reality they do not make for perfect corporate governance, they do provide some assurance to shareholders, particularly the small ones, that their best interests are being served.

**Marc Sinatra
Analyst**

CSIRO. AVEXA

Avexa says the Commonwealth Scientific and Industrial Research Organisation will invest up to \$2 million in its hepatitis C virus program.

Avexa chief executive officer Dr Julian Chick said the agreement would enable Avexa and the CSIRO "to combine skill sets and abilities to discover new medicines for hepatitis C".

Avexa said hepatitis C was a blood-borne disease with the virus spreading within its host by replicating its RNA and using this to make the components that form new viruses.

The company said the collaboration would initially focus on the identification of small molecule inhibitors targeting the NS5B RNA polymerase which was essential to the replication process.

Avexa said that under the agreement, CSIRO could either share in any payments for the program if it was successful, or convert its \$2 million investment into equity once the program was complete which was expected to be in two years.

Avexa said it could, in some circumstances, elect, or be required, to repay the investment. "HCV is a serious condition particularly for those patients who are chronically infected," Dr Chick said.

Avexa said the funds were made available through the CSIRO's Australian Growth Partnerships program - a competitive, merit-based pilot funding program managed by the CSIRO. For more information, visit www.csiro.au/AGP.

Avexa was unchanged at 11 cents.

BENITEC

Benitec has an agreement with China's Biomics Biotechnologies to collaborate on a DNA-directed or vector-expressed RNA interference for hepatitis B virus infection.

Benitec chief executive officer Sue MacLeman Biomics was founded by Dr York Zhu and since its foundation in 2006 had grown to be "a leading Asian RNAi therapeutics company with combined technology platforms of full-sites siRNA library, drug targets screening and identification, siRNA structure modification and drug delivery systems".

"Chronic hepatitis B virus infection is one of the leading causes of liver cirrhosis and hepatocellular carcinoma," Ms MacLeman said.

Ms MacLeman said current strategies including the use of interferon and nucleotide analogues such as lamivudine and adefovir had only partial success.

"Therefore, it is necessary to develop more effective antiviral therapies that can clear HBV infection with fewer side effects," Ms MacLeman said.

She said that DNA-directed RNA interference (ddRNAi) or vector expressed RNAi had the potential of treating hepatitis B infection.

Benitec said the scientific teams would develop a plan for target identification and validation, prior to preclinical testing and early stage clinical trials.

Benitec said the companies would share in intellectual property developed in the project and would collaborate in product development and commercialization.

Benitec up half a cent or 20 percent to three cents.

COCHLEAR

Cochlear has downgraded its core earnings growth forecast for 2008-'09 from 15-20 percent as stated in February 2009, to 12 percent growth to \$137.7 million.

In February, Cochlear's net profit after tax for the six months to December 31, 2008 was up 22 percent to \$69,936,000 on revenue up 19 percent to \$355,227,000 (BD: Feb 10, 2009) and the company said at that time the revenue and profit figures were both half year records.

Today, the company said it expected the 2008-'09 total revenue, after foreign exchange contracts, to grow 15 percent to \$695 million, with net profit after tax expected to grow 13 percent to \$130.5 million and core earnings to increase 12 percent to \$137.7 million.

Cochlear said its implant unit sales were up two percent to 18,461 implants and there were no donation sales to China in the year to June 30, 2009 as compared to 700 units in the previous year.

The company said foreign exchange contract losses were \$17 million compared to the previous year's profit of \$21.3 million.

Cochlear said the new bone-anchored hearing aid (Baha) BP100 had approval for sale in Europe and the US and was being launched in both regions over the coming six months.

The company said the Cochlear Nucleus 5 was "the next generation cochlear implant system" and had Conformité Européenne (CE) mark approval for sale in Europe.

The European roll-out was expected in the next six months and was available in the UK.

Regulatory approval in the US has not yet been received for the implant or external processor submissions. In other countries such as Australia regulatory and other approvals are not expected for a further 12 months.

Cochlear said clinical data on user acceptance testing of the Cochlear Nucleus 5 externals had been presented at several major medical conferences in June 2009.

More than 100 patients have participated in these tests and results on product clinical validation of the new implant had been presented at these conferences.

Cochlear fell \$2.23 or 4.1 percent to \$52.08

PROGEN

Medigen and CCH Investment Corp with Tzu Liang Huang have filed substantial shareholder notices for 8.48 percent and 5.03 percent of Progen, respectively. Medigen said it became a substantial holder on April 30, 2009 through the share buy-back, but only became aware of the development on July 10, 2009.

Medigen became substantial in Progen with a holding of 2,096,482 shares or 8.48 percent.

CCH Investment Corp with Tzu Liang Huang of Taipei became substantial in Progen with a holding of 1,243,251 shares or 5.03 percent.

Progen was untraded at 75 cents.

GENESIS RESEARCH AND DEVELOPMENT

Genesis is offering eligible shareholders up to \$NZ5,000 worth of shares at six New Zealand cents a share to raise up to \$NZ470,282.40 (\$A\$378,874.25).

Genesis said that up to 7,838,040 shares would be issued under the plan.

Genesis said the plan would raise additional funds for its ongoing operations.

The company said shareholders at the record date of July 21, 2009 would be eligible to participate in the plan.

The offer closes on August 11, 2009.

Genesis was untraded at 5.5 cents.

CATHRX

Cathrx says Setfarma will distribute its cardiac catheter products to hospitals in Portugal. Cathrx said Setfarma was a specialist distributor servicing a network of hospitals across Portugal which offer ablation procedures including atrial fibrillation and atrial flutter.

Setfarma's, commercial director Joao Pedro Moreira said there was "good demand for high quality innovative products like Cathrx's diagnostic and when approved therapeutic catheter systems".

Cathrx was up one cent or 3.1 percent to 33.5 cents

BIODIEM

Biodiem has appointed Julie Phillips (formerly Julie Nutting) as chief executive officer. Biodiem said Ms Phillips had "a strong background in the biotech and pharmaceutical industries".

The company said Ms Phillips had been the chief executive officer of a number of ASX listed biotech companies including Select Vaccines and Psiron and held senior positions for multinational companies such as Sandoz and Covance.

Biodiem said she had extensive experience commercializing technologies and managing product development to international standards in Australian biotech companies.

Biodiem was untraded at 11 cents.