



# Biotech Daily

Monday March 2, 2009

*Daily news on ASX-listed biotechnology companies*

- \* **BIOTECH DAILY TOP 40: SUMMER SHINES ON BIOTECHS**
- \* **TODAY: ASX, BIOTECH DOWN; ARANA UP 65%, POLARTECHNICS DOWN 16%**
- \* **BIOGUDE BRIEF: ARANA THERAPEUTICS AND UNDER-10s CRICKET**
- \* **ARANA CHAIRMAN ROBIN BEAUMONT 'VERY DISAPPOINTED'**
- \* **ARANA DROPS BUY-BACK FOR 5¢ FRANKED DIVIDEND; DIRECTOR GOES**
- \* **BIOTA LOSES CHAIRMAN JOHN GRANT, GAINS VISION'S DR JAMES FOX**
- \* **PHARMAXIS SUBMITS ARIDOL NDA TO FDA**
- \* **CATHRX PROCESS CERTIFIED TO EUROPEAN STANDARDS**
- \* **PROGEN URGES SUPPORT FOR AVEXA, REJECT CYTOPIA**
- \* **UNILIFE H1 TURNAROUND \$10.6m PROFIT ON REVENUE UP 43% TO \$2.6m**
- \* **PROF RON PENNY RESIGNS AS CRYOSITE DIRECTOR**
- \* **JULIE ROSENBERG INCREASES TO 16% OF BRAIN RESOURCE**
- \* **NORWOOD ABBEY EXTENDS MERGER TRADING HALT TO SUSPENSION**
- \* **BIOTECH DAILY TOP 40 WITH MARKET CAP**

## MARKET REPORT

The Australian stock market fell 2.82 percent on Monday March 2, 2009 with the S&P ASX 200 down 94.4 points to 3,250.1 points. Eight of the Biotech Daily Top 40 stocks were up, 16 fell, seven traded unchanged and nine were untraded.

Arana was best, up 54 cents or 65.1 percent to \$1.37 with 5.3 million shares traded, followed by Impedimed up 20 cents or 40 percent to 70 cents. Circadian and Pharmaxis climbed more than seven percent; Biota and Phosphagenics were up more than five percent; with Acrux up 1.12 percent and Heartware up 0.45 percent.

Polartechinics led the falls, down 1.2 cents or 12 percent to 8.8 cents with 1.3 million shares traded, followed by Prana down 11.11 percent to 16 cents and Peplin down 10 percent to 45 cents. Optiscan lost 9.09 percent; Tyrian was down eight percent; Universal fell 7.1 percent; CSL was down 6.03 percent; Living Cell, Resmed and Starpharma were down five percent or more; Labtech lost 4.17 percent, Alchemia was down 3.33 percent; with Avexa, Clinuvel, Cochlear and Viralytics down more than two percent.

## BIOTECH DAILY TOP 40 INDEX

Biotechs improved for the third month in a row with the Biotech Daily Top 40 Index (BDI-40) up 9.6 percent in the three months to the end of February, compared with the S&P ASX 200 fall of 10.6 percent.

While the Thoratec bid for Heartware increased its market capitalization by 90.3 percent or \$168 million, Cellestis was up 46.5 percent to \$211 million on positive results. The BDI-20 climbed 5.7 percent in February compared to the S&P ASX 200 fall of 5.5 percent. The data does not include the impact of Cephalon's \$318 million bid for Arana.

Both the Biotech Daily indices outperformed the S&P ASX 200 over 12 months, with the benchmark down 40.0 percent for the year to February 28, 2009, while the BDI-20 fell 26.7 percent and the BDI-40 lost 39.4 percent. The contrast was more stark with the three Big Caps (which are not in the BDI-40) up 4.1 percent for the month and 16.7 percent for the year to the end of February. Cochlear fell 9.6 percent in February, CSL climbed 6.1 percent and Resmed gained 4.1 percent.

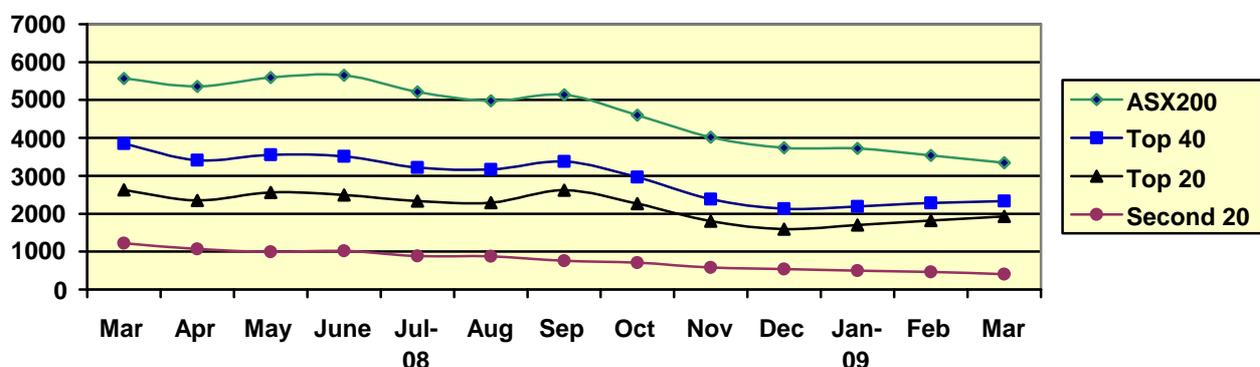
Nine of the Top 40 companies were up, 24 fell and seven were unchanged. Heartware's 90.3 percent increase in market capitalization to \$354 million is well below the \$429 million Thoratec offer and the data is complicated by the ASX failure to provide total market capitalizations. The ASX says it is only responsible for Australian traded data, so market capitalizations of dual-listed companies are calculated on the companies' stated data.

Cellestis' \$211 million was its best price since September 2008, followed by Benitec and Labtech both up 20 percent to \$12 million; Sirtex (13.6%) and Impedimed (13.5%).

Tyrian led the falls down 40 percent to \$6 million, Prana fell 33.8 percent to \$43 million, while last month's top stock, Peplin, retreated \$31 million or 30.7 percent to \$70 million. Genetic Technologies fell 22.2 percent to \$14 million, Pharmaxis lost 20.6 percent to \$223 million, with Phylogica and Polartechnics down 20 percent, followed by Cathrx (17.4%), Psivida (16.7%) and Acrux (16.3%).

Until the Progen mergers are decided it remains a Top 40 company but Stem Cell Sciences departs the Second 20 to be replaced by Nanosonics which climbed 47.6 percent to \$31 million in February.

Biotech Daily Top 40 (\$m) v S&P ASX 200 2008-09



## [MARC SINATRA'S BIOGUIDE BRIEF: ARANA](#)

Standing at square leg umpiring an Under-10s cricket match on Friday night, I watched a player attempt to run-out a batsmen using only his feet. I shook my head in disbelief.

Then I got a 'phone call telling me Cephalon wanted to buy Arana for \$318 million and the offer had been recommended by the only two independent directors on Arana's board. The shaking of my head accelerated and I am now in a neck brace.

Despite the pain, numbers were racing through my head – \$182 million in cash, the purchase of Evogenix at an implied price of \$154 million and \$35 million or so in royalties to come in before their TNF patents expire – that's \$371 million in value right there.

And that doesn't include Arana's enviable pipeline consisting of a drug in two phase II studies for psoriasis and rheumatoid arthritis, two cancer drugs in the pre-clinical stages of development and a third about to start pre-clinical studies.

To make the deal even worse, Cephalon's offer is basically contingent on the success of the soon-to-be-completed phase II psoriasis trial.

It seemed to me that it wasn't just under 10 cricketers who used inappropriate methods to try to do their job.

To be thorough, however, I decided to look for reasons why Cephalon's offer might be fair. I considered the current financial crisis, looked for weakness in the antibody therapeutic markets and examined the sale of shares to Cephalon by two of Arana's major shareholders. No good evidence was forthcoming.

Arana's history, however, did seem to provide some clues. Arana has had a truck load of money since it received \$178 million for its share of drug developer Domantis in January, 2007.

In November of that year, Arana's chairman, Mel Bridges, resigned with only the Evogenix merger to show for Arana's new found wealth.

A year later, CEO John Chiplin transitioned out of the job with the cash he could have used to accelerate growth still sitting in the bank. A new CEO still has not been appointed.

Arana must have looked for uses for its cash over the last two years and found none, leaving organic growth as the only way forward. Given the relatively early stage of Arana's pipeline, this organic growth was also likely to be slow. In this light, I can see why Arana's directors might favor a nice easy transaction to realize value quickly.

One could hope this is the start of a bidding war but it seems a highly risky move by directors to endorse an offer that substantially undervalues their company.

But even juniors cricketers won't sacrifice a season for one good win and Arana shouldn't sacrifice long term shareholder value for one easy pay-day.

Arana was up 54 cents or 65.1 percent to \$1.37 with 5.3 million shares traded.

### ARANA – ROBIN BEAUMONT, DR GEORGE JESSUP

Arana chairman Robin Beaumont told Biotech Daily today that he is “very disappointed” with the Cephalon offer but “that’s the reality of the market”.

“That’s what the market says. Companies are selling for half of what they were selling for a year ago,” Mr Beaumont said. “I don’t think it’s a good deal.” (BD: Feb 27, 2009)

“If I was a shareholder with no better information than that the two biggest shareholders had sold, it would be a persuasive argument,” Mr Beaumont said.

Start-up Ventures’ Dr George Jessup and Rockwell’s Lim Sen Yap held about 25 percent of Arana and have sold 19.9 percent to the Pennsylvania-based Cephalon.

“It’s a reflection of the times,” Mr Beaumont said. “Companies are trading below their asset values and it is impossible to raise funds. It’s an extraordinary market.”

Dr Jessup resigned as a director after the market closed today.

### ARANA - DIVIDEND

Arana has cancelled its on-market share buyback program and declared a fully-franked special five cent dividend “as a substitute capital management initiative”.

Arana said the decision was made “in light of the recommended takeover offer received from Cephalon” on February 27, 2009.

Arana said the dividend was “approximately equal to the cash that would have been used to conduct the balance of the on-market share buyback program”.

Arana chairman Robin Beaumont told Biotech Daily that the fully-franked dividend effectively gave 7.14 cents value per share to shareholders.

He said the buy-back “ran out of steam” with \$14 million unspent and the franking credit would deliver value to shareholders.

The record date is March 30, 2009 and the payment date will be April 15, 2009.

Arana in its media release that the dividend would breach a takeover bid condition in the Cephalon announcement made on February 27, 2009, but Cephalon will waive its rights in respect of the proposed special dividend and proceed with a formal takeover bid for all of the shares in Arana on the same terms as announced, except that under the terms of Cephalon offer “the five cent dividend will be set off against Cephalon’s \$1.40 offer price”.

The change reduces the offer to \$306.6 million if the more than 50 percent take-up is reached and \$318 million if the 90 percent compulsory acquisition target is reached.

### BIOTA

Biota’s controversial chairman John Grant left the company on February 27, 2009 and has been replaced by former Vision Systems chief executive officer Dr James Fox.

According to the Futuris website, Dr Fox holds a Bachelor of Engineering, a Masters of Engineering Science and a Doctorate of Philosophy and has been a Futuris non-executive director since July 1985.

Biota said Dr Fox was “a successful businessman with strong financial and commercial skills” with significant experience in commercializing innovative technologies and growing a global business.

Biota said Dr Fox was chief executive officer of the Melbourne-based technology development company, Vision Systems, which he led until its \$1 billion takeover by the US-based company, Danaher. Dr Fox is also a director of Air New Zealand, MS Research and The Technology Partnership PLC.

Mr Grant has resigned as a director of Biota.

Biota was up 2.5 cents or 5.68 percent to 46.5 cents.

## PHARMAXIS

Pharmaxis has submitted a new drug application to the US Food and Drug Administration for its Aridol bronchial challenge test.

Pharmaxis said bronchial challenge tests were designed to help in the correct diagnosis and assessment of asthma.

The company said the structure and content of the new drug application (NDA) was based on a pre-NDA meeting with the FDA and followed the completion of two international randomized pivotal phase III trials with Aridol involving more than 1,000 subjects.

The application is the vehicle through which Pharmaxis formally proposes that the FDA approve a new pharmaceutical for sale and marketing in the US.

Pharmaxis chief financial officer David McGarvey told Biotech Daily that once submitted an NDA can take up to 60 days before it is accepted as filed, when the FDA begins its review, which can take about a year.

Pharmaxis said there was no FDA-approved dry powder bronchial challenge test available in the US and Aridol is the first test of this kind that comes complete and ready to use.

Pharmaxis chief executive officer Dr Alan Robertson said it was a "major milestone for Pharmaxis especially in light of the fact that this is believed to be the first such NDA submitted by an Australian company for a drug designed and developed in Australia".

"Pharmaxis is committed to the development of safe and effective products to help people living with lung diseases and we look forward to working closely with the FDA over the coming months," Dr Robertson said.

The company said asthma affected more than 34 million people in the US with an annual economic cost of \$19.7 billion and had "a substantial impact on the health of a nation".

Aridol is approved for sale in Europe, Australia and Korea and has been included in the Global Initiative for Asthma guidelines and in the US Asthma Management Guidelines.

Pharmaxis was up nine cents or 7.76 percent to \$1.25.

## CATHRX

Cathrx has received from certification TUV Rheinland for its manufacturing facility based in Homebush, New South Wales.

TUV Rheinland is a private company that provides process certification to a range of international standards.

Cathrx said the certification allowed it to manufacture products in its facility for European distribution and covered the entire manufacturing process and output components required for the cardiac catheters including catheters, electrode sheaths, the stylets and catheter extension cables.

The facility can supply the company's sales plan for the 2009-'10 financial year.

Cathrx chief executive officer Neil Anderson said the approval completed the move from developmental labs at the Australian Technology Park to the long-term manufacturing site at Homebush.

He said the move would help "contain costs that have previously been associated with operating in two locations" and would assist in progressing regulatory applications.

"Since July 2008 we have submitted applications for Conformité Européenne [CE] marking of a diagnostic device and a new stylet while another diagnostic catheter submission is due by the end of March," Mr Anderson said.

"We also plan to submit an application for a therapeutic device in the third quarter of 2009 which, when approved will complete the entire suite of Cathrx's atrial flutter catheter system," he said.

Cathrx was untraded at 45 cents.

## PROGEN, AVEXA, CYTOPIA

Progen has urged shareholders to reject Cytopia's call to adjourn the March 11, 2009 Avexa merger meeting and vote on the \$20 million share buy back.

Progen says Cytopia's recent letter to shareholders (BD: Feb 25, 2009) "repeats a number of misleading statements".

Progen said the Cytopia merger meeting scheduled for March 27, has "no full cash back offer" on the agenda and Cytopia was "vague about any future capital return, stating that it would be 'subject to maintaining sufficient net cash reserves'".

Progen said the March 27 meeting would deal only with the removal of directors and the appointment of new directors who have said they would consider a merger with Cytopia, in which they hold shares.

Progen said the only proposal for a guaranteed buy-back was the one on which shareholders would vote on March 11.

Progen said shareholders were being given choice, contrary to Cytopia's claim. Progen said the Avexa merger could have proceeded without a vote but the boards of both Progen and Avexa "considered it important that shareholders be given the opportunity to participate in this exercise".

Cytopia has said shareholders should have the choice of merging with Avexa or Cytopia. Progen said Cytopia's proposal was unclear and the much smaller company with a market capitalization of about \$8 million and early stage biotechnology programs had not disclosed the terms on which it proposes to merge with Progen and it was not clear how this would create value for Progen shareholders.

Progen said it considered Cytopia's proposals and they were inferior to the merger with Avexa and other alternatives.

Cytopia's lead asset, the vascular disruptive agent CYT997 was in very early phase II trials, required more capital to develop and holds far too many risks to obtain approval, Progen said.

There are no VDAs on the market and the competitive landscape is cluttered with more advanced programs.

The balance of Cytopia's pipeline is at a similar stage to Progen's. This means more money will need to be raised before shareholders can benefit from product revenues. In contrast, the merger with Avexa enables near-term value inflection points in the development of apricitabine (ATC), which is at a far more advanced stage of development, while simultaneously advancing the early stage oncology assets and seeking to finalize regional commercialization of PI88.

Progen said Cytopia would try to delay the Progen-Avexa merger vote and buy back to ensure that if the Progen-Avexa merger is not approved, the current board will have no opportunity to consider alternative options and will be replaced by a board who have stated that they are in favor of merging with Cytopia.

If the Progen-Avexa Merger does not proceed, Progen's directors will consider all options available to determine a future direction which is in the best interests of all shareholders.

To be clear, these options are not favored by the board but include a transaction with another biotechnology company; no material change to the current operation; a partial return of capital; or a long, costly winding-up, not likely to yield an adequate return.

Progen urges shareholders to vote for all resolutions at the March 11 meeting and against any attempt to adjourn the meeting as well as against all resolutions at the March 27 meeting.

Progen was unchanged at 80 cents.

Avexa fell 0.2 cents or 2.67 percent to 7.3 cents.

Cytopia was untraded at nine cents.

### UNILIFE MEDICAL

Unilife says its net profit after tax for the six months to December 31, 2008 was \$10,602,000 on sales revenue up 43 percent to \$2,664,000.

Unilife said the receipt of a \$16.4 million upfront fee for an exclusive licence to the company's prefilled syringe system for five years.

The company said it also had a \$29 million to \$33 million industrialization with two milestone payments of \$3 million each being received in October 2008 and January 2009. Unilife was unchanged at 24 cents.

### CRYOSITE

Prof Ronald Penny has resigned as a non-executive director of Cryosite.

Cryosite said Prof Penny would "remain actively involved in the company in the role of medical director".

Cryosite managing director Gordon Milliken said it was "impossible to underestimate the contribution that Ron had made to the company and the fact that he was staying on in the medical director role would be of enormous value to the company".

Cryosite chairman Theo Onisforou said the company was established "as the result of the recognition of the need for a high quality bio-repository service whilst Ron was the director of Sydney's St Vincent's Centre for Immunology in the late 1990s".

Cryosite was untraded at 10.5 cents.

### BRAIN RESOURCE

Julie Rosenberg and Spinite have increased their substantial shareholding in Brain resource from 10,422,228 shares (11.52%) to 14,683,800 shares (16.01%).

The substantial shareholder notice said Ms Rosenberg owned 50 percent of Spinite. Brain Resource was untraded at 23 cents.

### NORWOOD ABBEY

Norwood Abbey has requested a suspension to follow on from the trading halt requested on February 27, 2009 relating to a merger.

Norwood Abbey last traded at 0.6 cents.

## BIOTECH DAILY'S TOP 40 WITH MARKET CAPITALIZATION

<b>Company \$Am</b>	<b>Mar-09</b>	<b>Feb-09</b>	<b>Jan-09</b>
Cochlear	2,928	3,239	3,101
CSL	23,072	21,750	20,321
Resmed	4,829	4,635	3,887
<b>BDI-20</b>			
Acrux	72	86	76
Alchemia	21	23	26
Arana	189	200	190
Avexa	30	30	31
Bionomics	51	52	53
Biota	75	77	58
Cellestis	211	144	168
Chemgenex	82	96	111
Cytopia	8	9	15
Heartware	354	186	185
Impedimed	59	52	60
Living Cell	23	22	24
Mesoblast	96	97	121
Novogen	63	73	70
Peplin	70	101	59
Pharmaxis	223	281	235
Phosphagenics	63	66	51
Sirtex	125	110	94
Starpharma	34	31	35
Universal Biosensors	77	86	93
<b>Second 20</b>			
Antisense	20	20	20
Benitec	12	10	11
Bone Medical	22	21	17
Cathrx	19	23	21
Circadian	30	30	26
Clinuvel	65	73	73
Genera	9	10	11
Genetic Tech	14	18	19
Labtech	12	10	12
Optiscan	7	7	7
Phylogica	8	10	7
Polartechnics	24	30	42
Prana	43	65	64
Progen	48	51	47
Psivida	10	12	13
Stem Cell Sci	5	5	5
Sunshine Heart	16	16	12
Tyrian	6	10	7
Ventracor	25	29	20
Viralytics	12	12	11

\* Biotech Daily editor, David Langsam, owns shares in Alchemia, Biota, Chemgenex, Cytopia and Stem Cell Sciences as well as non-biotechnology stocks. These are liable to change at any time.

Biotech Daily can be contacted at: PO Box 5000, Carlton, Victoria, Australia, 3053  
email: [editor@biotechdaily.com.au](mailto:editor@biotechdaily.com.au) [www.biotechdaily.com.au](http://www.biotechdaily.com.au)