



Biotech Daily

Monday March 23, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECH DOWN: PHYLOGICA UP 20%; ALCHEMIA DOWN 14%**
- * **ACUVAX'S HAWAII BIOTECH EXECUTIVES IN AUSTRALIAN ROADSHOW**
- * **NEURODISCOVERY IN \$540k DEAL WITH US PHARMACEUTICAL CO**
- * **OPTISCAN TERMINATES 2nd HOYA AGREEMENT**
- * **IM MEDICAL COMPLETES \$225k SALE OF CARDANAL TECHNOLOGY**
- * **PROGEN PROPOSES POST-BUY-BACK PROGRAM DEVELOPMENT**
- * **AUSTRALIAN PATENTS AWARDED FOR ARANA'S PMX53**
- * **NOVOGEN APPOINTS WILLIAM RUECKERT DIRECTOR**

MARKET REPORT

The Australian stock market climbed 2.44 percent on Monday March 23, 2009 with the S&P ASX 200 up 84.5 points to 3,550.3 points.

Nine of the Biotech Daily Top 40 stocks were up, 11 fell, 13 traded unchanged and seven were untraded.

Phylogica was best, up one cent or 20 percent to six cents with 10,000 shares traded, followed by Genetic Technologies up 11.11 percent to five.

Universal Biosensors climbed 6.5 percent to 49 cents; Acrux, Circadian and Mesoblast were up more than five percent; Tyrian was up 4.4 percent; Cellestis and Resmed rose more than two percent; Pharmaxis was up 1.0 percent; with CSL up 0.65 percent.

Alchemia led the falls, down four cents or 14.0 percent to 24.5 cents with 1.0 million shares traded, followed by Optiscan down 12.5 percent to 3.5 cents and Prana down 12.2 percent to 18 cents.

Clinuvel lost 9.3 percent; Cytopia fell 8.3 percent; Chemgenex and Heartware were both down six percent; Novogen was down 5.8 percent; Polartechnics lost 4.6 percent; Progen and Cochlear shed more than one percent; with Arana down 0.35 percent.

ACUVAX

Representatives of Acuvax investee company Hawaii Biotech are in Australia to meet investors and visit potential dengue fever clinical trial sites.

Hawaii Biotech president and chief executive officer Dr Elliot Parks and the company's vice president of business development and general counsel Richard Sherman told Biotech Daily that the company was 27 percent owned by Acuvax and that Acuvax's major shareholder, Dr Richard Opara indirectly had an interest in a further 13 percent of Hawaii Biotech through an investment company.

Through Chopin Opus One LP, Dr Opara controls 75.68 percent of Acuvax. Dr Opara and Acuvax chief executive officer Dr William Ardrey are directors of Hawaii Biotech.

Hawaii Biotech has a clinical trial of a West Nile fever vaccine and is preparing for clinical trials of a vaccine for dengue fever, expected to begin in June 2009, after a meeting with US Food and Drug Administration and the filing of an investigational new drug application. Dr Parks said dengue fever was prevalent in Queensland with 669 recorded infections and one death and there had been presentations in New South Wales.

"It is mosquito born and is an urban disease, not a jungle disease and is endemic in Queensland," Dr Parks said.

"There are no drugs to treat dengue fever," Dr Parks said. He said the current treatment was supportive therapy of fluids, pain-killers and bed rest.

He said that a major problem in treating dengue fever was that the virus presented in any of four serotypes. He said that surviving one serotype left patients immune to that serotype but hyper-reactive to other strains, sometimes with fatal consequences.

Exposure to a second serotype could lead to dengue haemorrhagic fever, with the body over-reacting to the virus, he said.

Dr Parks said competitors were attempting to create a treatment using all four viruses, but Hawaii Biotech was using a four-part protein-based treatment.

"We do not use viruses, we use proteins and the body makes anti-bodies to it," Dr Parks said. "We start with the sequence of the virus and make proteins from the portion on the outside of the virus."

Hawaii Biotech has received grants from the Bill and Melinda Gates Foundation to study paediatric dengue fever and Dr Parks hoped to receive further funds from the foundation. Dr Parks said the West Nile fever program was awaiting six month safety and efficacy data from its phase I human clinical trial, having recently reported three month trial data (BD: Feb 26, 2009) showing all three intra-muscular doses showed 100 percent sero-conversion at all doses with dose-related responses.

He said there was no significant difference between the 50µg and 15µg doses but both were clearly superior to the 5.0µg dose. The vaccine was given three times over eight weeks.

Dr Parks said he expected that immunity from the vaccine would last longer than 12 months.

He said West Nile fever was prevalent in North America, the Mediterranean, the sub-tropics, Central and Latin America and was transmitted between birds by mosquitoes.

Like dengue fever, West Nile had no effective treatment, Dr Parks said.

He said 10-15 percent of patients developed neural invasive diseases such as meningitis and encephalitis of which a sub-group of 10-15 percent of patients died from the illness.

He said the company had sufficient funds for six to 12 months but the company was trying to conserve money as well as raise further funds.

Mr Sherman said that the company had a commercial relationship with Panbio, supplying proteins for the company's diagnostic kits, which returned revenue to Hawaii Biotech.

Acuvax was untraded at 3.1 cents.

NEURODISCOVERY

Neurodiscovery's 100 percent-owned subsidiary Neurosolutions has signed a £250,000 (\$A540,000) services agreement with "a major international pharmaceutical company". Neurodiscovery said the US-based pharmaceutical company could not be named. The company said the contract was expected to take about 12 months to complete. Neurodiscovery said Neurosolutions would use its specialist pharmacology and electrophysiology expertise to evaluate the client's proprietary compounds. Neurosolutions chief scientific officer Prof David Spanswick said the contract "serves as an endorsement of the quality of work conducted by our scientists". Neurodiscovery was untraded at four cents.

OPTISCAN

Optiscan says it has terminated the collaboration agreement with Hoya Corporation for the development of the second generation flexible endomicroscope. Optiscan said that under the termination provisions in the agreement, it had "the right to use its intellectual property and the jointly owned intellectual property in any field of application". Optiscan said it would begin the search for new commercial partners in the field of flexible endoscopy including gastroenterology and bronchoscopy. The company said it would demonstrate to potential partners the smaller scanner technology that it has developed to prototype stage independently of Hoya. Despite the termination of the second generation agreement, Hoya has an ongoing licence agreement with Optiscan for the first generation product and Hoya can continue to sell the first generation product subject to payment of a royalty to Optiscan. The supply agreement for the first generation product was signed by the parties in October 2005 and concludes on March 31, 2009. Optiscan said it was negotiating the terms of an arrangement for Hoya to take over manufacture of the first generation product and Optiscan will provide ongoing support. Optiscan said its "unique and patented technologies enable high-powered microscopes to be miniaturized and used inside the body" and the technology enabled microscopic imaging of up to 1000 times magnification to be achieved. Doctors can use the technology to instantly see cellular level details of tissue without the requirement to surgically remove tissue. Hoya (Pentax) is the second largest producer of flexible endoscopes in the \$US1.2 billion global flexible endoscope market, has been licensed by Optiscan to use its patented miniaturised microscope technology and released the world's first fully functional flexible endo-microscope for sale in March 2006. Optiscan fell half a cent or 12.5 percent to 3.5 cents.

IM MEDICAL

IM Medical says it has completed the sale of its Cardanal technology to the Wagga Wagga, New South Wales-based Tunstee Pty Ltd. IM Medical's chief executive officer Roman Najdecki told Biotech Daily that technology was acquired to be incorporated with its Intelliheart cardiac tests and had been sold to Tunstee for \$225,000 plus 10 percent of commercialized profits. IM Medical fell 0.1 cents or 33.33 percent to 0.2 cents.

PROGEN

Progen says that it will “assess which programs in its portfolio will be advanced together with PI-88” after the level of its voluntary share buy back take-up is known.

Progen said that if the entire \$40 million available in the buy back was taken up, the company would be able to fund at a minimum the registration-directed PI-88 development in Taiwan, the 500 compound series and avoid contingent liabilities associated with the Cellgate technologies, various Federal Government grants and Progen's agreement with Medigen.

Progen said it would continue to assess opportunities to expand its portfolio to include new technologies that offered valuable alternatives.

Progen said capping the proposed off market share buy back at \$40 million equating to 36 million shares or 60 percent of shares on issue “balanced the desire of shareholders for a significant cash return while providing sufficient cash for Progen to continue as a going concern under its new strategy”.

The company said a return of more capital [as proposed by the Cytopia-led shareholder group] was “likely to require the winding up of the company otherwise it is doubtful that Progen could continue as a viable business with its present assets” (BD: March 9, 2009).

Progen said winding-up the company involved “particular complexities” and would require a 75 percent shareholders approval with no certainty the vote would be achieved.

Progen said there was a voting block interested in the further development of its heparin sulfate technologies: PI-88, the 500 series and the heparanase program.

The company said there were commercial issues associated with returning 100 percent of the share capital to shareholders.

Although Progen's liabilities generally relate to trade creditors and employees, in a voluntary winding up, the liquidator would also need to consider contingent liabilities arising from existing contractual arrangements.

Progen said it had ongoing contractual obligations to use its reasonable commercial efforts to commercialize the Cellgate technology towards certain milestones which trigger further payments to the Cellgate vendors.

By not winding up and instead spending time and resources commercializing these technologies through partnering activities, the contingent liabilities would not be triggered. Progen said winding-up with no further commercialization or development associated with the 500 series may trigger obligations to repay certain Federal Government Ausindustry grants received in prior years.

The company said the quantum and timing of cash returned to shareholders through a members' voluntary liquidation was uncertain and more than likely to be considerably less than \$1.10 per share.

The timing of distributions to Shareholders from a members' voluntary liquidation is also uncertain and the entire process could take longer than 12 months from the time a voluntary appointment of a liquidator takes place.

The only resolution for the meeting is to authorize and approve the terms of an off-market equal access buy-back of up to a total of 36,363,636 Progen shares about 60 percent of shares on issue at \$1.10 per share to a maximum of \$40,000,000 as described in the buy-back offer booklet.

The general meeting will be held at the Kamisama Room, Level 6, 320 Adelaide Street, Christie Corporate Building, Brisbane on April 22, 2009 at 10am.

The record date is March 19, 2009; the buy-back opens today, March 23 and closes on April 24, 2009; with the announcement of any scale-back on April 30 and despatch of cheques on May 6.

Progen fell 1.5 cents or 1.71 percent to 86 cents.

ARANA

The Australian Patent Office has awarded Arana patents covering PMX53 and related compounds.

Arana said the patents covered PMX53 and a range of related compounds as G-protein coupled receptor antagonists, including the C5a receptor antagonists and the use of such compounds in osteoarthritis.

The company said PMX53 and the related family of compounds were small cyclic peptides that have the potential to be used as drugs in a range of inflammatory conditions including age-related macular degeneration and osteoarthritis.

Arana said the patent approvals strengthened its PMX portfolio which the company was seeking to out-licence.

Arana's acting chief executive officer Dr Steffen Nock said PMX53 was "a potent molecule with demonstrated activity in various non-ocular disease models".

"The issuance of these patents provides us with an additional tool in potential negotiations," Dr Nock said. "We are responding to a number of companies who have expressed interest in evaluating PMX53 and we will continue to progress all discussions with an aim of maximizing the value of this asset."

Arana said 'complement' was a key component of the inflammatory cascade and was implicated in a number of human inflammatory diseases.

The company said PMX53 and its family of related compounds were inhibitors of the human C5a 'complement' factor receptor.

PMX53 is the compound that Arana has been developing for clinical use in age-related macular degeneration (AMD) and is testing for its potential use in osteoarthritis.

PMX53 is a cyclic hexapeptide compound and behaves as an insurmountable antagonist with nanomolar affinity for the human C5a receptor.

Arana fell half a cent or 0.35 percent to \$1.43.

NOVOGEN

Novogen has appointed William D Rueckert as a director.

Novogen said Mr Rueckert had been a director of its subsidiary companies, Glycotex (83%) and Marshall Edwards (72%) for two years and brought "considerable US-based commercial experience". He has resigned as a director of Marshall Edwards.

The company said Mr Rueckert was the managing member of Oyster Management Group and was formerly a director of Emergency Filtration Products, a public manufacturer and marketer of respiratory filtration devices.

He was also president and director of Eastern Capital Development, private investment firm Rosow & Co and was president of US Oil Co from 1981 to 1988.

Novogen said Peter Simpson would retire as a director prior to June 30, 2009 after 15 years on the company's board.

Novogen fell three cents or 5.8 percent to 48.5 cents.