



# Biotech Daily

Thursday July 8, 2010

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECH UP: VIRAX UP 9%; IMPEDIMED DOWN 5%**
- \* **BIOGUIDE BRIEF: AVEXA INVESTORS NEED TO FACE THE FACTS**
- \* **ALABAMA'S SURMODICS TO MANUFACTURE CLINUVEL'S SCENESSE**
- \* **PHARMAXIS APPOINTS COO GARY PHILLIPS ACTING-CEO**
- \* **ACUVAX HAS LESS THAN ONE QUARTER CASH**
- \* **BENITEC TO RELEASE 20m VOLUNTARY ESCROW SHARES**
- \* **BIOPROSPECT 'DISAPPOINTED' WITH SOLAGRAN'S 'DISPUTE'**

## MARKET REPORT

The Australian stock market bounced back 2.4 percent on Thursday July 8, 2010 with the S&P ASX 200 up 102.1 points to 4356.7 points.

Fifteen of the Biotech Daily Top 40 stocks were up, seven fell, 10 traded unchanged and eight were untraded.

Virax was best, up 0.6 cents or 8.8 percent to 7.4 cents with 125,000 shares traded, followed by Alchemia up 8.3 percent to 39 cents with 533,742 shares traded and Patrys up 8.25 percent to 10.5 cents with 80,241 shares traded.

Antisense and Circadian climbed more than six percent; Tissue Therapies was up 5.4 percent; Cellestis was up 4.3 percent; Bionomics, CSL, Novogen and Prana rose more than two percent with Chemgenex and Resmed up more than one percent.

Impedimed led the falls, down three cents or 5.1 percent to 55.5 cents with 5,063 shares traded, followed by Phosphagenics down four percent to 9.6 cents with 467,136 shares traded.

QRX and Sirtex lost more than three percent; Viralytics shed 2.4 percent; with Acrux down 1.4 percent.

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

As the biotech world knows, shareholder power won the day when Nathan Drona and Uri Ratner were dumped from the Avexa board in favor of Steven Crowley and Bruce Hewett.

So on the nose was Drona, in particular, that Crowley and Hewett were elected without stating their intentions for Avexa, ala Jeff Kennett when he was first elected premier of Victoria.

While I do think it is in the best interests of Avexa and Australian biotech that Drona and Ratner have gone, Avexa shareholders burnt by ATC's axing only have themselves to blame.

Of the numerous rule number ones I have for investing in Australian biotech, the first among equals is concentrate on facts and ignore company spin.

Fact: Avexa's phase IIb study of apricitabine (ATC) showed no significant difference when compared to the market stalwart 3TC. Interpretation: Not Good.

Fact: Avexa failed to find a partner, as they said they would, before heading into large and costly phase III trials. Interpretation: Not Good.

Fact: Avexa announced they were cutting short their phase III trial of ATC. Why would you cut short a costly phase III study if something wasn't seriously wrong? Interpretation: Not Good.

Fact: The truncated phase III study failed to show ATC was any better than 3TC. Interpretation: Not Good.

By my count, that is four clear signals that it is time to dump your Avexa shares. If you were still holding when the axe fell on ATC, it is your fault, not the company's.

Biotech chief executive officers and directors should, and are expected to, take a positive view of their company's development projects. Avexa shareholders seem to believe that too, as many complained that the company didn't spin the phase III trial results more.

At the end of the day, though, facts don't lie: ATC is, and has been, a dog for a while. Did Avexa spin ATC too much? Yes they did and for way too long.

Should shareholders have worked this out? Yes they should have and a long time ago. It appears, however, that they chose to believe the spin rather than the facts.

ATC may have a future, but only as part of a philanthropic effort. Despite the hopeful buzz among shareholders that the new board will resurrect ATC, that just isn't going to happen in any meaningful way.

The argument now is what to do with \$23 million sitting in the shell of a company.

Avexa was up 0.2 cents or 5.9 percent to 3.5 cents.

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## CLINUVEL PHARMACEUTICALS

Clinuvel has appointed Birmingham Alabama's Surmodics as a long-term manufacturer of its ultra-violet light protectant drug Scenesse (afamelanotide).

Clinuvel said that during the past eight years, it and Surmodics had been "fully committed to the development of this particular formulation".

The company said Scenesse was in late-stage clinical trials in the US, Europe and Australia and had been safely administered to more than 500 patients.

Clinuvel said the drug was injected as a controlled-release subcutaneous formulation which delivered 16mg of afamelanotide, which activated skin pigment and provided photoprotection for 60 days.

The company said that phase II and III clinical trials showed that Scenesse was a systemic skin protectant in patients with severe ultra-violet and light related skin conditions.

Clinuvel's chief scientific officer Dr Hank Agersborg said that "technological evolution allows us to deliver Clinuvel's proprietary molecule in picogram [ $10^{-12}$ ] quantities during a defined period of time and obtain optimum biological response".

Surmodics' chief scientific officer Dr Arthur J Tipton said the agreement was "a natural progression of our relationship with Clinuvel".

"Together, our teams have solved numerous scientific and technical issues over the years culminating in the signing of this licensing agreement," Dr Tipton said.

"Clinuvel's product provides a novel way to treat serious skin disorders. We are excited to support Clinuvel as they continue with their US clinical trials and are also encouraged by the positive clinical results Clinuvel has generated to date," Dr Tipton said.

Clinuvel chief executive officer Dr Philippe Wolgen said the agreement was "part of a logical sequence in our lengthy development".

"It is noteworthy that this agreement follows Clinuvel's right to supply Scenesse to EPP patients in Italy, as made public last month," Dr Wolgen said (BD: May 17, 2010).

"For severely UV-affected patients worldwide, the signing of this partnership marks the beginning of our ability to provide a bespoke and innovative solution," Dr Wolgen said.

Clinuvel was not able to clarify whether the agreement was a contract to manufacture for payment or a partnership implying a share of risk and reward.

Clinuvel was up half a cent or 2.2 percent to 23.5 cents.

## PHARMAXIS

Pharmaxis has appointed chief operating officer Gary Phillips as acting chief executive officer while chief executive officer Dr Alan Robertson recovers from a medical procedure. Pharmaxis told the ASX that Dr Robertson has undergone a procedure in June and that he would be absent from the office "for the next few weeks" (BD: Jun 18, 2010).

On June 22, the company announced mixed results from its phase III trial of Bronchitol for cystic fibrosis (BD: Jun 22, 23, 2010).

Pharmaxis did not disclose the nature of Dr Robertson's hospital admission but chairman Denis Hanley said Dr Robertson continued to recover from the medical procedure.

Mr Hanley said it was "important for Dr Robertson to continue to rest and, at this stage, it is not appropriate for him to participate fully in the day to day management of the business".

Pharmaxis said the board met and approved a management contingency plan, previously prepared with Dr Robertson and has appointed Mr Phillips as acting chief executive officer while Dr Robertson recuperates.

Pharmaxis fell one cent or 0.5 percent to \$2.07.

### ACUVAX

Acuvax says its net operating cash burn for the three months to June 30, 2010 was \$147,000 with cash at the end of the quarter of \$47,000.

Acuvax said in June that it expected to conduct a rights issue for up to 80,000,000 shares at a yet to be confirmed price (BD: Jun 30, 2010).

Acuvax was untraded at 0.43 cents.

### BENITEC

Benitec says 20,048,513 shares will be released from voluntary escrow on July 11, 2010.

Benitec said the shares were half of those issued to the Commonwealth Scientific and Industrial Research Organisation in January 2010.

The remaining CSIRO shares will be held in voluntary escrow until January 11, 2011.

With the release of shares on July 11, Benitec said it would have 394,955,702 shares available for trading.

Benitec was unchanged at three cents.

### BIOPROSPECT, SOLAGRAN

Bioprospect says Solagran has not responded to its request for clarification of its ASX announcement that the two companies have a dispute (BD: Jun 28, 2010).

Bioprospect told the ASX it had requested clarification of the dispute from Solagran, but so far there had been no response (BD: Jun 29, 2010).

“The directors wish to advise that there has been no response from Solagran up to the date of this letter and are disappointed with their lack of response,” the company said.

Bioprospect was unchanged at 1.3 cents.

Solagran fell 1.5 cents or 10 percent to 13.5 cents.