



# Biotech Daily

Thursday March 25, 2010

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECH DOWN: NOVOGEN UP 7%; VIRALYTICS DOWN 22%**
- \* **WEHI SIMPLIFIES COMPOUND SCREENING**
- \* **SEVENTH ROUND OF VISTECH FUNDING OPENS**
- \* **HATCHTECH'S DEOVO KILLS HEAD LICE EGGS**
- \* **FORTREND \$5m DRAWDOWN FACILITY FOR AGENIX**
- \* **BIODIEM 11-FOR-6 RIGHTS ISSUE TO RAISE \$7.5m**
- \* **VIRALYTICS PLACEMENT TO RAISE \$1.5m; PUT OPTION FOR \$1.1m**
- \* **PHARMAUST'S EPICHEM PARTNERS WITH NZ'S IRL ON SERVICES**
- \* **ORBIS BUYS 8.5m CHEAP CHEMGENEX SHARES**
- \* **CBIO DIRECTORS TAKE DISTRIBUTION SHARES**

## MARKET REPORT

The Australian stock market fell 0.12 percent on Thursday March 25, 2010 with the S&P ASX 200 down 6.1 points to 4885.4 points.

Eleven of the Biotech Daily Top 40 stocks were up, 18 fell, six traded unchanged and five were untraded. All three Big Caps were up.

Novogen was best, up three cents or 6.7 percent to 48 cents with 52,334 shares traded.

Phosphagenics and Uscom climbed four percent or more; Cellestis, Prana and Prima were up more than three percent; Chemgenex and Starpharma rose more than two percent; with Bionomics, CSL, Heartware and Resmed up more than one percent.

Viralitics led the falls, down 1.7 cents or 22.1 percent to six cents with 12.1 million shares traded, followed by Antisense down 10.7 percent to 2.5 cents with 14.8 million shares traded and Phylogica down 10 percent to nine cents with 707,000 shares traded.

Alchemia lost 7.1 percent; Genetic Technologies was down 6.98 percent; Impedimed shed five percent; LBT and Optiscan fell more than four percent; Avexa and Circadian were down more than three percent; Psivida and Tissue Therapies shed more than two percent; with Biota and Sirtex both down 1.68 percent.

## WALTER AND ELIZA HALL INSTITUTE

The Walter and Eliza Hall Institute says its medicinal chemistry group has developed filters to remove molecules likely to be false positives in screening chemical libraries. The Institute said in a media release that high-throughput chemical screening attempted to identify chemical compounds that interact with a target protein and were potential candidates for drug development.

The Institute said there could be 30,000 to 1,000,000 compounds in a screening library and thousands of compounds may be flagged as positive for interaction with a protein of interest.

These compounds then become the subject of time-consuming medicinal chemistry as scientists seek to refine them for entry into the drug development pipeline.

WEHI said Dr Jonathan Baell and Dr Georgina Holloway had developed a series of filters to remove those molecules likely to come up as false positives.

Dr Baell said about 10 percent of compounds in any commercially available screening library might show up as false positives, potentially wasting hundreds of hours of scientists' time as they optimized the molecules.

"We're trying to remove molecules from the screening process that trick scientists into thinking they could be useful for being developed into drugs to treat disease but instead become a dead end," Dr Baell said.

The Walter and Eliza Hall Institute said Dr Baell and Dr Holloway analyzed data from previous chemical screens and developed a method of identifying those molecules likely to show up as false positives.

Dr Baell said pan assay interference compounds or 'pains' were a problem for screens.

The Institute said Dr Baell made it possible to identify the molecules by developing filters of text files that could be incorporated into the software used to screen chemical libraries.

A paper entitled 'New substructure filters for removal of pan assay interference compounds (pains) from screening libraries and for their exclusion in bioassays' was published on February 4, 2010 in the Journal of Medicinal Chemistry and an abstract was at: <http://pubs.acs.org/doi/abs/10.1021/jm901137j>.

Dr Baell said that within 48 hours of publishing he was contacted by companies wanting to use the filters to assess their impact on their own high throughput screening libraries.

Dr Baell's has described the work of the filter system in an on-line blog which is at: <http://collaboratedrug.com/blog/blog/2010/03/08/guest-blog-dr-jonathan-baell/>.

## VICTORIA-ISRAEL SCIENCE AND TECHNOLOGY FUND

The seventh funding round for the Victoria Israel Science and Technology Research and Development Fund (Vistech) offering matching grants up to \$US500,000 has opened.

Victoria's Innovation Minister Gavin Jennings said Vistech was launched in 2006 with Victoria and Israel each providing half of the \$US6 million (\$A6.6 million) fund.

A Victorian Government media release said that Vistech had awarded about \$2 million to Victorian companies supporting eight projects worth around \$7.8 million.

The media release said the Vistech fund demonstrated the value of international partnerships to commercialize research and helped Victorian companies connect with Israeli companies to commercialize their research and development and break into new markets on an international scale. The Government said Vistech offered Victorian companies access to additional skills, capital, technology and knowledge transfer.

Vistech project applications have opened and close on June 1, 2010.

To apply for Vistech grants go to [www.business.vic.gov.au/Vistech](http://www.business.vic.gov.au/Vistech) and for more information telephone +613 9651 8170 or email [roland.diggens@iird.vic.gov.au](mailto:roland.diggens@iird.vic.gov.au).

## HATCHTECH

Hatchtech says a phase IIa clinical trial evaluating its Deovo topical treatment for killing head lice eggs has shown safety and tolerability.

Hatchtech said the double-blind placebo-controlled study was conducted in 30 heavily infested adult subjects and was designed to assess the safety profile of the product following a single 10-20 minute application to the hair and scalp.

The company said that in addition to the primary goal of safety and tolerability an assessment of efficacy was undertaken with treatment success defined as no live lice and no live eggs following application of the product.

Hatchtech said the data indicated that Deovo had significant ovicidal and head lice killing activity by comparison to the vehicle control and would provide guidance for the design of the planned phase IIb study.

The company said the insecticide and ovacide activity was seen with a single, 10 or 20 minute contact time which contrasted "very favorably with currently marketed head lice products, most of which require two applications".

Hatchtech chairman Dr Stewart Washer said the study was not designed to demonstrate efficacy, but "the clear lousicidal and ovicidal activity of Deovo with a single treatment and short 10-20 minute contact time demonstrates that we have a very competitive product".

Dr Washer said a US phase IIb trial would assess paediatric safety and efficacy.

The company said that up to 12 million people in the US were infested with head lice each year with kindergarten and primary school children and their families most affected.

"Hatchtech has initiated dialogue with potential acquirers of the technology and the company is now raising funds for the phase IIb Deovo study," Dr Washer said.

Hatchtech said Dr Ross Macdonald had been appointed as a non-executive director.

The company said Dr Macdonald had "an extensive and successful background in the pharmaceutical industry particularly in dermatology" and was involved in transactions that led to the commercialization of a number of products for head lice treatment.

Hatchtech is a public unlisted company.

## AGENIX

Agenix says Fortrend Securities has provided a \$5 million equity-drawn down facility.

Agenix executive chairman Nicholas Weston said the funds would be used to provide additional working capital and for general working capital purposes.

Fortrend chief executive officer Joe Forster said Agenix's products were "the next generation of blood clot diagnostic technology ... [and] Thrombview was a disruptive technology with the potential to revolutionize the global blood clot diagnostic market".

Agenix said it could draw down funds at any time over the next three years in return for the issue of shares to Fortrend, subject to the lifting of voluntary suspension from the ASX.

Agenix said it would issue a prospectus and had to make three draw downs in the first year should ASX suspension be lifted, but was under no other obligation to issue shares.

Agenix said it could issue new shares at a 10 percent discount to the five day market price, with the maximum amount a function of recent trading volumes.

Fortrend would also receive one option for every four shares issued with the strike price of the option the same as the issue price of the shares to Fortrend, the company said.

Agenix has been in a voluntary suspension related to a failed acquisition of two Chinese companies and their product pipeline (BD: Dec 16, 2009), which was originally organized by the former chief executive officer Neil Leggett who was recently gaoled for nine years for fraud, involving the theft of funds from the company (BD: Feb 18, 2010).

Agenix last traded at 1.7 cents.

## BIODIEM

Biodiem hopes to raise up to \$7,548,000 through a director supported 11-for-six non-renounceable share rights offer at 18 cents a share.

Biodiem said its two largest shareholders, Brezzo Enterprises and David Li had a combined holding of about 40 percent and would take up their full entitlements.

Biodiem said that for every two new shares, investors would receive one free option exercisable at 23 cents with a term of two years from the expected date of issue.

Biodiem said E L & C Baillieu Stockbroking supported its initial public offering in 2004 and would be the broker to the rights issue, expected to open in late March 2010 and close in late May 2010.

Biodiem said it could issue up to 41,935,823 shares in the rights issue, which was not underwritten.

The company said the proceeds would be used primarily for a licencing deal for the Japanese market rights to the live attenuated influenza vaccine (LAIV) technology; maintaining the engagement with licensee Nobilon Merck and the World Health Organisation and other programs, for our the live attenuated influenza vaccine technology; accelerating the development and commercialization plan for BDM-E for retinal disease; and maximizing the value of BDM-I as a human therapeutic for infectious diseases.

Biodiem said the offer's timetable would be announced soon.

Shareholder approval was not required, but an extraordinary general meeting will be called to approve the future exercise of options by Brezzo and Mr Li.

Biodiem was up half a cent or 2.8 percent to 18.5 cents.

## VIRALYTICS

Viralytics hopes to raise \$1,518,500 through the placement of 28,650,000 new shares to be issued to sophisticated and professional investors at 5.3 cents a share.

Viralytics said the placement price was a 20 percent discount to the 10 day value weighted average price the period to March 22, 2010.

The company said it expected settlement of the placement and allotment of shares on or about March 29, 2010.

Viralytics said it had also agreed to a "put option" to enable the company to issue up to 28,650,000 new shares at four cents a share at June 30, 2010 to raise up to \$1,146,000.

The company said the put option would enable Viralytics to issue the shares to Independent Advisor Solutions or other parties as Viralytics agreed.

Viralytics said the put option provided "an additional potential source of capital to supplement receipt of any funds from the exercise of its VLAO class options which expire at June 29, 2010".

The amount raised under the put option would be reduced by the amount otherwise received from the exercise of VLAO class options and to compensate for any shortfall in the exercise of those options.

The pricing of the put option shares reflected the VLAO options which were issued for one cent and had an exercise price of three cents a share.

Funds raised in the placement and through the put option will be for clinical research and development of the company's lead product Cavatak, Viralytics said.

HC Securities acted as lead manager and corporate advisor to the capital raising.

The company said the placement and put option complied with the ASX Listing Rule 7.1 15 percent limit and did not require shareholder approval, but the company expected to seek refresher approval at its next general meeting.

Viralytics fell 1.7 cents or 22.1 percent to six cents with 12.1 million shares traded.

## PHARMAUST

Pharmaust's wholly owned subsidiary Epichem will partner with New Zealand's Industrial Research to provide services from drug discovery to production.

Epichem said in a media release that both companies were providers of products and services in the area of organic chemistry and had complementary skills.

The media release said that Industrial Research's carbohydrate chemistry and Glycosyn teams specialized in the chemical synthesis of carbohydrate active pharmaceutical intermediates, specialist fine chemicals, multi-step small molecule chemistry, dendrimer and peptide chemistry and drug development.

Epichem said it had laboratories in Western Australia and Victoria and was an established supplier of products and services in synthetic and medicinal chemistry, in particular specializing in aromatic and heterocyclic chemistry and the design and synthesis of analogue libraries using parallel chemistry.

Epichem said the alliance's first collaborative project involved the use of chiral scaffolds in the construction of drug discovery libraries.

Pharmaust was up 0.1 cents or 2.04 percent to five cents.

## CHEMGENEX

Orbis Investment Management increased its substantial shareholding in Chemgenex from 28,276,609 shares (9.98%) to 36,789,005 shares (12.99%).

Orbis said the 8,512,396 shares were acquired on March 23, the day the US Food and Drug Administration Oncologic Drugs Advisory Committee required a new diagnostic test before considering approval of its drug Omapro for chronic myeloid leukemia patients with the T315I mutation (BD: Mar 23, 2010).

An Orbis executive told Biotech Daily that Orbis paid \$2,779,926 for the shares, an average price of 32.66 cents a share.

Chemgenex was up one cent or 2.4 percent to 43 cents with 7.65 million shares traded.

## CBIO

Dr Michael Monsour has reduced his substantial holding in CBio from 8,767,433 shares (12%) to 6,209,408 shares (8.0%).

But the substantial shareholder notice said Dr Monsour along with Australian Technology Innovation Fund and associates reduced the shares through an in specie distribution.

In a series of directors' interest statements, CBio said Dr Mansour, Stephen Jones and Stephen Streeter received CBio shares through the distribution.

Cbio was up one cent or 3.1 percent to 33 cents.