



Biotech Daily

Monday February 14, 2011

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: VIRAX UP 41%; SUNSHINE HEART DOWN 7%**
- * **VIRAX UP 100% ON TG1042 FOR BASAL CELL CARCINOMA LICENCE**
- * **CELLESTIS RECORD, H1 REVENUE UP 24%, PROFIT UP 30% TO \$4m**
- * **ADVANCED SURGICAL APPOINTS JENNY SWAIN SALES MANAGER**
- * **MESOBLAST \$280m CASHED-UP FOR STEM CELL COMMERCIALIZATION**
- * **XCEED EGM TO GO COAL MINING**
- * **OBJ 114m OPTION RIGHTS ISSUE TO RAISE \$57k**
- * **EASTLAND TELLS ASX: CASH SUFFICIENT, ONE-OFF COSTS**
- * **BIOMD TAKES TRANSACTION TRADING HALT TO SUSPENSION**
- * **VIRAX LOSES DIRECTOR DR ALBERT TING**

MARKET REPORT

The Australian stock market was up 1.12 percent on Monday February 14, 2011 with the S&P ASX 200 up 54.9 points to 4935.8 points. Thirteen of the Biotech Daily Top 40 stocks were up, 12 fell, nine traded unchanged and six were untraded. All three Big Caps rose.

Virax was best, jumping 100 percent to 5.8 cents before closing up 1.2 cents or 41.4 percent to 4.1 cents with 54 million shares traded, followed by Cellestis up 20 cents or 7.8 percent to \$2.75 with 185,994 shares traded.

Biota and Nanosonics climbed more than five percent; Patrys was up 4.3 percent; Impedimed and Starpharma were up more than three percent; Circadian rose 2.9 percent; with Cochlear, CSL and Sirtex up more than one percent.

Sunshine Heart led the falls, down 0.3 cents or seven percent to four cents with 1.3 million shares traded.

Optiscan and Viralytics lost five percent or more; Living Cell fell 4.2 percent; Benitec, Phosphagenics, Phylogica and QRX were down more than three percent; Prima and Tissue Therapies shed more than two percent; with Chemgenex and Mesoblast down one percent or more.

VIRAX HOLDINGS

Virax jumped as much as 100 percent to 5.8 cents on licencing Transgene's TG1042 for nodular basal cell carcinoma, a clinical-stage skin cancer immunotherapy product.

Virax said it would "move rapidly into phase I/IIa clinical trials for TG1042 in 2011 subject to receiving the necessary regulatory approvals".

Virax chief executive officer Dr Larry Ward told Biotech Daily that the deal was separate from Virax's licence to Transgene of its Co-X-Gene, which was involved in two compounds Transgene has in turn licenced to Roche and Novartis.

Dr Ward said that in licencing TG1042 from Transgene, Virax had acquired a drug that has been previously studied for the rare disease cutaneous lymphoma and had showed promising efficacy and a very solid safety profile.

Dr Ward said Virax did not have to pay an upfront fee for TG1042 which would be used as an intra-tumoral injection into difficult to treat basal cell carcinomas, including those that were difficult to access, such as near eyelids, or had cosmetic implications on the face.

Dr Ward said the company would need to raise capital to fund the trials.

In a media release, Virax said the trials would be conducted in Australia "to take advantage of the country's world-leading skin cancer trial resources".

Virax said Transgene had conducted phase II trials with TG1042 in patients with cutaneous B-cell lymphoma, which showed TG1042, an adenoviral vector expressing interferon-gamma, to be safe, well-tolerated and showed promising biological activity against tumors.

The company said that the finding of biologic activity in the orphan indication was particularly encouraging, as basal cell carcinoma was a much-larger market.

Virax said a major potential market for TG1042 was as an alternative to surgery, or as an adjunct treatment in conjunction with surgery to minimize the chance of recurrence.

Virax said it had acquired the global rights to TG1042 with the right to sub-licence; milestone payment would be paid to Transgene on the first product approval; a royalty would be paid to Transgene on sales of TG1042 by Virax; and a portion of net receipts from sub-licencing would be paid to Transgene.

Virax said that Transgene would assist with technology transfer to facilitate the clinical trials process and would provide an appropriate amount of clinical grade TG1042 for the planned clinical trials.

Virax said it planned to enhance the efficiency of the trial funding process by accessing Australian Government programs that reward investment in novel research and development through tax credit incentives.

Dr Ward said TG1042 fitted perfectly the criteria Virax was seeking to licence.

"It is an immunotherapeutic in a market that is large, growing and in need of new approaches to treatment," Dr Ward said.

"Skin cancer is an area especially top of mind for Australians," Dr Ward said.

"The availability of TG1042 that has been manufactured and tested allows us to move rapidly into the clinic," Dr Ward said.

Virax said that non-melanoma skin cancers such as basal cell carcinoma occurred three times more frequently in Australia than all other cancers combined and the already high incidence was expected to increase as the population aged further.

Virax said that nodular basal cell carcinoma was a common form of basal cell carcinoma and other regions with high incidence were the US, UK, Europe and Scandinavia.

Virax said it had a panel of Australian skin cancer experts to review the plans for TG1042 and advise on the most appropriate clinical development program for this novel therapeutic.

Virax closed up 1.2 cents or 41.4 percent to 4.1 cents with 54 million shares traded.

CELLESTIS

Cellestis has posted record revenue up 24 percent to \$22,531,000 and net profit after tax up 30 percent to \$4,131,000 for the six months to December 31, 2010.

Cochlear said diluted earnings per share was 4.3 cents, a 30.3 percent increase over the six months ended December 31, 2009.

The company said a fully-franked dividend of two cents per share would be paid on March 11, 2011, based on a record date of February 25, 2011.

Cellestis said research and development expenditure for was up 1.3 percent to \$628,000 or 2.8 percent of total revenue.

The company said sales revenue for its tuberculosis (TB) diagnostic, Quantiferon Gold had increased strongly across all of its major markets, with sales in the US up 39 percent, Japan 30 percent and Europe 25 percent.

Cellestis said sales increased in the 'rest of the world' by 60 percent.

Cellestis chief executive officer Dr Tony Radford said a number of factors, both internal and external, had contributed to the company's continued growth.

"Externally there is growing recognition that Interferon gamma release assay blood tests, such as Quantiferon-TB Gold, are the most accurate testing method," Dr Radford said.

"Notably, new guidelines Centers for Disease Control and Prevention released in the US last year recommending the use of these tests has, at this early stage, impacted favorably on Cellestis in the US," Dr Radford said.

"Internally, we continue to invest in the company to ensure we've been able to manage our growth and continue to enhance our business development activities," Dr Radford said.

"Investment in sales and marketing is a key focus as well, as well as [information technology] infrastructure giving us the tools to improve our tools to service customers and support sales growth," he said.

"We have a positive outlook for the remainder of the year and expect underlying sales and profit to grow at a similar rate," Dr Radford said.

"We are mindful that the strong Australian dollar does impact top-line performance figures and that the re-emergence of major medical situations, such as a major flu outbreak which could divert attention and resources away from TB testing, is a potential risk," Dr Radford said.

Cellestis was up 20 cents or 7.8 percent to \$2.75.

ADVANCED SURGICAL DESIGN AND MANUFACTURE

Advanced Surgical says it has appointed Jenny Swain as its national sales manager.

Advanced Surgical said it was committed to increasing the product range to orthopaedic surgeons and expand sales and profits.

The company said Ms Swain's appointment was "crucial to the rollout and success of this commitment".

Advanced Surgical said Ms Swain had spent 10 years with Life Healthcare driving the growth of the orthopaedic sales division as national sales manager.

The company said Ms Swain had worked for local and multi-national organizations on a national and state level in large-joint such as hips and knees, as well as small-joint procedures such as finger and toes.

With a strong background in surgical theatres Ms Swain had developed strong and respected relationships with surgeons, Advanced Surgical said.

Advanced Surgical was untraded at 28 cents.

MESOBLAST

Mesoblast says it has issued an additional 24,702,056 shares to partner Cephalon and received an additional \$139 million in cash, taking its reserves to \$280 million.

Mesoblast said the transaction was approved by shareholders at the February 9, 2011 meeting (BD: Feb 9, 2011).

The company said Cephalon held 19.99 percent of Mesoblast as agreed on December 7, 2010 (BD: Dec 8, 2010).

Mesoblast said the two companies would jointly develop and commercialize its mesenchymal precursor cell therapeutics for degenerative conditions of the cardiovascular and central nervous systems as well as for bone marrow regeneration in cancer patients. Mesoblast chief executive Prof Silviu Itescu said that the company's new financial resources put it in a very strong position to deliver long-term commercial value from its proprietary adult stem cell platform technology.

"Furthermore, our financial independence enables us to significantly broaden our range of product offerings for the treatment of major diseases," Prof Itescu said.

Prof Itescu said that Mesoblast's growth strategy was based on the alliance with Cephalon to develop products to treat cardiovascular and neurodegenerative diseases, and to augment bone marrow repair in cancer patients, intravenously-delivered products to treat a wide range of inflammatory and immune-based conditions including diabetes, lung diseases and joint diseases; and the company's suite of orthopedic products for repair of bone and cartilage tissues.

"The alliance with Cephalon brings strength and proven execution capability in late phase clinical development, as well as product sales and marketing," Prof Itescu said.

"Cephalon will fund and oversee phase III trials for both Revascor, our product for cardiovascular diseases and our bone marrow regeneration product," Prof Itescu said.

"Additionally, the alliance brings in Cephalon's considerable expertise in neurological disorders, facilitating development of new products for diseases such as stroke and Parkinson's disease," he said.

"In parallel, Mesoblast's financial strength will enable the company to simultaneously drive to market products for new and large clinical indications," Prof Itescu said.

"We have sufficient financial resources now to complete clinical development and product registration for a suite of new and existing products, thereby maximizing full shareholder value from product sales," he said.

"Coupled with our corporate strategy for commercial product manufacture and rollout, we believe that Mesoblast is poised to become the global leader in commercializing therapeutic products for regenerative medicine," Prof Itescu said.

Mesoblast fell seven cents or 1.3 percent to \$5.50.

XCEED

Xceed investors will vote on a significant change of nature and the scale of its activities. The meeting will also vote on a 10-for-one consolidation of shares and options and the acquisition of Focus Coal Investments.

The meeting will be held at the Holiday Inn, Perth City Centre, 788 Hay Street, Perth on March 11, 2011 at 11am (AWST).

Xceed fell half a cent or 20 percent to two cents.

OBJ

OBJ expects to raise about \$57,076 through a non-renounceable one-for-one options rights issue of 114,151,064 options at 0.05 cents a share.

OBJ said that OBJ investors who held options exercisable at one cent each by the record date of December 31, 2010 would be entitled to acquire the new options exercisable at 1.125 cents by December 31, 2011.

The company said the offer would close on February 24, 2011.

OBJ said the funds would be used for working capital and business development activities.

OBJ was unchanged at 2.4 cents with 9.4 million shares traded.

EASTLAND MEDICAL SYSTEMS

Eastland has told the ASX that it has sufficient cash and the company had one-off legal costs in the three months to December 31, 2010.

In its Appendix 4C quarterly report Eastland said its net operating cash burn for the three months to December 31, 2010 was \$1,195,000 with cash at the end of the quarter of \$869,000 (BD: Feb 1, 2011).

Eastland said today it did "not except [sic] future negative operating cash flows to reach the same extent as reported in the 4C for December 31, 2010".

"There were a number of significant one-off expenses in the quarter that amounted to \$665,000," Eastland said.

"These relate primarily to the confidential legal settlement and the restructure, repositioning and expansion of our subsidiary Westcoast Medical and Surgical Supplies," the company said.

"We are also expecting the settlement of the sale of an investment property in this coming quarter," Eastland said.

Eastland was unchanged at four cents with 2.1 million shares traded.

BIOMD

Biomd has requested a voluntary suspension to follow a trading halt requested, pending an announcement on a "proposed capital raising".

Biomd last traded at 8.9 cents.

VIRAX

Virax says that Dr Albert Ting has resigned as a director with effect from February 12, 2011.