



# Biotech Daily

Monday February 7, 2011

*Daily news on ASX-listed biotechnology companies*

- \* **ASX EVEN, BIOTECH DOWN: BIOTA UP 10%; CATHRX DOWN 6.5%**
- \* **PHOSPHAGENICS' US TRANSDERMAL PSORIASIS COLLABORATION**
- \* **PHYLOGICA HOPES TO BE 'CASH SUSTAINABLE' BY JULY 2012**
- \* **BIOTRON TELLS ASX: PHASE II TRIAL BURNT CASH; CAPITAL RAISING**
- \* **SOLAGRAN TELLS ASX: LEGAL FEES BURNT CASH; INCOME EXPECTED**
- \* **BARLEIGH WELLS CEASES SUBSTANTIAL IN CYCLOPHARM**
- \* **IM MEDICAL LOSES TWO MORE DIRECTORS**
- \* **STIRLING REQUESTS CAPITAL RAISING TRADING HALT**

## MARKET REPORT

The Australian stock market was up 0.12 percent on Monday February 7, 2011 with the S&P ASX 200 up 5.8 points to 4868.5 points.

Thirteen of the Biotech Daily Top 40 stocks were up, 16 fell, six traded unchanged and five were untraded. All three Big Caps fell.

Biota was the best, up 12.5 cents or 9.7 percent to \$1.41, with 2.4 million shares traded.

QRX climbed 7.5 percent; Immuron was up 6.25 percent; Mesoblast and Phylogica were up more than five percent; Genetic Technologies, Living Cell and Prima climbed more than four percent; Phosphagenics was up 3.6 percent; Pharmaxis and Viralytics rose more than two percent; with Impedimed and Nanosonics up more than one percent.

Cathrx led the falls, down 1.5 cents or 6.52 percent to 21.5 cents with 20,000 shares traded, followed by Heartware down 6.46 percent to \$2.46 with 8,875 shares traded and Psivida down 6.3 percent to \$4.45 with 1,775 shares traded.

Benitec lost 5.3 percent; LBT fell four percent; Cellmid was down three percent; Alchemia and Sunshine Heart shed more than two percent; with Bionomics, Cellestis, Chemgenex, Optiscan and Resmed down more than one percent.

## PHOSPHAGENICS

Phosphagenics says it will collaborate with a private US dermatology company to develop a prescription drug to treat the dermatological symptoms of psoriasis.

Phosphagenics said the US company had US Food and Drug Administration approval for an investigational new drug application to begin a phase I clinical trial by July 2011.

Phosphagenics said psoriasis was "a common chronic skin disease caused by rapid skin cell reproduction resulting in red, scaly dry patches of thickened skin [and] ... affects about two per cent of the population making it one of the most prevalent autoimmune diseases".

The company said it had completed the formulation of the product combining its tocopheryl phosphate mixture or TPM technology with a known anti-psoriasis drug.

Phosphagenics said that in vitro studies showed that the formulation delivered the drug five times more effectively than a formulation not using the company's technology.

Phosphagenics said the US company would pay for a phase I clinical study to evaluate the ability of the TPM technology to improve the drug delivery and increase efficacy.

Phosphagenics said the dermatology company had an option to licence its technology after the phase I trial and if exercised, the US company would conduct and pay for all trials required to register the drug in the US and would pay milestone and royalty payments.

Phosphagenics chief executive officer Dr Esra Ogru said the first dermatology agreement and FDA approval for an investigational new drug application for a product containing the TPM technology were "very important milestones".

"The low cost of entry into the dermatology industry and the speed in which products can be commercialized makes this lucrative market extremely attractive," Dr Ogru said.

Phosphagenics was up half a cent or 3.6 percent to 14.5 cents with 1.4 million shares traded.

## PHYLOGICA

Phylogica expects to sign three new deals in 2011 and be "cash sustainable" by June 30 2012.

Phylogica's chief financial officer Nick Woolf told Biotech Daily the company was in negotiations with several companies, expecting to close three separate deals, this year.

Phylogica has deals with Roche, Pfizer and Medimmune, involving screening its Phylomer library for compounds for specific targets (BD: Jan 17, Aug 4, 18, 2010; Jan 16, 2011).

Mr Woolf said the company was hoping to secure financially larger deals involving multiple drug targets.

"We hope to be cash sustainable by June 2012," Mr Woolf said.

Mr Woolf said the company was burning about \$600,000 per month and had about \$2. million in the bank, with more funds expected during the year.

He said the contracts funded Phylogica's research and there would be "no capital raising at this stage" although he was interested in securing a strategic investor.

"We have a strong pipeline and a strong enough balance sheet at this point to only seek a corporate or strategic financial investor," Mr Woolf said.

Mr Woolf said the company was not seeking to do any of its own drug development, but would continue structuring deals around searching its Phylomer libraries for compounds that could prove to be active on specified targets from client companies, who would then continue the drug development.

He said the deals included multiple milestone points, so that Phylogica earned continuing payments as the compounds progressed from preclinical to clinical stages of development as well as royalties on sales from any registered drugs using the Phylomer technology.

Phylogica was up 0.4 cents or 5.1 percent to 8.3 cents with 3.8 million shares traded.

## BIOTRON

Biotron has told the ASX that one-off costs for its BIT225 phase II hepatitis C trial increased its cash burn and the company has budgeted funds for coming quarters. In its Appendix 4C quarterly report Biotron said its net operating cash burn for the three months to December 31, 2010 was \$553,000 with cash at the end of the quarter of \$889,000 but provided no further information (BD: Jan 27, 2011).

Today, the company said the expenditure was "based on particular research and development programs with a current focus on the company's phase IIa clinical trial in the treatment of the hepatitis C virus ... [which] was significantly advanced during the half year ended December 31, 2010, resulting in an increase in cash expenditures, particularly during the December quarter".

"Due to the sporadic nature of clinical trial expenditures, ongoing outgoings will not be at the same level as during the December quarter," Biotron said.

The company said it had sufficient cash reserves to meet budgeted expenditures for the trial and expenses in the quarters following completion of the clinical trial would not be as significant as during the December 2010 quarter.

Biotron said it was "considering the most effective form of a capital raising to support the further development or commercialization of BIT225".

The company said that successful completion of the phase IIa trial was a major milestone in its business objectives.

Biotron said that as a blinded study, efficacy results would not be known until completion of the trial, but "an important inference which can be made from the fact that the trial has not been suspended is that the safety objectives of the trial are currently being achieved". Biotron was up 1.5 cents or 15 percent to 11.5 cents.

## SOLAGRAN

Solagran has told the ASX that legal costs of its dispute with Biopropect increased its cash burn but would be offset by the sale of 45,000,000 Biopropect shares for \$324,000. In its Appendix 4C quarterly report Solagran said its net operating cash burn for the three months to December 31, 2010 was \$2,607,000 with cash at the end of the quarter of \$3,517,000 (BD: Feb 1, 2011).

In February 2010, Solagran said it expected revenue of \$US15 million from its over-the-counter conifer green needle extract by December 2010 (BD: Feb 5, 2010).

Today, the company said the negative cash flows for the March and June quarters would be lower than the December quarter due to increased revenues from Ropren sales, due to the price decrease and increased awareness in the Russian Federation, along with Bioeffective A revenue from Australia, New Zealand, Malaysia and the United Arab Emirates and revenues from the Pine Pure range in Indonesia expected by mid-2011. Solagran fell 1.5 cents or 11.5 percent to 11.5 cents.

## CYCLOPHARM

London-based Barleigh Wells has ceased its substantial holding in Cyclopharm, in an off-market transfer of on January 31, 2011.

The Barleigh Wells said it sold 17,052,895 shares for \$1,364,232 or eight cents a share. Barleigh Wells director Hasmukh Vara authorized the notice which said the previous notice to the ASX was on January 19, 2007, when the company acquired 13,894,952 shares or 12.37 percent of Cyclopharm for \$1,110,998 or eight cents a share.

Cyclopharm was up one cent or 14.3 percent to eight cents.

### IM MEDICAL

IM Medical says directors Dipak Sanghvi and Craig Cook have resigned, effective from February 4, 2011.

IM Medical said Mr Sanghvi was elected a director on December 6, 2007 and had been chairman since April 24, 2008.

The company said Mr Cook was elected a director in December 2006.

Dr Ross Walker was appointed a director on June 12, 2008 and resigned on September 29, 2010.

The company was effectively taken over by the Mark Scott Group last year (BD: Jun 10, 30; Aug 30, 2010).

IM Medical was unchanged at 0.1 cents with 1.5 million shares traded.

### STIRLING PRODUCTS

Stirling has requested a trading halt pending an announcement "in relation to its capital raising to be conducted through its financial adviser and lead broker, Novus Capital".

Trading will resume on February 9, 2011 or on an earlier announcement.

Stirling last traded at 0.7 cents.