



Biotech Daily

Tuesday March 15, 2011

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH CRUNCHED: PHOSPHAGENICS UP 5%; CELLMID DOWN 19%**
- * **BIOTA'S PETER COOK ON AGENCY \$300m, PATENT CLIFF, SHARE PRICE**
- * **LIVING CELL LOSES DIRECTOR ROBERT FINDER**
- * **SOLAGRAN EXPLAINS \$50m TOMSK PLANT**

MARKET REPORT

The Australian stock market fell 2.1 percent on Tuesday March 15, 2011, with the S&P ASX 200 down 97.7 points to 4528.7 points.

Six of the Biotech Daily Top 40 stocks were up, 26 fell, three traded unchanged and five were untraded. All three Big Caps were down.

Phosphagenics was best, up half a cent or 4.8 percent to 11 cents, with 1.6 million shares traded.

Chemgenex and Patrys climbed more than three percent; Impedimed and Mesoblast rose more than two percent; with Nanosonics up 0.6 percent.

Cellmid led the falls, down 0.6 cents or 19.35 percent to 2.5 cents, with 2.1 million shares traded, followed by Genetic Technologies down 18.75 percent to 6.5 cents with 454,111 shares traded and Antisense down 12.5 percent to 0.7 cents with 8.7 million shares traded.

Benitec and Viralytics lost more than 11 percent; LBT fell 8.45 percent; Clinuvel fell 7.2 percent; Alchemia, Heartware, Prana, Prima, Tissue Therapies and Virax were down more than six percent; Biota and QRX both fell 5.05 percent; Starpharma fell 4.8 percent; Phylogica lost 3.1 percent; Acrux, Cellestis and Sirtex shed more than two percent; with Bioniche, Bionomics, CSL, Living Cell, Pharmaxis, Resmed and Universal Biosensors down more than one percent.

BIOTA HOLDINGS

Biota chief executive officer Peter Cook says the success or otherwise of an application for up to \$300 million to fund a phase III trial laninamivir should be known by June 2011. Mr Cook told an investor conference in Melbourne that the company's best hope for Western market approval of laninamivir for seasonal influenza was through agency funding of the phase III trial program.

Mr Cook said he could not reveal the identity of the agency, but said that the regulatory process in the US and Europe was different from Japan, where the drug was available as Daiichi Sankyo's Inavir as a treatment.

He said Daiichi Sankyo was pursuing registration as a preventative in Japan.

Mr Cook said the long-acting neuraminidase inhibitor (Lani) program had been affected by "the big pharma patent cliff" in which a large number of patents were running out at about the same time and "big pharma will save their way to prosperity as they lose revenue by slashing expenditure".

He told the investors he had been in discussions with major companies but the financial crisis and the patent cliff meant Biota was being offered "threepence halfpenny" for a drug he believed was worth far more and had a patent life running to 2028.

Mr Cook told the investors not to count on the end of May timeline for a response to the funding application as agencies were not bound to agree to fund on other organizations' schedules.

He warned the company might not receive the non-dilutive funding but said it was worth waiting for two or three months before taking other measures that would be dilutive or less profitable such as raising more capital, licencing or a merger or takeover.

"There is no guarantee of agency funding, but this application is still alive," Mr Cook said.

"We should know by the end of May but there is no obligation. They will do it on their timelines.

"It is too attractive to not let it play out," Mr Cook said.

Mr Cook said there were many potential merger possibilities but none that were particularly attractive at this time.

He said Biota had \$80 million in the bank and the phase III trial would cost up to \$300 million.

If Biota could raise the funds to take laninamivir through a phase III trial, the royalty rate would rise to 10 to 20 percent from the single digit royalty expected from a phase II drug and it would be worth the investment.

Mr Cook told the investors that their \$70 million investment had created a \$200 million company and that there was little the company could do about its share price.

He said there was one institution [Hunter Hall] and several high net worth individuals who held significant parcels of shares in Biota.

He said the seasonal nature of influenza made the company an easy speculative target, especially for day traders.

Mr Cook said the institutional and several high net worth individuals had sufficient shares to influence the share price.

"Every minute I spend worrying about the share price is less time spent on fundamentals," Mr Cook said.

He said the phase IIb, 400 patient trial of BTA798 for human rhinovirus had recruited more than half its patients at 60 US centres, with results expected by July 2012.

Mr Cook said it was primarily intended for asthmatics and people with respiratory and immune diseases who had complications arising from the common cold, which was most frequently caused by human rhinovirus.

Biota fell five cents or 5.05 percent to 94 cents with 1.2 million shares traded.

LIVING CELL TECHNOLOGIES

Living Cell says Robert Finder has resigned as director effective immediately.

Living Cell said Mr Finder was appointed to the board on September 23, 2009.

Mr Finder is the chairman of LBT Innovations.

Living Cell said it was “considering quality candidates with requisite depth and expertise and expects to replace this position as soon as practicable”.

Living Cell fell 0.1 cents or 1.2 percent to 8.4 cents.

SOLAGRAN

Solagran says its commitment to spend \$50 million in Tomsk, in south-eastern Russia, includes \$13.5 million of Russian government assistance and will be over several years.

In a media release to the ASX entitled ‘Visit of the deputy governor of Tomsk region’

Solagran said the Tomsk deputy governor Oksana Kozlovskaya visited Australia during February 19 to 27, 2011 and was interviewed by Interfax on her return to Russia regarding “Solagran’s commitment to spend \$50 million establishing a fully certified [good manufacturing practice] production facility in the Tomsk special economic zone”.

Solagran said the \$50 million “incorporates approximately \$13.5 million in infrastructure provided by the government, reductions in customs duties, payroll taxes and other associated benefits”.

The company said the production facility was “intended to be financed via a combination of government funding, private investment and funds generated from the sale of Solagran products within Russia and internationally”.

Solagran said “the building and commissioning of the production facility will occur in stages”.

The company said the visit of Ms Kozlovskaya “further cemented the relationship between Solagran and the Government of the Tomsk region as they investigate how they can support one of the most unique business models in place between Russia and Australia”.

Solagran said Ms Kozlovskaya advised she would provide “whatever assistance is necessary to promote Solagran’s products and ensure the business structure currently in place between Solagran and Russia continues to develop as an effective and fruitful business model”.

Solagran was unchanged at 9.2 cents.