



Biotech Daily

Wednesday March 30, 2011

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: BIONOMICS UP 19%; COMPUMEDICS DOWN 8%**
- * **FRENCH TRIALS SHOW BIONOMICS BNC-210 ANTI-ANXIETY EFFICACY**
- * **VALEANT BID FOR CEPHALON – CHEMGENEX, MESOBLAST NO IMPACT**
- * **BIOGUIDE BRIEF: VALEANT BID UNLIKELY TO AFFECT CHEMGENEX**
- * **PROGEN, ANU COLLABORATE ON DIABETES**
- * **ORBIS TAKES ANOTHER 100% PROFIT ON 2.4m STARPHARMA SHARES**
- * **PRIMA PLEADS SCHULTZ, UPDATE TO ASX 14% PRICE QUERY**
- * **CALZADA LOSES DIRECTOR OLIVER STEVENS**

MARKET REPORT

The Australian stock market climbed 1.4 percent on Wednesday March 30, 2011, with the S&P ASX 200 up 66.4 points to 4822.2 points.

Fourteen of the Biotech Daily Top 40 stocks were up, 13 fell, eight traded unchanged and five were untraded.

Bionomics was best, up eight cents or 18.6 percent to 51 cents with 3.25 million shares traded, followed by Benitec up 10.7 percent to 3.1 cents with 640,000 shares traded.

Viralytics climbed 7.3 percent; Cellestis and Patrys were up more than four percent; LBT and Starpharma were up more than three percent; Impedimed rose 2.8 percent; with Bioniche, Biota, Clinuvel, Cochlear, CSL, Genetic Technologies and Pharmaxis up more than one percent.

Compumedics led the falls, down one cent or 8.3 percent to 11 cents with 5,000 shares traded.

Antisense and Sunshine Heart lost more than seven percent, the latter with 16.8 million shares traded; Mesoblast fell 4.7 percent; Chemgenex, Genera, Prima and Virax were down more than three percent; Acrux, Heartware and Living Cell shed more than two percent; with Resmed down one percent.

BIONOMICS

Bionomics says that two phase Ib trials of anti-anxiety drug BNC210 have demonstrated efficacy with reduced sedation and intellectual impairment.

The company said the trials evaluated BNC210 for panic attacks compared to placebo and against the benzodiazepine lorazepam for side effects such as attention, memory, co-ordination and sedation.

Bionomics said the trials were begun by France's Forenap Pharma in October 2010 following French regulatory approval and Strasbourg Hospital ethics approval.

Bionomics chief executive officer Dr Deborah Rathjen told Biotech Daily that the company was very pleased with the results from the two trials, which she said were conducted separately but in tandem.

Bionomics said the first trial evaluated the effect of BNC210 on panic symptoms induced in 59 healthy volunteers by the administration of the peptide CCK-4 and assessed using the panic symptom scale.

The company said that 15 subjects were classified as having a panic attack on administration of CCK-4.

Bionomics said BNC210 reduced both the total panic symptom scale score and the intensity of symptoms in subjects when measured 10 minutes after the induction of a panic attack.

The company said that with BNC210 treatment the number and intensity of symptoms decreased faster than with placebo and this reduction in symptoms was significant ($p < 0.05$) for both the total symptom score and the intensity of symptoms.

Bionomics said there was "a strong, positive trend on the emotional stability of subjects suffering a panic attack which was associated with BNC210 treatment" and the BNC210 treated subjects returned to normal emotional status within 10 minutes of the administration of CCK-4 compared to 60 minutes on placebo.

The company said the trend correlated with the statistically significant reduction in panic symptoms by BNC210.

Bionomics said the second trial evaluated 21 subjects comparing BNC210 with lorazepam on measures of attention, memory, co-ordination, addiction and sedation and compared the effects of the two drugs on the brain using electroencephalography (EEG).

The company said EEG data showed BNC210-related changes in human brain activity indicative of efficacy and that changes in brain activity induced by BNC210 were clearly differentiated from those observed following treatment of subjects with lorazepam, particularly in activity associated with sedation suggesting that BNC210 activity occurs in the absence of sedation.

Bionomics said the trial results confirmed the lack of debilitating side-effects of BNC210 relative to lorazepam which adversely affected attention, co-ordination and memory, while BNC210 showed no evidence of these side-effects.

The company said several measures showed an absence of sedation and addiction with BNC210.

"The results have exceeded our expectations," Dr Rathjen said.

"BNC210 represents a next generation treatment for anxiety which stands out as free of the serious side-effects," Dr Rathjen said.

"The results of the CCK-induced panic trial have given the first indication of efficacy by BNC210 in humans and this result has been supported by the data coming from the second trial which gave indications of brain activity induced by BNC210 consistent with anxiolysis," Dr Rathjen said.

Bionomics was up eight cents or 18.6 percent to 51 cents with 3.25 million shares traded.

CHEMGENEX PHARMACEUTICALS, MESOBLAST

The Mississauga, Ontario-based Valeant Pharmaceuticals International says it has made a hostile \$US5.7 billion or \$US73 a share takeover bid for Cephalon Inc.

Cephalon closed at \$US58.75 on the Nasdaq overnight, implying a market capitalization of \$US4.45 billion.

Valeant said it had made a number of approaches to Cephalon which had been unwilling "to engage in discussions in a timely manner".

Yesterday, Chemgenex announced that Cephalon held 27.57 percent of the company and was offering 70 cents a share for all the Chemgenex shares it does not already own.

In December, Cephalon announced a \$1.7 billion strategic partnership with Mesoblast, acquiring a 19.99 percent stake in the adult stem cell therapy company (BD: Dec 8, 2010).

Today, Chemgenex said that under Section 631 of the Corporations Act 2001, Cephalon was obliged to make offers to Chemgenex shareholders within two months.

Chemgenex said there was "nothing in the bid conditions announced on March 29, 2011 which allows Cephalon to terminate its offer because of a change of control in respect of Cephalon".

Mesoblast chief executive officer Prof Silviu Itescu told Biotech Daily that a takeover would have no impact on his company.

"It doesn't affect us at all," Prof Itescu said.

"It [the agreement between Cephalon and Mesoblast] is fully assignable in the event of a change of management," Prof Itescu said. "It doesn't change the terms and conditions".

Chemgenex fell 2.5 cents or 3.7 percent to 65 cents with 11.5 million shares traded.

Mesoblast fell 38 cents or 4.7 percent to \$7.72 with 1.8 million shares traded.

MARC SINATRA'S BIOGUIDE BRIEF: VALEANT, CEPHALON, CHEMGENEX

Just to add a bit of spice to what seemed to be a forgone conclusion to yesterday's Chemgenex takeover announcement, Canada's Valeant Pharmaceuticals has launched a takeover bid for Chemgenex's suitor, Cephalon Inc.

Unfortunately, this is unlikely to affect positively Cephalon's bid for Chemgenex - or negatively, for that matter.

Valeant's core strengths are in neurology and dermatology, while Cephalon's strength is in oncology. It seems most likely that Valeant is interested in Cephalon primarily for its oncology franchise, although there are other small areas of overlap.

As an oncology company, Chemgenex fits nicely with Cephalon, while Cephalon probably represents a bolt-on acquisition for Valeant to give it an oncology presence.

It is possible that a rival bid for Chemgenex could come from a party that believes they can take advantage of the distraction that Valeant's bid will cause Cephalon.

At the end of the day, though, such a bid would be an opportunistic one and unlikely to trump Cephalon's by much.

**Marc Sinatra
Analyst**

* Marc Sinatra has previously consulted indirectly for Mesoblast and has chosen not to comment on any impact on that company.

PROGEN PHARMACEUTICALS, AUSTRALIAN NATIONAL UNIVERSITY

Progen says it will collaborate with the Australian National University on a new therapeutic approach to diabetes.

While Progen describes itself as a company focused on cancer, the ANU diabetes program uses intellectual property associated with heparanase inhibitors and Progen originally licenced its heparanase inhibitor PI-88 for liver cancer from the ANU.

PI-88 was licenced to Taiwan's Medigen following a halted phase III liver cancer trial and a series of merger and takeover proposals (BD: Jul 23, Nov 21, 2008).

Progen said that Australian National University (ANU) researchers led by Prof Chris Parish and Dr Charmaine Simeonovic had developed intellectual property for the new approach for type 1 diabetes with potential application in type 2 diabetes.

The company said the ANU would create a company to commercialize the diabetes therapeutics and it Progen would formally collaborate, hold a small stake in the new company, consult with the ANU through a research and development management group and provide research and development services on a fee for service basis.

Progen said Prof Parish led the cancer and vascular biology group at the John Curtin School of Medical Research and said type 1 diabetes was "an autoimmune disease in which the insulin-producing beta cells of pancreatic islets are destroyed".

"Our research has led to a new understanding of how pancreatic islet cells including beta cells are protected from metabolic stress and autoimmune attack in type 1 diabetes," Prof Parish said.

"It also has implications for understanding similar mechanisms in type 2 diabetes," Prof Parish said.

"Based on this novel discovery we have established a therapeutic approach that attenuates the progression of type 1 diabetes," he said.

"This approach has been validated with Progen therapeutic compounds in an established model of type 1 diabetes disease in which the treatment delayed disease onset, diminished the incidence of diabetes and reduced the severity of pancreas damage compared to controls," Prof Parish said.

Progen research and development director Dr Ian Bytheway said the company was "delighted to continue and expand our relationship with ANU and Prof Parish which commenced with the licensing of the PI-88 technology in inflammation and cancer".

Dr Bytheway said the collaboration provided an opportunity to build upon the collective expertise with heparanase and drug development "to explore new therapeutic areas while maintaining our core focus of the development of our anti-angiogenesis and anti-metastatic products".

Progen was up 0.5 cents or 1.5 percent to 34 cents.

STARPHARMA

Orbis Investment Management has reduced its substantial holding in Starpharma from 25,581,697 shares (10.45%) to 23,151,172 shares (9.45%).

Orbis said it sold 2,430,525 shares for \$2,628,530 or an average price of \$1.08 per share. Orbis acquired several million shares in Starpharma in 2010 at prices ranging from 50 cents to 63 cents a share, having become substantial with the acquisition of 18,244,802 shares at 48.5 cents a share in 2009 (BD: Nov 25, 2009).

Starpharma was up four cents or 3.54 percent to \$1.17.

PRIMA BIOMED

Prima has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price rose from 24.5 cents on March 28, 2011 to 28 cents on March 29, 2011, a 14.3 percent increase and noted an increase in trading volume.

Prima said its March 8, 2011 Investor Update was "well received by shareholders".

Prima has been the subject of day-trader activity along with serious investors that has seen the share price rise up to 87 percent in one week (BD: Oct 8, 2009) and 4700 percent for the year to December 31, 2009 (BD: Jan 4, 2010).

Prima fell one cent or 3.6 percent to 27 cents with 46.2 million shares traded.

CALZADA

Calzada says Oliver Stevens has resignation as a non-executive director effective from March 31, 2011.

Calzada said David Franklyn would move from executive chairman to non-executive chairman from April 1, 2011.

The company retains Bruce Rathie and Dr John Chiplin as directors.

Calzada was up half a cent or 12.5 percent to 4.5 cents.