



Biotech Daily

Wednesday, May 11, 2011

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECH DOWN: SUNSHINE HEART UP 12%; VIRAX DOWN 7%**
- * **BUDGET IGNORES BIOTECH; CSIRO, NHMRC SAFE**
- * **EDITORIAL COMMENT**
- * **AUSBIOTECH DETAILS BUDGET IMPACTS, COMMENTS**
- * **NEUREN TREATS 30 BRAIN INJURY PATIENTS, DOSE INCREASED**
- * **CENTAURUS TAKES 5% OF CELLESTIS WITH DERIVATIVES**
- * **BLUECHIIP RAISES \$3m FOR TRACKING DEVICE**
- * **BIOTECH CAPITAL CEASES SUBSTANTIAL IN PHYLOGICA**
- * **UAE APPROVES SOLAGRAN'S BIOEFFECTIVE A**

MARKET REPORT

The Australian stock market climbed 1.15 percent on Wednesday, May 11, 2011 with the S&P ASX 200 up 54.4 points to 4780.2 points.

Six of the Biotech Daily Top 40 stocks were up, 16 fell, 10 traded unchanged and eight were untraded. All three Big Caps were up.

Sunshine Heart was best, up 0.6 cents or 12.2 percent to 5.5 cents with 2.4 million shares traded, followed by Genetic Technologies up 10 percent to 27.5 cents with 5.6 million shares traded.

Bionomics climbed 3.6 percent; Heartware and Nanosonics rose more than two percent; with Cochlear, Mesoblast and Resmed up one percent or more.

Virax led the falls, down 0.2 cents or 7.1 percent to 2.6 cents with 1.9 million shares traded.

Patrys lost 6.7 percent; Alchemia, Cathrx and Universal Biosensors fell five percent or more; Optiscan was down 4.3 percent; Clinuvel and Living Cell were down three percent or more; Starpharma shed 2.1 percent; with Viralytics down 1.4 percent.

FEDERAL BUDGET 2011

Last night's Federal Budget increased funding to the Commonwealth Scientific and Industrial Research Organisation and National Health and Medical Research Council and appears not to have cut any innovation programs.

According to Ausbiotech (see below) the Budget has made provision for the \$1.4 billion 45 percent research and development tax credit legislation first announced in 2009 and yet to be introduced into the Senate (BD: May 13, 2009, Nov 23, 2010).

A spokeswoman for the Minister for Innovation, Industry, Science and Research Senator Kim Carr told Biotech Daily the Australian Research Council Linkage Project scheme has funding until 2015 and Commercialisation Australia continues unaffected, but there were no apparent initiatives for innovation or commercialization other than a Clean 21 initiative for environmental technologies.

CSIRO operations deputy chief executive Mike Whelan told Biotech Daily the Budget increased quadrennial funding from \$2.779 billion for 2007-'11 to \$3 billion for 2011-'15. "We're very, very happy with that increase in the context of the Budget where increases have been generally about one percent," Mr Whelan said.

A spokeswoman for Senator Carr told Biotech Daily that the Budget provided \$21 million for the Inspiring Australia initiative to "bring science to every Australian, regardless of geography, ethnicity, age or social condition".

The Inspiring Australia program has \$3 million for science prizes including the Prime Minister's Prizes and the Australian Museum Eureka Prizes, \$2.4 million for "a new national hub for science and technology communications" and \$15.6 million to "take science directly to schools and communities" through National Science Week and other events targeting youth and indigenous communities from the suburbs to the bush.

A spokeswoman for the Minister for Mental Health and Ageing Mark Butler said the Federal Government was "maintaining the record levels of funding" for the National Health and Medical Research Council.

The Minister's spokeswoman said the total NHMRC budget allocation had increased from \$777.891 million in 2010-'11 to \$817,314 million in 2011-'12.

In an announcement on the NHMRC website chief executive officer Prof Warwick Anderson said research funding through the Medical Research Endowment Account had increased from \$715.5 million in 2010-'11 to \$746.1 million in 2011-'12 an increase of 4.3 percent.

A spokeswoman for the NHMRC told Biotech Daily that responsibility for the Australian Venom Research Unit, the Dementia Collaborative Research Centres and the Australasian Cochrane Centre came with \$10 million in funding from the Department of Health.

The Cochrane Centre reviews service provision and clinical practice.

EDITORIAL OPINION

While the Budget has been kind to the CSIRO and the NHMRC and we are grateful for that, it has been unimaginative in terms of investment in Australian innovation.

Just one Collins class submarine that can't submerge (about \$1 billion) would change the innovation landscape forever.

The delay in implementing the R&D Tax Credit has been unacceptable, unless the Government is waiting for Greens control of the Senate in July and the funding for Commercialisation Australia remains truly pathetic by comparison to other developed countries.

AUSBIOTECH

Ausbiotech chief executive officer Dr Anna Lavelle said that “in a tough budget year the biotech sector has been spared further cuts”.

“There has been no weakening of the Government’s resolve to introduce the much-needed tax credit reform,” Dr Lavelle said.

“The forward estimates allowing for this are still in place,” Dr Lavelle said.

Dr Lavelle said the expected \$400 million cut to the NHMRC funding “has not eventuated thanks to a well coordinated campaign”.

Dr Lavelle said Commercialisation Australia and the ARC Linkage grants retained funding but the Cooperative Research Centres had been “impacted negatively”.

Dr Lavelle said the high Australian dollar was “making it hard for companies competing in international markets, such as biotechnology”.

Dr Lavelle said that the legislative Bills for the 45 percent research and development tax credit were awaiting debate in the Senate and had been provided for in the program expense budget statements.

Dr Lavelle said the Department of Innovation had set aside \$2.4 million to administer the program in the 2011-‘12 financial year and \$10.4 million over the forward estimates period.

“Now the sector looks to the Greens and in particular Senator [Christine] Milne to deliver this essential reform,” Dr Lavelle said.

Dr Lavelle said she expected the tax credit Bills to be debated in the Senate in July and believed Senator Milne was “well-briefed and supportive of additional support for small innovative business”.

Dr Lavelle said \$20.7 million would be cut from the Collaborative Research Networks, \$33.4 million over four years from the Cooperative Research Centres program, \$6 million over three years from Enterprise Connect (\$101.3 million over four years will remain). She said that \$4.1 million over four years was budgeted to continue the pandemic response system which includes treatments for swine influenza, as well as \$15 million over four years to maintain the Human Papillomavirus Vaccination Program Register and \$138.7 million over four years to continue the bowel screening program.

Ausbiotech said pathology services had \$550 million cut from the Path Funding Agreement over the life of the program and the National Cord Blood Collection Service Network would lose \$1.5 million.

Ausbiotech said the Entrepreneurs’ Tax Offset would be replaced with tax reforms for 2.7 million small businesses with effect from the 2012-‘13 income year.

Ausbiotech said the measure would cut an estimated \$365 million over the forward estimates period.

The rationale given was that the Entrepreneurs’ Tax Offset was poorly-targeted, complex for taxpayers and could deter businesses from growing beyond the size that benefits from the concession.

Ausbiotech said the Government claimed that small business would benefit from the Government’s small business tax reform package, including a new instant write-off for the first \$5,000 of a motor vehicle, to commence from the 2012-‘13 income year.

The Small Business Support Line will receive \$7.1 million over four years to provide continued support, after the line received almost 30,000 calls in less than two years of operation, Ausbiotech said.

NEUREN PHARMACEUTICALS

Neuren says data from the first 30 patients in its phase II NNZ-2566 trial for traumatic brain injury has been reviewed by the independent data and safety monitoring committee. Neuren said the committee recommended progression to the second cohort which would begin immediately.

The company said the phase II trial was evaluating the safety and efficacy of intravenous administration of NNZ-2566 in patients with moderate to severe traumatic brain injury. Neuren said NNZ-2566 was administered within eight hours of injury via a 10-minute bolus followed by 72 hours of continuous infusion.

The company said all patients would receive the same bolus of 20mg/kg/hour, followed by the 30 patients in the first cohort receiving a low-dose infusion of 1mg/kg/hr, the next 30 patients receiving a medium-dose infusion of 3mg/kg/hr and the third cohort of 200 patients receiving the highest infusion dose of 6mg/kg/hr.

Neuren said all doses were expected to provide blood levels of the drug in patients that were comparable to the range in which efficacy was confirmed in animal models of brain injury.

The company said NNZ-2566 was a synthetic analog of the n-terminal tripeptide of IGF-1, a molecule with potent neuro-protective effects in stroke and head injury models.

Neuren said the principal mechanism by which NNZ-2566 was believed to exert neuro-protective effects was by limiting the expression of inflammatory molecules, or cytokines, following brain injury.

Neuren said NNZ-2566 significantly reduced activation of microglia, a type of brain cell involved in the immune response in the central nervous system, but which could result in excessive inflammation following brain injury resulting in additional damage.

The company said NNZ-2566 had been shown to reduce dramatically convulsive and non-convulsive seizures in multiple brain injury models and studies had shown that NNZ-2566 was effective when administered both as an intravenous infusion and in oral form.

Neuren said that NNZ-2566 had been in development as a treatment for traumatic brain injury under a collaborative research and development agreement between Neuren and the US Army since 2004 and the US Army had committed about \$US22 million to support the NNZ-2566 program.

Neuren chief executive officer Larry Glass said the data and safety monitoring committee's decision "supports our belief that NNZ-2566 appears to be safe and well-tolerated even in severely compromised patients".

"The pace of enrolment has picked up and should continue to accelerate with inclusion of female patients, an expanded age range, eight additional sites and eventually exception from informed consent," Mr Glass said.

Neuren was up 0.4 cents or 26.7 percent to 1.9 cents with 11.6 million shares traded.

CELLESTIS

Centaurus Capital says it holds an interest in 5,223,145 Cellestis shares or 5.43 percent of the company with 2,006,537 shares held as derivatives.

Centaurus said it had a direct interest in 3,216,608 shares and had acquired 2,006,537 shares through "contracts for difference" acquired at \$3.42 a share on May 2, 2011.

The holders include several Centaurus funds and Bernard Oppetit and other funds.

Last month Qiagen offered \$3.55 a share for Cellestis and subsequently a shareholder group said it spoke for more than 30 percent of the shares in the company and could vote down the takeover (BD: Apr 4, 14, 2011).

Cellestis fell two cents or 0.6 percent to \$3.38.

BLUECHIIP

Bluechiip says it has raised \$3 million as part of its initial public offering and hopes to list on the ASX under the code BCT.

Bluechiip which is developing a medical tracking device said it intended "to proceed with its application for listing on the ASX as soon as practicable".

Last year the company said it hoped to raise \$6 million through the issue of 24,000,000 shares at 25 cents each for its wireless tracking system (BD" Nov 12, 2010).

Bluechiip chairman Iain Kirkwood said the board was "delighted with the success of the company's recent capital raising".

Mr Kirkwood said the company would be in a strong position to establish Bluechiip as a global supplier of its unique tracking device, initially in the healthcare markets of bio-banking and bio-repositories.

Bluechiip chief executive officer Brett Schwarz said the company had completed the capital raising.

PHYLOGICA

Biotech Capital has ceased its substantial holding in Phylogica with the sale of 42,263,405 shares for \$2,609,691 or an average price of 6.17 cents a share.

Biotech Capital appears to have converted its convertible note for 25,000,000 share at four cents a share on April 30, 2011 and has sold down its entire holding in Phylogica.

It is believed the shares have been acquired by an Australian financial institution.

Phylogica was unchanged at 6.8 cents with 1.7 million shares traded.

SOLAGRAN

Solagran says the United Arab Emirates' Ministry of Health has issued a final approval for Bioeffective A.

Solagran said the first batch for the UAE market would be dispatched to Dubai within the next week.

The company said its distributor in the region would begin promoting the product to the medical sector and stocking pharmacies, with a launch to the medical community within the next three months.

Solagran said registration of Bioeffective A in the UAE would assist approval and distribution in Saudi Arabia, Pakistan and India.

Solagran's website said the green conifer needle-derived Bioeffective A was "a biologically active nutritional additive" and "a powerful anti-oxidant".

The company said the product had undergone trials for "ischemic condition of the heart and brain ... antimicrobial properties (bacteria and fungi) ... Flu virus (H5N2) and flu virus in children ... atrophic gastritis and other pre-cancerous [gastro-intestinal] conditions arising from [Helicobacter] pylori infection ... Helicobacter pylori and trichomonas vaginalis ... alcoholism (opiate addiction), polyneuropathy and other conditions ...

pharmacokinetics, bioavailability and heavy metals elimination ... in vitro and in vivo antioxidant properties".

Solagran did not disclose the results from these trials.

Solagran was unchanged at 14 cents.