



Biotech Daily

Thursday May 19, 2011

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: LBT UP 20%; BENITEC DOWN 11%**
- * **LEE RODNE: ALLIED, BIOMD MERGE FOR 'FULL-SCALE HEALTH CARE'**
- * **NEUREN'S PERSEIS PICKS BREAST CANCER MONOCLONAL ANTIBODIES**
- * **CITIGROUP, CITICORP NOMINEES TAKE 9% OF PHYLOGICA**
- * **PROGEN CREATES EPI TO DIVEST CELLGATE**
- * **PHARMAXIS' DR ALAN ROBERTSON SELLS SHARES FOR OPTIONS' TAX**
- * **NARHEX, OMI GO COAL, TIN MINING**
- * **KARMELSONIX BEGINS SALES IN SOUTH KOREA**
- * **SUNSHINE HEART LOSES DIRECTOR CM CAPITAL'S JOHN BRENNAN**

MARKET REPORT

The Australian stock market climbed 1.34 percent on Thursday May 19, 2011 with the S&P ASX 200 up 62.7 points to 4756.4 points. Fifteen of the Biotech Daily Top 40 stocks were up, 13 fell, five traded unchanged and seven were untraded.

LBT was best, up one cent or 20 percent to six cents with 75,000 shares traded, followed by Prana up 10.5 percent to 21 cents with 32,400 shares traded.

Nanosonics climbed 8.75 percent; Biota and Phylogica were up five percent or more; Genetic Technologies and Optiscan rose four percent or more; Impedimed was up 3.33 percent; Mesoblast and Starpharma rose more than two percent; with Bioniche, Chemgenex and Sirtex up more than one percent.

Benitec led the falls, down 0.3 cents or 10.7 percent to 2.5 cents with 5.8 million shares traded, followed by Antisense down 8.3 percent to 1.1 cents with 2.4 million shares traded.

Bionomics lost 7.4 percent; Alchemia, Cellmid and Living Cell fell more than three percent; Prima and Viralytics shed more than two percent; with Pharmaxis and Sunshine Heart down more than one percent.

ALLIED HEALTH GROUP, BIOMD, ALLIED MEDICAL

Allied Medical chief executive officer Lee Rodne has no qualms about describing the combined Allied Health Group as “a full-service health care company”.

The Group is expected to emerge from the Allied Medical backdoor takeover of Biomd by the end of June 2011 with the 42-year old Minnesotan as chief executive officer of a company working on clinical development, research and development as well as a complete health sales, marketing and distribution service.

Mr Rodne makes the comparison with Allied’s founder and boss of Fortescue Metals Group Andrew Forrest saying that he was told a \$20 million mining company couldn’t compete with “the big boys” of mining, dismissing the \$7 million Allied revenue as no impediment to building on several disparate divisions.

He also pointed out that the 3M Group which is a major player in health care was originally the Minnesota Mining and Manufacturing Co.

In Melbourne to meet the media and explain the merger, Mr Rodne said he expected the deal with Biomd to be completed soon after the offer closed on June 17, 2011.

Mr Rodne said the resultant group ownership would be led by former Biomd shareholders with 25 to 30 percent of the Group, Avexa holding about 19 percent, Andrew Forrest with about 21 percent and McRae Investments with about 20 percent (BD: Feb 15, 24, 2011).

Biomd directors Michael Bennett and Robert Towner will continue as directors in the renamed Allied Health Group, with Mr Rodne as chief executive officer.

In turn, the Group will have Biomd’s phase II Adapt process for bovine (and potentially kangaroo) cardiac tissue patches (BD: Feb 19, 2009) along with the pre-clinical Coridon DNA vaccine assets including the lead candidate a vaccine for herpes simplex virus 2 which is expected to begin a phase I trial within the next 12 months as well as the pre-clinical candidate for Epstein-Barr virus.

The Epstein-Barr virus is also known as human herpes virus 4 and is believed to be the cause of glandular fever.

One of Biotech Daily’s medical advisers said that there would be huge potential for a vaccine against glandular fever, which often affected teenagers and could prevent them from attending high school for up to several months.

Mr Rodne said the Epstein-Barr virus was also a cause of head and neck cancers.

Underpinning the clinical work is an existing health care distribution network which has previously seen a small profit of about \$570,000 in 2008-’09 and distributes home infusion products and cardiac devices such as electrocardiograms and stress tests to more than 800 customers, primarily hospitals.

Mr Rodne said the company had a foundation with key opinion leaders in cardiac, so should the Biomd cardiac patch be approved there was already a sales network in place.

He said he expected the company to increase its distribution revenue to \$20 million to \$30 million in three years.

Mr Rodne said that while the Biomd assets would be a wholly-owned subsidiary within the Group, Allied had the right to acquire up to 51 percent of Coridon, along with additional capital, and shared the ownership with Uniquist, Prof Ian Frazer and three other scientists.

He said the company would move its headquarters to Brisbane once the merger had been finalized.

Biomd was untraded at 4.5 cents.

Allied Medical is a public unlisted company.

NEUREN PHARMACEUTICALS

Neuren says subsidiary Perseis Therapeutics has selected three fully human monoclonal antibodies to validate in an animal model of human breast cancer.

Neuren said Perseis was formed in 2009 as a joint venture between Neuren and the New Zealand Breast Cancer Research Trust to develop the research of the Liggins Institute's Prof Peter Lobie and his team in Auckland and was developing antibodies targeting trefoil factors 1 and 3 for the treatment of breast and other cancers and had completed the in vitro testing part of the program.

The company said trefoil factors (TFFs) were proteins produced by cancer cells and regulated by oestrogen that acted as growth factors, promoting cancer growth and spread in a number of solid tumors including breast, colon, prostate and stomach cancer.

Neuren said trefoil factors were expressed in up to 68 percent of breast cancers, had been detected in the blood of patients who had residual disease after treatment and were strongly associated with survival in breast cancer patients with metastatic disease.

The company said that Perseis had screened a large number of candidates from three pools of mouse antibodies produced in Australia, Singapore and China, but the lead antibodies to be taken forward originated from a human antibody fragment library.

Neuren said that initial screening of that library was conducted at the University of Queensland and further screening to determine which antibodies had the ability to inhibit the growth of human breast and gastric cancer cells growing in culture was conducted by the US-based Aragen Bioscience.

The company said that fully human antibodies typically resulted in shorter and less expensive development and reduced risk of patient reactions to residual murine proteins in the finished drug product.

Perseis chief executive officer Dr Parmjot Bains said her company was hopeful the research would support the Breast Cancer Research Trust's goal of "reducing or eliminating breast cancer by 2018."

Neuren said the companies were in discussions with pharmaceutical companies and intended to enter into a licencing or collaborative agreement based on results from the confirmatory in vivo studies.

The company said that monoclonal antibodies were the leading approach to molecular targeting, the fastest growing segment of biopharmaceuticals and molecularly targeted drugs and biologics exhibited highly specific activity, often with better efficacy and fewer side effects than traditional drugs.

Neuren said that in 2008, the global monoclonal antibody market was valued at \$27.4 million with an annual growth rate of 30.8 percent and by 2016, six of the top 10 billion dollar drugs were predicted to be monoclonal antibodies.

Neuren was up 0.1 cents or 5.26 percent to two cents with 11.4 million shares traded.

PHYLOGICA

Citigroup Global Markets Australia has become a substantial shareholder in Phylogica with the acquisition of 36,619,118 shares or 9.037 percent.

The initial substantial shareholder notice said the shares were held by Citigroup "solely in its capacity as prime broker" with an additional 40,000 shares not included in the total.

The notice said Citicorp Nominees was the registered holder of the 36,579,118 shares and Citigroup Global Markets Australia was the holder of the 40,000 shares.

The notice did not disclose the acquisition price.

Phylogica was up 0.3 cents or five percent to 6.3 cents with 1.4 million shares traded.

PROGEN PHARMACEUTICALS

Progen says Epi Pharmaceuticals has been created to divest its epigenetic and cell proliferation assets acquired in the 2008 purchase of Cellgate.

Progen said that under the purchase agreement, milestone payments of up to \$US19.5 million were payable to the Californian oncology company shareholders in shares and/or cash, with the intention to issue shares to cover milestone payments.

The company said that following the \$40 million share buyback in April 2009, Progen's market capitalization was significantly reduced, limiting its ability to meet its milestone commitments in share issues without significantly diluting shareholders' interests.

Progen said the formation of the new entity relieved it of all of its obligations in exchange for contributing the Cellgate assets to Epi and a combination of equity and debt, royalties and milestone payments were issued to various parties.

The company said Cellgate holders were entitled to 5,737,500 series A preferred shares (45%); SLIL Biomedical would have 1,530,000 shares (12%); and Progen would hold 5,482,500 shares (43%).

Progen said the new entity had amended and restated licence agreements with Johns Hopkins University, Wayne State University and Wisconsin Alumni Research Foundation to secure the epigenetic and cell proliferation assets, including PG11047, PG11144 and other epigenetics program compounds.

Progen said the licences contained terms relating to PG11047, PG11144 and other epigenetics compounds: including a low upfront license fee; low digit royalty on net sales of licenced products; payment of patent prosecution and maintenance fees.

Progen chief executive officer Sue MacLeman will be the president and chief executive officer of Epi with Paul Dixon as chief financial officer.

Progen said it would fund Epi through a line of credit established to maintaining minimal operations pending divestment, partnering or refinancing and Epi would operate as a virtual entity until capital could be raised.

Progen said that one ongoing activity was the phase Ib study of PG11047 in combination with other marketed anti-cancer drugs, designed to assess the agent's maximum tolerated dose in combination with these products which recently completed enrolment.

Progen said the completion of the trial was expected to maximize the value of the assets. Progen fell two cents or 6.15 percent to 30.5 cents.

PHARMAXIS

Pharmaxis chief executive officer Dr Alan Robertson says he has been forced to sell 500,000 shares to pay a tax bill arising from founding options.

Biotech Daily does not normally report change of director's interest notices, but reader inquiries prompted a clarification of the Pharmaxis announcement that the "shares were sold in order to fund a tax liability arising from the exercise of expiring options".

Dr Robertson told Biotech Daily that he was issued with "about one million options" exercisable at 12.5 cents each within 10 years when the company was first created and before the initial public offer.

Dr Robertson said that when the deadline approached the shares were worth about \$2.30 and he had a choice to exercise or allow them to lapse, but exercising the options triggered a taxation liability as earned income and he needed to pay that tax bill.

Dr Robertson said he was most reluctant to sell the shares.

The director's interest notice said Dr Robertson sold the 500,000 shares at \$2.95 a share. Dr Robertson retains 545,000 shares and 2,010,000 options.

Pharmaxis fell six cents or 1.96 percent to \$3.00.

[NARHEX LIFE SCIENCES, OMI HOLDINGS](#)

Narhex and OMI have said they intend to acquire coal tenements in central Queensland and a tin project in Uganda, respectively.

Narhex recently returned to trading saying it was holding discussions to continue developing its DG17 drug for HIV (BD: Mar 14, 2011).

Earlier this year Narhex raised \$2.5 million through the issue of 250 million shares at one cent a share saying the funds were to facilitate its reinstatement on the ASX, fulfill agreement obligations for the anti-HIV compounds DG-17 and DG-35, pay the costs of recapitalization and investigate new opportunities (BD: Jan 18, Feb 10, 2011).

OMI returned to trading in November, 2010, with \$1.8 million in cash.

OMI went into voluntary administration on December 31, 2009 and in May 2010 entered into a deed of company arrangement with Sun Biomedical.

In September 2010, the company said it hoped to return to trading following two placements to raise \$2,550,000 to continue development of safer needles and related technologies (BD: Sep 21, 2010).

OMI said in November 2010 that it had an agreement with Chelsea Medical Services to provide services "in particular in relation to the commercialization of the OMI Sharpsafe [syringe container]".

Narhex was up 0.6 cents or 25 percent to three cents with 4.5 million shares traded.

OMI last traded at 0.6 cents.

[KARMELSONIX](#)

Karmelsonix says it has orders worth \$US45,000 for its Pulmotrack and Wholter devices for respiratory units across South Korea, including leading respiratory hospitals.

The company said one of the buyers was the 1000-bed Korean University Medical Centre. Karmelsonix was unchanged at 1.1 cents with eight million shares traded.

[SUNSHINE HEART](#)

Sunshine Heart says director John Brennan, who is employed by Queensland's CM Capital, has resigned as a director "for personal reasons".

The company announcement was made after the market closed and did not say whether Mr Brennan would be replaced by a different representative of CM Capital.

According to the ASX, CM Capital is the single largest shareholder in Sunshine Heart with 27.2 percent of the company.

No one was available at CM Capital or Sunshine Heart.

Sunshine Heart fell 0.1 cents or 1.85 percent to 5.3 cents.