



Biotech Daily

Wednesday July 27, 2011

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH DOWN: OPTISCAN UP 20%; ANTISENSE DOWN 11%**
- * **BIONICHE – COMING TO A VET CLINIC NEAR YOU**
- * **FIRB APPROVES QIAGEN'S CELLESTIS TAKEOVER**
- * **ALCHEMIA EXPANDS HAYCT FOR CANCER PATENT SUITE**
- * **US ALLOWS FURTHER BENITEC DDRNAI PATENT**
- * **GSK 2011 BIOTA RELENZA ROYALTY \$6.6m**
- * **ATCOR DISTRIBUTES SUNTECH'S BP MONITORS**
- * **PHILIPPINES' UNILAB INTEREST IN NUSEP FACILITIES**
- * **OPTISCAN CONSIDERS OPTIONS FROM PLACEMENT TO SALE**

MARKET REPORT

The Australian stock market fell 0.78 percent on Wednesday July 27, 2011 with the S&P ASX 200 down 35.9 points to 4537.4 points.

Eight of the Biotech Daily Top 40 stocks were up, 14 fell, nine traded unchanged and nine were untraded.

Optiscan was the best, up 1.3 cents or 20 percent to 7.8 cents with 225,000 shares traded.

Anteo climbed 3.9 percent; Circadian and Phylogica were up more than one percent; with Biota, Cochlear, Pharmaxis, Sirtex and Starpharma up by less than one percent.

Antisense led the falls, down 0.1 cents or 11.1 percent to 0.8 cents with 1.2 million shares traded; followed by Virax down 8.7 percent to 2.1 cents with 50,000 shares traded and Genetic Technologies down 7.3 percent to 19 cents with 2.4 million shares traded.

Bioniche lost 5.6 percent; Impedimed and Uscom fell more than four percent; Benitec was down 3.3 percent; Bionomics, CSL and Mesoblast shed more than two percent; with Alchemia, Patrys, Prima and Resmed down more than one percent.

BIONICHE

Bioniche chairman Dr Graeme McRae says his representatives will visit every veterinary clinic in Australia to encourage sales, retail investment and improve share liquidity. Earlier this year Mr McRae told Biotech Daily that the company was pleased with the Australian institutional response but wanted to increase the retail investor profile of the company (BD: Mar 9, 2011).

Today, Mr McRae told Biotech Daily that he would be meeting investors in Melbourne, Sydney and Brisbane and had a new strategy to improve the retail base and increase share liquidity, by encouraging Australian veterinarians to invest in the company.

The Canada-based Bioniche raised \$30 million primarily from institutions in Australia and Canada at the end of last year for its Urocidin phase III bladder cancer treatment, but the human health investigation is a spin-off from the core business of animal health.

Mr McRae said that six large companies controlled about 70 percent of the global \$20 billion animal health market with "only about 15 to 20 companies below that".

He said that he wanted Bioniche to be profitable rather than the best of the second tier.

He said the company's cash burn was about \$1 million a month and there was still \$20 million in the bank following the \$30 million capital raising and initial public offer completed at the beginning of this year (BD: Jan 20, 2011).

"Veterinarians are losing products and they know the industry," Mr McRae said.

"We're soliciting veterinarians to invest in Bioniche – we want every veterinarian in Australian and Canada to own shares in Bioniche," Mr McRae said.

He said 250 veterinarians created the Australian animal products distributor Provet which was sold to Henry Schein for \$90 million and the distributor Lyppard has recently been sold to Symbion Pharmacy Services for more than \$40 million.

"Our sales staff are going to visit every veterinarian clinic in the country to talk about our products and shares," Mr McRae said.

"It will provide a large retail base," he said.

"We have the most advanced animal health vaccine manufacturing plant in the world ... and we are working on acquisitions," Mr McRae said.

"Our share price has slipped since the IPO from \$1.40 to 90 cents and we are not seeing selling," he said.

Mr McRae said Australians were buying shares in Canada through brokers and there was very little liquidity on the ASX.

He said the Canadian market was being dragged down by the US and that in turn was affecting Bioniche's share price.

"Vets love us. One hundred, mostly Canadian, veterinarians financed the start of Bioniche and most are still shareholders," Mr McRae said.

"So if you're a vet in Australia or Canada, expect a knock on the door from Bioniche," Mr McRae said.

Bioniche fell five cents or 5.6 percent to 85 cents with 1,400 shares traded.

CELLESTIS

Cellestis says the Foreign Investment Review Board has no objection to Qiagen's proposed \$3.80 per share acquisition of the company.

Cellestis said the decision overcame a condition of the scheme implementation deed (BD: Jul 11, 2011).

Cellestis shareholders are due to vote on the takeover on August 3, 2011

Cellestis was unchanged at \$3.76.

ALCHEMIA

Alchemia says it has been granted a Japanese patent covering its Hyact platform, which has been shown to increase the effectiveness of cancer drugs.

Alchemia said its lead program using the hyaluronic acid technology, HA-Irinotecan, was about to enter a pivotal phase III trial for the treatment of colorectal cancer.

The company said the patent entitled 'A composition and method for the enhancement of the efficacy of drugs' was the most recent grant in the family of patents protecting the Hyact technology.

Alchemia said similar protection had been granted in Australia, New Zealand, Canada, China, Taiwan and 12 European countries.

Alchemia chief executive officer Dr Pete Smith said the patent was important because Irinotecan was widely used in Japan in the treatment of colorectal cancer.

"This patent family is integral in protecting the use of the Hyact platform in conjunction with small molecule anticancer agents," Dr Smith said.

Alchemia said Canada had recently approved two related patent families 'Improved therapeutic protocols' and 'Hyaluronan as a cytotoxic agent, drug pre-sensitizer and chemosensitizer in the treatment of disease'.

The company said that along with its small molecule Hyact program, it was exploring its use for delivering antibodies and other larger molecules.

Alchemia said its key patent in antibody delivery entitled 'Therapeutic compositions comprising hyaluronan and therapeutic antibodies as well as methods of treatment' was recently granted in the Eurasian states and Israel.

The company said that in a different approach to the treatment of cancers, it had developed antibodies to one of the central hyaluronan producing proteins in the body and the antibodies which targetted hyaluronan synthase had shown early potential in the treatment of cancer.

Alchemia said it had a US patent protecting these antibodies and members of the same patent family were also granted in Australia and China.

Alchemia fell one cent or 1.5 percent to 67 cents.

BENITEC

Benitec says the US Patent and Trademark Office has allowed a patent entitled 'Synthetic Genes and Genetic Constructs'.

Benitec said the allowed claims were complementary to the foundational and re-issued '099 Graham patent and provide greater patent protection for use of its DNA-directed RNA interference (ddRNAi) gene silencing technology for human therapeutic applications.

The company said the claimed constructs had two sequences which were identical to a "region of a target gene in an animal cell", but the "target gene" was not limited in scope.

Benitec chief executive officer Dr Peter French said the company had "several significant patents granted or allowed over the past 12 months in the US, Europe and other jurisdictions".

"This has greatly turned around Benitec's position to a point where we once again dominate the gene silencing landscape using ddRNAi," Dr French said.

Dr French said DNA-directed RNA interference had "the potential to permanently silence any genes involved in chronic life threatening disease and as such is likely to provide the basis for development of a broad range of novel human therapeutics".

Benitec said it and the Commonwealth Scientific and Industrial Research Organisation were awaiting USPTO decisions on three other pending Graham family applications.

Benitec fell 0.1 cents or 3.3 percent to 2.9 cents with 22.3 million shares traded.

BIOTA

Biota said it expects to receive a \$1.8 million Glaxosmithkline royalty payment for sales of Relenza in the three months to June 30, 2011, taking the year total to \$6.6 million.

The payment represents sales of Relenza amounting to \$18 million for the three months and \$79.6 million for the year to June 30, 2011.

The amounts compare to a royalty of \$900,000 for \$12.8 million sales in the three months to June 30, 2010 the record royalty payment of \$32.6 million from Glaxosmithkline for \$462 million sales of Relenza in the three months to December 31, 2009 and the 12 months to June 30, 2010 of \$63.7 million.

Biota said last year that its largest annual payment for Relenza since the product was launched in 1999 was "a result of demand driven by the [2009] H1N1 swine flu pandemic and consequent increased production by GSK" (BD: Jul 22, 2010).

Biota was up half a cent or half a percent to \$1.00.

ATCOR MEDICAL

Atcor says it has a clinical trials distribution and data management agreement with Suntech Medical for its blood pressure monitors.

Atcor said its Sphygmocor system measured central blood pressures and arterial stiffness non-invasively and the North Carolina-based Suntech was "a leader in noninvasive blood pressure products and technologies".

Atcor said that along with its Sphygmocor systems, it would offers trial sponsors the Suntech Oscar 2 ambulatory blood pressure monitor, the only device that has been clinically validated to all three internationally recognized standards.

The company said the Suntech technology was "well-suited for clinical trials" and featured the Orbit blood pressure cuff, which was specifically designed for ambulatory wear, "promoting patient comfort and compliance and improving data yield".

Atcor said the expansion of core services offered pharmaceutical companies, contract research organizations other researchers, greatly improved reliability and quality of information on the effects of drugs on central and peripheral haemodynamics, which were important in identifying drug benefits as well as potential patient risk.

Atcor chief executive officer Duncan Ross said the deal with Suntech was "an important addition to our portfolio".

Atcor was unchanged at 11.5 cents.

NUSEP

Nusep says it has a letter of intent with the Philippines' United Laboratories to invest in its Singapore plasma fractionation facility and a Philippines facility.

Nusep said the investments were dependent on due diligence to be conducted by United Laboratories and on terms to be negotiated beginning in August 2011.

The company said that United Laboratories (Unilab) was a pharmaceutical company that developed, manufactured and marketed a range of prescription and consumer health products covering all major therapeutic categories, selling throughout South East Asia and operating a biotechnology business in China.

Nusep said Unilab understood "the potentially game-changing nature" of its Prime process and saw a Philippine facility as a stepping stone into the other markets it serves.

Nusep said the details of the Philippines plasma fractionation facility were to be negotiated but expected its contribution would be limited to the technology and assistance in set-up.

Nusep was up one cent or 9.1 percent to 12 cents.

OPTISCAN

Optiscan says that a review by Cappello Capital has provided a range of strategic options from raising funds to a sale of the entire company.

In a presentation published to the ASX, Optiscan said the options included, but were not limited to, a placement, licencing or partnering, merger or combination with a strategic partner and sale of the entire company or selected assets.

Optiscan said \$100 million had been invested to date in its confocal microscopes, nearly 50 patent families had been granted or were being considered and the company had received \$25 million in revenue.

The company said that the purpose of the review was “to restore the substantial value inherent within Optiscan and address the absolute and relative valuation issues the company is faced with today”.

Optiscan said absolute value was underscored by the relationship with imaging company Carl Zeiss.

The company said a relative valuation was highlighted by the recent initial public offering in July of Mauna Kea Technologies, the only other relevant player in the endomicroscopy space, valuing that company at about US\$311 million and demonstrating a pronounced valuation anomaly in existence between Mauna Kea and Optiscan.

Optiscan said recognition of the value of its technology and therefore its primary business and strategic opportunities, was overseas, with considerable appreciation and understanding of endomicroscopy in Europe and the US that was not present in Australia. Optiscan said it had a strong presence in the US and Europe at institutions such as Johns Hopkins and the Mayo Clinic, along with a growing presence in China.

Despite this, the company has less than four percent of its ownership outside Australia and a market capitalization of about \$10 million.

Optiscan said it carried the legacy of its poor financial and operational health from several years ago, but was in a sound financial condition, has developed a second generation platform and has developed bench-top prototype probes featuring world leading specifications that will enhance and expand the market opportunities for Optiscan’s technology in proven fields.

The company said that with existing sales of its Five-1 research unit microscope and a number of custom high definition flexible endomicroscope projects underway, it expected material revenue flow from a product launch with Carl Zeiss within 18 months.

Optiscan was up 1.3 cents or 20 percent to 7.8 cents.