



Biotech Daily

Thursday August 18, 2011

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH DOWN: ALLIED HEALTH UP 6%, STARPHARMA DOWN 14%**
- * **STARPHARMA SWAPS CONDOM COMPANIES; DELAY TO MARKET**
- * **LITTLE DISSENT AT SUNSHINE HEART EGM**
- * **VICTORIA AUDITOR-GENERAL: BIOTECH INVESTMENT QUALIFIED TICK**
- * **BRAIN PROFIT DOWN 88% TO \$269k; REVENUE DOWN 31% TO \$5.65m**
- * **HEALTHLINX SHARE PLAN RAISES \$136k**

MARKET REPORT

The Australian stock market lost most of yesterday's gains, down 1.22 percent on Thursday August 18, 2011 with the S&P ASX 200 down 52.7 points to 4251.2 points.

Ten of the Biotech Daily Top 40 stocks were up, 19 fell, five traded unchanged and six were untraded. All three Big Caps fell.

Allied Health was the best, up 0.3 cents or 5.9 percent to 5.4 cents with 265,000 shares traded, followed by Alchemia up 5.5 percent to 38.5 cents with 92,000 shares traded.

Phylogica climbed 4.35 percent; LBT and Prana were up more than three percent; Patrys and Psivida rose more than two percent; Viralytics was up one percent; with Clinuvel and Impedimed up by less than one percent.

Starpharma led the falls, falling as much as 25.5 cents or 19.2 percent to \$1.075 before closing down 18 cents or 13.5 percent at \$1.15 with 6.4 million shares traded, followed by Antisense down 12.5 percent to 0.7 cents with 5.7 million shares traded.

Bioniche lost 8.2 percent; Prima fell seven percent; Compumedics was down 5.9 percent; Anteo, Cellmid and Tissue Therapies fell more than four percent; Benitec, Genera and Pharmaxis were down more than three percent; Acrux, CSL, Genetic Technologies, Mesoblast and Resmed shed more than two percent; with Bionomics and Universal Biosensors down more than one percent.

STARPHARMA HOLDINGS

Starpharma has terminated its \$100 million condom coating agreement with Reckitt Benckiser citing "the failure to achieve satisfactory progress" and signed with Ansell. Starpharma announced the agreement with SSL International in 2008 saying it estimated receipts under the agreement would exceed \$100 million through royalties on SSL sales, further milestone payments and development support (BD: Sep 9, 2008).

Last year, Reckitt Benckiser completed its GBP2.5 billion (\$A4.0 billion) acquisition of SSL International and Starpharma chief executive officer Dr Jackie Fairley said she was "optimistic about the implications for Starpharma of this development given Reckitt Benckiser's formidable distribution and brand-building capabilities" (BD: Nov 4, 2010). Today, Starpharma said the decision was "in relation to certain commercialization milestones for the Vivagel-coated condom" with the Reckitt Benckiser licence, and terminated the deal, effective immediately.

Starpharma said it was "extremely disappointed to have to take this action but after full consideration of the situation ... believe it to be the best course of action to ensure timely commercialization and maximize returns for the Vivagel-coated condom".

Starpharma said the move meant that the first Vivagel condom approval would not be in 2011 as originally forecast but hoped the first marketing approvals would be in 2012.

Starpharma said it had signed a licence agreement giving Ansell marketing rights to the Vivagel-coated condom, covering countries excluding Japan and some Asian markets.

A Starpharma spokeswoman told Biotech Daily that the terms with Ansell "are as good as the terms with SSL" and although Ansell had a smaller market share, Reckitt Benckiser was in dispute with its condom supplier in India, which could affect sales.

Starpharma said Ansell would pay royalties on sales of the Vivagel-coated condoms and would support registration and other commercialization costs.

The company said Ansell would be responsible for manufacturing the Vivagel-coated condom and marketing of the product.

Dr Fairley said that Ansell was "ranked number two globally in terms of condom sales", marketing brands including Lifestyles, Zero and Skyn with a 70 percent market share in the Asia-Pacific, South America and Australia.

The company has a separate commercial partnership with Japan's Okamoto Industries.

Starpharma said Ansell's total sales were \$US1.2 billion for the year to June 30, 2011.

Starpharma fell 18 cents or 13.5 percent to \$1.15 with 6.4 million shares traded.

SUNSHINE HEART

Sunshine Heart investors supported all resolutions to the mega-placement, directors' options and up to one-for-250 stock consolidation extraordinary general meeting.

The greatest dissent was to the increase in directors' remuneration, the change of control agreements for chief executive officer David Rosa and medical director Dr William Peters and the lengthening of time for 10,000,000 options held by Mr Rosa and 3,712,482 options held by Dr Peters (BD: Jul 18, 2011).

The doubling of the directors' remuneration pool from \$250,000 to \$500,000 saw the greatest dissent with 55,533,150 proxy votes (12.2%) against and 399,579,933 proxy votes (87.8%) in favor. The options and control agreements were passed with more than 664 million votes in favor and up to 55.2 million votes against.

All the other resolutions to place 455,113,636 shares, issue 65,682,000 options to directors and consolidate shares between one for 100 shares and one for 250 shares were passed by significantly wider margins.

Sunshine Heart was untraded at four cents.

VICTORIA GOVERNMENT

The Victorian Auditor-General says that 10 of 16 strategic biotechnology goals and targets have been met, but there are shortcomings in the Government's investment targeting. The Auditor-General's report 'Biotechnology in Victoria: the Public Sector's Investment' said the Department of Business and Innovation and its predecessor the Department of Innovation, Industry and Regional Development had made "adequate progress" in the six of the 16 high-level strategic goals and targets that had not been met and it was not possible to measure whether the State was "one of the world's top five biotechnology locations".

The report's summary said there were "shortcomings in DBI's approach to investment targeting and gaps in its benefits measurement and monitoring approaches".

"In particular, DBI does not use recognized or accepted methodologies to systematically determine portfolio risk and inform investment allocations," the Auditor-General's report said. The report is available at: <http://www.audit.vic.gov.au>.

The report said that since 1999 to June 30, 2011, Victoria invested \$3.442 billion of public funds in the science, technology and innovation with biotechnology sector directly receiving \$722 million or 21 per cent of total innovation funding.

The report said that in 2001 the Department of Innovation developed the first whole-of-government Biotechnology Strategic Development Plan for Victoria with two more plans in 2004 and 2007.

The report said that while many biotechnology investments were intrinsically worthwhile, because they were aimed at extending and improving human life, this did not exempt them from scrutiny of their rationale, efficacy, benefits or outcomes.

The objective of this audit was to examine the efficiency and effectiveness of the Victorian public sector's investments in the biotechnology sector, the report said.

The audit examined the application of the Strategic Development Plans as well as program design, program governance, investment evaluations, business case reviews, progress reporting, and benefits assessments, the Department's biotechnology activities, as well as the Australian Synchrotron Company and its Holding Company, Bio-21 Molecular Science and Biotechnology Institute and its parent institution, the University of Melbourne and Melbourne Health as responsible entity for the Biogrid project.

The report concluded that the Department "delivered a range of world class facilities and technology platforms for the biotechnology and broader life sciences sector" and said the eight projects examined directly supported life sciences researchers and practitioners and have the potential to stimulate scientific research and innovation, assist pharmaceutical and medical discoveries, attract more private investment, develop highly skilled people, extend existing scientific knowledge.

The report said the Department's focus was mainly on grant and contract compliance and although "useful in its own right, this focus does not produce performance data about whether the strategic aims of the public sector's investment in the biotechnology sector are being delivered" instead focusing on monitoring short-term stimulatory activity in the sector, without evident attention to longer-term and strategic benefits.

The report said that after more than 10 years of active investment and 'market intervention' the Department was not able to objectively demonstrate a cause and effect relationship between its investments and the results in that sector, but it was "reasonable to attribute at least part of the achievement of ... targets to investments".

The report recommended the Department develop an overarching biotechnology strategy; adapt an investment portfolio allocation model to determine whether there was alignment of investments with the Department's desired risk and return profile; and further develop its grant management processes for biotechnology investments.

BRAIN RESOURCE

Brain Resource says its net profit after tax was down 88 percent to \$269,487 for the 12 months to June 30, 2011 on revenue down 31 percent to \$5,651,534.

Brain Resource said that total sales fell 28 percent to \$5,534,104, it received 29 percent less interest on investments to \$192,091 and a reversal of government export grant from \$160,906 in the previous year to a repayment of \$74,661 in the year to June 30, 2011.

The company said that diluted earnings per share was 0.3 cents down 87.5 percent, compared to the previous year's 2.4 cents.

Brain Resource said the greatest revenue falls were clinical decision support and treatment prediction research using its on-line brain assessments systems.

Brain Resource was untraded at 24 cents.

HEALTHLINX

Healthlinx says its share plan raised \$136,000 through the issue of 4184615 shares at 3.25 cents a share.

Healthlinx did not disclose how much it was hoping to raise when it announced the share plan (BD: Jun 22, 2011).

Healthlinx was up 0.2 cents or 9.5 percent to 2.3 cents.