



Biotech Daily

Thursday November 3, 2011

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH DOWN: PATRYS UP 6%; LIVING CELL DOWN 15%**
- * **COCHLEAR'S DR CHRIS ROBERTS: 'RECALL HAS NOT COST PATIENTS'**
- * **ADDED AUSTRALIAN PATENT PROTECTION FOR ACRUX AXIRON**
- * **US PATENT FOR OBJ's DERMAPORTATION TECHNOLOGY**
- * **WILSON HTM REDUCES 1% IN UNIVERSAL BIOSENSORS**
- * **AUSTRALIAN ETHICAL TAKES 92% PROFIT ON 14m NEUREN SHARES**
- * **AUSTRALIAN ETHICAL INCREASES TO 13.7% IN AVITA**
- * **ALCHEMIA REQUESTS CAPITAL RAISING TRADING HALT**
- * **NAB EXTENDS CYCLOPHARM DEBT REPAYMENT**
- * **PROBIOMICS TO RAISE \$200k FOR HUNTER LISTING**
- * **21% OF PRIMA VOTERS OPPOSE REMUNERATION REPORT**
- * **SCIGEN TELLS ASX: POLISH LOAN, DIVESTING ISRAEL, CHINA BUSINESS**

MARKET REPORT

The Australian stock market fell 0.31 percent on Thursday November 3, 2011 with the S&P ASX 200 down 12.8 points to 4171.8 points. Six of the Biotech Daily Top 40 stocks were up, 15 fell, 10 traded unchanged and nine were untraded.

Patrys was the best, up 0.3 cents or 5.6 percent to 5.7 cents with 20,000 shares traded. Optiscan climbed 5.3 percent; Nanosonics was up 4.8 percent; Viralytics rose 2.25 percent; Resmed was up 1.1 percent; with Acrux, CSL and Mesoblast up by less than one percent.

Living Cell led the falls, down 1.2 cents or 15 percent to 6.8 cents, with 880,336 shares traded, followed by Neuren down 14.7 percent to 2.9 cents with 17.9 million shares traded. Prima lost 7.9 percent; Allied Health and Phylogica fell more than five percent; Biota, Genetic Technologies and Uscom were down more than three percent; Sunshine Heart shed 2.4 percent; Anteo, Bionomics, Cochlear, Pharmaxis and QRX were down more than one percent; with Reva and Starpharma down by less than one percent.

COCHLEAR

Cochlear chief executive officer Dr Chris Roberts says that despite the recall of its Nucleus 512 series implant “no surgeries have been missed”.

Dr Roberts told Biotech Daily that the company was in no hurry to bring back the Cochlear Implant (CI)512 until the company was satisfied that it had completely eradicated the technical fault that led to the recall (BD: Sep 12, 2011).

Dr Roberts said he could not disclose new information beyond what he told last month’s annual general meeting (BD: Oct 18, 2011) but explained that the Freedom system CI24RE implant was a ready alternative to the CI512.

Dr Roberts said that moisture had entered the unit, probably prior to implant and the hermetic sealing of the unit was being investigated.

He said the moisture affected the implanted radio receiver circuit causing the battery-free implant to lose power.

“We will take all the time we need to,” Dr Roberts said. “Perfection is what we strive for.”

“Implanting the earlier model made no difference” to the recipient, Dr Roberts said.

“We have the best implant on the market [the CI24RE] and that’s why we haven’t lost a lot of market share,” Dr Roberts said.

He said the CI24RE was about 30 percent of the company’s implant volume.

Dr Roberts said the stock market response to the recall with a 27 percent fall in share price on the day of the announcement was “an over-reaction”.

“There were two uncertainties, manufacturing ramp-up and market share,” Dr Roberts said.

“Supply was tight but we haven’t missed any surgeries. No one has missed being implanted,” Dr Roberts said.

“We’ve been managing the manufacturing pretty well. The workforce has done an extraordinary job around the world,” Dr Roberts said.

He said staff had ensured that supplies of the Freedom 24RE were delivered to replace planned implants of the CI512, but at this stage the company was not replacing stock held on shelves.

“The manufacturing workforce had to be redeployed and they did a fantastic job,” Dr Roberts said.

“The flexibility and agility in manufacturing and the supply chain has allowed us to do it,” he said.

Dr Roberts said that the fact that Cochlear ended the 2010-’11 financial year in a strong position and with no net debt allowed the company to deal with the recall from a position of strength, compared to other companies that have faced similar issues.

“For others it would be different. Don’t under-estimate how strong Cochlear was when this happened,” Dr Roberts said.

He said the loss of cochlear implant market share to competitors was “very difficult to tell” at this stage, less than two months since the recall.

Dr Roberts would not give any time-frame for the restart of CI512 production and stressed that the 24RE had a seven-year track record with 99 percent reliability.

In September, Cochlear fell \$19.41 or 26.9 percent from \$72.18 to a low of \$52.77 on the news of the recall and fell as low as \$45.11 on October 4, 2011.

Cochlear fell 63 cents or 1.2 percent to \$53.89.

ACRUX

Acrux says the Australian patent office, IP Australia, has granted a new patent that will protect its testosterone therapy Axiron until June 2, 2026.

Acrux said the patent, entitled 'Method and composition for transdermal drug delivery' (Number 2006254742), described a method of increasing the androgen blood level of a person by applying to the underarm a non-occlusive transdermal drug delivery composition that contained an androgen, an alcohol solvent and certain skin penetration enhancers.

The company said that Axiron was the first approved testosterone replacement therapy in the US applied to the underarm.

Acrux said it was progressing similar patent applications with patent offices in markets around the world and the US examination was "at an advanced stage".

The company said that Axiron was covered by Acrux's granted delivery technology patents until February 2017.

Acrux chief executive officer Dr Richard Treagus said the company was "very pleased with the grant of this patent that provides a further nine years to Axiron's patent protection in Australia".

Acrux said licensee Eli Lilly and Co launched Axiron in the \$1.2 billion US testosterone therapy market in April and in six months it had secured 7.5 percent of total prescriptions. The company said it earned royalties on worldwide sales of Axiron and could also receive up to \$US195 million in sales milestone payments.

Acrux was up three cents or 0.9 percent to \$3.34.

OBJ

OBJ says the US Patent and Trademark Office has issued a patent for its Dermaportation transdermal technology.

OBJ said the patent, entitled 'Apparatus for facilitating transdermal delivery of therapeutic substances and method of transdermally delivering therapeutic substances' (US patent number 8,019,412) "enhances the potential commercial value of the company's powered Dermaportation technology as it allows [it] to offer various market licencing options to potential partners in key market sectors".

The company said it had identified several commercial opportunities for Dermaportation and introduced the technology to potential partners.

OBJ was up 0.2 cents or 9.5 percent to 2.3 cents with 18.7 million shares traded.

UNIVERSAL BIOSENSORS

Wilson HTM Investment Group has reduced its substantial holding in Universal Biosensors from 14,212,454 shares (9.05%) to 12,547,943 shares (7.89%).

Wilson HTM said that between January 7, 2009 and October 26, 2011, "individually managed accounts" along with Wilson HTM funds and Favco Staff Super bought and sold shares.

The largest sale was of 7,633,590 shares for \$9,453,495 or an average price of \$1.24 a share by individually managed accounts, while the largest purchase was by a Wilson HTM fund of 4,655,738 shares for \$6,928,489 or an average price of \$1.49 a share.

Universal Biosensors was unchanged at 89 cents.

NEUREN PHARMACEUTICALS

Australian Ethical Smaller Companies Trust has reduced its substantial shareholding in Neuren from 96,153,840 shares (8.42%) to 82,389,788 shares (7.22%).

In August, Australian Ethical said it acquired the 96,153,840 shares for \$1,250,000 or 1.3 cents a share (BD: Aug 16, 17, 2011).

Today's substantial shareholder notice said Australian Ethical sold the 13,764,052 shares for \$339,174 or an average price of 2.5 cents a share

Neuren fell half a cent or 14.7 percent to 2.9 cents with 17.9 million shares traded.

AVITA MEDICAL

Australian Ethical Smaller Companies Trust has increased its share-holding in Avita from 30,268,251 shares (12.71%) to 32,662,336 shares (13.71%).

Australian Ethical said it acquired the 2,394,085 shares for \$235,383 or an average price of 9.8 cents a share.

Avita was unchanged at 10.5 cents.

ALCHEMIA

Alchemia has requested a trading halt pending an announcement "in relation to the outcome of a proposed capital raising".

Trading will resume on November 7, 2011 or on an earlier announcement.

Alchemia last traded at 27.5 cents.

CYCLOPHARM

Cyclopharm says the National Australia Bank has renewed the funding of our \$5.1 million debt facility, extending the period to repay the debt by four years.

Cyclopharm said that principal and interest payments would be made on a quarterly basis until the debt was retired in December 2015.

Cyclopharm managing director James McBrayer told Biotech Daily that the company had fully repaid a \$1.3 million NAB debt facility for its Technegas technology and had fully drawn the \$5.1 million debt for its cyclotron facility.

Mr McBrayer said the extension of repayment for the \$5.1 million loan to December 2015 provided certainty for the company's shareholders.

The company said it wanted to "acknowledge the ongoing support of the National Australia Bank as we continue to diversify and grow our business".

Cyclopharm was untraded at 3.9 cents.

PROBIOMICS, HUNTER IMMUNOLOGY

Probiomics says it will raise \$200,000 by placing 33,333,334 shares at 0.6 cents a share to pay costs for the Hunter Immunology merger.

Probiomics said the shares placed with professional and sophisticated investors would be restricted securities and would not be able to trade until the re-admission of the company, following the reverse takeover by Hunter Immunology (BD: Oct 11, 2011).

The company said the placement was underwritten by Veritas Securities and Taylor Collison on a "best endeavors" basis.

Hunter Immunology is a public unlisted company.

Probiomics was unchanged at one cent.

PRIMA BIOMED

All resolutions to the Prima annual general meeting were passed, but 20.55 percent of proxy votes opposed the remuneration report.

The remuneration report was passed with 57,384,540 proxy votes (78.72) in favor and 14,985,208 proxy votes (20.55%) against.

All other resolutions were passed overwhelmingly.

Prima has 1,013,880,266 shares on issue and a total of about 120 million proxy votes were cast on each resolution.

Prima fell 1.5 cents or 7.9 percent to 17.5 cents with 8.3 million shares traded.

SCIGEN

Scigen has told the ASX that it would have sufficient cash with a letter of financial support from Bioton SA "ots ultimate holding company in Poland" repayable in December, 2015.

In its Appendix 4C quarterly report for the three months to September 30, 2011, Scigen said its net operating cash burn for the three months to September 30, 2011 was \$1,556,000 with cash at the end of the quarter of \$1,757,000.

Scigen told the ASX that along with the Polish loan, the company had invested in a subsidiary company in India and expected increased revenue from operations to provide sufficient cash to fund its activities.

The company said it expected to have a net negative operating cash flow "for a while longer".

Scigen said it intended to expand operations focused on its insulin core product and divest its Israel subsidiary manufacturing a hepatitis B vaccine along with its China subsidiary which owned a secondary filling and packaging facility.

Scigen was untraded at 6.8 cents.