



Biotech Daily

Monday February 13, 2012

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECH DOWN: ALCHEMIA UP 13%, CATHRX DOWN 32%**
- * **BIOTA: JAPAN ENROLS 1st INAVIR PHASE III PREVENTION PATIENT**
- * **BIOMÉRIEUX GUARANTEES LBT \$1.8m APPLICATOR ROYALTIES**
- * **CALZADA SEARCH FOR AOD9604 BONE REPAIR PARTNERS**
- * **LLOYDS & CASSANOVE TAKES 10.5% OF CYCLOPHARM**
- * **CELLMID TERMINATES NEEDED, BUT COSTLY, LA JOLLA COVE NOTES**
- * **ACTINOGEN TELLS ASX: CUTBACKS WILL HELP SURVIVAL**
- * **CITIGROUP CEASES SUBSTANTIAL IN PATRYS**
- * **FERMISCAN PLEADS SCHULTZ TO ASX 38% QUERY**

MARKET REPORT

The Australian stock market climbed 0.94 percent on Monday February 13, 2012 with the S&P ASX 200 up 39.8 points to 4285.1 points.

Eleven of the Biotech Daily Top 40 stocks were up, 14 fell, 11 traded unchanged and four were untraded.

Alchemia was the best, up five cents or 13.3 percent to 42.5 cents with 1.6 million shares traded.

Optiscan climbed eight percent; Neuren was up 7.7 percent; Starpharma was up 6.6 percent; Antisense and Prima were up five percent or more; Bionomics improved 4.4 percent; Mesoblast was up three percent; Patrys and QRX rose more than two percent; with CSL up 1.7 percent.

Cathrx led the falls, down 2.4 cents or 32.4 percent to five cents with 254,608 shares, followed by Cellmid down 8.3 percent to 1.1 cents with 11.6 million shares traded.

Universal Biosensors lost 4.7 percent; Allied Health, Living Cell, Prana and Sirtex were down more than three percent; Anteo, Heartware and Tissue Therapies shed more than two percent; with Cochlear and Pharmaxis down more than one percent.

BIOTA

Biota says the first of 1,500 subjects have been enrolled in Daiichi Sankyo's Japanese phase III prevention study of its influenza antiviral laninamivir, sold as Inavir.

Biota said the study was a multi-centred, placebo-controlled and double-blinded and designed to evaluate Inavir's ability to prevent the transmission of influenza A and B within families with a confirmed sufferer.

The company said that the study would measure the relative reduction in the incidence rate of influenza among those receiving Inavir or placebo.

Biota said the trial would measure two dose regimens against placebo to establish the optimum dose for Inavir as a preventative drug and provide further evidence of safety.

The company said the study duration would depend on the incidence and severity of influenza in the study target population during the study period.

Biota fell half a cent or 0.6 percent to 78.5 cents.

LBT INNOVATIONS

LBT says Biomérieux has agreed to pay minimum royalties of \$US600,000 a year for three years on sales of applicators for the Previ Isola automated media streaker.

LBT chief executive officer Lusia Guthrie told Biotech Daily that the level of royalties were periodically renegotiated with France-based licensee Biomérieux, but were guaranteed for the life of the 20-year agreement which expired in 2028.

LBT said that Biomérieux was responsible for manufacture, sales and marketing of Previ Isola, which "boosts the efficiency of media processing tasks in clinical microbiology laboratories" and incorporated LBT Microstreak technology for agar plate streaking.

The company said that the Previ Isola was launched by Biomérieux in November 2008 and had sold units to laboratories in the US, Europe, UK, China, the Middle East, Asia Pacific and Australia.

LBT said the double-digit royalty for the life of the agreement had an agreed minimum cash payment as a safety net and royalty payments were based on sales of disposable Previ Isola applicators.

Ms Guthrie said that although her company did not receive a payment for the sale of the Previ Isola units, the disposable applicators were an essential part of the technology.

Ms Guthrie said that Biomérieux had "a break through in US sales".

In a media release LBT said the agreed minimum royalty applied for the calendar years 2012-'14 and the minimum was expected to be exceeded during the three-year cycle.

The company said the minimum royalty was less than it had hoped and took longer than expected to finalize, but it was expected to continue to cover the day-to-day operating costs of business, enabling it to develop further innovative and value-adding products.

LBT said that despite sales of Previ Isola taking much longer to gain traction than it and Biomérieux had hoped, Biomérieux reported a solid year, doubling its installed base of Previ Isola systems during 2011, having announced the sale of the 100th Previ Isola earlier in the year (BD: Apr 15, 2011).

LBT said that in its 2011 business review released on January 24, 2012, Biomérieux reported that instrument sales in the fourth quarter had gained momentum and that "sales of the Full Microbiology Laboratory Automation solution rose during the year, thanks in particular to the Previ Isola pre-poured media streaker".

"Biomérieux has had a solid year of recovery and all are encouraged by the pick up in sales of the Previ Isola," Ms Guthrie said. "Biomérieux is actively marketing the microbiology laboratory of the future and that includes Previ Isola."

LBT was up half a cent or 12.5 percent to 4.5 cents.

CALZADA

Calzada says that wholly-owned subsidiary, Metabolic Pharmaceuticals, is looking for commercial partners for AOD9604 for bone and fracture repair indications.

AOD9604 was originally developed as an anti-obesity drug, but a phase II trial by Calzada (then Metabolic) showed it only had efficacy in patients who did not comply with the US Food and Drug Administration required exercise and diet regime (BD: Feb 21, 2007).

A variant of the drug AOP9604 has been licenced to Phosphagenics as a transdermal 'fat-buster' cosmetic (BD: Oct 19, 2010).

Calzada said that Metabolic chief executive officer David Kenley would lead a licencing initiative and had engaged Andy Gearing and Tsutomu Mori of Biocomm Squared to assist the work.

The company said that studies had shown that AOD9604 could stimulate osteogenesis, or new bone formation, in cell culture and could improve the mechanical properties of bone in animal models of osteoporosis.

Calzada said that the encouraging efficacy data, when combined with AOD9604's favorable safety profile in toxicology studies and human clinical trials, provided "a strong rationale for use in settings where bone repair is compromised" including non-union fractures, indications where bone growth needed to be stimulated such as in spinal fusion or dental bone grafts and in prevention of fractures, from osteoporosis.

The company said that AOD9604 oral delivery could be an advantage over existing products.

Calzada said that osteoporosis was a common disease affecting 10 million people in the US and 200 million people worldwide, with one in three women over the age of 50 years experiencing a fracture due to osteoporosis.

The company said that other conditions that predisposed people to fractures included cancer and infections.

Calzada said that more than two million fractures required orthopedic attention each year in the US and there were many pharmaceutical treatments, with several drugs achieving sales of about \$1 billion a year, but most products had either limited efficacy, safety issues or needed to be injected.

Calzada said that Metabolic owned patent applications and granted patents covering the prevention and treatment of bone disorders with an allowed US patent expiring on December 6, 2026.

Calzada said that in February 2011 it received positive in-vitro data showing that AOD9604 had the ability to stimulate bone formation in cell culture, in a study led by the Toronto Canada based Mt Sinai Hospital's Prof Marc Grynpas.

Calzada said the Metabolic licencing team had identified more than 40 companies, that had potential as partners for AOD9604.

The company said that initial non-confidential approaches had begun to determine the level of interest in the new application for AOD9604.

Calzada was up 0.2 cents or 4.2 percent to five cents.

CYCLOPHARM

Lloyds & Cassanove Investment Partners has increased its substantial shareholding in Cyclopharm from 14,508,613 shares (8.6%) to 23,542,876 shares (10.5%).

The London-based Lloyds & Cassanove said it acquired the 9,034,263 shares for \$376,041 or an average price of 4.16 cents a share.

Cyclopharm was untraded at four cents.

CELLMID

Cellmid says it has terminated its September 2010 draw-down equity facility funding agreement with La Jolla Cove Investors (BD: Sep 15, 2010).

Cellmid said the September 2010 agreement provided much needed capital for its research and development programs at the time and had achieved "significant milestones" such as the Conformité Européenne (CE) mark of its cancer diagnostic test and humanizing its first-in-kind anti-midkine antibody.

"However, as 100 percent of the shares issued pursuant to the conversion requests have been sold shortly after their issue, the facility put a strong downward pressure on [the company's] share price," Cellmid said.

"Consequently, the real value created in the business by achieving these and other significant milestones had little opportunity to be reflected in the company's market valuation," Cellmid said.

The company said that in September 2011 shareholders voted against the issue of an additional note to La Jolla Cove, but the agreement continued (BD: Sep 30, 2011).

"This has left uncertainties for investors discouraging new capital injections," Cellmid said.

"It is for this reason that termination of the facility became important," Cellmid said.

Cellmid said the original agreement provided for the issuing of up to eight convertible notes of \$US1 million each, convertible at about a 20 percent discount to the share price at the time of conversion.

Cellmid said that it had the right to repay amounts relating to conversion notices when the share price was below the floor price of 2.5 cents.

The company said it was asked to issue two notes of \$US1 million each during the course of the agreement and received \$US2 million, it had repaid La Jolla Cove \$US450,000 of the principal in cash and issued shares to La Jolla Cove for another \$US1.2 million of the principal amount, with a remaining balance of about \$US330,000 including interest.

The company said that it would issue shares to La Jolla Cove for the remaining \$330,000 in lots of \$100,000 or less in each calendar month unless the company's shares trade at 2.5 cents or above, in which event La Jolla Cove could convert the entire outstanding balance immediately and once the shares were issued, the agreement would be considered fully performed and it will be terminated.

Cellmid said that specifically, La Jolla Cove would not be able to call for the issuing of another convertible Note.

Cellmid fell 0.1 cents or 8.3 percent to 1.1 cents with 11.6 million shares traded.

ACTINOGEN

Actinogen has told the ASX that it will have sufficient cash through instigating cutbacks including director's fees and ongoing scientific research expenditures

In its Appendix 4C quarterly report for the three months to December 31, 2011 Actinogen said its net operating cash burn was \$356,000, with cash at the end of the quarter of \$208,000 (BD: Jan 27, 2012).

Actinogen said a further \$257,360 was received from the Australian Taxation Office as a research and development tax offset.

The company said that "in times of limited funds [it] can implement policies to limit significant expenditures".

"This may include the suspension of director's fees and scientific research in order to conserve cash until decisions on fundraising can be finalized," Actinogen said. "The company believes that given these factors it will have sufficient cash to fund its activities."

Actinogen was up 0.2 cents or four percent to 5.2 cents.

PATRYS

Citigroup Global Markets Australia says it has ceased its substantial holding in Patrys “in its capacity as prime broker ...as a result of reduced borrowings under a securities lending agreement”.

Last week, Citigroup resumed its substantial shareholding in Patrys but reduced from 24,246,613 shares (6.668%) to 18,858,405 shares (5.186%) (BD: Feb 10, 2012).

The previous week, Citigroup ceased its substantial holding in both Patrys and Phylogica (BD: Feb 1, 2012) and on January 20 said it held 26,353,542 Patrys shares (7.243%) (BD: Jan 22, 2012).

Citigroup did not disclose the identity of the original owner of the shares.

Patrys was up 0.1 cents or 2.7 percent to 3.8 cents.

FERMISCAN

Fermiscan has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price rose from 1.6 cents on February 6, 2012 to 2.2 cents on February 10, 2012, a 37.5 percent increase and noted an increase in trading volume.

Fermiscan was up as much as unchanged at 2.1 cents with 22.8 million shares traded.