



Biotech Daily

Monday August 27, 2012

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH SLIP: PRIMA UP 17%, GENETIC TECHNOLOGIES DOWN 9%**
- * **NANOSONICS REVENUE UP 295% TO \$13m, LOSS DOWN 58% TO \$5m**
- * **BRAIN RESOURCE REVENUE UP 6% to \$6m, PROFIT UP 44% TO \$388k**
- * **VIRAX IN VOLUNTARY ADMINISTRATION**
- * **MRCF PAYS MIREVEN \$500k MILESTONE FOR ANTI-CANCER miRNA-7**
- * **OCTA PHILLIP CALLS BIOXYNE CHAIRMAN, CEO SPILL MEETING**
- * **GRAEME KAUFMAN REPLACES CELLMID DIRECTOR ROBIN BEAUMONT**
- * **CHAIRMAN WILLIAM MOBBS TAKES 29% OF ITL**

MARKET REPORT

The Australian stock market fell 0.12 percent on Monday August 27, 2012 with the S&P ASX 200 down 5.3 points to 4,343.7 points.

Eleven of the Biotech Daily Top 40 stocks were up, 12 fell, 10 traded unchanged and seven were untraded.

Prima was the best on no news, up two cents or 16.7 percent to 14 cents with 19.0 million shares traded.

Avita and Psivida climbed more than seven percent; Impedimed was up 5.9 percent; Bionomics and Phylogica were up more than three percent; Pharmaxis and Sirtex rose more than two percent; Heartware, Mesoblast and Resmed were up more than one percent; with QRX up 0.7 percent.

Genetic Technologies led the falls, down one cent or 9.1 percent to 10 cents with 14,300 shares traded.

Benitec, Cellmid, Prana and Sunshine Heart lost more than five percent; Living Cell fell 4.1 percent; Acrux and Patrys were down more than three percent; Alchemia and Reva shed more than one percent; with Clinuvel, Cochlear, CSL and Universal Biosensors down by less than one percent.

NANOSONICS

Nanosonics says that its first full year of sales to June 30, 2012 increased revenue by 295 percent to \$13,037,000 reducing its net loss after tax 58 percent to \$4,679,000.

Nanosonics chief executive officer Dr Ron Weinberger told a media and investor teleconference that the company's Trophon EPR ultra-sound probe cleaning system was "industry changing" and that in a large number of cases, institutions that had trialed a single unit had bought multiple units.

Dr Weinberger said one unit was installed on a trial basis in Calgary Canada and the enterprise bought 52 units.

He said one US unit bought 25 units following a trial and a Boston Massachusetts group bought 12 units.

Nanosonics chief financial officer McGregor Grant said the units were about the size of a domestic microwave oven, standing vertical, weighed about 19kgs and sold for between \$10,000 and \$15,000 each, depending on the contract.

Dr Weinberger said the company not only received revenue from the sales of the unit, but they required annual servicing which cost a further \$1,000 per service.

Dr Weinberger said the company had expanded the Trophon EPR with a printer and tracking software.

He said that instead of "buckets of toxic chemicals and hand written file notes" the Trophon EPR was a new paradigm in cleansing medical equipment.

"We are actively targeting infection control specialist ... and 90 percent of trial have led to sales," Dr Weinberger said.

He said the relationship with GE Healthcare provided a deep customer base in the US along with sales in Canada, Australia and New Zealand.

"Sales in Australia and New Zealand are reaching a critical mass with 600 units installed," Dr Weinberger said.

Dr Weinberger said the company was continuing its research and development efforts in chemistry for infection control and sterilization, but did not detail the new product pipeline.

Asked to forecast the company's targeted breakeven date Dr Weinberger declined to answer directly but said: "In the nearer term rather than the longer term".

He said he expected to see sustained and increased sales growth over the coming 12 months and the company was actively hiring sales staff in the US and Europe.

Nanosonics said that diluted loss per share fell 59.2 percent from 4.9 cents in the previous year to 2.0 cents for the year to June 30, 2012.

The company said it had cash and cash equivalents of \$29,310,000 at June 30, 2012 up 137.2 percent on the previous year.

Nanosonics said that net tangible assets per share was up 60.7 percent to 9.8 cents.

Nanosonics was unchanged at 48 cents.

BRAIN RESOURCE

Brain Resource says that revenue for the 12 months to June 30, 2012 was up 6.0 percent to \$5,976,000 with net profit after tax up 44 percent to \$388,000.

Brain said that revenue came from treatment prediction research, brain training platforms and clinical decision support.

The company said that diluted earnings per share was up 55.6 percent to 0.42 cents for the year to June 30, 2012 compared to 0.27 cents for the previous corresponding period.

Brain said it had \$9,205,987 in cash and cash equivalents at June 30, 2012, compared to \$8,414,168 at the end of the previous financial year.

Brain Resource fell one cent or five percent to 19 cents.

VIRAX HOLDINGS

Virax says its directors "have resolved to place the company into voluntary administration". Virax appointed Grant Thornton's Laurie Fitzgerald and Stephen Dixon as voluntary administrators and said it would work with them to ensure all opportunities to restructure the company were explored.

Virax conducted a 131-patient phase I/II South African trial of VIR210 for HIV with support from mining companies but failed to meet its primary endpoints (BD Aug 16, 2010).

Virax licenced its Co-X-Gene technology to Transgene SA of Strasbourg, France for use in Transgene's TG4010 for non-small-cell-lung cancer and TG4001 for pathologies relating to human papillomavirus infection and saw its share price climb 34.8 percent to 15.5 cents on news that Novartis had a \$1 billion option for TG4010 (BD: Mar 11, 2010). In February 2011, Virax licenced TG1042 for nodular basal cell carcinoma from Transgene and in the same month Roche ended its licence with Transgene for TG4001 (BD: Feb 14, 24, 2011).

In May this year Virax said Transgene's TG4001 human papillomavirus therapeutic vaccine using its Co-X-Gene technology had shown to be safe with some, but less-than-expected efficacy, with Transgene saying that despite the strong proof-of-concept it was not planning to take TG4001 into phase III for this indication, outlining alternate clinical development plans (BD: May 14, 2012).

Virax said at that time that the measured clinical activity of both products to date provided validation of the Co-X-Gene technology.

Virax was involved in a deal to merge with 4G Vaccines to develop a cancer immunotherapy but negotiations failed to reach agreement (BD: Mar 1, Jun 15, 2012).

Virax last traded at 0.9 cents.

MIREVEN PTY LTD, MEDICAL RESEARCH COMMERCIALISATION FUND

The Medical Research Commercialisation Fund has paid Mireven \$500,000 for technical and commercial work milestones for anti-cancer compound micro-RNA-7 (miR-7).

Mireven said the payment brought the total the Fund had invested to \$1.1 million for commercializing Western Australian Institute for Medical Research discoveries on miR-7 and it had two research and development collaborations to investigate the efficacy of systemically delivered miR-7 in several different cancer models.

The company said that the first agreement was with Silence Therapeutics to use Silence's delivery systems to evaluate miR-7 in various cancer models (BD: Aug 23, 2012).

Mireven said the second deal, with an undisclosed company, took a similarly strategic approach to positioning miR-7 as a cancer therapeutic.

Brandon Capital manages the Medical Research Commercialisation Fund and Brandon director and Mireven chairman Dr Stephen Thompson said the "pivotal funding from the MRCF allows Mireven to expand and undertake in-vivo studies to examine the delivery of miR-7 with independent parties."

"The deal with Silence Therapeutics is particularly important to us as it is critically important to the development of microRNA drugs to find the right delivery method so that they can reach important cancer targets," Dr Thompson said. "Once these studies are complete, we aim to identify a development partner to take miR-7 into the clinic."

Brandon principal and Medical Research Commercialisation Fund (MRCF) principal executive Dr Chris Nave said the Fund was "delighted to be once again backing the world class discoveries from [the Western Australian Institute for Medical Research]" and thanked the Western Australian government for its support of the fund.

Mireven is a private company.

BIOXYNE, OCTA PHILLIP ASSET MANAGEMENT

Bioxyme says major shareholder Octa Phillip has requisitioned a meeting to replace chief executive officer David Radford and chairman Ian Mutton with director Dr Stewart Washer. Mr Mutton said that Octa Phillip Asset Management saw “only residual value in the HI-164 oral vaccine and wish to revisit our arrangement with our marketing partners, Torrey Partners, and seek to take on an alternative investment”.

“I do not share their view,” Mr Mutton said.

Earlier this year, Bioxyme reported that HI-164OV, developed by the company as Hunter Immunology prior to the back-door listing through Probiomix, failed to meet its endpoints in a phase II trial to reduce exacerbations of chronic obstructive pulmonary disease (BD: Apr 4, Jun 28, 2012)

But the company said at that time that it had demonstrated efficacy in a small subset of patients, 35 of 320 patients and believed the drug was worth pursuing (BD: Jul 12, 2012). Today Mr Mutton said that phase II trials were “about building a data set that describes the appropriate patient population and how to use a drug in the major phase III trials”.

Mr Mutton said that further assessment of the trial improved the understanding of the appropriate patient group, which was “a substantial step forward”.

He said the company had embarked on a commercialization process and was “actively seeking a further partner to provide financial support for the proposed study and then, assuming phase II trials are successful, to take the product through to a phase III study as required by the regulatory bodies globally”.

Mr Mutton said that Torrey Partners had approached more than 60 pharmaceutical companies in the search for other potential partners to enable the move forward and the company was “continuing to explore local opportunities to fund further clinical studies and establish compelling evidence for the value of the HI-164 vaccine”.

In its letter of meeting requisition, Octa Phillip said that Dr Washer was formerly the chief executive officer of Phylogica and Calzada and had served on the boards of Ausbiotech and Iceutica and was formerly the chairman of Hatchtech and Resonance Health.

The notice said that Dr Washer was currently the investment director at Octa Phillips, chairman of Isona and a director of Immuron,

Bioxyme fell 0.4 cents or 14.8 percent to 2.3 cents.

CELLMID

Cellmid has appointed Graeme Kaufman as non-executive director replacing Robin Beaumont.

Cellmid said that former Peptech and Arana chairman Mr Beaumont was appointed to in 2009 and had “contributed to the company through a significant period of growth”.

The company said Mr Beaumont was relocating overseas for an extended period and felt he would not be able to serve from a remote location.

Mr Beaumont said he was a “true believer” in the potential of Cellmid’s technology.

Cellmid said that Mr Kaufman had more than 45 years experience in biotechnology spanning technical, commercial and financial areas.

Mr Kaufman was CSL’s production director, finance general manager and general manager of biosciences and was instrumental in the privatization and ASX listing of CSL.

Mr Kaufman was formerly Circadian’s executive director and continues as Mesoblast executive vice president of corporate finance.

Cellmid fell 0.1 cents or 5.9 percent to 1.6 cents.

ITL

ITL executive chairman has increased his substantial share-holding in the company from 28,722,867 shares (27.08%) to 31,124,117 shares (29.37%).

The substantial shareholder said that on June 29, 2012, Mr Mobbs sold 500,000 shares for \$97,500 or 19.5 cents a share and was issued 2,901,250 shares worth \$464,200 or 16 cents a share, under the executive share plan on August 28, 2012.

ITL was up one cent or 5.3 percent to 20 cents.