



# Biotech Daily

Monday November 5, 2012

*Daily news on ASX-listed biotechnology companies*

- \* **ASX UP, BIOTECH EVEN: SUNSHINE HEART UP 10%, AVITA DOWN 8%**
- \* **AVEXA INVESTS \$10m IN ALABAMA COAL MINE 'FOR ATC'; HISTORY**
- \* **QUEST LICENCES CLINICAL GENOMICS BIOMARKERS**
- \* **\$1m GATES FUNDS FOR MIPS INHALED OXYTOCIN**
- \* **MEDICAL DEVELOPMENTS APPOINTS J&J'S MAX JOHNSTON DIRECTOR**

## MARKET REPORT

The Australian stock market was up 0.31 percent on Monday November 5, 2012 with the S&P ASX 200 up 14.0 points to 4,474.1 points.

Twelve of the Biotech Daily Top 40 stocks were up, 13 fell, 12 traded unchanged and three were untraded.

Sunshine Heart was the best, up 0.3 cents or 9.7 percent to 3.4 cents with 3.2 million shares traded, followed by Genetic Technologies up 9.1 percent to 12 cents with 317,504 shares traded.

Universal Biosensors climbed 8.4 percent; GI Dynamics and Reva rose more than seven percent; Cellmid and Uscom were up more than six percent; Circadian climbed 4.2 percent; Starpharma rose 2.7 percent; Alchemia, Bionomics and Viralytics were up more than one percent; with Cochlear and CSL up by less than one percent.

Avita led the falls, down one cent or 7.7 percent to 12 cents with 148,134 shares traded.

Both Antisense and Impedimed lost 6.7 percent; Ellex and Phylogica fell four percent or more; Acrux and Phosphagenics were down more than three percent; Neuren, Patrys and Tissue Therapies shed more than two percent; Anteo fell 1.6 percent; with Mesoblast, Resmed and Sirtex down by less than one percent.

## AVEXA

Avexa says it will invest \$10 million for a share of a coal mine in Alabama with hoped-for profits to fund its drug development programs, subject to shareholder approval.

Avexa said it would take a \$US4 million (\$A3.88 million) investment in Coal Holdings LLC and lend the company a further \$US6 million (\$A5.82 million) at six percent per annum.

Avexa said that Coal Holdings held a lease allowing it to mine the North Pratt coal seam about 15 kilometres north of Birmingham, Alabama and the existing underground mine would be re-opened to produce coking, or metallurgical, coal.

The company said the coal seam had about 10.5 million clean recoverable tons of in-situ metallurgical coal and extracting the coal would take about 15 years, with the first coal expected within 12 months and the first cash flow in about 18 months.

The company said the mine was budgeted to produce 660,000 tons of coal a year at full production, generating \$US85 million a year.

"We believe the model will change the paradigm for funding biotechnology," Avexa chairman Iain Kirkwood said.

Avexa joins a list of biotechnology companies that have gone mining, with few returning.

This year, Select Vaccines went coal and uranium mining in Tanzania; Safety Medical went copper and gold mining in Brazil; Narhex went coal mining in Queensland; Occupational and Medical Innovations became OMI Holdings to search for tin in Uganda, later changing to graphite; Fluorotechnics went precious metals mining; and Fermiscan swapped breast cancer tests for mining services. Previously, Norwood Abbey went coal mining in China; Xceed Biotechnology became Xceed Capital for coal mining; Biopharmica became BPH Energy; and Bioprospect drills for oil and gas.

Two exceptions are Pharmaust which went mining, but returned to its more profitable Epichem business in September 2012 and Helicon (now Consegna) which had a foray into gold and copper mining.

Spun-out of Amrad in 2004, in 2009 Avexa raised \$17 million for its phase III trial of Apricitabine or ATC for HIV but closed the trial early before raising a further \$11 million (BD: Apr 30, Oct 2, Nov 30, 2009).

In 2010 Avexa said the trial showed a non-significant benefit (Feb 4, 2010).

Avexa and Cytopia fought for Progen's funds (Dec 22, 2008; Mar 30, 2009) and later, Calzada failed in its move on Avexa (BD: Jul 6, Sep 2, 28, 2010).

Avexa's Appendix 4C announcements show the company had \$24,305,000 at June 30, 2010 and \$12,024,000 in cash, with \$3.84 million in investments at September 30, 2012.

Avexa initially invested \$1.5 million in Allied Healthcare in November 2010 and said that it held 24 percent of Allied.

Mr Kirkwood told Biotech Daily today that the Allied Health investment was down to about \$2 million.

Mr Kirkwood said that the coal mine had been mothballed and the holding company would spend \$20 million to resume mining.

Mr Kirkwood said that two coal mining experts had said the mine should be profitable.

"I've been to Alabama," Mr Kirkwood said. "It's a very solid investment."

Mr Kirkwood said that Avexa would hold 25.5 percent of the mine, with Avexa 17 percent shareholder and Singapore entrepreneur Jonathan Lim holding a further 25.5 percent.

Avexa said the balance would be held by "American coal veteran Jimmie Ryan; and Wild Dog Mining Pty Ltd, an Australian private company represented by experienced mining contractor Colin Macdonald".

Mr Kirkwood said that when Avexa received its research and development tax credit it would have about \$5 million for its biotechnology programs.

Mr Kirkwood said the previous board had spent \$160 million on Apricitabine for HIV without securing a pharmaceutical company deal.

Mr Kirkwood said that the company needed a further \$30 million for a shorter phase III trial agreed with the US Food and Drug Administration (BD: Mar 22; Apr 27, 2012).

In November 2010, Avexa appointed the Singapore-based Allan Tan as a non-executive director and said Mr Tan was a partner in the Singapore law firm Colin Ng and Partners and had been a director of Singapore-listed Adventus Holdings (BD: Nov 30, 2010).

In September 2011, the Singapore Apphia Investments sold its Avexa holding of 144,500,564 shares (17.05%) acquired from Calzada to Jonathan Keng Hock Lim (BD: Oct 19, 2010; Sep 12, 2011).

According to the central bank, the Monetary Authority of Singapore, on November 14, 2011, it imposed a "composition amount of \$2,500 [\$A1,970] on Mr Lim Keng Hock Jonathan for failing to notify the Singapore Exchange Securities Trading Limited of changes in substantial shareholdings within stipulated timeframe" relating to Adventus Holdings.

The Adventus 2010 annual report said that Mr Lim became the chairman on May 14, 2008 and Allan Tan was appointed a director on May 21, 2008.

The Monetary Authority of Singapore said that Mr Lim was previously warned on May 20, 2010, for a contravention of the same section 137 of the Securities and Futures Act.

Avexa said that approval for the investment would be put to shareholders at its annual general meeting on December 14, 2012.

Avexa fell 0.3 cents or 9.4 percent to 2.9 cents with 4.4 million shares traded.

## CLINICAL GENOMICS

Clinical Genomics says that Quest Diagnostics has exercised a commercial option use its gene-based biomarkers for colon cancer detection tests in the US.

The Sydney-based Clinical Genomics said the biomarkers were two genes associated with colorectal cancer and detectable through blood testing.

The company said that Quest planned to explore incorporating the markers into future generations of its Colovantage laboratory-developed test, assuming validation of improved performance.

Clinical Genomics said that Colovantage was a blood test, based on the gene biomarker Septin9, that aided in the detection of colorectal cancer in patients non-adherent to current testing approaches.

The company did not disclose the terms of the agreement.

Quest's head of science and innovation Jay Wohlgemuth said that Colovantage was "the putative leading blood-based colorectal cancer detection method and continues to generate strong interest from physicians and patients in the United States".

"Additional enhancements will only reinforce the clinical value of this significant medical advance for colon cancer," Mr Wohlgemuth said.

Clinical Genomics said its markers were based on a five-year collaboration with the Commonwealth Scientific and Industrial Research Organisation and the Flinders Centre for Innovation in Cancer at Flinders University in Adelaide.

Clinical Genomics chief executive officer Dr Lawrence LaPointe said the Quest commercialization decision "underscores the potential of the company's biomarkers for clinically valid testing".

"When caught early, colon cancer is highly treatable," Dr LaPointe said.

"Yet, colon cancer is a major cause of cancer death globally, largely because many patients cannot or will not be tested by colonoscopy, faecal occult blood testing and other guideline-recommended procedures," Dr LaPointe said.

Clinical Genomics is a private company.

## MONASH INSTITUTE OF PHARMACEUTICAL SCIENCES

The Bill and Melinda Gates Foundation will grant \$1 million to Monash Institute of Pharmaceutical Sciences' inhaled oxytocin for its postpartum haemorrhage program.

Monash Institute of Pharmaceutical Sciences' lead researcher Dr Michelle McIntosh told Biotech Daily that oxytocin was currently used either as an intra-muscular injection or an intra-venous infusion.

Dr McIntosh said that apart from greater patient convenience, the inhaled dry powder version would be less prone to degradation and would be easier for storage, which was of particular importance for the developing world.

The Monash Institute said that the \$1 million was for phase II development of inhaled oxytocin for postpartum haemorrhage or post birth bleeding, one of the largest preventable cause of deaths of mothers in developing countries and the inhalable method, would make the drug safe, affordable, easy and accessible to women across the globe.

MIPS said it expected to begin clinical trials in 2013.

MIPS said that postpartum haemorrhage was well-managed in Australia, but in developing countries it was still a major cause of death of mothers, with more than 150,000 women dying in birth each year.

### MEDICAL DEVELOPMENTS INTERNATIONAL

Medical Developments has appointed Max Johnston as an independent non-executive director, from today.

Medical Developments said that Mr Johnston was chief executive officer of Johnson & Johnson Pacific for 11 years before retiring in 2009.

The company said that Mr Johnston joined Johnson & Johnson in 1990 and held executive roles in Australia and Europe until 2009.

Medical Developments said that for three years during this time he was managing director of Guinness United Distillers establishing their operations in Central and Eastern Europe before rejoining Johnson & Johnson.

Medical Developments fell five cents or 2.8 percent to \$1.75.