



# Biotech Daily

Friday June 6, 2014

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECH UP: BIOTRON UP 24%, ALCHEMIA DOWN 4%**
- \* **WALKER GROUP DETAILS QRX 'FAILURES' FOR BOARD SPILL**
- \* **ADMEDUS SHARE PLAN RAISES \$10.1m, TOTAL RAISED \$18.4m**
- \* **COGSTATE REVENUE, PROFIT WARNING – TO SELL AXON SPORTS**
- \* **BENITEC RECEIVES \$776k FEDERAL R&D TAX REFUND**
- \* **S&P ASX200: MAYNE PHARMA IN, ACRUX OUT**
- \* **MESOBLAST PLEADS SCHULTZ TO ASX 14% FALL QUERY**
- \* **BIOTRON PLEADS SCHULTZ TO ASX 24% QUERY**

## MARKET REPORT

The Australian stock market climbed 0.5 percent on Friday June 6, 2014 with the S&P ASX 200 up 27.1 points to 5,464.0 points.

Eighteen of the Biotech Daily Top 40 stocks were up, nine fell, nine traded unchanged and four were untraded. All three Big Caps were up.

Biotron was the best on no news (see below), up 2.3 cents or 23.7 percent to 12 cents with 4.2 million shares traded, followed by Prana up 11.4 percent to 19.5 cents with 472,929 shares traded.

Admedus and Neuren climbed more than nine percent; Analytica and Optiscan were up more than six percent; Bionomics was up 5.1 percent; Cellmid, Living Cell and Uscom were up four percent or more; Viralytics was up 3.6 percent; Mesoblast, Nanosonics, Patrys, Prima and Sirtex rose more than two percent; Cochlear, Pharmaxis and Resmed were up more than one percent; with CSL and Starpharma up by less than one percent.

Alchemia the falls, down two cents or 3.9 percent to 49 cents with 63,931 shares traded.

Acrux, Antisense, Medical Developments, Osprey and Tissue Therapies were down three percent or more; with Benitec, GI Dynamics and Psivida down more than one percent.

## QRX PHARMA

The Walker Group says the QRX board needs to change because it has failed to meet its objectives and needs "new blood".

In a 'members statement' sent to QRX, the Walker Group, which holds 10 percent of QRX, said it requisitioned the extraordinary general meeting to replace directors Dr Peter Farrell and Dr Gary Pace with Dr Richard Treagus and Walker director Bruce Hancox because "the current board of directors has been involved in all decisions that have led to a series of failed outcomes and unsuccessful interactions with the US Food and Drug Administration over the last three years".

The Walker Group members statement provided a detailed timeline of claims about the clinical and regulatory progress of the dual opioid Moxduo, which had not been met.

"The company has repeatedly emphasized the effectiveness of its drug development, regulatory and commercialization activities," the members statement said.

The statement quoted former chief executive officer Dr John Holaday saying: "In just four years, we have successfully moved Moxduo IR through clinical trials and NDA submission by demonstrating its effectiveness and safety.

"Achievement of this milestone clearly establishes the value of this dual opioid product to patients and prescribers as well as potential partners.

"The timeframe and capital efficient manner in which these milestones were achieved are impressive accomplishments compared to industry development and cost benchmarks,"

The statement quoted Dr Holaday saying

"At best this represents unrealistic optimism, or worse, it may represent a pattern of flawed judgement," The Walker Group members statement said.

"Shareholders, have every reason to feel deeply aggrieved by the glaring discrepancies between the company's own statements of progress and the reality as we now know it to be," the members statement said.

"As recently as May 19, 2014 the company released new information reviewing the current status and setting out what it described as 'Next Steps for QRX Pharma'," the members statement said. "This outlines a new drug development plan, the conduct of further clinical trials, a new NDA application, and a period of approximately three years through to a potential new [Prescription Drug User Fee Act] date."

"An approximate \$45 million to \$50 million of funding will be required by the company in order to execute on this proposed plan," the statement said.

"It is quite clear that those who may put forward the required funding, in whatever form, will own the vast majority of the company, while current shareholders' interests, unless they contribute to the funding, will be severely diluted," the statement said.

"Given the events of the last few years, we are unable to support any proposed plan unless it is reviewed and endorsed by a newly comprised board," the statement said.

"We strongly believe that introducing 'new blood' to the board of directors is the best way forward for the company and its shareholders at this critical time," the statement said.

The Walker Group said it proposed the resolutions because "it was in the best interests of the company and its shareholders that the board, with the inclusion of new eyes and ears, consider all reasonable strategic alternatives as a means to restoring value to the company and its underlying assets".

"In the absence of any detailed company-specific information we are not able to expressly recommend any one particular strategy," the statement said. "We do nevertheless have a strong view that the alternatives should be reviewed and carefully considered by a board which includes individuals who will bring the requisite level of experience as well the necessary objectivity and independence to the review process."

QRX was unchanged at 9.4 cents.

### [ADMEDUS](#)

Admedus says its oversubscribed share plan at 10 cents a shares has raised \$10.1 million and with last month's placement the company has raised a total of \$18.4 million.

In May, Admedus said its oversubscribed placement raised \$ million (BD: May 12, 2014).

The company said the funds would be used to support programs including the expansion of sales teams in Europe and the US to market Cardiocel treated bovine cardiac repair tissue; post-market studies and further product development to expand the use of Cardiocel in cardiovascular surgical applications and fund the herpes simplex virus-2 therapeutic vaccine phase II study to begin by the end of 2014.

Admedus was up one cent or 9.1 percent to 12 cents with 5.4 million shares traded.

### [COGSTATE](#)

Cogstate says it expects revenue for the year to June 30, 2014 to be less than the previous year with an increase in loss.

Cogstate said it expected revenue to be "in the range of \$11.4 - \$12.0 million ... [with] net loss before tax in the range of \$4.5 - \$5 million".

Last year, Cogstate reported revenue for the 12 months to June 30, 2013 up 4.0 percent to \$12,600,530, but with the previous profit turned to a loss after tax of \$1,957,233 reflecting "expenditure in Axon Sports and Healthcare business" (BD: Aug 21, 2013).

Today, Cogstate said it had planned cost saving measures and the "sale of the Axon Sports business ... to minimize expenditure".

The company said it had a new revenue line called Precision Recruitment "to reduce the cost and time incurred for drug companies when recruiting patients for clinical trials".

Cogstate said there had been "a small decline" in revenue from its clinical trials business.

Cogstate was up half a cent or 2.1 percent to 24.5 cents.

### [BENITEC BIOPHARMA](#)

Benitec says it has received \$775,833 from the Australian Tax Office under the Federal Government Research and Development Tax Incentive program.

Benitec said the rebate related to the costs of research and development which qualified under the program

Should the Federal Budget pass the Senate, the Research and Development Tax Incentive rebate rate will be reduced from the current 45 percent of allowable claims to 43.5 percent (BD: May 14, 2014).

Benitec fell two cents or 1.8 percent to \$1.075.

### [ACRUX, MAYNE PHARMA](#)

Standard & Poor's-Dow Jones Indices says that Mayne Pharma will be promoted into the ASX200 and Acrux removed, after the close of trading on June 20, 2014.

S&P Dow Jones said that no other indices or biotechnology companies were affected by the change.

Acrux fell 2.5 cents or 3.2 percent to 75 cents with 3.1 million shares traded.

Mayne Pharma was up 1.5 cents or 1.7 percent to 92 cents.

### MESOBLAST

Mesoblast 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 fell 72 cents, from \$4.99 on June 2, to \$4.27 on June 5, 2014 a 14.4 percent fall, and noted an increase in trading volume.

Mesoblast said all of its programs were on-track and it had \$241.1 million in cash at March 31, 2014.

Mesoblast was up nine cents or two percent to \$4.51 with 379,113 shares traded.

### BIOTRON

Biotron 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 2.2 cents or 23.7 percent from 9.3 cents on June 5 to 11.5 cents today, June 6, 2014 and noted an increase in the trading volume".

Today, Biotron closed up 2.3 cents or 23.7 percent at 12 cents with 4.2 million shares traded.