



# Biotech Daily

Thursday August 21, 2014

*Daily news on ASX-listed biotechnology companies*

- \* **ASX FLAT, BIOTECH UP: LIVING CELL UP 12%, ELLEX DOWN 4%**
- \* **DR JIANG 'READY TO TESTIFY' AGAINST EX-PHOSPHAGENICS DR OGRU**
- \* **CRYOSITE, REGENEUS WORK ON HUMAN STEM CELL APPLICATIONS**
- \* **NANOSONICS REVENUE UP 11% to \$12m, LOSS DOWN 25% TO \$780k**
- \* **ACRUX REVENUE UP 223% to \$54m, PROFIT UP 306% TO \$28m**
- \* **ACRUX, HEXIMA FUNGAL COLLABORATION DISPUTE**
- \* **RHINOMED APPOINTS ISRAELI, AUSTRALIAN DISTRIBUTORS**

## MARKET REPORT

The Australian stock market edged up 0.08 percent on Thursday August 21, 2014 with the S&P ASX 200 up 4.3 points to 5,638.9 points.

Twenty of the Biotech Daily Top 40 stocks were up, three fell, 11 traded unchanged and six were untraded.

Living Cell was the best, up 0.6 cents or 11.8 percent to 5.7 cents with 100,000 shares traded.

Both Benitec and Circadian climbed 8.3 percent, Admedus, Prana and Tissue Therapies were up more than six percent; Clinuvel rose five percent; Medical Developments was up 4.8 percent; Biotron and Cellmid were up more than three percent; Acrux, Analytica, GI Dynamics, Nanosonics, Prima, Sirtex and Starpharma rose two percent or more; Bionomics, Impedimed and Neuren were up more than one percent; with CSL up 0.9 percent.

Ellex led the falls, down 1.5 cents or 4.2 percent to 34.5 cents with 75,000 shares traded.

Atcor shed 2.1 percent; with Cochlear, Mesoblast and Resmed down by less than one percent.

## PHOSPHAGENICS

Dr Woei-Jia Jiang says he is prepared to testify against Phosphagenics former chief executive officer Dr Esra Ogru regarding the alleged theft of about \$6 million.

Before Justice Felicity Hampel in the Melbourne County Court, Theo Alexander on behalf of Dr Jiang, said that Dr Jiang had considered Dr Ogru like a daughter, but he had readily admitted guilt to investigators, cooperated in describing how the false invoices were submitted, and was prepared to give evidence against Dr Ogru, should he be required. The Prosecution has alleged a web of false invoices was used to defraud Phosphagenics, with Dr Jiang involved since 2008 (BD: Aug 20, 2014).

Dr Jiang and former Phosphagenics scientist Dr Robert Gianello have pleaded guilty to three charges each of dishonestly obtaining financial advantage by deception.

Dr Ogru has not pleaded and is expected in the Melbourne Magistrates Court, tomorrow. Today, Mr Alexander said that Dr Jiang "makes a clear and unequivocal admission that his actions were wrong and accepts responsibility".

"We accept the Crown Case," Mr Alexander said.

Mr Alexander said that in 2008 Dr Jiang, Dr Ogru and Dr Gianello met to discuss contract research organizations to work for Phosphagenics through Dr Jiang's TABridges Pty Ltd and they would split the profits with 33 percent each.

Mr Alexander said that shortly afterwards Dr Ogru gave birth to 'Baby Z' and the focus shifted to finding a drug to save the child from a life-threatening condition.

Mr Alexander said that Dr Jiang was instructed to invoice Phosphagenics using a template and not change the description on the invoice, which did not reflect the work done and that was the deception that led to the tangled web, with Dr Jiang's "sincerest regret" that he did not call co-chief executive officer Harry Rosen to ask if it was okay.

Mr Alexander said that \$150,000 of the \$1.1 million benefit to Dr Jiang was used to pay for four patents including two relating to Metabolic Pharmaceuticals' anti-obesity drugs.

Mr Alexander said that to repay the company Dr Jiang sold the family home and with his wife and two daughters had moved to rental accommodation, and that Dr Jiang's wife Ling-Kuang Chou, known as Julie Jiang, had co-signed a settlement to repay several million dollars to Phosphagenics.

Ms Jiang was called to testify on what had happened to the family since the alleged theft was uncovered and she told the court that she earned \$20 an hour working in childcare and had taken on full-time work to pay the bills, but was afraid her hours might be cut.

Ms Jiang said the family had moved from a comfortable home to a small apartment and she had to sell her 10-year old daughter's toys because there was not enough room and cancel her piano and swimming lessons, and borrow a computer from her school.

Ms Jiang said she no longer trusted her husband and she had been "a happy mum".

"I am just a normal woman," Ms Jiang said. "I only know how to look after children. I don't know the outside world. My husband, now I can't talk to him. If I start to talk to him, only bad words. I am sick in my heart. Everyday, I cry. I scream in my car."

Mr Alexander said that Ms Jiang had been prescribed drugs including Zoloft.

"Are you taking them?" Justice Hampel asked.

"I don't want to spend the money," Ms Jiang replied.

With several people in the Courtroom in tears, Justice Hampel said that Ms Jiang's testimony "should be recorded and shown to every person who is about to cross the line".

Mr Alexander cited mitigating factors including the impact of Dr Jiang's actions on his family, the admission of guilt, remorse, co-operation with authorities and the loss of work.

Justice Hampel adjourned the hearing for a further plea to September 26, 2014.

Phosphagenics was unchanged at 9.7 cents.

## CRYOSITE, REGENEUS

Cryosite and Regeneus and say they have agreed to collaborate on the development and manufacture of new stem cell products for human applications.

The companies said that Regeneus would provide technology, know-how and research facilities to assist Cryosite with the development of methods for the expansion of cord tissue-derived mesenchymal stem cells and Cryosite would provide production facilities for Regeneus Progenza off-the-shelf allogeneic stem cell product for human osteoarthritis. The companies said that the product, to be used for clinical trial purposes, would be manufactured within Cryosite's good manufacturing practice clean room facilities by Regeneus staff and the companies would jointly explore new product development and manufacturing opportunities.

Cryosite acting chief executive officer Graeme Moore said there were "synergies between our two companies that we are focused on bringing to commercial fruition".

"The agreement has a direct and immediate effect on increasing Cryosite's revenues and will enable the further development of a new cord tissue derived stem cell product that will complement our established cord blood stem cell banking service," Mr Moore said.

"Cord tissue contains [mesenchymal stem cells] that are not generally found in cord blood," Mr Moore said.

Regeneus chief executive officer Prof Graham Vesey said the agreement allowed his company "to cost effectively fast-track the production of Regeneus' off-the shelf Progenza product for preclinical and clinical trials for market entry into Japan".

The company said that Progenza was manufactured by collecting a small amount of fat from a human donor and the stem cells from the fat were expanded by tissue culture, dispensed into vials and frozen.

Regeneus said that several hundred thousand doses of the product could be produced from fat from one donor, allowing a true pharmaceutical industry-style stem cell product.

Prof Vesey said that Cryosite provided stem cell handling and storage services for his company's Hiccell stem cell therapy for human osteoarthritis.

Prof Vesey said that Cryosite's manufacturing and storage complemented his company's product development and early stage commercialization capabilities.

"We foresee a future where our two companies use these capabilities together to develop and supply a range of regenerative medicine products," Prof Vesey said.

Cryosite was untraded at 40 cents.

Regeneus was up one cent or 3.9 percent to 26.5 cents.

## NANOSONICS

Nanosonics says revenue for the year to June 30, 2014, was up 46 percent to \$25,606,000 reducing net loss after tax by 55 percent to \$2,605,000.

Nanosonics chief executive officer Michael Kavanagh said that the financial year had been "one of strong sales growth and global expansion" for the Nanosonics Trophon EPR ultrasound probe cleaning system.

The company said that North American sales were up 34 percent to \$17.7 million, Australia and New Zealand sales increased 51 percent to \$2.3 million, with European sales up from \$200,000 to \$1.6 million.

Nanosonics said that diluted loss per share fell 54.5 percent to 1.0 cent at June 30, 2014 and net tangible assets per share fell 6.2 percent from 8.1 cents to 7.6 cents.

Nanosonics said it had \$21.2 million in cash at June 30, 2014, with a further \$3.3 million received in July for the three months to June 30, 2014.

Nanosonics was up two cents or 2.2 percent to 92 cents with 1.3 million shares traded.

## ACRUX

Acrux says that revenue for the 12 months to June 30, 2014 was up 222.75 percent to \$53.9 million with net profit after tax up 305.8 percent to \$28 million.

Acrux said that Axiron revenue was \$52.5 million including recognition of \$28.0 million in milestone revenue from Eli Lilly for exceeding \$US100 million in sales in a calendar year

Acrux said that net tangible asset backing per share fell 14.3 percent to 12 cents and diluted earnings per share was up 300 percent to 16.8 cents for the year to June 30, 2014 compared to 4.2 cents for the previous corresponding period.

The company said that a final fully-franked dividend of eight cents per share would be paid on September 22, for holders on the record date of September 8, 2014.

Acrux said it had in cash and cash equivalents of \$25.8 million at June 30, 2014, compared to \$22.8 million at the end of the previous financial year.

Acrux was up 4.5 cents or 2.3 percent to \$2.01 with 2.8 million shares traded.

## ACRUX

Acrux and Hexima appear to have reached a hiatus in the development of an anti-fungal medication, with Hexima not wanting to proceed with the collaboration.

Acrux executive chairman Ross Dobinson is also the executive chairman of Hexima, which is an unlisted public company.

Last year, Acrux said that its pipeline included non-melanoma skin cancer and anti-fungal drugs to be licenced from agriculture company Hexima (BD: Nov 22, 2013).

Today, Acrux said encouraging data had been generated, the next stage of development had begun and it had filed an Australian provisional patent application to protect the joint rights of Acrux and Hexima to the intellectual property from the collaboration.

Acrux said that Hexima had said "it considers the collaborative venture to have concluded and that it may not wish to further explore commercialization of the antifungal medical product with Acrux".

Acrux said that the best way to commercialize the technology was through the collaboration agreement with Hexima and was "continuing to press for this to occur".

## RHINOMED

Rhinomed says it has appointed the Melbourne based EI Trading and its Israeli subsidiary Air Active as its first distribution partner in Israel.

Rhinomed said the deal would introduce the Turbine range to the Israeli cycling and triathlon community and place the Turbine into more than 450 Israeli cycling retailers.

Rhinomed chief executive officer Michael Johnson said that Rhinomed was "very clear about our focus on producing leading technologies and launching these into the international marketplace".

Rhinomed said that Air Active had a strong relationship with the Israeli pharmacy sector and would use the network and its partnership with bicycle retailers to increase the presence of the Turbine range in Israel.

Separately, Rhinomed said it had an exclusive distribution agreement with Melbourne based Bike Box to distribute the Turbine range of technologies.

Rhinomed was up 0.3 cents or 9.7 percent to 3.4 cents with 2.8 million shares traded.