



Biotech Daily

Friday September 29, 2017

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: DIMERIX UP 14%, SIRTEX DOWN 4%**
- * **DR BOREHAM'S CRUCIBLE: OBJ LIMITED**
- * **LBT SHELVES MICROSTREAK, APAS DISTRIBUTION DEAL LATE**
- * **TPI ADDS MARIJUANA TO OPIUM ASSETS**
- * **USCOM AGM FOR 1.2m CHAIRMAN, DIRECTOR SHARES IN LIEU OF PAY**
- * **NOVITA AGM FOR 14m DIRECTOR OPTIONS**
- * **STEMCELL UNITED LOSES 'KING OF CANNABIS' NEVIL SCHOENMAKERS**
- * **ANTEO LOSES 12-YEAR DIRECTOR, CO SEC RICHARD MARTIN**
- * **ALLAN GRAY TAKES 6% OF SIRTEX**

MARKET REPORT

The Australian stock market was up 0.2 percent on Friday September 29, 2017 with the ASX200 up 11.2 points to 5,681.6 points.

Eighteen of the Biotech Daily Top 40 stocks were up, nine fell, eight traded unchanged and five were untraded.

Dimerix was the best, up 0.1 cents or 14.3 percent to 0.8 cents with 5.2 million shares traded.

Prima climbed 8.3 percent; Benitec was up 7.7 percent; Avita improved 6.45 percent; Oncosil was up 4.55 percent; Bionomics and ITL climbed more than three percent; Living Cell, Medical Developments, Mesoblast, Opthea and Reva rose more than two percent; Clinuvel, LBT, Neuren and Pharmaxis were up more than one percent; with CSL, Pro Medicus and Starpharma up by less than one percent.

Sirtex led the falls, down 54 cents or 3.9 percent to \$13.36 with 447,324 shares traded.

Orthocell lost 3.2 percent; Airxpanders, Factor Therapeutics, Nanosonics, Osprey and Prana fell more than one percent; with Cochlear, Impedimed, Resmed and Viralytics down by less than one percent.

[DR BOREHAM'S CRUCIBLE: OBJ LIMITED](#)

By TIM BOREHAM

ASX Code: OBJ

Share price: 3.9 cents; **Shares on issue:** 1,805,462,635; **Market cap:** \$70.4 million

Executive director: Jeff Edwards;

Board: Glyn Denison (chairman), Jeff Edwards, Dr Chris Quirk, Steven Schapera.

Financials (2016-'17 year): revenue \$2.0 million (up 29 percent), net loss \$5.5 million (up 56 percent), cash \$5.4 million (down 26 percent), accumulated losses \$33.2 million.

Identifiable shareholders: Jomina Pty Ltd 1.56 percent, Virtus Cap Pty Ltd 1.53 percent, JEB Holdings 1.52 percent, Chris Quirk 1 percent, Glyn Denison 0.87 percent, Peter Fedele 0.87 percent, Jeff Edwards 0.72 percent.

Frankly, OBJ's core technology of using magnetic fields to repulse molecules sounds a little kooky.

Maybe it's just because descriptions of 'microarrays' and 'magnetic inductors' remind your columnist of Peter Brock's 1980s-era Polarisers.

As non-millennials may recall, the late motoring champ claimed the under-the-bonnet black boxes - containing crystals and magnets - improved performance by aligning the molecules of a vehicle.

All the device polarized was Brock's relationship with Holden.

In stark contrast, OBJ's intellectual property is endorsed by Procter & Gamble (P&G), the world's biggest maker of skin cosmetics.

And royalties are flowing.

"The biggest brand in skincare in the world came to us to help them develop their first device-based product," says OBJ founder and head honcho Jeff Edwards.

The OBJ way

Broadly, OBJ is the world's first transdermal delivery company to use physics rather than chemistry to improve the performance of products that are delivered through the skin.

This avoids the need for costly reformulation or new ingredients.

We'll parrot the company on this bit:

“Complex 3D magnetic fields produced by low-cost microarrays or powered magnetic inductors have the ability to repulse certain molecules to enhance diffusion and to alter the permeability of biological and non-biological agents.”

In OBJ's case, it's about allowing the skin to absorb therapeutic and cosmetic ingredients more efficiently. OBJ also has a separate clinical program to develop a skin-based delivery system for pain-relieving drugs and is also furthering oral healthcare, surface hygiene and homecare applications.

A brief history

Mr Edwards discovered the science while working in orthopaedics. “I observed some odd behavior in terms of skin permeability in response to certain treatments involving loss of local blood flow,” he says.

Mr Edwards teamed with dermatologist Dr Chris Quirk, Curtin University pharmacy professor Heather Benson and protein scientist Dr John Snowden to form International Scientific Pty Ltd. The company was then vended into the listed shell of OBJ Ltd in 2004.

Thirteen years and \$25 million later, the micro-arrays (essentially coded magnetic plastic materials) have been used in four commercial products launched so far by P&G, under its Olay and SK-II skincare brands.

In March last year, P&G launched a magnetic eye wand in Japan, under its prestige SK-II brand. The wand is now also for sale in China and South East Asia.

According to the ads, the “innovative bipolar magnetic micro array targets and pushes the (P&G branded eye cream) into the skin with three times greater absorption that just using your finger.”

The wand will deliver “younger more beautiful eyes” within 10 days.

“We knew it worked in clinical trials but the unknown was how it would be adopted by P&G's consumers,” Mr Edwards says.

As it happened, the body-beautiful crowd loved it and now a variant of the wand has been launched under P&G's mass-market Olay brand.

The wands are initially being sold into several Asian markets.

P&G has also launched a variant called the SK-II Magnetic Booster, a whole-of-face applicator.

Magnemask, an overnight face cream was launched under the P&G's Olay brand in China on August 17.

A rollout in the US, the UK and Australasia is expected by the end of the year.

To date, the P&G agreement relates only to OBJ's magnetic microarray technology.

But in April this year the parties agreed to commercialize OBJ's second technology platform for other skincare applications.

Rumors that Keith Richards has been recruited as a brand ambassador are entirely unfounded.

Bodyguard to the rescue

OBJ's greater fortunes could well lie with its Bodyguard clinical program.

The wearable patches administer a non-drug, pain-relief ingredient directly to the site of injury - commonly the knee - and is more effective than orally delivered drugs.

OBJ conducted an initial clinical efficacy trial at Perth's Curtin University, followed by a second clinical study at the University of Queensland. A third trial is currently underway at Curtin University, aimed at demonstrating the ability of Bodyguard to deliver common anti-inflammatory drugs better than existing drug-in-adhesive technology.

This third trial will be partly funded by the Federal Government under its Innovation Connections Grants Scheme.

Yep- we hadn't heard of this one either.

Cleaning up with OBJ

In addition, OBJ has also been developing new surface hygiene technology that increases the kill rate of existing antiseptic compounds without elevating their toxicity.

"This is all about making better and safer use of the chemistry we already have in the fight against bacterial infection and contaminations," Mr Edwards says.

"This new technology is currently under evaluation in the UK by one of the world's largest hygiene companies."

Financials

The tie-up with P&G is a high-volume, low-margin affair with OBJ receiving a royalty on sales of three to five percent. This is pretty standard for the sector.

With the product range and sales geographies expanded next year, it's reasonable to expect revenues to well exceed last year's tally of a smidge under \$2 million.

But OBJ itself has little visibility on its forward revenues because P&G likes to keep data close to its smooth manicured chest.

With \$5.7 million of cash in the kitty, OBJ does not expect to have to raise capital. With North American revenue flowing from next year, management expects a "greatly improved result" this year.

Time for a valuation makeover?

OBJ shares have traded between 0.4 cents and 10 cents over the last decade.

Given the company's progress, the current lowly valuation seems unjustified. But who said life was fair, apart from the idle rich?

Chastened by the poor share price, management figures eschewed a tranche of performance shares they were entitled to.

But the auditors had already recognised the \$2.5 million impost as an expense. Reversing it resulted in the full-year loss being revised down to \$3.04 million.

Dr Boreham's diagnosis

The company's IP is not the easiest to understand, but with P&G giving the AOK we say "all the way with OBJ".

An upcoming acid test is whether a big pharma backer emerges for Bodyguard.

Through its listed life, OBJ has had the same three-man board. Its ranks have now been bolstered with the appointment of Steve Schapera, who built the Becca cosmetics brand before selling it to Estee Lauder for squillions.

Mr Denison intends to retire next year. Given the target market, is it time to install a woman on the board who actually uses the unguents in question?

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. Not even from the Ponds Institute.

LBT INNOVATIONS

Halfway through a two-page 'Shareholder update', LBT said it effectively had shelved its Microstreak automated agar plate streaking system.

In 2007, the then Labtech licenced the Microstreak technology to the Marcy-l'Étoile, France-based Biomérieux, which marketed it as the Previ Isola, citing the deal in its 2007 maiden profit of \$965,338 on revenue of \$3.6 million (BD: Aug 23, 2007).

Today, LBT said that "following a strategic review ... [it had] taken a decision to write off the carrying amount of the Microstreak intangible assets".

The company said the move was "reflected in the statement of income for the financial year ended June 30, 2017 as a net impairment expense of \$6.24 million, being an after tax impact of \$4.52 million".

LBT chief executive officer Brent Barnes told Biotech Daily that the announcement meant the company effectively had shelved the technology.

"We still own it and we still own the patents," Mr Barnes said. "It would cost millions of dollars and take about two years to take it to market."

"We are open to negotiations with potential partners for Microstreak, but we are focussed on the Apas Independence," Mr Barnes said.

In its media release, LBT said that Microstreak was its foundational technology invented in 2004 and from 2007 to 2015 the rights were licenced exclusively to Biomérieux, with an estimated 450 to 500 Previ Isola instruments sold in about 30 countries.

In 2015, the company said it had "renegotiated" the agreement saying both parties would "be free to pursue their development in laboratory automation independently", with Biomérieux focussing on the competitor Copan system and LBT would receive a final payment of \$US5.5 million (\$A7.7 million) (BD: Aug 27, 2015).

Today, LBT said that after many years of milestone, royalty and finalisation payments, Microstreak had been a success for LBT.

In the same 'Shareholder update', LBT said that its expected signing of a distribution partner for North America or Europe for the automated plate assessment system (APAS) by then end of this month, had "not been finalized".

The company said the LBT and Hettich AG joint venture company Clever Culture Systems AG was "executing plans for potential distribution partners in conjunction with sourcing reference sites in Europe for APAS Independence" and had appointed LBT as the Australian and New Zealand distributor (BD: Jun 14, 2017).

The company said that Clever Culture Systems had a partnership with an unnamed company for the roll out of APAS Independence in Europe, with a distribution agreement to be signed about the time of first sales in Europe.

LBT was up 0.5 cents or 1.6 percent to 31.5 cents.

TPI (TASMANIAN POPPY INDUSTRIES) ENTERPRISES

TPI says it the Federal Office of Drug Control has granted a medicinal cannabis licence and a cannabis research licence effective from October 3, 2017.

TPI said that the cannabis research licence authorized it to research the cultivation of cannabis plants and produce cannabis or cannabis resin for research relating to medicinal cannabis and the medicinal cannabis licence authorized it to cultivate cannabis plants and produce cannabis or cannabis resin for medicinal purposes.

The company said it was one of three and the only Australian-owned licenced poppy processor in Australia and was planning to add medicinal cannabis to its suite of controlled drugs.

TPI was up nine cents or 3.3 percent to \$2.85.

USCOM

Uscom says shareholders will vote to grant executive chairman Prof Robert Phillips 984,000 'share rights' and director David He 205,800 shares in lieu of fees and pay. Uscom's notice of meeting said Prof Phillips' rights would be issued at and converted to shares for free, while Mr He's free shares would be issued "in lieu of cash payments". Prof Phillips told Biotech Daily that his share rights would also be issued in lieu of chairman's fees and chief executive officer's payments.

The company said shareholders would vote on the remuneration report, the ratification of the issue of 165,000 shares to three staff members in lieu of bonuses, the issue of 100,000 shares to a staff member in lieu of cash payments, an additional 10 percent share placement capacity and the re-election of director Christian Bernecker.

The meeting will be held at Suite 1, Level 7, 10 Loftus Street, Sydney on November 8, 2017 at 10:30am (AEDT).

Uscom was untraded at 17 cents.

NOVITA HEALTHCARE

Novita will vote to grant three directors 13,600,000 options, exercisable at three cents each and vesting on a 20-day share price at or above 7.5 cents.

Novita said it proposed to issue 6,800,000 options to incoming chairman Bruce Higgins, and 3,400,000 options each to directors Mark Simari and Jefferson Harcourt, with the options vesting after three years from issue and exercisable within five years.

The company said it would seek approval to elect director Mr Higgins, approve a prior issue of 1,000,000 shares to chief research officer Dr Hannah Kirk, approve the 10 percent placement capacity and issue performance right and options plan shares.

The meeting will be held at Governance Institute of Australia, Level 7, 500 Collins Street, Melbourne on October 30, 2017 at 11.00 AM (AEDT).

Novita was up 0.2 cents or 6.7 percent to 3.2 cents.

STEMCELL UNITED

Stemcell United says that marijuana consultant Nevil Schoenmakers has filed a notice of termination from the company.

In March, Stemcell United's share price rocketed from 1.2 cents to a high of \$1.085 on the appointment of Mr Schoenmakers (BD: May 1, 2017).

At that time, the company said Mr Schoenmakers was described as "the king of Cannabis" and "the first cannabis cultivator to export cannabis seeds from the Netherlands to global markets and he is credited with creating many of the most popular award winning strains".

Today, the company thanked Mr Schoenmakers for his contribution.

Stemcell United said it was "still intending to expand into medicinal cannabis", pending regulatory approvals.

Stemcell announced its foray into medical marijuana in March, having changed its name in from On Q Group, which previously said it would extract Resina from *Daemonorops draco* blume (Dragon's Blood) for traditional Chinese medicines.

On Q said that "whether or not [traditional Chinese medicine] is believed, studies have shown that Chinese herbal medicine can be successful in treating a range of disorders".

The company said it would begin marketing of its dendrobium essence-infused mask by July 2017 and was in discussion with a Chinese pharmaceutical company on providing consultancy services for manufacturing resina.

Stemcell fell one cent or 28.6 percent to 2.5 cents with 11.6 million shares traded.

ANTEO DIAGNOSTICS

Anteo says that Richard Martin has resigned as a director and as co-company secretary. Anteo executive chairman Dr John Hurrell said “the board is currently reviewing the strategic direction of the company and the skill set required by the board to deliver shareholder value”.

“In addition, the company will be undertaking a recruitment process for a [chief executive officer],” Dr Hurrell said.

According to ASX data, Mr Martin was appointed a director of the then SSH Medical in September 2005 in connection with the acquisition of Bio-Layer.

In August, Anteo appointed Julien McNally as company secretary (BD: Aug 28, 2017). Anteo fell 0.1 cents or 6.7 percent to 1.4 cents.

SIRTEX MEDICAL

Allan Gray says it has increased its substantial shareholding in Sirtex from 3,034,868 shares (5.26%) to 3,504,600 shares (6.27%).

In June, Allan Gray (previously Orbis Investment Mangement) returned to a substantial holding in Sirtex for the first time since April 2009 (BD: Jun 9, 2017).

Today, Allan Gray said it bought and sold shares between June 9 and September 27, 2017 with the single largest purchase 73,646 shares for \$1,041,168 or \$14.14 a share. Sirtex fell 54 cents or 3.9 percent to \$13.36 with 447,324 shares traded.