



Biotech Daily

Thursday November 27, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECHS QUIET: NEUREN UP 30%, ANTISENSE DOWN 9%**
- * **'UNPRECEDENTED' METABOLIC AGM SCUPPERS POLYNOVO MERGER**
- * **XCEED REQUESTS METABOLIC AGM TRADING HALT**
- * **ARANA EARNS PAYMENT WITH 2nd GSK PROJECT**
- * **MILD CHEMGENEX CONCERN OVER DIRECTORS OPTIONS**
- * **MESOBLAST DIRECTOR, REMUNERATION REPORT DISSENT**
- * **BIOPROSPECT AGM DISSENT ON WITHDRAWN RESOLUTION**
- * **SOLBEC REASSIGNS DR WILLIAM ARDREY, DR DAVID SPARLING**

MARKET REPORT

The Australian stock market climbed 1.4 percent on Thursday November 27, 2008 with the All Ordinaries up 48.6 points to 3,528.2 points.

Ten of the Biotech Daily Top 40 stocks were up, six fell, 12 traded unchanged and 12 were untraded.

Neuren was best, up 1.5 cents or 30 percent to 6.5 cents with 20,000 shares traded, followed by Viralytics up 0.5 cents or 11.11 percent to five cents.

Bionomics climbed 9.09 percent; Optiscan was up 6.9 percent; Mesoblast climbed 5.59 percent; Clinuvel was up 4.55 percent; Resmed was up 3.52 percent; Biota and Progen rose more than two percent; with Arana and Ventracor up more than one percent.

Antisense led the falls, down 0.3 cents or 8.82 percent to 3.1 cents with 58,000 shares traded, followed by Acrux down 6.12 percent to 46 cents.

Polartech lost 5.56 percent; Prana was down 3.23 percent; Starpharma shed 2.44 percent; with Cellestis down by 1.04 percent.

[METABOLIC, XCEED, POLYNOVO](#)

Metabolic's annual general meeting was described as "a debacle" by one investor dismayed that the merger with Polynovo had been voted down.

No one from Metabolic was available for comment.

Xceed executive director Dr Stewart Washer told Biotech Daily that the deal failed "due to unexpected circumstances".

"It appeared to be a play by a major shareholder or two," Dr Washer said.

"The board said [Polynovo] was a great asset and urged shareholders to vote in favor," Dr Washer said. "It glowed in all the due diligence."

"What we've got is still a valuable asset and we'll take Polynovo forward, somehow."

Dr Washer flew to Perth for tomorrow's Xceed Capital annual general meeting. Xceed is the majority owner of Polynovo.

While proxy votes ran strongly in favor of the merger with many discretionary votes described as open, a poll of votes showed a clear majority against the merger.

The poll showed 63,974,694 votes against the issue of shares to Xceed capital compared to 51,066,822 votes in favor with 9,968,064 votes abstaining. The issue of shares to Commonwealth Scientific and Industrial Research Organisation divided on similar lines. The change of name and selective buy-back were defeated by margins of eight million and nine million votes with more than five million votes abstaining.

All other resolutions were passed. Some met significant opposition, while the reelection of two directors and the employee option plan were passed overwhelmingly.

The remuneration report was passed with 62.3 million proxy votes in favor and 43.8 million proxy votes against; an increase in directors remuneration was rejected by 55.5 million proxy votes to 6.04 million votes; directors Rob Stewart and Iain Kirkwood were elected with more than 68 million votes in favor but with more than 34 million votes against.

Directors Paul Lappin and Franklyn Brazil were elected overwhelmingly with more than 103 million and 99 million votes in favor, respectively.

In a substantial shareholder statement in May this year, Brazil Farming said it held 45,492,701 shares or 15.12 percent of Metabolic (see Biotech Daily; May 14, 2008).

Brazil Farming said it had bought the 36,012,701 shares (12%) originally acquired from Circadian by Iain Kirkwood and Edward St Consulting (see Biotech Daily; May 13, 2008).

Lyn Brazil told Biotech Daily that he and his wife, Bobbie, were Queensland-based investors who already owned about three percent of Metabolic.

Mr Brazil said he had "a few ideas" about where he would like Metabolic to go, but nothing solid enough to discuss.

"The cash is there and we can get involved in other things that are short of cash," Mr Brazil said at that time. Metabolic had about \$17 million in cash at that time.

A range of proposals were considered following the closing of two of Metabolic's drug programs and chief executive officer Dr Roland Scollay resigned from the company.

The merger of Polynovo and Metabolic appeared to be proceeding as planned (see Biotech Daily; July 18, 2008).

The investor at the meeting told Biotech Daily that it appeared that the board had divided on the merger and had not sorted out differences before the meeting. He described the conduct of the meeting and the failure of the merger as "unprecedented" in the biotechnology sector.

Earlier today, Xceed Capital requested a trading halt pending an announcement "on the results of the Metabolic Pharmaceuticals ... annual general meeting".

Trading will resume on December 1, 2008 or on an earlier announcement.

Xceed last traded at 5.5 cents.

Metabolic was untraded at 2.7 cents.

ARANA THERAPEUTICS

Arana says it has completed optimization work on a second molecule as part of its collaboration with Glaxosmithkline.

Arana said the provision of the final report triggers an undisclosed confidential payment to Arana under the terms of the collaboration agreement between the two companies.

Arana said its research has shown that, pending Glaxosmithkline's confirmation of the results, the improved molecule "met all of its objectives under the project plan and will therefore be eligible for a success based payment".

Arana said its Evogene technology created optimized versions of a developmental biopharmaceutical.

The company said Glaxosmithkline would be responsible for all subsequent development, with Arana eligible to earn milestone payments if the product progresses through pre-clinical testing and subsequent clinical development.

Arana said it had the potential to earn royalty payments on the sale of all commercialized products incorporating the optimized molecule.

Arana's acting chief executive officer Dr Steffen Nock said that pending Glaxosmithkline's confirmation of the results, the completion of the project was the fifth collaboration product that the company's scientists have successfully engineered to date.

"This would continue Arana's impressive 100 percent success rate in delivering improved products back to a collaborator," Dr Nock said.

Dr Nock said that as well as the collaboration with Glaxosmithkline the company was employing its technology platform to develop protein therapeutics internally for its clinical pipeline and in collaborations with CSL and Vegenics.

He said Arana had an alliance with US-based Aveo Pharmaceuticals for the use of Arana's Superhumanisation technology for the internal development of several products.

Arana was up 1.5 cents or 1.89 percent to 81 cents.

CHEMGENEX

Chemgenex director Jean-Luc Tetard faced opposition to the grant of 250,000 options at the company's annual general meeting.

With more than 132 million votes directed to abstain from the resolution, Mr Tetard's options were supported by 38.4 million proxy votes in favor and 10.5 million against.

All other resolutions including the adoption of the remuneration report, increasing the directors' fees pool and the election of directors Donald Santel, Dr Julie Cherrington, Mr Tetard, Brett Heading and Dr Dennis Brown were passed with greater margins in favor.

Chemgenex was unchanged at 45 cents.

MESOBLAST

Mesoblast's annual general meeting voted down opposition to the remuneration report and supported the reelection of director Michael Spooner.

The remuneration report was opposed by 10.2 million proxy votes with 20.2 million proxy votes in favor.

Mr Spooner had the backing of 23,566,338 proxy votes, but 6,913,146 proxy votes were cast against his reelection.

The election of Brian Jamieson and changes to the constitution were passed with more than 30 million proxy votes in favor, with 13,145 proxy votes and 36,685 proxy votes respectively, against the resolutions.

Mesoblast climbed 4.5 cents or 5.59 percent to 85 cents.

BIOPROSPECT, SOLAGRAN

Bioprospect chairman Stephen Morrow had the support of more than 34 million proxy votes despite resigning before the resolution to oust him was put.

Solagran holds 6.64 percent of Bioprospect and proposed a resolution to remove Mr Morrow (See Biotech Daily; October 24, November 25, 2008).

Solagran directors Peter Stedwell and Charles Pellegrino as well as Victoria Police officer Snr Sgt Anthony Langdon were elected as directors.

Director Peter Landau also resigned from the company prior to the annual general meeting.

Bioprospect said the withdrawn resolution to remove Mr Morrow was passed with 140,512,161 proxy votes in favor and 34,230,550 proxy votes against.

All other resolutions were passed with significantly greater margins in favor.

Bioprospect was untraded at 1.7 cents.

Solagran was unchanged at 18 cents.

SOLBEC PHARMACEUTICALS

Solbec has appointed Dr William Ardrey as executive chairman and managing-director Dr David Sparling as chief operating officer.

Solbec said the appointments were part of the strategy to “re-launch the company into the cash-flow positive healthcare sector” with the planned acquisition of a series of cash-flow positive ophthalmology day surgery businesses.

The company said its chairman Dr Ardrey was “a corporate turnaround specialist” and was a member of the International Society of Refractive Surgeons, the American Society of Cataract and Refractive Surgeons, the former President of Lasersight, which owned 17 eye hospitals, a former director and chief executive officer of listed eye care businesses, and has consulted widely to multicenter eye hospital groups.

Dr Ardrey is also a director of Avantogen group and related companies.

Solbec said Dr Sparling had qualifications and senior management experience in disciplines including legal, scientific, veterinary, medical, operational, corporate governance, business development and corporate finance.

Dr Sparling will be responsible for the day-to-day operations of the business including, finance and reporting, staffing, corporate governance and due diligence/new business acquisition.

Dr Ardrey’s appointment is on a fractional basis and he shall be responsible for strategic matters.

Solbec said the healthcare sector was the only sector to record positive growth in the 2008 September quarter, while the S&P ASX 200 fell by 13.14 percent.

Solbec was untraded at 0.6 cents.