



Biotech Daily

Friday October 31, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECHS UP: LABTECH UP 28%, PHYLOGICA DOWN 14%**
- * **GENETIC TECHNO FIXES BREAST, OVARIAN CANCER TEST PRICES**
- * **GIACONDA'S \$40m CAPITAL RAISING SLIPS AWAY**
- * **IM MEDICAL CORRECTS AGM NOTICE; SIGNS TURKISH ECG DEAL**
- * **STEM CELL LOW ON CASH, BUT INFLOWS DUE**
- * **MEDICAL THERAPIES HAS ONE QUARTER CASH**
- * **PEPLIN CASHED-UP**
- * **VIRALYTICS HAS NEARLY TWO QUARTERS CASH**
- * **DR ROLAND SCOLLAY HEADS CSL'S NEW PRODUCT SCREENING**
- * **AVITA LOSES DIRECTOR, CFO ANDREW CANNON**

MARKET REPORT

The Australian stock market edged up a further 0.6 percent on Friday October 31, 2008 with the All Ordinaries up 25.4 points to 3,982.7 points.

Seventeen of the Biotech Daily Top 40 stocks were up, six fell, 10 traded unchanged and seven were untraded.

Labtech was best, up 3.5 cents or 28.0 percent to 16 cents on modest volumes, followed by Neuren up 18.0 percent to 5.9 cents and Cytobia up 15.38 percent to 15 cents.

Antisense climbed 9.52 percent; Starpharma was up 7.41 percent; Alchemia and Circadian were both up 6.25 percent; Heartware and Living Cell were up more than five percent; Arana and Bionomics climbed four percent or more; Biota, Progen and Resmed were up more than three percent; Chemgenex, CSL and Viralytics rose more than two percent; with Cochlear and Pharmaxis up more than one percent.

Phylogica led the falls, down one cent or 14.29 percent to six cents, followed by Universal Biosensors down 9.52 percent to 57 cents. Genetic Technologies lost five percent; Cellestis and Novogen fell more than four percent; with Acrux down 2.94 percent.

GENETIC TECHNOLOGIES

Genetic Technologies says it will fix its 2009 BRCA breast and ovarian cancer testing at 2008 prices and thereafter limit increases to the consumer price index.

Genetic Technologies said it was responding to “recent media and other commentary” that implied that its enforcement of its intellectual property rights would lead to adverse health outcomes for women with breast or ovarian cancer.

Genetic Technologies said it had the shortest time-to-result of any laboratory in Australia. “Patients will therefore benefit by receiving their results more quickly,” Genetic Technologies said.

The company said it has been suggested that enforcement of its exclusive licence to performing diagnostic testing for the BRCA1 and BRCA2 genes would mean higher costs to consumers.

“Individuals who qualify as high risk candidates when assessed by public hospital-based familial cancer clinics, have their BRCA-testing funded by the respective state or territory governments,” Genetic Technologies said.

“These high risk individuals comprise the vast majority of patients for whom BRCA testing is performed.”

“These individuals do not currently pay for the service and [Genetic Technologies] sees no reason why this would change,” the company said.

Genetic Technologies said it had been suggested that it was taking steps to prevent public laboratories from BRCA testing as from November 6, 2008 and replied that it had suspended enforcement activity pending further dialogue with relevant stakeholders.

When the company first announced the decision to enforce its rights, it was unclear on this subject and asked directly by Biotech Daily, chief executive officer Michael Ohanessian would not indicate whether Genetic Technologies was seeking a royalty payment from the existing laboratories or was seeking to prevent them undertaking the test (see Biotech Daily July 11, 2008).

The company said it had been suggested that its licence rights would lead to poor outcomes for research and replied that its licence with the patent owner related specifically to the provision of BRCA1 and BRCA2 diagnostic services for breast and ovarian cancer and does not extend to research.

Genetic Technologies “fully supports and encourages organizations to conduct research into breast and ovarian cancer [and had] no wish to impede cancer research”.

It has also been suggested that the patient data that has accumulated in various public sector laboratories will no longer be available for future research.

The centralization of testing within the Genetic Technologies laboratory would not render unusable the data collected to date in public sector testing laboratories.

“Furthermore, we see no reason why such data cannot continue to be collected and analyzed while testing is being conducted through the GTG laboratory,” the company said.

Finally, it has been suggested that the patient data created by testing at Genetic Technologies’ laboratory will also not be available to researchers. The majority of GTG’s customers in this space comprise familial cancer clinics based in public hospitals or cancer research organizations.

Genetic Technologies said it “routinely provides its customers with the results derived from the testing of patient samples” and although most customers were content to obtain a diagnostic result “to the extent that customers require more detailed genotype data derived from the genetic testing process, such as may be the case for researchers, GTG will continue to provide such data as requested”.

Genetic Technologies fell 0.2 cents or five percent to 3.8 cents.

GIACONDA

Giaconda says the share subscription agreement with Australian Medical Therapy Investments announced on July 18, 2008 has been terminated by Giaconda.

Giaconda said Australian Medical Therapy Investments "did not satisfy the pre-conditions for the placement by October 30, 2008".

The restriction agreement between Australian Medical Therapy Investments and Prof Thomas Borody concerning his shareholding also expired.

In July Giaconda said it hoped to raise up to \$40 million through the issue of 100,000,000 shares to Australian Medical Therapy Investments (see Biotech Daily; July 18, 2008) but the deal was entangled in the divorce proceedings of chief scientist, director and major shareholder Dr Borody.

Giaconda said it would continue to seek alternative funding arrangements.

Giaconda was untraded at 13 cents.

IM MEDICAL

IM Medical says the notice of meeting for its November 19, 2008 annual general meeting had two significant errors.

IM Medical said the notice "inadvertently advised" that on motions relating to the election of directors Dipak Sanghvi, Dr Leon Massage, Dr Ross Walker and Glenn Dalton, votes from those directors and associates would be disregarded (see Biotech Daily; October 23, 2008).

"The votes cast by those listed above on those specific resolutions will now NOT be disregarded," IM Medical said.

The company said that on the ratification of the issue 10,000,000 shares to former chief executive officer Tommas Bonvino "the company has come to the view, after consultation with ASX that the explanatory memorandum inadvertently referred to a ratification under Chapter 7 of the ASX Listing Rules whereas the issue is dealt with under Chapter 10 of the ASX Listing Rules".

"Accordingly, Item 5 is withdrawn and will not form part of the Agenda," IM Medical said.

The company said the 10,000,000 shares "were issued inadvertently in breach of ASX listing rules and will be counted towards the company's 15 percent as per ASX Listing rule 7.4".

"The company advises that it has procedures in place to ensure that such a breach does not occur in the future," IM Medical said.

In a separate notice to the ASX, IM Medical said its commercialization strategy had "taken a step forward with the signing of an (electrocardiogram) recorder distribution agreement with a Turkish company".

IM Medical said the company, Tepas, manufactured electrocardiograph machines and other medical equipment.

Tepas and IM Medical have agreed on the distribution of an electrocardiogram (ECG) recorder to be included in IM Medical's tests.

It will incorporate a laptop computer, a Tepas ECG recorder and the operational Cardanal software.

IM Medical said it would "allow real-time interpretation of ECG data to improve sensitivity for detection of coronary heart disease".

It will be the first fully portable Australian made web-based ECG monitoring product in Australia, the company said.

IM Medical was unchanged at 0.5 cents.

STEM CELL SCIENCES

Stem Cell Sciences says it had a net cash burn of \$2,174,000 for the three months to September 30, 2008.

In its Appendix 4C announcement to the ASX, the company said it had cash at the end of the quarter of \$1,636,000.

Stem Cells joint company secretary Dr Paul Bello told Biotech Daily that payments from customers, research and development tax credits as well as European grants funding were all due within the next three months.

Dr Bello said he believed the company had sufficient funds to continue its operations.

In notes accompanying the cash flow statement Stem Cell said "the creation of the first authentic rat embryonic stem cells ... led to immediate commercial interest from a number of organizations which may lead to cash generating licence deals".

The company said it would pursue other cash generating opportunities including developing fee-generating research collaborations, producing licence fees from its intellectual property, including pursuing known infringers of its patents, and discussing the sale of its media business known as SC Proven.

Stem Cell said it was "investigating raising capital by other means" and believed it could access additional equity financing if required.

The company said its business objectives included securing at least one major pharmaceutical research collaboration this year; pursuing the value in its intellectual property through licensing agreements; and realizing the value of its specialist stem cell media business by an asset sale.

Stem Cell was untraded at 20 cents.

MEDICAL THERAPIES

Medical Therapies says it had a net cash burn of \$472,000 for the three months to September 30, 2008.

In its Appendix 4C announcement to the ASX, the company said it had cash at the end of the quarter of \$490,000.

Medical Therapies said its operating cash outflow for the quarter included significant non-recurring costs which related to the acquisition of the Midkine portfolio resulting in the higher than normal operating cash outflow.

The company said a funding commitment for a \$2 million investment from a Japanese group has been delayed "due to the unfavorable market conditions".

Medical Therapies said its advisers "confirmed that the investor group is still committed to make the investment, however it is unlikely that they can do so in the immediate term".

The company said an underwritten share purchase plan was progressing and additional funding and financing opportunities are being negotiated, with "at least one capital raising initiative" expected to be finalized by the end of the calendar year.

Medical Therapies said it was "actively involved in a number of merger and acquisition discussions with third parties which have the potential to result in the provision of additional working capital".

These discussions are at various stages of development, however they are confidential and incomplete proposals and it would be inappropriate to disclose details at this stage.

Medical Therapies said it had been actively involved in a number of partnering discussions regarding its large non-core asset portfolio in order to generate licensing, milestone and/or royalty revenues.

Medical Therapies was untraded at five cents.

PEPLIN

Peplin says it had a net cash burn of \$US11,747,000 for the three months to September 30, 2008.

In its Appendix 4C announcement to the ASX, the company said it had cash at the end of the quarter of \$US12,823,000, but this does not include transactions worth \$US30.7 million (about \$A46 million) completed after September 30.

Peplin's chief financial officer David Smith told Biotech Daily that the company completed the acquisition of Neosil Inc providing Peplin with \$US6.7million in cash.

Mr Smith said the company also completed its \$US24 million placement after the September 30 date.

Peplin has about \$US43.5 million (\$A65 million) in cash.

Peplin was unchanged at 35 cents.

VIRALYTICS

Viralytics says it had a net cash burn of \$985,000 for the three months to September 30, 2008.

In its Appendix 4C announcement to the ASX, the company said it had cash at the end of the quarter of \$1,853,000.

Viralytics said its directors would address the future funding program at the annual general meeting to be held on November 18, 2008.

The company said directors have requested shareholders to give the authority to issue 60 million new shares or 20 percent of the capital of the company in addition to refreshing the directors' authority to issue 15 percent of shares without shareholder approval.

Viralytics was up 0.1 cents or 2.08 percent to 4.9 cents.

CSL

CSL has appointed Dr Roland Scollay as the head of new product screening, effective from October 1, 2008.

Dr Scollay has responsibility "for facilitating the global sourcing and review of external drug development opportunities to add to the drug development pipeline of CSL, with a particular emphasis on protein therapeutics".

Dr Scollay joined Metabolic as a director in 2002 and was the company's chief executive officer from 2005 until July 2008 (see Biotech Daily; April 29, 2008).

Prior to Metabolic, Dr Scollay was director of commercialization at Monash University's Medicine Faculty having worked for US biotechnology companies and serving as vice president of research at Novartis.

Previously he worked as a research scientist including 13 years at Melbourne's Walter and Eliza Hall Institute.

Dr Scollay holds a PhD in immunology from the John Curtin School of Medical Research and has published more than 150 papers and articles.

CSL was up 96 cents or 2.71 percent to \$35.40.

AVITA

Avita executive director, chief financial officer and joint company secretary, Andrew Cannon has resigned, effective immediately.

Mr Cannon has been chief financial officer since 2004 and a director since 2006. He was originally with Clinical Cell Culture prior to its merger with Visiomed to become Avita. Avita was unchanged at 3.8 cents.