



# Biotech Daily

Monday September 15, 2008

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECHS DOWN: STEM CELL UP 33%, PHYLOGICA DOWN 12%**
- \* **AGENIX ALLEGES BREACH OF DUTY AGAINST EX-CEO NEIL LEGGETT**
- \* **CHINA GRANTS LABTECH DISPOSABLE APPLICATOR PATENT**
- \* **NORWOOD ABBEY RAISES \$250k; SETTLES DIRECTOR, STAFF BILLS**
- \* **CAPITAL GROUP INCREASES TO 8% OF COCHLEAR**
- \* **CHEMGENEX REQUESTS 'PLACEMENT' TRADING HALT**
- \* **BIOTA AGM VOTES ON 1m OPTIONS FOR CEO PETER COOK, DIRECTORS**
- \* **PHARMAUST COMPLETES \$3.5m ASSET SALE**
- \* **GENERA RELEASES 8m SHARES FROM ESCROW**

## MARKET REPORT

The Australian stock market fell 1.7 percent on Monday September 15, 2008 with the All Ordinaries down 82.1 points to 4,875.0 points.

Five of the Biotech Daily Top 40 stocks were up, 17 fell, nine traded unchanged and nine were untraded.

Stem Cell Sciences was best up nine cents or 33.33 percent to 36 cents with 54,630 shares traded, followed by Acrux up three cents or 3.16 percent to 98 cents, with Arana, Biota and Heartware up by more than one percent.

Phylogica led the falls, down one cent or 11.76 percent to 7.5 cents on small volumes, followed by Optiscan down 11.11 percent to 2.5 cents and Avexa down 10.64 percent to 21 cents.

Alchemia and Mesoblast lost more than five percent; Circadian, Clinuvel and Novogen were down more than three percent; Cellestis, Cytopia, Peplin, Prana, Resmed and Ventracor shed more than two percent; with Bionomics, Cathrx, CSL and Viralytics down more than one percent.

## AGENIX

A case alleging "breach of duty" by Agenix against former director and chief executive officer Neil Leggett is listed for the Victorian Supreme Court for September 26, 2008. Victorian Supreme Court officials told Biotech Daily the matter had been initially heard in the Practice Court on September 11, 2008 and was listed for hearing before Justice Peter Vickery on September 26, 2008.

On September 12, 2008, Agenix told the ASX it was involved in legal proceedings. The previously undocumented proceedings were described by the company as "concerning allegations of impropriety against a former director".

"It is alleged that a series of improper transactions occurred between Agenix Limited and the trustee company of the former director's family trust," Agenix said.

"The legal proceedings have been stayed because the trustee company has been placed into a creditor's voluntary liquidation," the company said.

"The court has now extended orders to freeze assets of the former director and his wife including certain trusts, real estate and bank accounts notwithstanding that the defendants have filed debtor's petitions with Insolvency Trustee Service Australia," Agenix said.

"The transactions are presently the subject of continuing investigations," Agenix said.

Mr Leggett was promoted from finance director to chief executive officer on December 15, 2005, replacing Donald Home.

Mr Leggett oversaw the sale of animal health assets and the \$16.5 million Shanghai pharmaceutical companies' acquisition (see below) which began on February 14, 2007. According to a change of directors' interest notice (Appendix 3Y) to the ASX, Mr Leggett sold 1,735,640 of his 2,000,000 shares for \$283,787 on December 28, 2007.

On January 22, 2008 Mr Leggett announced his resignation which was deferred and became effective on February 21, 2008.

In a final director's interest notice (Appendix 3Z) of that date Mr Leggett said he held 238,333 listed options and no shares.

Attempts to contact Mr Leggett were unsuccessful.

Separately, Agenix is involved in proceedings in China relating to its almost-completed acquisition of the Shanghai companies (see Biotech Daily July 24, and 28, 2008).

Agenix is in a suspension of following its failure to submit a preliminary final report, due to "control issues" relating to the Shanghai acquisitions (see Biotech Daily August 29, 2008). Agenix last traded at 1.7 cents.

## LABTECH SYSTEMS

Labtech Systems says China has granted a design patent covering the Microstreak applicator.

Labtech said royalties from applicator sales comprised "a significant long-term revenue stream from this product: and the protection of its design was "vitally important".

Labtech said that with a population of 1.3 billion and the world's highest rate of economic growth, the potential uptake of high-throughput, diagnostic technology in China was considerable.

"It is therefore significant that the company has been awarded a certificate of registration for the Microstreak applicator design," Labtech said.

Other patents covering both the applicator and several key components of the automated robotic system are pending, the company said.

Labtech chief executive officer Lusia Guthrie said the intellectual property was its greatest asset and the Chinese patent was the first from the suite of Microstreak patents.

Labtech was untraded at 18 cents.

## NORWOOD ABBEY

Norwood Abbey says it has raised \$250,000 through a placement of 7,000,000 shares at one cent each and a cash advance.

Norwood Abbey director Ron Lewis told Biotech Daily the commitments came from an unnamed Australian private investor.

Norwood Abbey told the ASX the funds would be used "for working capital purposes and progressing the company's restructuring program".

The company said its restructuring program was "well-advanced, with continuing reduction in its obligations and debts underway" with announcements expected in the near term.

Norwood Abbey said it was exploring alternative opportunities designed to restore value for shareholders and expected to bring at least one of these alternatives to completion within the next three months.

The \$250,000 raised includes:

Norwood Abbey said the placement raised \$70,000 and each one cent share came with one option exercisable at 1.5 cents on or before December 31, 2010, subject to shareholder approval.

Norwood Abbey said it had also arranged an advance of \$180,000 for a 12 month term, with 10 percent interest a year payable upfront.

The company said the advance could be converted into shares and options on the same terms as the placement at any time.

The advance will convert automatically on the occurrence of certain customary prescribed events, subject to shareholder approval.

Norwood Abbey said the agreement provided for a further advance of \$250,000 at Norwood's option on the same terms as the \$180,000 advance.

In a separate announcement Norwood Abbey said that following the \$250,000 fund-raising "certain directors, officers and employees have agreed to accept shares and options in full settlement of certain existing outstanding obligations".

Norwood Abbey said the conversions demonstrated "the confidence of the parties in the future of the company".

The shares and options are to be issued on the same terms as the recent placement and are subject to shareholder approval.

The total amount subject of the proposed conversion is \$300,000.

Norwood Abbey said the conversions were "a key element of the restructuring program" ... [and] a key pre-requisite for further new funding which is in discussion".

Norwood Abbey climbed 0.2 cents or 15.38 percent to 1.5 cents.

## COCHLEAR

The US based Capital Group Companies increased its substantial shareholder in Cochlear from 3,630,214 shares (6.53%) to 4,328,856 shares (7.75%) on September 11, 2007.

Capital Group said the 698,642 shares were bought at an average price of \$49.08 each. The Group said neither it "nor any of its affiliates own shares of [Cohlear] for its own account".

"Rather, the shares reported on Form 604 are owned by accounts under the discretionary investment management of one or more of the investment management companies that make up the Capital Group Companies Inc," the company said.

Cochlear fell 48 cents or 0.84 percent to \$56.52.

### CHEMGENEX

Chemgenex has requested a trading halt pending an announcement “regarding a capital raising”.

Chemgenex also published a request describing the raising as a placement.

Trading will resume on September 17, 2008 or on an earlier announcement.

Chemgenex last traded at 81 cents.

### BIOTA

Biota shareholders will vote on the grant to chief executive officer Peter Cook of 976,300 options.

The meeting will also vote on the reelection of Paul Bell, Grant Latta and the election of Dr Michael Montalto as directors as well as several changes to the company’s constitution.

The meeting will be held on October 29, 2008 at the Novotel on Collins, 270 Collins Street, Melbourne, at 10am.

Biota climbed 1.5 cents or 1.97 percent to 77.5 cents.

### PHARMAUST

Pharmaust says it has completed the sale of its majority shareholding in Commonwealth Biotechnologies Inc for \$3.5 million.

Pharmaust said it sold the business to the Hong Kong Stock Exchange-listed Venturepharm Laboratories.

Pharmaust was up 0.3 cents or 13.64 percent to 2.5 cents.

### GENERA BIOSYSTEMS

Genera says 7,900,000 shares will be released from escrow on September 25, 2008.

A further 4,472,846 shares are due to be released from escrow on November 15, 2008 with 6,270,723 shares to be released on June 10, 2010.

Genera said 312,500 options with a 50 cents exercise price, lapsed on July 31, 2008.

A Genera official told Biotech Daily the total number of shares on offer following the initial public offering was 51,191,684 shares, including all escrowed shares.

Genera was untraded at 18 cents.

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