



# Biotech Daily

Wednesday August 27, 2008

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECHS FLAT: SUNSHINE HEART UP 30%, LABTECH DOWN 15%**
- \* **PHYLOGICA IMPROVES PHYLOMER POTENCY, HALF-LIFE**
- \* **PORTLAND FOUNDING DIRECTOR DR RON SEKEL RESIGNS**
- \* **NEUREN DIVESTS CANCER PROGRAM**
- \* **ELLEX PROFIT DOWN 58% TO \$1m ON REVENUE UP 13% TO \$50m**
- \* **VENTRACOR TELLS ASX: RESULTS, FUNDING MAY HAVE PUSHED PRICE**
- \* **ANZ CEASES OPES PRIME SUBSTANTIAL IN BIOPROSPECT**
- \* **KARMEISONIX APPOINTS MARKETING MANAGERS**

## MARKET REPORT

The Australian stock market edged up 0.1 percent on Wednesday August 27, 2008 with the All Ordinaries up 5.5 points to 5,087.8 points.

Twelve of the Biotech Daily Top 40 stocks were up, 13 fell, eight traded unchanged and seven were untraded.

Sunshine Heart was best, up 1.3 cents or 30.23 percent to 5.6 cents, followed by Living Cell up 13.51 percent to 21 cents, both on small volumes.

Sirtex climbed 6.67 percent; Novogen was up 5.48 percent; Starpharma and Universal Biosensors were up more than four percent; Heartware and Phylogica climbed more than three percent; Circadian and Resmed rose more than two percent; with Cochlear, Mesoblast, Neuren and Pharmaxis up more than one percent.

Labtech led the falls, down three cents or 15 percent to 17 cents on modest volumes, followed by Polartech down 12.5 percent to 10.5 cents, Ventracor down 12 percent to 22 cents and Optiscan down 10.42 percent.

Prana lost 8.7 percent; Cytopia was down 6.67 percent; Agenix fell 5.56 percent; Clinuvel fell 4.48 percent; Arana and Biota shed more than two percent; with Avexa, Peplin and Viralytics down more than one percent.

## PHYLOGICA

Phylogica says affinity and half-life extension data “demonstrates the ability of its lead molecules to work as effective drugs”.

Phylogica said data on affinity or potency and half-life extension, improving the circulation times of a drug within the body, has enabled it to meet its next set of Federal Government commercial ready grant milestones.

A Phylogica media release said the milestones “allowed the company to demonstrate that it has assembled all the required pieces of the competitive jigsaw to enable its proprietary Phylomer drug discovery platform to compete on the world stage”.

Phylogica said this was reinforced at two recent US conferences, IBC Beyond Antibodies and IBC Drug Discovery Technology, where Phylogica scientists were invited speakers.

Phylogica said the data generated by its team was of “world-class equivalence and provides significant validation that the Phylogica technology can repeatedly and consistently generate high quality hits that are suitable for drug development”.

Phylogica’s chief scientist, Dr Paul Watt, said the company had demonstrated its Phylomer peptides had favorable half-lives and potency levels.

“Using a combination of standard and in-house techniques, we have been able to improve the effective potency of some of our lead molecules several hundred-fold,” Dr Watt said.

He said that a standard half-life extension technology using pegylation or the attachment of polyethylene glycol (PEG) was used to “extend circulation time in rats significantly, without losing efficacy of the molecule”.

“These improvements in drug-like characteristics of peptides such as Phylomers are important for their commercial viability, in order to allow a realistic cost-of-goods per dose and tolerable administration regimes for patients,” Phylogica said.

Such improvements were also important for extended administration, which was important for treatment of chronic diseases such as rheumatoid arthritis and irritable bowel disorder.

Phylogica’s deputy chairman, Harry Karelis said the data completed the “jigsaw puzzle for Phylogica, proving that our drug leads can be easily modified to meet industry standards”.

“With these validating experiments successfully concluded the company is now well placed to continue to showcase its technology to logical partners,” Mr Karelis said.

“As more and more drugs undergo patent expiry the pharmaceutical industry is increasingly looking for next generation technologies that can help address rapidly dwindling drug pipelines,” he said.

“With our extensive patent estate and growing data pack the level of interest from third parties wishing to access the company’s technology continues to increase,” Mr Karelis said.

Phylogica was up 0.3 cents or 3.85 percent to 8.1 cents.

## PORTLAND ORTHOPAEDICS

Portland Orthopaedics founding director Dr Ron Sekel resigned on August 25, 2008 due to “increased time demands ... in other areas of his professional practice”

Portland said Dr Sekel would continue as chief technical officer providing experience and expertise to Portland and strategically, to the board.

Dr Sekel is an orthopaedic surgeon and has been a director of Portland for more than 11 years and served as chairman prior to its ASX listing in October 2005.

The company said Dr Sekel was “instrumental in the design and development of a number of orthopaedic devices manufactured and marketed by Portland”.

Portland Orthopaedics climbed 0.1 cents or five percent to 2.1 cents.

## NEUREN

Neuren has licenced-out an early stage cancer program to an unnamed Northern Hemisphere "leading biotech company" for an undisclosed up-front fee and milestone payments.

Neuren is primarily focused on developing drugs to protect against brain injury and neurological conditions.

The cancer program was acquired several years ago.

Neuren said it had "entered into an exclusive licence and collaboration agreement for an early-stage cancer program with a leading biotech company that specializes in the development of therapeutic antibody products".

Neuren's US-based co-chief executive officer Larry Glass told Biotech Daily that he was not in a position to disclose any details other than those provided in the media release to the ASX.

The media release said the agreement provided for an upfront licence fee, preclinical and clinical milestone payments, collaboration funding and royalties based on product sales.

The specific target, financial terms and licensee were not disclosed.

Neuren said the target of the collaboration was one component of the technology licenced from the University of Auckland.

On October 20, 2006 Neuren reported preclinical progress on cancer growth factors with "two trefoil factors (TFFs) ... identified as critical for cancer cell survival ... and inhibition of TFFs using antibodies resulted in almost complete regression of breast cancer in animal models [with] applicability to a range of cancers including colon, lung and prostate cancer".

Today, Neuren said it was "considering a number of strategic, financing and partnering options to advance the remaining programs comprising Neuren's discovery-stage cancer portfolio".

Mr Glass said the licence and development agreement "validates our view that acquiring rights to develop early stage compounds and adding value to these properties by judicious and carefully planned investment in R&D can pay off".

"The upfront fee and collaboration payments will assist Neuren in meeting its current financial requirements," Mr Glass said.

"If the program is successful, future milestone payments and royalties could significantly increase shareholder value," he said.

Mr Glass told Biotech Daily that Neuren would undertake some continuing work, which would be funded by the unnamed partner.

Neuren climbed 0.1 cents or 1.28 percent to 7.9 cents.

## VENTRACOR

Ventracor has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price rose from 22 cents on August 25, 2008 to 25.5 cents on August 26 a rise of 15.9 percent, but did not note an increase in trading volume.

Ventracor said it was exploring various capital raising proposals that were "confidential and incomplete".

The company also said the 2007-'08 results due to be published "later this week" will include \$6.4 million of capitalized inventory, resulting in a reduction in its net loss.

Ventracor fell three cents or 12 percent to 22 cents.

### ELLEX MEDICAL LASERS

Ellex has reported net profit after tax for the 12 months to June 30, 2008 down 58.0 percent to \$1.0 million on total revenue up 13.4 percent to \$50.4 million.

Ellex received a one-off tax benefit of \$3.7 million leaving a net profit attributable to members up 11.2 percent to \$4.745 million.

The company reported diluted earnings per share of 6.8 cents, the same as the previous year. No dividend will be paid.

Ellex said the results included \$500,000 one-off costs associated with termination payments to former staff, provisions raised for the closure of the San Francisco office and an increase in the provision for warranty claims following a review of the adequacy of this provision.

Excluding these costs pre-tax profit was \$2.4 million compared to the previous year's \$2.8 million.

Ellex chief executive officer Kevin McGuinness said the company was "disappointed with the profit result".

"We invested in the business based on a target growth rate in revenue that we did not achieve and, as a result, the profit result was well below our expectations," Mr McGuinness said. "We have experienced subdued economic conditions, particularly in the US, uncertainty in financial markets has directly affected trading, with customers deferring purchasing decisions [and] we have experienced unexpectedly strong competitive pressures which have impacted trading margins," Mr McGuinness said.

Ellex was up 1.5 cents or 5.45 percent to 29 cents.

### BIOPROSPECT

The ANZ Banking Group has ceased its substantial holding in Bioprospect.

The ANZ acquired 125,414,348 shares or 25.75 percent of Bioprospect following the Opes Prime Stockbroking collapse (see Biotech Daily April 4, 2008).

Last night, the ANZ said it had ceased its substantial ownership in the company.

Bioprospect climbed as much as 27.3 percent to 2.8 cents before closing up 0.1 cents or 4.55 percent at 2.3 cents with 4.4 million shares traded.

### KARMELSONIX

Karmelsonix has appointed Larry Murdock as general manager of US marketing and sales for its respiratory diagnostics Pulmotrack, Whofter and Personal Wheezometer.

Karmelsonix said Mr Murdock had specialized in medical device marketing for 25 years.

From 2003, Mr Murdock was vice-president for marketing and sales at respiratory device company Nspire and prior to that he was vice-president for marketing at Sensormedics.

Karmelsonix's founding director Dr Henry Pinskier has been appointed executive director of Asia Pacific marketing and sales.

Karmelsonix fell 0.1 cents or 2.27 percent to 4.3 cents.