



Biotech Daily

Friday May 23, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX DOWN, BIOTECHS UP: PRANA UP 13%; SUNSHINE HEART DOWN 28%**
- * **HEARTWARE RAISES \$30m; OFFERS SHARE PLAN**
- * **UNDERWRITER CONCERNS HALT BENITEC \$5.1m RIGHTS ISSUE**
- * **BRAINZ CASH BURN LEADS TO STRATEGIC REVIEW**
- * **BIO-MELBOURNE JUNE BREAKFAST: WHAT MAJOR INVESTORS WANT**
- * **BELL IXL TAKES 9% OF LIFE, CALLS FOR BOARD SPILL**
- * **JETAN TAKES 9% OF MEDICAL THERAPIES**

MARKET REPORT

The Australian stock market fell 0.9 percent on Friday May 23, 2008 with the All Ordinaries down 53.8 points to 5,866.2 points.

Fifteen of the Biotech Daily Top 40 stocks were up, 11 fell, 10 traded unchanged and four were untraded.

Prana was best, up five cents or 13.16 percent to 43 cents on modest volumes, followed by Living Cell up four cents or 12.9 percent to 35 cents and Heartware up 10.89 percent to 56 cents.

Phosphagenics climbed eight percent; Benitec was up 7.14 percent; Arana rose 6.12 percent; Novogen climbed 5.33 percent; Optiscan and Starpharma were up more than four percent; with Bionomics, Cellestis, Peplin and Universal Biosensors up more than one percent.

Sunshine Heart led the falls down 2.4 cents or 28.24 percent to 6.1 cents on small volumes, followed by Portland down 0.7 cents or 16.67 percent to 3.5 cents.

Progen lost 9.68 percent; Antisense fell 7.59 percent; Impedimed shed 6.67 percent; Agenix was down 5.88 percent; Avexa, Cochlear, Cytopia and Pharmaxis fell more than three percent; CSL and Polartech shed more than two percent; with Ventracor down 1.35 percent.

HEARTWARE

Heartware says it has commitments for a placement of more than \$30 million from existing institutional and sophisticated investors in the US and Australia.

The placement shares will be issued at 50 cents each, a one percent discount to the last trade on May 20, 2008, the last day of trading prior to the trading halt.

The placement has been underpinned by Heartware's existing institutional investors, with US investors accounting for more than 80 percent of the funds committed.

Heartware said the proceeds would be used primarily to fund the clinical development and commercialization of the Heartware left ventricular assist system, which has US Food and Drug Administration conditional approval for a pivotal clinical trial.

The funds will also go to the acceleration of Heartware's miniaturized pump and Transcutaneous Energy Transfer, both of which are in pre-clinical development.

The placement is subject to shareholder approval and an extraordinary general meeting is scheduled for July 11, 2008.

Canaccord Adams was lead placement agent with Summer Street Research co-agent.

A share purchase plan will offer shares at 50 cents each to Australian shareholders up to a maximum of \$5,000 per shareholder.

Heartware climbed 5.5 cents or 10.89 percent to 56 cents.

BENITEC

Benitec has suspended a planned \$5.1 million non-renounceable rights issue (see Biotech Daily May 16, 2008).

Benitec said the unnamed underwriter wants Benitec to restructure its relationship with the Commonwealth Scientific and Industrial Research Organisation before the fund-raising to add further value to Benitec.

Benitec said the CSIRO relationship was governed by a series of agreements dating from December 2003 to August 2006.

The company said that "feedback from the market and the underwriter" was that these agreements needed adjustment before further significant investment or merger and acquisition transactions can be made.

"This feedback has made the resolution of these matters with CSIRO in a timely manner a commercial imperative for Benitec," the company said.

Of particular concern is the Capital Growth Agreement (2003) and the Commercial Agreement (2003 and amended in August 2006).

The Capital Growth Agreement gives CSIRO certain rights to benefit from increases in Benitec's value over a seven year period.

At the end of seven years Benitec or a merged entity formed with Benitec is obligated to pay CSIRO five percent of any increase in its market capitalization over a base market value up to a maximum of \$US100 million at a market capitalization of \$US2 billion.

Certain trigger events will require an early payment.

These events include a change of control (more than 50 percent); the sale of Benitec; the disposal or placing of encumbrances over the technology other than in the normal course of business; and failure to procure a replacement agreement from a merged entity.

The Commercial Agreement also has royalty rates that potential investors have considered non-commercial.

Benitec said negotiations were continuing and the company was hopeful it would be able to restructure the relationship in a way that benefits both parties.

A further announcement on the capital raising will be made as the matter progresses.

Benitec was up 0.6 cents or 7.14 percent to nine cents.

BRAINZ

Brainz Instruments is reviewing its business which may lead to original equipment manufacturer partnerships or integrating some or all of its assets into a broader business. Brainz said its cash burn was \$NZ200,000 a month compared to the March 31, 2008 cash reserves of \$NZ3.5 million.

The company said the market opportunity was substantial and its brain monitor was "competitive with other available bedside monitors".

"Data from controlled clinical trials comparing outcomes with or without interventions based on bedside ... monitoring are now not expected until 2010," Brainz said.

The company said clinical data was "necessary to drive higher sales and reach a tipping point where bedside brain monitoring of at-risk neonates becomes a standard of care".

The company's directors said Brainz "may need to change its business model to deliver value to shareholders within a reasonable timeframe".

The strategic review will evaluate alternatives including integrating Brainz into a broader neonatal business in order to achieve the necessary critical mass and capital and/or appropriate original equipment manufacturer arrangements and/or entering partnerships with parties with an interest in specific products.

The current international distribution agreement with GE contains a right of first refusal in the event that the review process results in a sale proposal for part or all of the business. Brainz climbed 0.7 cents or 21.21 percent to four cents.

BIO-MELBOURNE NETWORK

The Bio-Melbourne Network's June 3, 2008 breakfast will discuss the capital investment decision-making by institutional funds, private equity managers and venture capitalists. The Network says a good understanding of capital markets and how these mechanisms fund start-up and expansion companies is vital, particularly given the current volatility in the world's financial markets.

The organization says biotechnology companies need to understand how venture capital firms raise their funds and make their investment decisions.

A panel of experts will discuss institutional fund decision-making and how venture capitalists source their funding to invest in the biotechnology industry.

Health Super chief executive officer Chris Clausen will present on institutional funds and their investment processes.

Mr Clausen will explain asset classes, weightings, capitalization parameters and the drivers for investment managers.

Wilshire Private Markets senior managing director Ovidio Iglesias will speak on the relationship between private equity managers, institutional funds managers and venture capital funds, including the function of private equity managers, how they access and allocate funds, as well as the key aspects of expansion and venture capital classes.

Mr Iglesias will also talk about the management of risk adjusted returns in the context of the biotechnology industry.

GBS Venture Partners managing director Dr Geoff Brooke will explain how venture capitalists source capital from private equity managers to invest in the biotechnology industry.

Dr Brooke will comment on the relationship between institutional investors and private equity managers from a venture capitalists perspective.

A buffet breakfast will be served from 7.20am, with presentations at 8am.

For more information visit www.biomelbourne.org or please contact Nicole Pitcher via email at: npitcher@biomelbourne.org or telephone: +613 9650 8800.

LIFE THERAPEUTICS

Bell IXL has become substantial in Life Therapeutics and called for a general meeting to replace the existing directors.

Bell IXL director Massimo Livio Cellante told Biotech Daily that his National (formerly Newcastle) Stock Exchange listed company in association with K Pagnin had issued a requisition to Life to remove all existing directors and appoint himself, Bradley Robert Simpson and Ramon Jimenez.

He said the intention was to take Life Therapeutics which was basically a shell company with assets of about \$20 million and use its assets more effectively.

Mr Cellante said the company had no relationship to either Bell Resources or IXL, but the name was a reference to the two by the directors who were students of business history.

In an initial substantial shareholder notice Bell IXL and associates said they held 10,783,412 shares or 8.75 percent of the company.

Life Therapeutics has operated plasma collection services in the US and on April 18, 2008 announced it had settled a loan with Octapharma AG which then became the company's sole secured creditor.

Life fell 0.1 cents or 1.11 percent to 8.9 cents.

MEDICAL THERAPIES

Jetan Pty Ltd has become a substantial shareholder in Medical Therapies with a holding of 6,440,000 shares or 8.69 percent of the company.

Medical Therapies was untraded at 5.5 cents.