



Biotech Daily

Monday August 3, 2009

Daily news on ASX-listed biotechnology companies

- * **JULY BDI-40 UP 10%: BIOTA, PRANA, NOVOGEN, LABTECH >50%**
- * **TODAY: ASX, BIOTECH UP; OPTISCAN UP 71%, NOVOGEN DOWN 9%**
- * **OPTISCAN SIGNS DEALS WITH HOYA-PENTAX; \$687k PAYMENTS**
- * **US FTC KILLS THORATEC'S HEARTWARE DEAL**
- * **STARPHARMA'S VIVAGEL ANTI-VIRAL 'ACTIVE TO 24 HOURS'**
- * **EURO-PATENT FOR PHYLOGICA'S ANTI-INFLAMMATION PHYLOMER**
- * **DIA-B ASKS WINTERAY TO UNDERWRITE 'SUBSTANTIAL SHORTFALL'**
- * **BENITEC APPOINTS FERMISCAN'S DR PETER FRENCH CSO**
- * **TISSUE THERAPIES LISTS ON FRANKFURT STOCK EXCHANGE**
- * **NARHEX HAS \$7K**
- * **BIOTECH DAILY TOP 40 WITH MARKET CAPITALIZATION**

MARKET REPORT

The Australian stock market was up 0.46 percent on Monday August 3, 2009 with the S&P ASX 200 up 19.4 points to 4263.4 points. Twenty of the Biotech Daily Top 40 stocks were up, seven fell, six traded unchanged and seven were untraded.

Optiscan was best, up 2.9 cents or 70.7 percent to seven cents with 3.7 million shares traded, with Starpharma up 21.6 percent to 45 cents, Phylogica up 18 percent to 5.9 cents, Cathrx up 14.5 percent to 35.5 cents and Benitec up 11.1 percent to three cents.

Mesoblast and Tissue Therapies climbed more than eight percent; Clinuvel and Sunshine Heart were up more than six percent; Chemgenex was up 5.8 percent; Avexa and Phosphagenics were up four percent or more; Psivida and Sirtex were up more than three percent; Acrux rose 2.1 percent; with Alchemia, Biota, Cellestis and Heartware up more than one percent.

Novogen led the falls, down seven cents or 9.1 percent to 70 cents with 10.250 shares traded. Living Cell lost 7.9 percent; Genetic Technologies fell 4.9 percent; Compumedics and Nanosonics shed more than three percent; with Pharmaxis down 1.6 percent.

BIOTECH DAILY TOP 40 INDEX

Biotech Daily's Top 20 and Top 40 Indices continue to outperform, distinctly, Australia's top 200 companies, with four companies up more than 50 percent in July and 10 companies up more than 20 percent for the month.

Last month we reported the 2008-'09 financial year "was not bad for biotechs" with the Daily Top 40 Index (BDI-40) up 10.5 percent for the 12 months to June 30, 2009. But the adjusted index removing Arana and reflecting the current companies compared to their collective position one year ago is a very different story. The rebalanced BDI-20 was up 36.3 percent for the year to July 31, 2009 compared to the S&P ASX 200 falling 14.7 percent over the same period. The Top 40 companies (BDI-40) were up 26.2 percent.

In the month that Australia's leading 200 companies (the S&P ASX 200) recovered 7.3 percent, the BDI-20, which does not include the Big Caps of Cochlear, CSL and Resmed, was up 9.4 percent, the Second 20 climbed 12.1 percent and the cumulative BDI-40 was up 9.7 percent.

Biotech companies have raised more than \$239 million since January this year and more than \$365 million since June 30, 2008, not including significant institutional raisings.

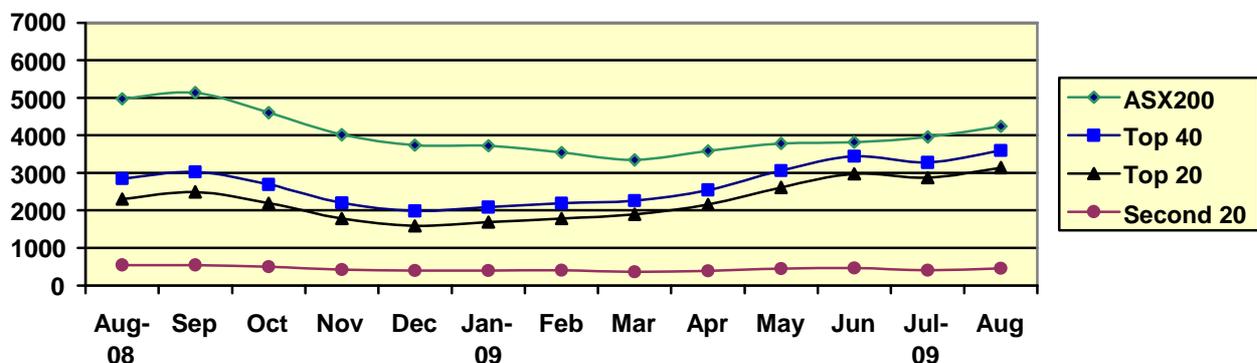
The three Big Caps of Cochlear, CSL and Resmed have eased, up 2.4 percent for the year but down 4.85 percent for the month of July. Cochlear fell 3.3 percent, CSL lost 5.2 percent and Resmed was down 4.4 percent.

Twenty-four BDI-40 companies were up, nine fell and seven were unchanged. Biota was July's best, up 56.9 percent to a market capitalization of \$328 million, followed by Prana (52%), Novogen (50.9%) percent, Labtech (50%) percent, Genetic Technologies (41.2%), Mesoblast (37.2%), Sirtex (33.7%), Tyrian (33.3%) and Psivida (31.5%).

Heartware led the falls on the US FTC's opposition to its takeover by Thoratec (BD: Jul 30, 2009), down 25.5 percent to \$204 million, followed by Bone down 16.7 percent to \$15 million, Progen (14.3%) and Genera (10.7%).

Polartech is in administration and will be replaced in the Second 20 by Uscom which has product in the market and has been on an upward trajectory for more than a year

Biotech Daily Top 40 (\$m) v S&P ASX 200 2008-09



OPTISCAN

Optiscan has signed three agreements with Hoya on access to intellectual property, manufacturing rights and the service of its first generation confocal microscope.

The company said the agreements followed Optiscan's March termination of the second generation microscope collaboration agreement, ending Hoya's exclusivity over the technology in the field of gastroenterology.

The company said the agreements provided for the payment of \$US575,000 (\$A687,148) from Hoya to Optiscan.

Optiscan said it received more than half the funds on execution of the agreements and would receive the balance in tranches over the period to March 2010.

Optiscan said it would no longer manufacture the first generation product for Hoya and would receive royalties on all first generation product manufactured and sold by Hoya through its Pentax brand.

Earlier this year Optiscan's chairman Gus Holt told Biotech Daily the second generation confocal microscope was "smaller, more advanced and less expensive than the first generation microscope and was compatible with high definition scopes" (BD May 26, 2009).

The company said the new agreements confirmed its "unencumbered right to sell product into the gastroenterology field, a market for endoscopes with annual sales in the region of \$US3 billion".

Previously Optiscan's target market was limited to Pentax's market share estimated at less than 15 percent, with penetration controlled by Pentax's sales processes and subject to the traditionally slow take-up in the early adopters stage, the company said.

Optiscan said the first generation product had been on the market for three years with systems used in more than 100 hospitals around the world.

The company said the units were used by gastroenterologists at leading teaching hospitals such as Johns Hopkins in the US and Mainz University Hospital in Germany. Optiscan said that over that time the technology had "gained significant traction" and was positioned to move from the early adopter stage into the greater endoscopy market.

The company said the technology was "supported by hundreds of publications and thousands of procedures and demonstrates significant patient and doctor benefits over previous technology".

"With the development of the generation two endo-microscope well advanced and progressing to plan, Optiscan is poised to tap the significant underlying value of its technology," the company said.

Optiscan said planning the nature and scope of its activities for 2010 was underway and would be finalized following the timing and outcome of the first in-human trial of the generation two endo-microscope which was expected by November 2009.

In addition to scheduled payments, Optiscan said it would be paid at commercial rates for providing both service support and training to Hoya.

Optiscan said its other major focus of activities was with Zeiss.

"Zeiss' financial and technical commitment to the project along with associated clinicians is very gratifying," Optiscan said.

Optiscan was up 2.9 cents or 70.7 percent to seven cents with 3.7 million shares traded.

HEARTWARE

Heartware and Thoratec have formally terminated the proposed takeover following the US Federal Trade Commission's opposition to the deal (BD: Jul 30, 2009).

Heartware was up 1.5 cents or 1.92 percent to 79.5 cents.

[STARPHARMA](#)

Starpharma says a clinical trial of 11 women demonstrated Vivagel retained antiviral activity against HIV and herpes simplex virus 2, following vaginal administration.

Starpharma said the study assessed the antiviral activity of Vivagel or SPL7013 Gel in cervico-vaginal fluid samples taken from healthy women immediately, then at one, three, 12 and 24 hours after separate vaginal doses of the product.

The company said the samples were tested for their ability to prevent HIV and Herpes simplex virus 2 (also known as HSV-2 or genital herpes) infection of susceptible cells in the laboratory.

Starpharma said the study showed that cervico-vaginal fluid obtained immediately after vaginal administration of Vivagel provided complete inhibition of HIV and HSV infection in vitro.

The company said that at one and three hours following administration of product, the initial high level of inhibition of HIV and HSV was retained in all women tested.

Starpharma said that at 12 and 24 hours following administration, more than 90 percent of the initial antiviral activity was retained for both HIV and HSV in more than half of the women enrolled in the study.

Starpharma said it was the first clinical study to demonstrate potent antiviral activity of any microbicide beyond one hour after administration of the product in humans.

The company said the data indicated the potential for Vivagel to be used other than immediately prior to sexual intercourse, that is, as a coitally-dissociated microbicide.

Starpharma said this meant that Vivagel could be applied some time prior to intercourse, but further testing in clinical efficacy studies was required to confirm this.

Starpharma chief executive officer Dr Jackie Fairley said the results were "extremely encouraging".

"They show not only an excellent level of activity, but also a sustainability of effect that exceeded our expectations," Dr Fairley said. "The retention of potent activity several hours after administration can only enhance the commercial prospects of Vivagel."

Starpharma said there were no serious adverse events during the study and the data indicated that Vivagel was well-tolerated.

The study was conducted at Melbourne's Centre for Clinical Studies in collaboration with the Burnet Institute and was funded by the US National Institutes of Health.

Starpharma was up eight cents or 21.6 percent to 45 cents.

[PHYLOGICA](#)

Phylogica says a European patent has been allowed for its anti-inflammatory Phylomer peptide, PYC35.

Phylogica said PYC35 had been shown to inhibit a pathway involving AP-1 signaling which was "critical for a range of inflammatory processes".

Phylogica said it had demonstrated efficacy of PYC35 for reducing AP-1 signaling in the promotion of wound repair and in accepted animal models of ischemia and neuro-degeneration, in which aberrant AP-1 signaling was implicated as a key mechanism.

Phylogica's vice-president of corporate development Prof Paul Watt said the allowance of the European patent was "a further important validation of the Phylomer libraries as a rich source for discovery of biologically-active peptides".

Phylogica said it intended to register a European patent in multiple European jurisdictions, including Germany, France, United Kingdom and Ireland and the technology was the subject of multiple pending patent applications and issued patents worldwide.

Phylogica climbed 0.9 cents or 18 percent to 5.9 cents.

[DIA-B TECH](#)

Dia-B Tech says its capital raising to fund the acquisition of Pallane Medical closed on July 31, 2009 with “a substantial shortfall in applications for shares in the offer”.

Dia-B said the offer was underwritten by Winteray Capital to \$12.5 million and it had served a shortfall notice for the underwriter to take up the shortfall.

The company said it expected applications to be lodged no later than August 10, 2009.

Winteray director Dr Jaydeep Biswas resigned as a director of Dia-B on August 2, 2009.

The Pallane deal was previously offered to another unnamed biotechnology company in mid-2008 including the payment of tens of millions of options to Phillippe Barros for his role as an “acquisition advisor”. The unnamed company did not proceed with the deal.

About the same time the Australian Securities and Investments Commission “disqualified Mr Phillippe Barros, of Keilor, Victoria, from managing corporations for five years”.

ASIC said in a June 30, 2008 media release “that Mr Barros failed to ensure that the companies kept proper financial records and managed corporations while disqualified”.

“ASIC also found that Mr Barros used his position as a director of Melbourne Coach Terminal to remove money from the company for his personal use,” ASIC said.

Biotech Daily has been told that Mr Barros attended meetings related to the Palane merger with Dia-B.

Dia-B is in a suspension and last traded at 1.4 cents.

[BENITEC. FERMISCAN](#)

Benitec has appointed Fermiscan’s chief scientist Dr Peter French as its part-time chief scientific officer, effective from today.

Benitec said Dr French was a cell and molecular biologist with experience in basic and clinical medical research and commercialization of biological intellectual property.

The company said his research areas included cell biology, immunology, infectious disease, including HIV/AIDS, neurobiology and oncology.

Benitec chief executive officer Sue MacLeman told Biotech Daily the appointment did not indicate any interest by Benitec in Fermiscan.

He was previously manager of the Centre for Immunology at Sydney’s St Vincent’s Hospital, founded the cord blood company Cryosite and helped establish Fermiscan.

Fermiscan’s “friendly merger” with Polartech to create a single women’s health company fell through in June 2009 following publication of an independent experts’ report critical of both companies (BD: Jun 29; Jul 31, 2009).

Benitec was up 0.3 cents or 11.11 percent to three cents.

Fermiscan was up 1.3 cents or 13.4 percent to 11 cents.

[TISSUE THERAPIES](#)

Tissue Therapies says it listed on the Frankfurt Stock Exchange over the weekend, following “recent interest from potential European investors”.

Tissue Therapies’ chief executive officer Dr Steven Mercer said he expected the volume of shares traded on the Frankfurt exchange to increase as Vitrogro results became more widely known and the resulting increased liquidity would benefit all shareholders.

Tissue Therapies rose two cents or 8.5 percent to 25.5 cents.

[NARHEX LIFE SCIENCES](#)

Narhex says its net operating cash burn for the three months to June 30, 2009 was \$125,000 with cash at the end of the quarter of \$7,000.

Narhex is in a suspension from trading and has previously said it was preparing its accounts for relisting (BD: Jul 17, 2009).

BIOTECH DAILY'S TOP 40 WITH MARKET CAPITALIZATION

Company \$Am	Aug-09	Jul-09	Jun-09
Cochlear	3,128	3,234	3,006
CSL	18,391	19,402	17,519
Resmed	3,643	3,809	3,488
Top 20			
Acrux	190	181	188
Alchemia	60	57	59
Antisense	21	21	22
Avexa	78	78	87
Bionomics	63	53	65
Biota	328	209	240
Cellestis	343	290	278
Chemgenex	169	184	142
Clinuvel	97	85	111
Heartware	204	274	289
Impedimed	60	58	63
Living Cell	43	43	43
Mesoblast	155	113	99
Novogen	80	53	84
Peplin	190	160	206
Pharmaxis	519	517	492
Phosphagenics	86	90	93
Sirtex	250	187	167
Starpharma	70	70	66
Universal Biosensors	132	145	181
Second 20			
Benitec	10	9	11
Bone Medical	15	18	18
Cathrx	23	20	23
Circadian	34	33	36
Compumedics	21	22	25
Cytopia	6	6	7
Genera	25	28	33
Genetic Tech	24	17	27
Labtech	18	12	13
Nanosonics	88	78	80
Optiscan	5	5	6
Phylogica	11	12	15
Prana	38	25	39
Progen	18	21	20
Psivida	50	38	39
Sunshine Heart	18	15	15
Tissue Therapies	14	13	15
Tyrian	8	6	8
Uscom	28	31	28
Viralytics	10	10	11

* Biotech Daily editor, David Langsam, owns shares in Alchemia, Chemgenex and Cytopia as well as non-biotechnology stocks. Through Australian Ethical trusts, he has an indirect interest in Cochlear, CSL, Genera and Pharmaxis. These holdings are liable to change at any time.

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