



Biotech Daily

Friday January 23, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECHS DOWN:
VIRALYTICS UP 9.5%, LIVING CELL, LABTECH DOWN 9%**
- * **PROGEN BACKS AVEXA MERGER, DETAILS UNLIKELY ALTERNATIVES**
- * **FORMER AGENIX CEO NEIL LEGGETT CHARGED WITH FRAUD**
- * **DONALD HOME RESIGNS AS TISSUE THERAPIES' DIRECTOR**
- * **BIO-MELBOURNE BREAKFAST: DR JOSHUA FUNDER ON FUNDING**

MARKET REPORT

The Australian stock market tumbled 2.8 percent on Friday January 23, 2009 with the S&P ASX 200 down 99.2 points to 3,387.6 points.

Six of the Biotech Daily Top 40 stocks were up, 13 fell, six traded unchanged and 15 were untraded.

Viralytics was best, up 0.4 cents or 9.52 percent to 4.6 cents with 36,000 shares traded, followed by Pharmaxis up 4.5 cents or 3.04 percent to \$1.525, with Novogen, Ventracor and Resmed up more than one percent and Cochlear Peplin and Sirtex up by less than one percent.

Labtech and Living Cell led the falls, both down one cent or 9.09 percent to 10 cents on small volumes.

Avexa and Polartech lost more than six percent; Cellestis and Prana were down five percent or more; Clinuvel fell 4.08 percent; Biota was down 3.41 percent; Chemgenex and Starpharma shed more than two percent; with Arana, Mesoblast and Progen down more than one percent; and CSL down 0.88 percent.

PROGEN AVEXA

Progen released a detailed explanation of the proposed merger with Avexa (BD: Dec 22, 2008) and listed possible alternatives should the merger not proceed.

In the media release to the ASX, Progen said its directors confirmed "their unanimous recommendation for the proposed merger with Avexa".

Chief executive officer Justus Homburg told Biotech Daily that the information had been previously announced but there had been many calls from shareholders wanting further explanation of the deal and alternatives if it did not proceed.

"If the merger does not go through there are four options, but they are not necessarily the only options," Mr Homburg said.

"We think the merger is a great opportunity," he said.

The Progen media release said the merger had the potential to deliver value in excess of \$1.35 per share and was in the best interests of shareholders as a whole.

Progen said Avexa's lead anti-HIV compound apricitabine or ATC was in a phase III trial with accelerated review and fast track status from the US Food and Drug Administration.

Progen said Avexa expected to release initial week 16 data results shortly after merger completion and week 24 data results in late 2010.

"Both milestones are expected to be major value inflection points and a market launch of ATC may be permitted following positive week 24 data," Progen said.

Progen said shareholders would receive extensive information on the proposed buyback offer and the proposed merger.

The buyback would follow Progen and Avexa shareholder meetings and court procedures approving the proposed merger.

A general meeting of Progen would be scheduled for the first week in March 2009 and Avexa is expected to hold its meeting in the third week of March.

Once court approval is obtained, Progen expects the merger to be fully implemented, and Progen's buy back offer to be completed, by mid April 2009.

Progen investors would have the option to maintain their holding in the new company, Avexa Pharmaceuticals, with an implied value of \$1.35 per share based on the exchange ratio and the share price of Avexa immediately prior to transaction announcement; sell their shares into the buy-back at \$1.10 a share; or sell part of their shares into the buy-back and maintain part of their shareholding in the merged company.

Progen said capping the off-market buy back at \$20 million or 18.18 million shares, about one third of Progen's current shares on issue, "balances the desire of shareholders for a significant cash return while providing sufficient cash in the merged entity to progress the combined portfolio including moving the lead compound ATC to the week 24 milestone of its phase III trial".

Progen said that if the merger did not proceed, the company previously said it intended the entire capital of the company be returned to shareholders.

Alternatives that may be considered by the Progen board include, but are not limited to a transaction with another biotechnology company which is unlikely as the Avexa merger is regarded by the directors as superior to other proposals; maintain the status quo; a partial return of capital, retaining enough cash to develop the majority of its early stage portfolio through to a potential value enhancing event; and a 100 percent capital return, but winding up Progen "carries uncertainties as to quantum and timing"

After taking into account the risks and rewards available under other options, Progen's directors "remain convinced that none of these options are as attractive as the current proposed merger with Avexa".

Progen fell 1.5 cents or 1.69 percent to 87 cents.

Avexa fell half a cent or 6.58 percent to 7.1 cents.

AGENIX

Former Agenix chief executive officer, Neil Ian Leggett, 55, has been charged with one count of fraud and will appear in a committal hearing in March.

A Queensland Police Service representative said a 55-year-old man has been charged with one count of fraud and appeared in Roma Street Magistrates on December 23, 2008. Police allege the man dishonestly induced a company he was director of to give money to an outside investment company with which he was associated with, the Police representative said.

A spokesman for Queensland Director of Public Prosecutions told Biotech Daily that Mr Leggett would appear in the Roma Street Magistrates Court on March 2, 2009 for a committal hearing (BD: Sep 16, 2008).

Agenix is in a voluntary suspension and last traded at 1.7 cents.

TISSUE THERAPIES

Tissue Therapies announced "with regret" that director Donald Home has resigned, following his appointment as Abbott Hematology's vice-president and general manager. Mr Home will be based at Abbott's offices in Santa Clara, California.

Tissue Therapies chairman Roger Clarke said the company had been "fortunate to benefit from Mr Home's extensive life sciences experience, particularly his product development and commercialization expertise at a pivotal time in the history of Tissue Therapies".

Mr Clarke said Tissue Therapies would seek a suitable non-executive director replacement as soon as practical.

Tissue Therapies was down 0.5 cents or 2.63 percent to 18.5 cents.

BIO-MELBOURNE NETWORK

The Bio-Melbourne Network's first Bio-Breakfast for 2009 on February 10, will be a seminar on the opportunities to source expansion funds outside Australia.

The Bio-Melbourne Network said that GBS Venture Partners investment manager Dr Joshua Funder would discuss overseas capital raising opportunities for Australian biotechnology companies and the breakfast was of particular importance for managers and boards in the face of difficult domestic capital markets.

Dr Funder will comment on options including London's Alternative Investment Market, Nasdaq, American Depositary Receipts, OTCQX and Asian markets - particularly China.

The Bio-Melbourne Network said Dr Funder would also discuss options for private equity and venture capital markets in the US, Europe and Asia.

The Bio-Breakfast will be held in the Supper Room, Melbourne Town Hall, Swanston St, Melbourne on February 10, 2009 with registration from 7.15am and the presentation from 8am to 9am.

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