



Biotech Daily

Monday June 29, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH DOWN: HEARTWARE UP 8%, POLARTECH DOWN 28%**
- * **REPORT SCOTCHES FERMISCAN-POLARTECHNICS MERGER**
- * **PHOSPHAGENICS TRANSDERMAL OPIOID PASSES SAFETY TEST**
- * **96% OF DIA-B INVESTORS BACK PALLANE TAKEOVER**
- * **CHEMGENEX QUILTS NASDAQ, LOSES 3 DIRECTORS, SAVES COSTS**
- * **CORRECTION: EASTLAND MEDICAL RAISES \$3.28m**
- * **PATRY'S HOPES FOR \$6.8m IN 1-FOR-6 RIGHTS ISSUE**
- * **PRIMA SHARE PLAN RAISES \$165k OF EXPECTED \$1m**
- * **ASSET SELECTION DOUBLES TO 10% OF CYTOPIA**
- * **CLAYTON UTZ'S ROBYN BAKER APPOINTED TO RESEARCH COUNCIL**
- * **BIO-MENTORING AUSTRALIA SUPPORTS CEOS**

MARKET REPORT

The Australian stock market fell 0.43 percent on Monday June 29, 2009 with the S&P ASX 200 index down 16.9 points to 3,886.9 points. Eight of the Biotech Daily Top 40 stocks were up, 18 fell, 10 traded unchanged and four were untraded.

Heartware was best, up six cents or 7.9 percent to 82 cents with 219,120 shares traded, followed by Phosphagenics up 7.4 percent to 14.5 cents. Prana climbed 6.7 percent. Mesoblast and Progen were up more than five percent; Impedimed rose 4.9 percent; Living Cell was up 2.8 percent; Resmed was up 1.6 percent; with CSL and Pharmaxis up less than one percent.

Polartech led the falls, down 2.5 cents or 27.8 percent to 6.5 cents with 413,818 shares traded, followed by Genetic Technologies down 16.4 percent to 4.6 cents and Cathrx down 11.1 percent to 40 cents. Bionomics and Clinuvel lost more than six percent; Peplin and Viralytics lost more than five percent; Avexa, Benitec and Cytopia fell four percent or more; Biota and Novogen shed more than two percent; Alchemia, Nanosonics and Sirtex fell more than one percent; with Acrux, Cellestis, Circadian and Cochlear down less than one percent.

FERMISCAN. POLARTECHNICS

Fermiscan directors have told their shareholders not to accept the Polartechnics three shares for two merger offer (BD: Apr 17, 20, 2009).

Citing the Lonergan and Edwards independent expert report, the three Fermiscan directors said the offer was “neither fair nor reasonable” and the offer should be rejected. Last week Fermiscan corporate strategist Leon Carr accepted the Polartechnics takeover offer provisionally providing Polartechnics with 28,557,827 shares (19.9%) through his company Relcain (BD: Jun 25, 2009).

Polartechnics chairman Robert Hunter told Biotech Daily “there have been some fundamental changes since the independent experts report”.

He said that at the time of the report, March 31, 2009 the offer may have been not fair and reasonable but the report did not take into account changes to Fermiscan’s share price and other matters.

Asked if the merger would continue, Mr Hunter said: “No comment.”

“We will continue to liaise and work cooperatively, because both companies have lots of synergies,” Mr Hunter said. “We can look again at this in the future.”

Mr Hunter said that if the merger was not successful, both companies would continue in their own directions.

Fermiscan said in its target’s statement that Polartechnics would need to raise more money and this would be further dilutive to Fermiscan shareholders accepting the three Polartechnics shares for two Fermiscan shares offer.

“Your directors are concerned about Polartechnics’ current financial situation and Polartechnics’ ability to fund its future operations. If you accept the offer and become a Polartechnics shareholder, you will be exposed to the risk that Polartechnics may not be able to fund its operations,” the three Fermiscan directors said.

Fermiscan said the independent expert reported that “Fermiscan security holders should note that the core patents with respect to Truscreen expire in around five years time and the majority of markets in which Polartechnics has signed distribution contracts have no patent protection... Further it should be noted that Polartechnics does not own the intellectual property associated with the flocked sampling surface to the Cerviscreen device, but rather has a exclusive licence to the product technology which expires in November 2010”.

“Although your directors can still see the benefits of merging the Fermiscan and Polartechnics businesses to realize synergies, gain access to distribution channels and create Australia’s largest women’s health diagnostics company, your directors are concerned about the financial viability of Polartechnics in the future in the absence of an immediate capital raising,” Fermiscan said.

“If Polartechnics raises sufficient capital to ensure continuation of its business and funding of its operations, your directors will give further consideration to the merits of the offer taking into account circumstances of both companies existing at that time,” Fermiscan said.

Although the experts report said Fermiscan had \$3.8 million at May 31, 2009, and noted there were legal costs involved in the case against the inventor of the company’s technology Prof Veronica James (BD: Apr 28, 2009).

But the independent experts report did not quantify the value of the legal costs, estimated by Dr James, solicitor at about \$1.4 million.

It is understood that both sides are able to walk away from the deal following the independent experts report.

Fermiscan was up 0.6 cents or 6.1 percent to 10.5 cents.

Polartechnics fell 2.5 cents or 27.8 percent to 6.5 cents.

PHOSPHAGENICS

Phosphagenics says a phase I 'repeat insult patch test' showed that repeated application of its formulation did not cause any significant erythema or sensitization in humans.

Phosphagenics said that during the three week induction phase of the trial tocopheryl phosphate mixture or TPM carrying oxycodone was applied every second day to the same area of the subjects' back and covered with an occlusive dressing.

The site of application was assessed every second day after patch removal and scored for redness and erythema.

During the challenge phase which occurred two weeks after the completion of the induction phase, the formulation was applied once to a new area of skin and assessed to determine whether an immune response had developed.

Phosphagenics said the open label, single centre study was conducted at the Royal Adelaide Hospital by principal investigator Dr Guy Ludbrook with 50 healthy, adult volunteers. The endpoints were the assessment of erythema and sensitisation.

The company said that over the three week induction phase, no patients exhibited erythema scores above 1 (on a scale of 0 - 4) with most scores registered as zero, demonstrating that TPM-Oxycodone did not cause irritation and was not an irritant.

Phosphagenics said all patients during the challenge phase had scores of zero establishing that TPM-Oxycodone was not a sensitiser.

The company said the results corroborated previous clinical studies demonstrating that TPM "significantly reduced erythema caused by tretinoin, also a known irritant".

Erythema (skin reddening) and sensitization can typically occur when opioids are exposed to the skin and have been a limiting factor in commercializing transdermal opioids.

Phosphagenics said oxycodone sales were more than \$US1.5 billion a year and the drug was one a leading pain management drug, being more potent than morphine with less adverse side effects.

It can be administered orally or intravenously and Phosphagenics said it was working to becoming the first company to offer patients suffering from chronic pain a gel or patch that will provide sustained-release of Oxycodone into the bloodstream.

Phosphagenics' said it had completed pre-clinical research showing that oxycodone was delivered in therapeutic doses when formulated with TPM into a gel or patch.

As part of these pre-clinical studies, the company conducted animal studies which established that its formula did not cause sensitization which needed to be verified in humans before the compounds could be commercialized

Phosphagenics said the results paved the way for a phase Ia pharmacokinetic study of the delivery of Oxycodone in patch systems and gels expected to begin by October 2009.

Phosphagenics was up one cent or 7.4 percent to 14.5 cents.

DIA-B TECH. PALLANE

Shareholders voting in the Dia-B general meeting have overwhelmingly backed the backdoor listing of Pallane.

All resolutions were passed with about 96 percent of reported votes in favor and just 2.6 percent against.

Dia-B said the company's securities would be placed in suspension until all events in relation to the completion of the acquisition of Pallane Medical, the resultant change of activities, and placement under the prospectus have been finalized.

The company said it expected the securities would be reinstated for trading on the ASX on or around July 31, 2009 on a post-consolidation and post-placement allotment basis.

Dia-B was untraded at 1.4 cents.

CHEMGENEX

Chemgenex says it will seek a voluntary delisting from the Nasdaq exchange and fully deregister from the US Securities and Exchange Commission to save compliance costs. Chemgenex said decision to delist and deregister was taken "following a detailed review of the limited benefits generated by the listing as compared to the significant, and growing, compliance costs of maintaining it".

The company said it was devoting "disproportionately large amounts of management time to meet numerous reporting and compliance obligations, such as the preparation and filing of periodic reports, annual reports ... and compliance with burdensome control issues at great expense".

Chemgenex chief financial officer Dr James Campbell told Biotech Daily that the company would save "several hundred thousand dollars" through the delisting.

Dr Campbell said there were about 59,000 American Depositary Shares trading in the US and each ADS was equivalent to 15 Australian shares and would trade over-the-counter. Chemgenex said delisting from Nasdaq meant the board could be reduced in size and Dr Dennis Brown, Donald Santel and Dr Julie Cherrington would resign as directors effective from July 20, 2009.

The company said they would continue their involvement as members of advisory boards. Chemgenex said it expected the de-listing would take effect from the close of trading in New York on July 20, 2009.

The company said that its American Depositary Shares would continue to trade as a Level 1 program in the over-the-counter market and there would be no changes to the current status of the American Depositary Shares.

Chemgenex was unchanged at 64 cents.

CORRECTION: EASTLAND MEDICAL SYSTEMS

Eastland Medical has raised the full \$3,281,000 available in its one-for-two non-renounceable share rights offer at three cents a share.

In Friday's edition (BD: Jun 26, 2009), Biotech Daily reported that said Patersons Securities had underwritten the rights issue to \$1.6 million and the company received subscriptions for the rights issue and the shortfall from existing investors for \$1.271 million or 42,372,712 shares.

Eastland Medical chief executive officer Dermot Patterson told Biotech Daily today that these figures were cumulative along with subscriptions for the rights issue shortfall.

Mr Patterson said the full amount had been raised.

Eastland fell 0.3 cents or 7.5 percent to 3.7 cents.

PATRYS

Patrys hopes to raise \$6.8 million through a one-for-six renounceable share rights offer at 25 cents a share.

Patrys said the funds would be used to advance lead products to clinical trials, maximizing out-licencing opportunities and pursue opportunities to accelerate its pipeline by acquiring human antibody therapeutics from third parties.

The record date for eligible shareholders is July 7, 2009.

The offer closes on August 12, 2009.

The offer has been conditionally underwritten by major shareholder PNK Holdings a company associated with director Michael Stork, subject to shareholder approval.

Patrys was up three cents or 30 percent to 13 cents.

[PRIMA BIOMED](#)

Prima Biomed says its share purchase plan raised \$165,000 for the issue of 2,357,143 shares at seven cents a share.

Prima executive director Martin Rogers told Biotech Daily on May 15, 2009 that the company hoped to raise about \$1 million from the company's 2,600 shareholders.

Prima fell 0.1 cents or 1.8 percent to 5.4 cents.

[CYTOPIA](#)

Asset Selection Advisers of West End, Queensland has increased its substantial shareholding in Cytopia from 4,315,761 shares (5.10%) to 8,281,983 shares (9.78%). Asset Selection bought the 3,966,222 shares on-market for \$311,452 or 7.85 cents a share.

Cytopia fell 0.3 cents or four percent to 7.2 cents.

[AUSTRALIAN RESEARCH COUNCIL](#)

The Minister for Innovation, Industry, Science and Research, Senator Kim Carr, has appointed Robyn Baker to the Australian Research Council's advisory council.

A media release from Senator Carr's office said Ms Baker was a partner in law firm Clayton Utz specializing in health, aged care, pharmaceuticals, medical devices and biotechnology.

Ms Baker is a director of the Bio-Melbourne Network and a former director of Metabolic Pharmaceuticals.

The media release said the appointment of Ms Baker to the council followed the resignation of Dr Elizabeth Jazwinska, now ARC executive director of biological sciences and biotechnology.

[BIO-MENTORING AUSTRALIA](#)

Bio-Mentoring Australia says it has established a program "to provide skilled and dedicated peer-level support" for life science chief executive officers.

Bio-Mentoring Australia founder Tom Williams says his group is composed of "experienced international biotechnology professionals" and will provide "highly skilled mentors who have real experience in key areas such as strategy, product development, deal-making and commercialization".

Each mentor has been at the forefront of international licensing negotiations and the everyday operations of biotech companies, the group said.

"The service will aim to provide CEOs with the chance to discuss issues and explore ideas with a seasoned professional who can take an independent view of the demanding ups and downs of biotech business management," a Bio-Mentoring media release said.

Bio-Mentoring Australia said it would provide chairmen, chairwomen and chief executive officers a choice of mentors, enabling them to select one with the most relevant and compatible knowledge and skill set for the company's objectives.