



Biotech Daily

Wednesday March 18, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX FLAT, BIOTECH UP: ALCHEMIA UP 24%; AVEXA DOWN 15%**
- * **FEDERAL \$83m FOR INNOVATION FUND; AUSBIOTECH RESPONSE**
- * **EDITORIAL: A PITTANCE IS A LOT BETTER THAN NOTHING**
- * **SENATOR ERIC ABETZ MARKS LABOR'S INNOVATION CARD**
- * **UNI OF SYDNEY DILUTED TO 13% OF MEDICAL THERAPIES**
- * **BIONOMICS CEO DR DEBORA RATHJEN WINS SINGAPORE GONG**

MARKET REPORT

The Australian stock market slipped 0.16 percent on Wednesday March 18, 2009 with the S&P ASX 200 down 5.6 points to 3,446.3 points.

Sixteen of the Biotech Daily Top 40 stocks were up, seven fell, 10 traded unchanged and seven were untraded.

Alchemia was best, up six cents or 24 percent to 31 cents with 1.4 million shares traded, followed by Chemgenex up 17.65 percent to 50 cents.

Antisense and Polartechncis climbed more than 14 percent; Universal Biosensors rose 11.11 percent; Cytopia was up 9.09 percent; Bionomics and Genera were up more than seven percent; Biota and Nanosonics both rose 5.4 percent; Phosphagenics was up 3.85 percent; Benitec, Cellestis and Progen improved more than two percent; Heartware was up 1.0 percent; with Circadian and Cochlear up less than one percent.

Avexa led the falls, easing two cents or 15.4 percent to 11 cents with 4.0 million shares traded, followed by Tyrian down 8.7 percent to 2.1 cents.

Resmed lost 5.6 percent; Pharmaxis fell 4.4 percent; Mesoblast was down 3.3 percent; Prana and Starpharma shed more than two percent; CSL lost 1.32 percent; with Sirtex down less than one percent.

INNOVATION INVESTMENT FOLLOW-ON FUND

The Minister for Innovation, Senator Kim Carr, has announced an \$83 million fund for early stage start-up companies “starved of funds due to the global financial crisis”.

In a media release and as part of his address to the National Press Club in Canberra Senator Carr said the Innovation Investment Follow-on Fund was “about ensuring a future beyond the financial crisis for our best and brightest start-up companies”.

“These firms are the next Cochlear, Gekko Systems and Resmed. They are doing ground-breaking work in cutting edge areas like clean energy, biotechnology and [information and communications technology],” Senator Carr said.

“If we lose these innovative companies we will never get them back,” he said.

“The companies that could benefit from this fund employ at least 1000 people in high-skill, high-wage jobs.

“In order to help these firms ride out the financial storm, \$83 million will be offered in follow-on funding to over 20 venture capital fund managers licenced by the Commonwealth under existing programs,” Senator Carr said.

A Department of Innovation official told Biotech Daily that the venture capital managers included funds related to CM Capital, Start-up Australia Ventures, GBS Venture Partners, Starfish Ventures, Sciventures and Four Hats Capital.

“The fund managers will use this money to invest in innovative firms bringing promising new technologies and services to market,” Senator Carr said.

“The venture capital sector has made it clear in consultations with the government that without this kind of support, good prospects will fail and fund managers will have no capacity to invest in new companies with great ideas and technologies,” he said.

“The government will finance the Innovation Investment Follow-on Fund by reinvesting money that was returned to the Innovation Investment Fund when firms it supported were floated or sold,” he said.

“Around \$83 million will be put back to work in the new fund,” Senator Carr said.

“Making this money available for reinvestment will boost confidence and help shake loose additional private sector capital,” Senator Carr said.

He said Dr Terry Cutler’s Review of the National Innovation System stressed the importance of a functioning venture capital market to the innovation process.

“The government will be providing a full response to the review as part of the budget process, but we are announcing this element now because the situation is so urgent,” Senator Carr said.

“It is essential that we help these fledgling companies ride out the crisis. They are precisely the kind of companies we want to have around when the recovery comes and we are looking for new pathways to prosperity,” Senator Carr said.

In his address to the National Press Club Senator Carr said “Australia’s most significant foray into this field [matching state aid for private research and development] is the Green Car Innovation Fund”.

“We promised the fund at the last election, but we have since increased its value from \$500 million to \$1.3 billion, and brought the starting date forward from 2011 to 2009,” Senator Carr said.

Ausbiotech chair, Dr Deborah Rathjen told Biotech Daily the \$83 million to be divided among biotechnology, information and communications technology and clean energy was “a small step in the right direction”.

“We are looking for tax credits and grants and at least a \$600 million response is required.

“In these challenging times Ausbiotech is calling for a positive response to the Cutler review [of innovation],” Dr Rathjen said.

BIOTECH DAILY EDITORIAL

The \$83 million announced by the Minister for Innovation, Industry, Science and Research Senator Kim Carr will be invested in promising early stage companies.

Biotechnology will only see a portion this money as it will be divided between clean energy, biotechnology and information and communication technology. Assuming an even one-third share, the six known eligible biotechnology venture funds will receive about \$5 million each, sufficient to provide significant capital to several companies apiece.

Biomd needs just \$860,000 to get its bovine cardiac patches to registration. Other companies have also reported a critical need for considerably less than \$1 million.

The good thing about the new funding is that it will allow companies that need to start to get their technologies into a competitive position, now, to do so.

It will also help by preventing what could be become quite a disruptive flat spot in the industry profile that will take a full innovation life cycle to be eliminated.

What the funding doesn't do is help those mid and later stage companies who are already at the crossroads.

It is true that government funds should not be used to prop up companies that just aren't good enough. All this would do is delay the inevitable.

While most government funding has been aimed at building a solid venture capital industry and an environment conducive to innovation and start-ups, they have forgotten that venture capital gets the industry only part of the way.

By comparison, biotechs remain early-stage companies a lot longer compared to companies in other industries due to their very long product lead times.

Once a biotechnology company has passed the venture capital stage, it still isn't generating revenues and has many years of dealing in complex technical, regulatory and financial environments before revenues will be seen. Standard later-stage investment funds simply don't have the expertise to add value in this area.

The government needs to look at how it can support good quality mid and later stage biotechnology companies, so that more can make it to the revenue-generating stage. The plan to do so could probably follow a similar outline to that used to support the development of the venture capital industry, find some talent and seed it with funds.

Biotech Daily's submission to the Cutler Review of Innovation included a call for significant tax breaks for investors who put money and keep it in specified companies, along with a raft of other measures, including encouraging superannuation funds to invest in the sector.

We believe a Federal Government investment of more than of \$1 billion is required to properly underpin the future of innovation in biotechnology.

Marc Sinatra
David Langsam

FEDERAL OPPOSITION

The Opposition spokesman on innovation Senator Eric Abetz says the Federal Labor Government has failed its promises on innovation.

Speaking to a Federation of Australian Scientific and Technological Societies 'Science Meets Parliament Forum' in Canberra, yesterday, Senator Abetz said the Minister for Innovation Senator Kim Carr was "the great under-deliverer".

Senator Abetz said that 12 months ago "there was a sense of great excitement in the general science, research and innovation community".

"Labor had come to power on the back of massive promises and expectation in this field," Senator Abetz said.

He said Labor initiated the Dr Terry Cutler innovation review, there was a review of the Cooperative Research Centre system and there were promises of more funding for universities and research institutions as well as the Australian Nuclear Science and Technology Organisation and the Commonwealth Scientific and Industrial Research Organisation.

"But all these hopes were dashed in the Rudd Government's first budget... instead of investing, they cut," Senator Abetz said.

He said the total percentage of Australian Government outlays on research and development had fallen "from 2.63 percent last year to 2.56 percent this year, the lowest in four years and the second lowest level in the past decade".

"And worst of all, shamefully, Labor ripped \$1.4 billion out of Australia's innovation economy with the axing of the critical Commercial Ready program," Senator Abetz said.

"Before the election, Labor had promised to 'revitalize' the Commercial Ready scheme.

"They'd even promised to 'streamline' the application process for Commercial Ready.

"Well, Mr Rudd certainly did that! No more paperwork!"

He said rather than excitement and expectation he is hearing "an increasing sense of frustration and bewilderment".

Despite spending \$52 billion in stimulus packages, under Labor, Australia is the only country not to invest in the innovation area as part of economic revival efforts.

"Indeed, dare I say it, there is a sense even in some quarters that looking back, relatively, things weren't so bad under the Coalition Government!

"Not that we were perfect, I hasten to add. There were many things we could have done, or could have done better, but didn't," Senator Abetz said.

He said he would address how to attract and keep more people in scientific disciplines, particularly teaching and how to best adopt and commercialize scientific discoveries.

"We are a global leader in medical science and research – so it follows, therefore, we should seek to do more to grow that as an industry – but not at the expense of our other areas of industry, might I add.

"While I am yet to decide on exactly how a future Turnbull Government will address this issue, I can categorically assure you of this: We will support our biotech sector.

"The Rudd Government and Senator Carr have... over-promised and under-delivered," Senator Abetz said.

He said the Opposition would "have policies on the table for the innovation, science and research sector which will provide growth opportunities for the sector".

"We will not over-promise and under-deliver. What we say, we will do," Senator Abetz said.

MEDICAL THERAPIES

The University of Sydney's substantial holding of 17,142,857 shares in Medical Therapies has been reduced by two dilutions from 35.6 percent to 13.1 percent.

The University of Sydney told the ASX that its last notice was on April 6, 2006 "but no notice lodged as not aware of any change".

In 2007, the University used its holding to oppose the reelection of chief executive officer and managing director Maria Halasz, a move that was reversed by the board (BD: Nov 19, 2007). The company and the University had a long-running dispute over payment for services.

Medical Therapies was untraded at 0.7 cents.

BIONOMICS

Bio-Singapore has awarded Bionomics' chief executive officer Dr Deborah Rathjen its 'Woman Entrepreneur Of The Year' award.

Dr Rathjen is also the chair of Ausbiotech.

The Bionomics media release said the judging panel included Ausbiotech chief executive officer Dr Anna Lavelle, the director-general of the Association of Biotechnology-Led Enterprises of India Dr Shrikumar Suryanarayan, the secretary-general of the Korea Biotechnology Industry Organization Dr Jonghoon Choi and Bio-Singapore chairman Dr Michael Entzeroth.

Bionomics was up 1.5 cents or 7.14 percent to 22.5 cents.