



# Biotech Daily

Wednesday March 25, 2009

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECH UP: PRANA UP 17%; GENETIC TECHNO DOWN 20%**
- \* **MANY AN M&A SLIP BETWEEN ARANA'S CUP AND CEPHALON'S LIP**
- \* **BIOPHARMICA CHARACTERIZES PROTEIN EXPRESSION**
- \* **ALAVEN BUYS IMMURON'S TRAVELAN FOR US SALES**
- \* **COPULOS GROUP PROVIDES HEALTHLINX \$3m DEBT FACILITY**
- \* **AVEXA 1-FOR-2 RIGHTS ISSUE TO RAISE UP \$14.9m**
- \* **IM MEDICAL TO BUY RADIOLOGY PRACTICE FOR \$3.3m IN SHARES**
- \* **CANDLESTICK TAKES 5.7% OF PHARMAUST**
- \* **PRIMA REQUESTS 'PATENT GRANT' TRADING HALT**

## MARKET REPORT

The Australian stock market climbed 0.82 percent on Wednesday March 25, 2009 with the S&P ASX 200 up 29.3 points to 3,609.3 points.

Eighteen of the Biotech Daily Top 40 stocks were up, six fell, eight traded unchanged and eight were untraded.

Prana was best, up three cents or 16.7 percent to 21 cents with 121,100 shares traded, followed by Cytopia up 13.6 percent to 12.5 cents.

Polartechncs climbed 9.1 percent; Chemgenex, Genera, Nanosonics and Universal Biosensors were up more than six percent; Mesoblast and Psivida were up more than five percent; Labtech, Living Cell and Starpharma were up more than four percent; Acrux, Cochlear and CSL were up more than three percent; Circadian and Progen rose more than two percent; Alchemia and Resmed were up more than one percent; with Arana and Novogen up less than one percent.

Genetic Technologies led the falls, down one cent or 20 percent to four cents with 28,000 shares traded, followed by Avexa down 19.1 percent to 8.9 cents with 6.0 million shares traded. Peplin and Viralytics fell more than five percent; Pharmaxis was down 3.4 percent; with Heartware down 1.6 percent.

## [ARANA](#)

In its target statement Arana has said there are advantages and disadvantages associated with Arana shareholders accepting the Cephalon takeover offer.

Arana said its directors considered the various factors in making their recommendation "and, on balance, have determined that the advantages outweigh the disadvantages".

The Cephalon offer is \$1.40 per Arana share with an undertaking that, if it acquires 90 percent of Arana's shares, the threshold for compulsory acquisition, the offer would be increased to \$1.45 (BD: Feb 27, Mar 2, 2009).

Arana said a special fully-franked dividend of five cents payable to all shareholders on the register as at March 30, 2009, would be set-off against the offer.

Arana's target statement said it was "party to various agreements with the Commonwealth Government of Australia for the provision of funding in respect of Arana's research and development activities" and the Commonwealth had the right to terminate agreements on a change of control of Arana and seek recovery of the past grant payments, with interest.

Arana said Cephalon had reserved the right to waive the 50.1 percent minimum acceptance condition, in which case Cephalon could acquire an interest above 19.8 percent but below 50.1 percent, giving Cephalon "a greater influence over the conduct of Arana's activities and may have an adverse impact on the liquidity of Arana shares".

"In this event, Arana would continue to operate as a stand-alone, ASX-listed entity and the board would determine the future business operations and strategies, which may not reflect current strategies," the company said.

Arana said the board was confident that, if the Cephalon offer did not proceed, its existing management would be well-placed to carry on the business to meet its current plans.

Arana said it had "adequate funding to complete the current phase II trials and, if the Cephalon offer does not succeed, will consider potential licencing and other commercialization alternatives to the extent such alternatives become available".

In a section of the target's statement entitled 'Implications of accepting the Cephalon offer' Arana said that its shareholders would "lose any potential future return on investment from the proposed commercialization of ART621 and any other activities Cephalon undertakes with respect to the Arana business".

"This assumes that an Arana shareholder views the offer consideration as not representing fair value for their Arana shares," the target statement said.

In his Bioguide on the Cephalon takeover (BD: Mar 2, 2009), Biotech Daily analyst Marc Sinatra compared the \$318 million offer to "\$182 million in cash, the purchase of Evogenix at an implied price of \$154 million and \$35 million or so in royalties to come in before their TNF patents expire – that's \$371 million in value right there".

"And that doesn't include Arana's enviable pipeline consisting of a drug in two phase II studies for psoriasis and rheumatoid arthritis, two cancer drugs in the pre-clinical stages of development and a third about to start pre-clinical studies," Mr Sinatra said.

Arana chairman Robin Beaumont told Biotech Daily that shareholders could be caught out if more than 50 percent but fewer than 90 percent of shareholders accepted the offer.

"The disadvantage of not accepting is that on our soundings more than half will accept,"

Mr Beaumont said. "If they don't get to 90 percent, shareholders will be in the minority and will have to rely on the goodwill of future Cephalon managements."

Arana's board of directors said they unanimously supported the sale of shares to Cephalon "in the absence of a superior proposal".

The Arana target statement said discussions had been held third parties, but at the time of publication, no superior offer had been made.

The offer opened for acceptances today and closes on May 1, 2009.

Arana was up one cent or 0.72 percent to \$1.39.

## BIOPHARMICA

Biopharmica's subsidiary Molecular Discovery Systems has conducted a protein characterization contract for the Lung Institute of Western Australia.

Biopharmica said its wholly-owned subsidiary characterized the expression of five proteins in human lung and mesothelioma cancer cells as well as their response to treatment.

The project was undertaken for the institute's Prof Kanti Bhoola and the company said that with the first phase of the project "nearing completion with highly satisfactory results" and preparation had begun for the next phase of the project, 'The effect of Bradykinin on mitogenesis'.

Biopharmica said the expression of five proteins within lung and mesothelioma cancer cells, as well as their response to treatment was required to support previous findings within Prof Bhoola's research program.

Image capture and analysis of the prepared plates was conducted at the Molecular Discovery Systems laboratory to provide the result of analysis documents detailing protein location and abundance.

Biopharmica said that as a result of the work, interest had been generated in other potential applications of the Incell Analyser 1000 for research purposes.

Molecular Discovery Systems and the Lung Institute of Western Australia are negotiating the incorporation of the analysis technology into other research programs.

Biopharmica said the Molecular Discovery Systems-owned Incell Analyser 1000 combined high resolution imaging and high-content analysis to provide a technology that "rapidly detects and quantifies components of the cell much faster than conventional methods".

The company said Molecular Discovery Systems was available for contract work and more details were at: <http://biopharmica.com.au/portfolio/mds/index.html>

Biopharmica was unchanged at 3.5 cents.

## IMMURON

Immuron (formerly Anadis) says Alaven Consumer Healthcare has concluded its first order of specific colostral antibodies used to manufacture Travelan for diarrhoea.

Immuron said the Georgia-based Alaven had begun online marketing of Travelan in the US through the website [www.travelan.org](http://www.travelan.org) using product manufactured in the US.

The company said initial internet sales would be followed by sales through other channels, including drugstore chains and travel clinics.

Immuron said Alaven was a private consumer health products company and was a sister company to Alaven Pharmaceutical, which develops and markets prescription products treating gastroenterological, women's health and anemia conditions.

The company said Travelan was used to treat travelers' diarrhoea, a clinical syndrome resulting from microbial contamination of food and water, due usually to gaps in local sanitation, and was most frequently caused by E coli toxins.

According to the US Center for Disease Control in 2008 30 percent to 50 percent of all travelers to high-risk areas, about 50 million people a year developed the illness.

Immuron said Travelan contained antibodies against 16 strains of E coli and had been shown in clinical trials to be effective in providing protection from infection with E coli.

Immuron's head of business development Dr Oren Fuerst said Alaven had "shown its ability to market products online and their expertise in doing so should further expedite the market penetration plan they had suggested to us last year when we signed the distribution agreement".

Immuron was unchanged at five cents.

## HEALTHLINX

Healthlinx has secured a \$3 million funding facility, provided by the company's largest shareholder, the Copulos Group.

Healthlinx said Stephen Copulos was the managing director of the Copulos Group and a non-executive director of Healthlinx.

The company said the funding facility expressed Mr Copulos's confidence in its product development and rate of commercialization.

"The Copulos Group investment strategy is to identify companies with strong intellectual property, near term global commercialization and first-to-market advantage," Mr Copulos said. "Healthlinx has a committed management and a low fixed overhead cost base and typifies the nature of the investments we seek."

"Our Group has successfully backed many private and public companies and we have every confidence that Healthlinx has the right mix of products and people," he said.

Healthlinx said the funding was a debt facility with draw-downs available over the next three years. The draw-downs will be interest-bearing at 12.5 percent a year with interest payable monthly.

At the lender's election, the draw downs can be converted into shares at 80 percent of the volume-weighted average price over the five trading days prior to the notice of conversion. Conversion is subject to shareholder approval.

Healthlinx managing director Nick Gatsios said the funding facility would enable the company to pursue all its current initiatives unhindered.

"This gives us the funds that give us the breathing space to meet the company's objectives in a methodical way," Mr Gatsios told Biotech Daily.

In a media release to the ASX Mr Gatsios said Healthlinx's foundation product, the Ovplex ovarian cancer test was on the market in Australia and had in-principle agreements for distribution in the United Kingdom, Singapore and other Asian countries.

"We expect to soon make further announcements on distribution of Ovplex to other markets," Mr Gatsios said.

"Healthlinx is also pursuing opportunities with its protein depletion technology patent in Europe and specifically seeking to develop and commercialize a dairy food additive that helps reduce body weight," Mr Gatsios said.

"Our major shareholder understands this business and its near-term potential value," Mr Gatsios said.

"In light of the funding difficulties facing many Australian biotech companies this is a superb outcome for Healthlinx," he said.

Healthlinx was up 0.3 cents or 5.45 percent to 5.8 cents.

## AVEXA

Avexa hopes to raise up to \$14.9 million through a one-for-two renounceable share rights offer of up to 212,337,507 shares at seven cents a share.

The company said the funds would be used "to strengthen the company's balance sheet through the provision of additional working capital; relieve the market perception of the capital risk within Avexa; continue to develop apricitabine (ATC) past the week-16 phase III endpoint due by June 30, 2009; provide additional leverage in our partnering discussions; and progress the wider Avexa portfolio of projects to value creating milestones".

The record date for eligible shareholders is April 3, 2009.

The offer closes on April 27, 2009.

Avexa fell 2.1 cents or 19.1 percent to 8.9 cents with 6.0 million shares traded.

### IM MEDICAL

IM Medical says it has in-principle agreement to acquire radiology and imaging business Melbourne Specialist Imaging for \$3,275,000 in shares.

IM Medical said the acquisition was “a complement to its Intelliheart testing product and as a part of increasing the suite of diagnostic products”.

The company said Melbourne Specialist Imaging was owned by radiologist, Mark Scott and interests associated with him and has six locations providing a range of diagnostic imaging services.

IM Medical said Melbourne Specialist Imaging was recognized as “the leading head and neck imaging practice in Victoria”.

The company said the transaction was conditional on, among others, due diligenc; shareholder approval; and execution of all requisite legal documentation.

The acquisition price is \$3,275,000, payable on completion of the transaction by the issue of 1,336,177,000 ordinary shares in IM Medical based on a share price of 0.2451 cents a share, being the volume weighted average price of the company's shares for the five trading days prior to March 17, 2009 along with the issue of 1,336,177,000 options over ordinary shares at an exercise price of 3.5 cents, exercisable for three years.

On completion of the transaction Mark Scott and associated interests would hold 48.5 percent of IM Medical's issued share capital, the company said.

IM Medical said that based on information provided and subject to an independent expert's report, the directors expect the acquisition would provide about \$7 million in revenue over the next 12 months and will be earnings accretive in 2008-'09.

IM Medical last traded at 0.2 cents.

### PHARMAUST

Candlestick of Thelma Street, West Perth, has become a substantial shareholder in Pharmaust with a holding of 14,600,000 shares or 5.73 percent of the company.

The company which cited Alan Bale as company secretary said it paid 1.9 cents a share between March 11 and March 23 2009.

Pharmaust was unchanged at 1.9 cents.

### PRIMA

Prima has requested a trading halt pending an announcement “regarding the grant of a patent”.

Trading will resume on March 27, 2009 or on an earlier announcement.

Prima fell 0.2 cents or 14.4 percent to 1.2 cents with 1.3 million shares traded.