



Biotech Daily

Friday May 15, 2009

Daily news on ASX-listed biotechnology companies

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MARKET REPORT

The Australian stock market climbed 1.34 percent on Friday May 15, 2009 with the S&P ASX 200 up 49.8 points to 3,773.2 points. Twenty-three of the Biotech Daily Top 40 stocks were up, four fell, four traded unchanged and nine were untraded.

Universal Biosensors was best, up 29 cents or 32.6 percent to \$1.18 with 308,245 shares traded, followed by Optiscan up 28.3 percent to 5.9 cents and Genetic Technologies up 23.3 percent to 5.3 cents.

Phosphagenics and Nanosonics climbed more than 14 percent; Starpharma was up 10 percent; Benitec improved 7.7 percent; Chemgenex, Progen and Viralytics were up more than six percent; Living Cell was up five percent; Acrux and Novogen were up more than four percent; Sirtex climbed 3.2 percent; Bionomics, Cellestis, Clinuvel, CSL, Pharmaxis, Prana and Tyrian rose more than two percent; Cochlear, Heartware and Peplin were up more than one percent; with Arana up by 0.74 percent.

Sunshine Heart led the falls, down 0.9 cents or 15 percent to 5.1 cents with 263,970 shares traded, followed by Biota and Polartech down more than four percent, Resmed down 3.5 percent to \$4.96 with 2.7 million shares traded and Alchemia down 2.6 percent.

UNIVERSAL BIOSENSORS

Universal Biosensors has signed a blood glucose diagnostic product agreement with partner Johnson & Johnson subsidiary Lifescan Inc.

Universal Biosensors said the amended and restated master services and supply agreement was originally signed in October 2007 and had been amended to incorporate the enhanced blood glucose product being developed by the Melbourne-based company. The agreement confirms Lifescan's intention to bring the enhanced blood glucose product to market, which was brought into question when Lifescan decided to delay its blood glucose test launch "to incorporate significant improvements" (BD: Feb 16, 2009).

Universal Biosensors said it would "benefit from milestone and manufacturing payments, as well as ongoing service fee payments of approximately one cent per blood glucose testing strip, based on the sale of test strips regardless of the manufacturing site.

The company said the service fee payments would continue as long as the partnership between was in force and Lifescan could end the relationship with agreed exit payments.

Universal Biosensors chief executive officer Mark Morrisson said about 16 billion glucose sensor strips sold globally each year and Lifescan was a major manufacturer.

Mr Morrison said revenue in the first 12 months after from approval, including milestone payments, manufacturing charges and service fees, was expected to be about \$25 million, in line with last year's estimate, prior to the delay for the enhanced product.

He said his company was assisting in product registration but Lifescan was responsible for the registration and marketing of the product.

"The value to UBI of these agreements continues to be dependent on Lifescan's commercial success with the product in the market place. However, we are very confident of Lifescan's marketing strength to make this a commercial success," he said.

Universal Biosensors climbed 29 cents or 32.6 percent to \$1.18.

VERVA PHARMACEUTICALS

Chemgenex spin-out Verva shareholders will vote to ratify a \$2 million capital raising that gives 33.13 percent control to the state-owned Queensland Biotechnology Fund.

Eighteen months ago QBF lost its chief executive officer Neill Colledge and Peplin director Cherrell Hirst has been acting chief executive officer since then (BD: Nov 2, 2007).

Biotech Daily has been told that QBF has lost several other staff members and the fund's managers have not returned Biotech Daily's telephone calls or emails.

At the same time QBF's parent fund the Queensland Investment Corporation has been trickling out its holding in Chemgenex, which was finally closed on May 4, 2009.

The Verva meeting will be asked to ratify the placement of a total of 116,162,926 series A preference shares composed of 73,609,734 convertible note shares and 42,553,192

subscription shares to QBF, GBS Genesis, MTAA Superannuation Fund and

Westscheme; and the Universities Innovation Investment Trusts (UIIT).

Approval will see QBF move from a 5.86 percent holder to 33.13 percent; GBS and associates from 3.03 percent to 30.47 percent and UIIT from 3.09 percent to 12.76 percent. All other major shareholders are below substantial.

The A class shares have priority if the company is wound up, but have equal voting rights to ordinary shares.

The meeting will be asked to elect directors, Chemgenex's Dr Greg Collier, Xenome's Dr Ian Nisbet, Cytopia's Andrew Macdonald and GBS Venture Partners' Dr Andrew Baker.

The meeting will be at Middletons Lawyers, Level 25, 525 Collins Street Melbourne on May 29, 2009 at 11am.

Verva is a public unlisted company.

SIRTEX

Sirtex says that it will have to pay founder and major shareholder Dr Bruce Gray's costs in the long-running intellectual property saga with the University of Western Australia.

Sirtex said that on May 14, 2009, Western Australia Supreme Court's Justice Rene Lucien Le Miere found in favor of Dr Gray that the restraints under the subscription and shareholders agreement were of no force and effect on the basis that they cease to have an effect because of the provisions of a supplemental subscription and shareholders deed raised by Dr Gray in an amendment to his claim on the third day of the hearing (BD: Dec 12, 2008).

The company said at that time that Dr Gray had argued that he ceased to hold shares in Sirtex for the purpose of the subscription and shareholders agreement on August 26 2008 "when his shares were acquired by a company owned and controlled by him".

Today, Sirtex said Justice Le Miere found that as a result, in substance, Dr Gray was successful in obtaining the relief he sought and ordered Sirtex to pay Dr Gray's costs of the proceedings including an interlocutory application brought by Sirtex in the proceedings.

Sirtex said that in the light of the reasons for the judgment, it was not necessary for the Court to make a finding about whether the restraint under the relevant employment contract was enforceable until its expiry on October 1, 2008.

Sirtex said it was appropriate to defend the proceedings brought by Dr Gray so that the enforceability of the contractual restraints could be determined by the Court.

Biotech Daily attempted to contact both chief executive officer Gilman Wong and chairman Richard Hill to establish the size of Dr Gray's costs and whether this was the end of legal proceedings but they were not available.

Sirtex was up 10 cents or 3.17 percent to \$3.25.

SUNSHINE HEART

Sunshine Heart says it hopes to raise \$5 million to \$8 million "following the milestone of the successful start" of its US C-Pulse aorta cuff trial.

Sunshine Heart said it required additional funding to take it through the present the US Food and Drug Administration approved investigational device exemption (IDE) trial of its C-Pulse heart-assist device.

The company said it would also require funds for the preparations for a more substantial FDA program planned to start in 2010 as the final stage of obtaining approval to market its products in the US.

Sunshine Heart chairman Nicholas Callinan said the company would explore all options open to it in the present market conditions.

"With the first C-Pulse implants working satisfactorily in the initial patients in the US, the milestone of starting the IDE trial has been achieved," Mr Callinan said.

"With other leading US medical centres actively recruiting patients for the next implants, we feel investors should be in a position to judge the progress of the company," he said. Separately, the company announced the retirement of Brian Bolton as chief financial officer and company secretary.

The company's financial controller Rowena Hubble has been appointed as company secretary.

Sunshine Heart fell 0.9 cents or 15 percent to 5.1 cents.

PRIMA BIOMED

Prima is offering eligible shareholders up to \$5,000 worth of shares at seven cents a share to raise up to \$1 million.

Prima executive director Martin Rogers told Biotech Daily that the company could raise up to \$3 million under ASX rules, but was hoping to raise about \$1 million from the company's 2,600 shareholders.

Prima said the principle purpose for the plan was to raise funds for the impending US Food and Drug Administration approved pivotal trials.

The company said shareholders at the record date of May 14, 2009 would be eligible to participate in the plan and shares can be bought in a range from \$1,000 to \$5,000.

The non-renounceable offer opens on May 22 and closes on June 24, 2009.

The company said that if it received applications for more than 42,857,142 shares, it may undertake a scale-back at its discretion.

Prima was up 0.3 cents or 4.6 percent to 6.8 cents with 6.5 million shares traded.

ARANA

Arana's revenue for the six months to March 31, 2009 was up 23 percent to \$24,193,000 but increased research and development spending gave the company a \$4,375,000 loss.

Arana said the majority of the increased revenue was royalty and licencing income.

The company said research and development spending increase 90 percent to \$20.5 million for the six months compared to the previous corresponding period.

Arana said it had cash reserves of \$179.3 million.

Arana was up one cent or 0.74 percent to \$1.36.

NEUREN

Neuren has told the ASX that is in compliance with the listing rules despite reporting a cash burn of \$958,000 in the three months to March 31, 2009 and having \$698,000 cash. Neuren told the ASX that despite its Appendix 4C announcement on April 30, 2009 that this was a measure of cash flow "rather than its revenues and expenses and accordingly the quarter's cash flows include expense items from the previous quarter that were subsequently paid in the quarter ended March 31, 2009".

"This included a number of Glypromate trial costs which were included in creditors in the December 31, 2008 year end audited financial statements," Neuren said.

The company said it had been in negotiations relating to two programs and it had concluded negotiations related to its preclinical cancer program.

Neuren said the New Zealand-based Breast Cancer Research Trust had committed \$1.18 million in funding to obtain definitive in vivo proof of efficacy for this program.

The company said this was expected to take 12 months at which time Neuren's majority-owned subsidiary, Perseis, would seek additional funding, licencing or co-development agreements to continue the program.

Neuren said the other negotiations were for development of NNZ-2566 through phase II trials and beyond.

"New investment is being sought to compliment the previously announced US Army funding," Neuren said. "These negotiations are ongoing and have taken longer than indicated in our response to you dated April 17, 2009, however the company believes that once these negotiations are concluded it will, in conjunction with US Army funding for the NNZ-2566 phase II trial, have funding available [for] more than two quarters of activities.

Neuren fell 0.6 cents or 14.3 percent to 3.6 cents with 1.7 million shares traded.

GENERA BIOSYSTEMS

Genera has requested a trading halt pending an announcement in relation to a capital raising.

Trading will resume on May 19, 2009 or on an earlier announcement.

Genera last traded at 47 cents.

MEDICAL THERAPIES

Medical Therapies has launched an online interactive investor road show kit to explain its technology and product development programs.

The company said the roadshow material contains a video interview with chief executive officer Maria Halasz, an independent research report, an investor presentation update and a live contact link to the CEO and key business units on the company's website.

Ms Halasz said Medical Therapies had "a very large asset portfolio and it can be difficult for investors to understand the key value drivers of our company".

"For the first time, a web based interactive road show gives control to the investor to get to their preferred level of detail about our business," she added.

Investors can access kit at <http://medicaltherapies0901.interactiveinvestor.com.au>

Medical Therapies was untraded at three cents.

APOLLO LIFE SCIENCES

Apollo's administrators Pitcher Partners say a March 30, 2009 meeting of creditors had resolved to accept a recapitalization proposal subject to shareholder approval.

Pitcher Partners said documentation was being prepared and would forward to shareholders when it was available.

Apollo is in voluntary suspension and last traded at four cents.