



Biotech Daily

Wednesday May 20, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECH DOWN: GENETIC TECHNO UP 9%, NOVOGEN DOWN 17%**
- * **CEPHALON HAS 50.38% OF ARANA, WANTS 90%; OFFER UNCONDITIONAL**
- * **NZ PATENT FOR BIOPHARMICA'S CORTICAL DYNAMICS**
- * **VIRAX RAISES \$300k**
- * **QUEENSLAND INVESTMENT CORP REDUCES TO 17% OF TYRIAN**
- * **STIRLING'S 2nd REPORT – MORE ASX IN WONDERLAND; JV PRICELESS**
- * **MINISTER GAVIN JENNINGS BACKS FAT-BUSTING MILK COMPOUND**

MARKET REPORT

The Australian stock market climbed 0.19 percent on Wednesday May 20, 2009 with the S&P ASX 200 up 7.3 points to 3,824.6 points.

Eleven of the Biotech Daily Top 40 stocks were up, 13 fell, eight traded unchanged and eight were untraded. All three Big Caps were down.

Genetic Technologies was best, up half a cent or 9.1 percent to six cents with 75,010 shares traded, followed by Peplin up 6.4 percent to 75 cents.

Biota climbed 4.6 percent; Cellestis and Pharmaxis were up more than three percent; Alchemia and Chemgenex rose more than two percent; Arana and Universal Biosensors were up more than one percent; with Circadian and Psivida up by less than one percent.

Novogen led the falls, down 17.5 cents or 17.1 percent to 85 cents with 255,981 shares traded, followed by Tyrian down 10.5 percent to 3.4 cents.

Tissue Therapies fell 7.7 percent; Benitec lost 5.4 percent; Living Cell, Nanosonics and Polartechinics fell more than four percent; Mesoblast, Resmed, Sirtex and Viralytics were down more than three percent, Impedimed and Clinuvel fell more than one percent; with Acrux, CSL and Cochlear down less than one percent.

ARANA

Cephalon International Holdings has achieved its majority control of Arana, increasing its holding from 111,992,629 shares (49.19%) to 114,694,378 shares (50.38%).

The change was through an increase in takeover acceptances (BD: Feb 27, Mar 2, May 14, 2009).

Cephalon said the offer was free of all defeating conditions and urged remaining shareholders to accept the offer which would be open until June 1, 2009 unless Cephalon extended the offer.

Cephalon offered \$1.40 per Arana share if it achieved 50.1 percent of acceptances and \$1.45 a share if it reached 90 percent allowing for a compulsory acquisition.

Arana climbed 1.5 cents or 1.1 percent to \$1.37.

BIOPHARMICA

Biopharmica says New Zealand has issued a patent entitled 'Method of monitoring brain function' to its investee company Cortical Dynamics.

Biopharmica said Cortical Dynamics was developing a depth of anaesthesia monitoring system for use during major surgery.

The company said the core technology was based on "real time analysis of the patients electroencephalogram using a proprietary algorithm based on a mathematically and physiologically detailed understanding of the brain's rhythmic electrical activity".

Biopharmica said the theory was developed by Swinburne University of Technology's Prof David Liley in Melbourne.

Nitrous oxide trial results were published in the journal 'Computers in Biology and Medicine' (Liley et al, Dissociating the effects of nitrous oxide on brain electrical activity using fixed order time series modeling. Comp. Biol. Med 2008 38;1121-1130).

Biopharmica said that to validate the results arrangements were being made to source data from clinical anaesthetic research centres in Europe.

Biopharmica was untraded at 3.9 cents.

VIRAX HOLDINGS

Virax says it has raised \$300,000 through the placement of 10,344,828 shares at 2.9 cents a share.

Virax said the funds would assist it to the next expected milestone payment from Transgene SA; be used for working capital; and facilitate the Southern African HIV clinical trial program.

Virax was up half a cent or 17.9 percent to 3.3 cents.

TYRIAN DIAGNOSTICS

Queensland Investment Corp has reduced its substantial holding in Tyrian from 44,398,060 (17.84%) to 41,899,136 shares (16.84%).

The state-owned Queensland Investment Corp sold the 2,498,924 shares for an average price of 3.93 cents each.

QIC has been said to be selling all small market capitalization stocks, but at the time of publication no one was available at QIC to confirm the claim.

Tyrian fell 0.4 cents or 10.53 percent to 3.4 cents.

STIRLING PRODUCTS

Stirling Products has published a supplementary independent experts report on its conditional agreement for a joint venture with related party Zodiac Capital.

Stirling is hoping to commercialize a Ukrainian compound which it claims has efficacy for tuberculosis, swine influenza and HIV/AIDS (BD: May 14, 2009).

Stirling said that "following the questioning of the independence of the originally commissioned independent experts report in certain media reports, the company appointed PKF Corporate Advisory to prepare a supplementary independent experts report" (BD: May 8, 2009).

In The Australian on May 5 and 8, 2009, Rebecca Urban said the previous report was authored by Alpha Securities which shares offices with and was a related party to Stirling and Zodiac Capital.

Stirling's managing director Peter Boonen told Biotech Daily on May 8 that he was also the managing director of Zodiac and Stirling director George Karantzas was the director of Alpha Securities but said the author of the report was "totally independent of the company but is licenced as a representative of Alpha Securities through which the final report was issued".

PKF said the ASX Listing Rules "do not define the term 'fair and reasonable'" and the Australian Securities and Investments Commission's Regulatory Guide 111 "Content of Expert Reports" establishes certain guidelines in respect of independent expert's reports, but does not define the term as used in the Listing Rules'.

Biotech Daily has previously reported that the ASX does not define 'material' for the purposes of its listing rules (BD: Apr 10, 2008).

PKF said that "having regard to the discussion in RG111, we have determined that the proposal is 'fair and reasonable' to shareholders if the perceived advantages of implementing the proposal outweigh the perceived disadvantages of implementing the proposal".

Under the question of fairness PKF said the 30 percent interest in the joint venture was being acquired by Stirling in return for the conditional commitment to fund up to 65 percent of the commercialization expenses to a maximum amount of \$1.2 million.

Both the commitment and any acquisition of additional interest or interests in the venture are at Stirling's option.

If Stirling contributes all the proposed funding of \$1.2 million to earn a 30 percent interest in the venture, the venture as a whole could be valued at \$4 million.

Under the heading 'Valuation of the Joint Venture' PKF said it considered assessing and comparing the fair market value of the joint venture and the consideration payable by Stirling.

"However, as there are not any available financial projections of the joint venture upon which we can rely, it is not possible to undertake the above assessment and comparison.

"We considered the valuation methods outlined in Appendix 3 in relation to the valuation of the joint venture.

"However, we are unable to determine a value for the joint venture for the following reasons: any value is dependent on the successful commercialization and sale of the Zocap Pharma products; and as the Zocap Pharma products are still at the pre-commercialization stage with regard to any marketing or strategy in any region, there is no reliably determinable level of projected future maintainable earnings and/or cash flows.

"Hence, the capitalization of future maintainable earnings and/or discounted cash flow valuation methods cannot be used to value the joint venture," PKF said.

Stirling was up 0.1 cents or 4.76 percent to 2.2 cents with 2.8 million shares traded.

VICTORIAN GOVERNMENT

Victoria's Minister for Innovation Gavin Jennings says a compound in milk could help combat disorders that increase the risk of cardiovascular disease and diabetes, At BIO 2009 in Atlanta Mr Jennings said the compound could reduce fat-muscle ratios and improve health and was "a genuine coup for public health".

In a media release Mr Jennings said metabolic syndrome was a combination of high blood pressure, high glucose and obesity that increased the risk of developing cardiovascular disease and diabetes, conditions suffered by 30 per cent of Australians that are an extreme burden on the medical system.

He said that the findings were achieved using a diverse range of Victoria's biotechnology research and manufacturing capabilities and showed the Victorian Government was taking action to improve the quality of life of not only Victorians, but people all around the world."

The media release said researchers from Victoria's Department of Primary Industries and MG Nutritionals, a division of Murray Goulburn Cooperative, found that the compound regeneration-inducing peptide for tissues and cells, when given daily to mice caused them to build more muscle and want to exercise.

The findings also showed an increase in muscle in mice not given exercise.

The media release said a good muscle-to-fat ratio was an important factor in reducing the incidence of metabolic syndrome and greater muscle mass was also a factor in burning fat.

Mr Jennings said metabolic syndrome was one of Australia's greatest health challenges and that it was important that discussions were underway to conduct trials of regeneration-inducing peptide for tissues and cells in people in Victoria.

"Results in mice so far have shown great promise highlighting once again the medicinal qualities of milk," he said.