



Biotech Daily

Tuesday May 26, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECH DOWN: PRANA UP 10%, LIVING CELL DOWN 9.5%**
- * **OPTISCAN SEES LIGHT AT THE END OF THE 2nd GEN MICROSCOPE**
- * **CYTOPIA, CANCER CRC IDENTIFY FOCAL ADHESION KINASE TARGET**
- * **CATHRX APPLIES FOR ATRIAL FIBRILLATION CATHETER CE MARK**
- * **BENITEC, CSIRO APPEAL US PATENT DECISION**
- * **HENRY CHUNG WINS \$50k DR PAUL BROCK STEM CELL SCHOLARSHIP**
- * **IMPEDIMED REQUESTS CAPITAL RAISING TRADING HALT**
- * **CEPHALON NEARS 60% OF ARANA**

MARKET REPORT

The Australian stock market climbed 1.35 percent on Tuesday May 26, 2009 with the S&P ASX 200 up 50.5 points to 3,788.4 points.

Nine of the Biotech Daily Top 40 stocks were up, 17 fell, six traded unchanged and eight were untraded.

Prana was best, up two cents or 10 percent to 22 cents with 31,000 shares traded, followed by Genera up 9.3 percent to 59 cents.

Nanosonics climbed 8.33 percent; Bionomics was up 6.1 percent; Starpharma and Universal Biosensors were up more than four percent; Phosphagenics was up 3.7 percent; Alchemia and Resmed rose more than one percent; with Psivida up 0.5 percent.

Living Cell led the falls, down two cents or 9.5 percent to 19 cents with 251,000 shares traded, followed by Genetic Technologies and Tyrian both down 9.1 percent.

Biota and Cytopia lost more than five percent; Pharmaxis and Sirtex fell more than four percent; Avexa and Labtech both lost 3.7 percent; Benitec and Viralytics both shed 2.86 percent; Acrux, Chemgenex, CSL and Heartware were down more than one percent; with Arana, Novogen and Peplin down by less than one percent.

OPTISCAN

Optiscan's newly appointed chairman Gus Holt (BD: May 14, 2009) says the company has tightened its belt, focused its projects and has raised enough cash to last a year.

Mr Holt said he began investing in Optiscan at its inception more than a decade ago and despite the difficulties, especially of the past year, the company appears to be on track to improve its fortunes.

"My objective in February was to move the company ahead without selling the farm," Mr Holt told Biotech Daily at Optiscan's offices in Scoresby, opposite the Commonwealth Scientific and Industrial Research Organisation's materials division and Melbourne's Monash University.

He said the company was about to receive up-front fees from Germany's Carl Zeiss Group and would receive milestone payments for the undisclosed research project with Zeiss relating to keyhole surgery.

Mr Holt said expenses had been dramatically reduced over the past 12 months with staff reduced from 50 to 13 people.

Mr Holt said the second generation confocal microscope was smaller, more advanced and less expensive than the first generation microscope and was compatible with high definition scopes.

"By October we will have the second generation in high definition scopes," Mr Holt said.

He said Optiscan had difficulties achieving targeted sales with Pentax (now part of Hoya) and with the ending of the contract with Pentax the company was free to do whatever deals it chose. Optiscan is awaiting further revenue of \$500,000 from Pentax.

"We don't need to partner. We can make the miniature microscope compatible with all endoscopes and rigid laparoscopes," Mr Holt said.

Optiscan chief executive officer Vicki Tutungi said that Pentax had about 15 percent of the endoscopy market while Olympus dominated with about 75 percent of the market.

She said the contract with Zeiss was for a low-volume, high-value project, with a second possible option with greater potential volumes.

"This will underpin the company - assuming the results are consistent with the first human trial with Zeiss," Ms Tutungi said.

She said more than 100 centres around the world were using the company's first generation microscope which allowed gastroenterologists to see tissue at the cellular level inside the digestive tract in real time. Instead of having to send a biopsy for laboratory analysis, a decision can be made during the colonoscopy or gastroscopy.

Optiscan's key inventor, optical engineer Chris Byrne, told Biotech Daily his initial brief was to reduce a microscope bigger than an adult fist down to the size of a thumb – about 2cm in diameter. The second generation microscope is 3.5mm in diameter, about 2cm long and is packed with electronics, along with a series of miniature lenses.

Ms Tutungi said there was a raft of applications for the confocal microscope in human medical applications.

"We've shown we can find microscopic colitis where normal gastroscopy won't find it," Ms Tutungi said.

"There's an infinite range of medical applications," she said.

Ms Tutungi said the microscope could do virtual biopsies on liver and was being trialed at Melbourne's Royal Women's Hospital to detect endometriosis which was "very painful and very hard to diagnose".

Mr Holt said the second generation microscope was the key to the company's success and at this stage had been given no value by the market.

He said that from October that should change.

Optiscan was untraded at five cents.

CYTOPIA

Cytopia says its target with the Cancer Therapeutics Cooperative Research Centre has been identified as the enzyme focal adhesion kinase, a protein involved in many cancers. Cytopia said the development of a pre-clinical drug candidate was based on intellectual property licensed from Cytopia to Cancer Therapeutics.

In May 2008, Cytopia and Cancer Therapeutics agreed that Cancer Therapeutics would develop a series of chemical leads discovered by Cytopia against the then unnamed cancer target.

Cytopia said focal adhesion kinase (FAK) was thought to play an important role in the growth, invasion, and spread of solid tumors.

The company said the inhibitors of FAK were the focus of research in a number of pharmaceutical and biotechnology companies worldwide.

The agreement with Cancer Therapeutics was structured to allow Cytopia to take up exclusive commercialization rights for any drug candidate or share with Cancer Therapeutics any partnering revenues and royalties for a candidate commercialized by the Cooperative Research Centre.

Cancer Therapeutics' scientific management group has reviewed the achievements of its research team over the past year and has promoted the project into the final lead optimization phase of drug discovery.

Cytopia said that milestone means additional Cancer Therapeutics staff and resources would be made available to further develop the lead series originally supplied by Cytopia. Cytopia said Cancer Therapeutics had established a multi-disciplinary team of scientists; rapidly developed three distinct chemical lead series; determined the three-dimensional structure of the FAK protein by crystallography with lead structures bound to the protein; and progressed one lead series to the lead optimization phase, with backup series identified.

Cytopia chief executive officer Andrew Macdonald said the collaboration was expected to deliver a preclinical drug candidate and his company would "have the opportunity to commercialize yet another cancer compound".

Cancer Therapeutics chief executive officer Dr Tony Evans said his team "accomplished a lot in a relatively short period of time".

"We plan to continue these successes as our program moves forward, adding significant value to the FAK project and other early stage cancer initiatives in Australia," Dr Evans said.

Cytopia fell half a cent or 5.88 percent to eight cents.

CATHRX

Cathrx has applied for Conformité Européenne (CE) marking of its advanced diagnostic, or Loop catheter.

Cathrx said the catheter had been designed for use in atrial fibrillation procedures and once approved, would be "one of the most advanced catheters of its kind on the market in Europe".

Cathrx chief executive officer Neil Anderson said the Loop catheter was "designed and purpose-built for electro-physiologists treating atrial fibrillation".

"The ability for the catheter's stylet to be withdrawn when required is a key safety feature," Mr Anderson said.

"The Loop catheter is another milestone in the development of our suite of product offerings and an important part of our European sales program," Mr Anderson said.

Cathrx was untraded at 55 cents.

BENITEC

Benitec says its partner the Commonwealth Scientific and Industrial Research Organisation has appealed a US Patent and Trademark Office decision.

Benitec said the CSIRO filed an appeal with the USPTO Board of Patent Appeals and Interferences on May 22, 2009 against the two remaining obviousness rejections in relation to the '099 Graham patent.

Benitec said the CSIRO appealed the decision of the examiner of November 2008 (BD: Nov 28, 2008), rejecting reexamined claims 4 to 7 and 10 to 28 in connection with the merged ex parte reexamination.

Benitec and CSIRO representatives met with the examiners in mid-February 2009 over the remaining re-examination issues.

Benitec said a response was lodged with the USPTO on February 26, 2009 including substantial arguments and an expert declaration against the remaining rejections which were based on the Fire et al patent to Carnegie Institute and secondary references.

Benitec said that although two other rejections were subsequently withdrawn, the examiners were not fully persuaded by the arguments and have maintained the obviousness rejections.

Benitec said it had assigned its share of ownership of the '099 patent to CSIRO, but this did not impact upon the commercial rights under the 2006 agreements with CSIRO.

Benitec said it and CSIRO were "fully committed to this patent and will file an appeal brief before the deadline at the end of July 2009". If the matter goes to an oral hearing at the Board of Appeal, Benitec said it would not be until 2010 "due to the backlog of appeals".

Benitec fell 0.1 cents or 2.86 percent to 3.4 cents.

DR PAUL BROCK SCHOLARSHIP

University of New South Wales doctoral student Henry Chung has been awarded the inaugural NSW Government Paul Brock Scholarship for stem cell research.

A media release from the Department of State and Regional Development's Office for Science and Medical Research said Mr Chung was investigating the potential of stem cells – particularly induced pluripotent stem cells - to treat people with Alzheimer's and Parkinson's disease.

A spokesman for the Department told Biotech Daily that the scholarship was worth \$50,000.

The media release said induced pluripotent stem (iPS) cells were cells treated to resemble embryonic stem cells in that they have the ability to regenerate and form into virtually any cell in the human body.

The Government media release said it was hoped that induced pluripotent stem cells could eventually be used to replace or repair damaged or diseased cells.

The scholarship is named after Dr Paul Brock, a motor neurone disease sufferer recognized for his significant contributions to public debate on stem cell science.

"The scholarship aims to help build NSW capacity in the use of iPS cell techniques in stem cell science," Dr Brock said.

"This award is about fostering and encouraging our next generation of researchers to ensure NSW continues to produce strong research leaders and remain at the forefront of research in this area," Dr Brock said.

Henry Chung said he was honored to be named the inaugural winner of the scholarship.

"Winning this scholarship will help me complete my PhD research, and at the same time gain new insights into the potential treatments of Alzheimer's and Parkinson's disease," Mr Chung said.

IMPEDIMED

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

Trading will resume on May 28, 2009 or on an earlier announcement.

Impedimed last traded at 75.5 cents.

ARANA

Cephalon International Holdings is close to 60 percent of Arana, increasing its holding from 129,559,826 shares (56.83%) to 135,880,065 shares (59.60%).

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

Cephalon has said the offer is free of all defeating conditions and has urged remaining shareholders to accept the offer which remains open until June 1, 2009 unless the bidder extends the offer (BD: May 20, 2009).

Arana fell one cent or 0.7 percent to \$1.36.