



Biotech Daily

Thursday May 7, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP; TYRIAN UP 17%, PHYLOGICA DOWN 12%**
- * **BIOTECHS BEWARE - THE VULTURE CAPITALISTS ARE CIRCLING**
- * **FEDERAL, VICTORIA GOVERNMENTS LAUNCH \$1b CANCER CENTRE**
- * **CSL DENIES US DECISION ON TALECRIS TAKEOVER**
- * **THE EMPIRE STRIKES BACK– NEW BIOSIGNAL DIRECTORS APPOINTED**
- * **NSW MINISTER JODI MCKAY OPENS CATHRX FACTORY**
- * **KARMELSONIX SELLS FIRST PULMOTRACK WHEEZE MONITOR**
- * **CEPHALON TAKES 38% OF ARANA**
- * **NORTHCAPE EXITS PROGEN**

MARKET REPORT

The Australian stock market climbed 1.85 percent on Thursday May 7, 2009 with the S&P ASX 200 up 71.6 points to 3,938.7 points.

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

Tyrian was best, up 0.5 cents or 16.7 percent to 3.5 cents with 180,000 shares traded, followed by Genetic Technologies up 0.4 cents or 8.9 percent to 4.9 cents.

Cellestis and Pharmaxis climbed more than five percent, the latter with 2.2 million shares traded; Clinuvel, Living Cell and Polartech were up four percent or more; Acrux, Avexa, Labtech and Starpharma climbed more than three percent; Alchemia, Novogen and Optiscan rose more than two percent; Sirtex was up 1.6 percent; with Arana and Biota up by less than one percent.

Phylogica led the falls, down 0.9 cents or 11.54 percent to 6.9 cents with 50,000 shares traded, followed by Peplin down 7.14 percent to 65 cents.

CSL lost 4.75 percent with 9.05 million shares traded; Progen and Psivida also fell more than four percent; Genera was down 3.1 percent; Bionomics, Chemgenex, Resmed and Tissue Therapies shed more than two percent; Heartware and Universal Biosensors lost more than one percent; with Cochlear down 0.84 percent.

EDITORIAL: VULTURE CAPITALISTS

Biotech Daily has heard three accounts of predatory behavior this week and the struggling end of the sector needs to protect itself from the vulture capitalists.

We are not talking about the serious venture capital investment houses who might strike a very hard bargain and then work diligently to commercialize a technology, but those who suddenly appear and are more interested in a company's tangible assets than the true potential of its products in development. Typically they offer a modest amount of cash at a very low price in return for appointing a director or three.

When your company has its back to the wall, any money is better than no money, right? Wrong.

The aim of the emerging biotech vultures is to take the company over, ramp the shares, strip the assets and get out. A formerly \$5 million company, down on its luck and worth just \$1 million suddenly is worth nothing while the invaders have smoked the cigars, drank the champagne and sailed off, all courtesy of the long-suffering shareholders.

Company A told Biotech Daily that such a group with a small holding attempted to buy into a fund raising. The CEO smelt a rat and took extraordinary measures to alter the terms of the raising to exclude the invaders.

Company B said that the predators came from nowhere, offered what looked like a reasonable deal including a gentle and sober reform of the board, but shortly thereafter started calling the shots to the so-called "independent" directors. The company was left in turmoil.

Company C was approached by telephone with an offer of a modest sum of money at a very low price in exchange for some space on the board. The executive chairman, himself a venture capitalist, requested a formal approach, a term sheet and some documentation. The vulture hung-up and flew away.

The reason that these birds of prey are circling the cash-stressed end of the biotechnology sector is the same reason for the day-trading we have seen in companies ranging from Prima and Neuron to Avexa and Biota. It is a sign of the health and robustness of the biotechnology sector.

The big-end of biotech is back, creating ideal conditions for pumping and dumping select small-end stocks.

There is more money to be made in our sector than gambling on resource stocks, this week.

If your company is approached by a previously unknown finance house with dubious intentions, offering a little money for a lot of control, think twice before grabbing that lifeline. The rope may not be tied to the boat.

David Langsam, editor
Mark Sinatra, analyst

PARKVILLE CANCER CENTRE

The Federal and Victorian Governments have jointly funded a \$1 billion 194-bed cancer research and treatment centre in the Parkville biotechnology precinct.

In a joint press release cancer Victoria's Premier John Brumby and Federal Health and Ageing Minister Nicola Roxon said the centre would "drive the next generation of progress in the prevention, detection and treatment of cancer [and] ... speed up the discovery of new treatments, house the nation's leading cancer researchers and provide a centre of excellence for people affected by cancer".

The media release said the Federal and Victorian Governments would contribute \$852.2 million, with the remainder to be funded from the sale of surplus land, the private sector and philanthropic donations.

A Victoria Government spokesman told Biotech Daily the land sale was the Peter MacCallum Cancer Centre in central Melbourne.

"This purpose built center will ensure Australia stays of the global forefront of cancer care," Mr Brumby said. "Our aim is for this centre to be one of the top 10 cancer centres of the world.

"The new centre will draw together the very best in cancer research and education, but will also ensure that cancers, including rare and complex cancers, are able to be treated at the very highest standard," Mr Brumby said.

"Over 100,000 new cases of cancer are diagnosed each year. The Australian Institute of Health and Welfare estimates that one in three men and one in four women will be diagnosed with cancer before the age of 75," Mr Brumby said.

Ms Roxon said Australia had a leading reputation in the provision of cancer care.

"While there have been significant increases in survival rates over the last 20 years for most types of cancer, the number of new cases and deaths from cancer is steadily rising with the ageing of the population," Ms Roxon said.

"This new facility will accelerate the development of new cancer treatments and improve cancer care for sufferers," Ms Roxon said.

Built on the former dental hospital site in the Parkville precinct, the centre will bring leading cancer research and treatment institutes; the Peter MacCallum Cancer Centre; the Ludwig Institute for Cancer Research, Melbourne Health which includes the Royal Melbourne Hospital; the University of Melbourne; the Walter and Eliza Hall Institute of Medical Research and the Royal Women's Hospital under one roof.

Victorian Health Minister Daniel Andrews said the alliance would provide a unique environment for the sharing of ideas and knowledge, which will in turn translate into improved patient outcomes.

"The centre will improve patient access to clinical trials, and improve care for patients with rare tumors and others forms of cancer," Mr Andrews said.

"The new facility would include 194 in-patient beds, 110 same-day treatment places and eight medi-hotel beds," he said.

Victorian Innovation Minister Gavin Jennings said the centre would have more than 30,000 square-metres of research space capable of accommodating up to 1400 researchers and a clinical trials facility with 24 treatment places.

"There will be educational and training facilities, an outpatient clinic and six radiation therapy bunkers," Mr Jennings said.

He said there was evidence that co-location of cancer research and treatment provided the best possible patient outcomes."

Demolition works on the site will commence in June with construction to begin in the first half of 2011. The centre is expected to be completed in by 2015.

CSL

CSL says no decision has been made by the US Federal Trade Commission regarding its proposed acquisition of Talecris Biotherapeutics.

CSL announced the bid last year (BD: Aug 13, 2008) and two months later received a request for additional information in a Second Request from the US FTC (BD Oct 13, 2008).

CSL said at that time it intended to respond "expeditiously" to the Second Request and the Trade Commission had not reached any conclusions on the acquisition.

CSL said last year that the request for additional information was "a normal part of the US regulatory review process under the Hart-Scott-Rodino Antitrust Improvements Act of 1976".

Today CSL said it had "become aware of market and media speculation regarding the proposed acquisition of Talecris Biotherapeutics".

CSL spokeswoman Dr Rachel David told Biotech Daily the media speculation was in a US magazine entitled 'The Deal'

CSL said the matter was being considered by the US Federal Trade Commission, including the potential for remedies.

"This development is not unusual and provides no indication that the deal will, or will not, proceed, or the timing of an FTC decision," CSL said.

CSL fell \$1.59 or 4.75 percent to \$31.91 with 9.05 million shares traded.

BIOSIGNAL

Biosignal has appointed three directors "pursuant to the terms of the placement mandate with Empire Investments".

Yesterday Biosignal announced the departure of three directors nominated by the Western Australia-based Empire Investments and appointed last week, banker Russell Baines, Ausbiotech director Dr Stewart Washer and Nick Hagan (BD: Apr 28, 2009).

Last week Biosignal said Empire Investments had acquired 12,000,000 shares (9.2%) at one cent a share and had nominated the three directors.

Today Biosignal said they would be replaced by Manraj Khosa who was described as "an experienced corporate attorney", commercialization executive Timothy Morrison, who is the research and development director at Western Australia's Murdoch University and Prof Michael Henderson who was described as having experience in business development in health and other fields in Australia and Asia.

Mr Khosa filed the incorrectly completed notice of substantial shareholding on behalf of Empire Investments on April 28, 2009.

Mr Khosa was formerly the company secretary of Pharmaust when Dr D'Sylva was managing director. Dr D'Sylva resigned from Pharmaust on August 3, 2007.

Mr Khosa said he was the principal of the Australasian region for Empire Investments which he said was an investment group composed of "a number of high net worth individuals".

He said that due to confidentiality provisions he could not reveal the identity of the principals or directors of Empire Investments.

There is no listing for an Empire Investments in the White Pages for Western Australia.

Dr D'Sylva told Biotech Daily that he had a relationship to Empire Investments but was not a principal or a director of the company and could not speak on its behalf.

He said Biosignal was facing many challenges including a lack of capital and near to market products.

Biosignal climbed 0.3 cents or 14.29 percent to 2.4 cents.

[CATHRX](#)

Cathrx says the New South Wales Minister for Science and Medical Research Jodi McKay opened the company's manufacturing facility in Sydney's Homebush Bay.

Ms McKay said the NSW Government had been a proud supporter of Cathrx during the last decade, providing funding and support to foster its growth.

"CathRx has received more than \$90,000 through the NSW Government's Bio-Business program and Australian Technology Showcase grants," Ms McKay said.

"It has also benefited from free and subsidized access to rooms and other infrastructure at the Government's Bio-First Biotechnology Precinct at the Australian Technology Park.

"I am pleased Cathrx has made the most of this support, with its own hard work and investment enabling it to expand and relocate to Homebush Bay," Ms McKay said.

Ms McKay said the company's success demonstrated the importance of investing in science and medical research.

"This is the type of industry we want for NSW – high skilled, high value jobs that have a real impact on improving people's lives."

Ms McKay said Cathrx had begun exporting cardiac catheters to Europe and had the potential to produce more than \$100 million worth of product annually for export following further expansions scheduled later this year.

Cathrx said it had TUV regulatory approval for the facility enabling it to sell all Conformité Européenne (CE) marked products manufactured at the site.

TUV (Technische Überwachungsvereine or Technical Inspections Organizations) is a German based body authorized to approve marketing of products within Europe and its representatives were at the opening to award certificates for the manufacturing facility and the company's Duodecapolar diagnostic catheter.

Cathrx said last week that it had received CE Mark approval for the Duodecapolar catheter, completing its portfolio of diagnostic catheters used in the diagnosis of atrial flutter.

Cathrx was untraded at 62 cents.

[KARMELSONIX](#)

Karmelsonix has sold its first Pulmotrack system of wheeze detection and quantification to the Royal Melbourne Hospital department of respiratory and sleep medicine.

Karmelsonix said the sale was "an important milestone" and opened the sleep laboratory market to the company's suite of wheeze detection devices, including the Pulmotrack and the soon to be released Wholter.

The company said that under the supervision of Royal Melbourne Hospital sleep physician Dr Jeremy Goldin the Pulmotrack had been used to assess patients who were being monitored for sleep disturbance.

Karmelsonix said overnight assessment using both poly-somnography for sleep apnea and the Pulmotrack for wheeze detection and quantification demonstrated that in a number of cases the rate of wheeze was high, whereas sleep apnea had been mild or non existent.

Dr Goldin said the trials "demonstrated the value of the Pulmotrack as a sophisticated tool for distinguishing different types of sleep disorders, in particular sleep apnea on the one hand and wheeze-related disorders such as asthma on the other".

"The use of this tool not only for the differentiation but also ongoing monitoring and management of the sleep conditions is an important development," Dr Goldin said.

Karmelsonix was unchanged at 4.8 cents.

ARANA

Cephalon International Holdings increased its substantial shareholding in Arana from 83,859,077 shares (36.84%) to 86,165,574 shares (37.85%).

The change was through an increase in takeover acceptances (BD: Feb 27, Mar 2, May 6, 2009).

Arana was up one cent or 0.73 percent to \$1.385.

PROGEN

Northcape Capital has ceased its substantial shareholding in Progen.

Northcape said it last bought shares on October 9, 2008 and sold 4,873,455 shares on April 30, 2009.

Progen fell four cents or 4.35 percent to 88 cents.