



Biotech Daily

Wednesday November 25, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP; BENITEC UP 17.5%; GENETIC TECHNO DOWN 20%**
- * **FORTREND INVESTING IN STRUGGLING BIOTECHS**
- * **ALCHEMIA RIGHTS ISSUE TO RAISE \$15.5m FOR PHASE III TRIAL**
- * **NEUREN APPOINTS QRX'S DR JOHN HOLADAY DIRECTOR**
- * **GENETIC TECHNOLOGIES LOSES FRED BART, GAINS TOM BONVINO**
- * **SECOND CORE US PATENT FOR TISSUE THERAPIES**
- * **ORBIS TAKES 7.7% OF STARPHARMA**
- * **CVC TAKES 19% OF CYCLOPHARM**
- * **LIVING CELL APPOINTS PETER HOSKING OPERATIONS MANAGER**
- * **DR REUTER WEB CONFERENCE ON EURO INVESTMENT**

MARKET REPORT

The Australian stock market bounced back 0.8 percent on Wednesday November 25, 2009 with the S&P ASX 200 up 37.2 points to 4,722.2 points. Fourteen of the Biotech Daily Top 40 stocks were up, 13 fell, nine traded unchanged and four were untraded. All three Big Caps were up.

Benitec was best, climbing 0.7 cents or 17.5 percent to 4.7 cents with 275,000 shares, traded, followed by Antisense up 8.2 percent to 6.6 cents.

Tyrian climbed 6.25 percent; Compumedics and Sunshine Heart were up more than five percent; Cochlear climbed 4.75 percent; Mesoblast was up 3.6 percent; Acrux, Avexa and Genera rose more than two percent; with Cellestis, Heartware, Novogen and Resmed up more than one percent.

Genetic Technologies led the falls, down 1.1 cents or 20 percent to 4.4 cents with 177,850 shares traded, followed by Optiscan down 7.2 percent to nine cents.

Alchemia lost 6.9 percent; LBT and Viralytics fell four percent or more; Phosphagenics shed 2.5 percent; with Bionomics, Clinuvel and Starpharma down more than one percent.

FORTREND SECURITIES

Fortrend Securities investment banker Chris Holly says his company wants to invest in promising, but cash-challenged, biotechnology companies.

Mr Holly told Biotech Daily that Fortrend had investments in other sectors, notably, resources, but was increasing its exposure to the life sciences sector.

He said Fortrend had invested through its specialized equity draw-down facilities in companies including Acuvax, Avita, Immuron, Pallane and Prima.

Mr Holly said the agreements were straightforward equity draw-down facilities, but included protection for the companies, with guarantees that Fortrend would not short-sell shares or lend them and that share purchases were limited to no more than a 10 percent discount to the weekly volume weighted average price.

Mr Holly said the company was created by US investor Joe Forster who had seen funds that provided similar facilities but were less honorable in their dealings with small companies.

According to Fortrend's website <http://www.fortrend.com.au> Mr Forster started his career in the research department in New Yorks Smith Barney, where he developed the 'relative value model, "which was extremely successful in selecting stocks that would outperform the market".

The website said that in the late 1980s Mr Forster moved to Australia, with the career idea to bridge US and Australian capital markets and took a job working as an investment banker for the country manager of Merrill Lynch Capital Markets.

Mr Forster was involved in large global transactions in debt, equity and quasiequity markets.

The website said Mr Forster was "very active in the American Chamber of Commerce and sponsors and hosts events on a regular basis".

"The relative value model is the core of Mr Forster's stock selection process and has helped him to beat the market on a consistent basis over the past 15 years," the website said.

It is generally published on a monthly basis and Mr Forster follows it with a presentation for customers in which he "encourages participation and hard questions" the website said.

Mr Holly acknowledged Biotech Daily's observation that Fortrend was neither a cornerstone investor nor was it a lender of last resort, but rather somewhere in between. He said Fortrend did not intend to be an activist investor, but was effectively a short to medium term equity investor.

Mr Holly said the company's preference was to remain below the 5.0 percent substantial shareholder threshold.

He said that part of the strategy was to sell previously held shares when it provided new funds for new shares.

He said the shares were trickled out so as not to disrupt the share price and the process provided greater liquidity.

Mr Holly said companies often faced the choice of diluting existing shareholders or running out of funds.

But Mr Holly agreed with Biotech Daily that some companies having raised the funds to reach specific milestones such as completing a trial, have seen their share prices rise, despite the dilution.

For Fortrend to be profitable, the model requires continuous requests for cash in exchange for issued shares.

Mr Holly said Fortrend was actively looking for life science companies with good technologies, management and boards that were having difficulty finding funds.

Fortrend is a private company.

ALCHEMIA

Alchemia expects to raise \$15.5 million through a two-for-11 renounceable share rights offer at 53 cents a share, primarily to fund its phase III HA-Irinotecan trial.

Alchemia said the rights issue was fully underwritten by RBS Morgans Corporate.

The company said the funds would be used primarily for a pivotal phase III trial for HA-Irinotecan, which would not begin patient recruitment, until Alchemia received formal approval from the US Food and Drug Administration for fondaparinux (synthetic heparin).

Alchemia said the modified phase III trial is expected to be a randomized and double-blinded of 330 second-line metastatic colorectal cancer patients; with half the patients receiving HA-Irinotecan in combination 5-fluorouracil and leucovorin (test arm) and half will receive unmodified irinotecan with 5-fluorouracil and leucovorin (control arm).

Alchemia said the trial would be conducted over several sites and regions, including the US, Europe and Australia with a primary endpoint of progression-free survival.

Funds will also be spent on pre-clinical research evaluating the effectiveness of the Hyact platform in targeting cancer stem cells; preparing for the filing for approval of fondaparinux in the European markets; assessing the viability of using fondaparinux sodium in oral forms of administration; and the support for a physician initiated phase I/IIa trial for HA-Irinotecan as a cancer stem cell targeted therapy in first line treatment of extensive small cell lung cancer.

The record date for eligible shareholders is December 3, 2009, the offer opens on December 3 and closes on December 23, 2009.

Shareholders may apply for additional shares under the top-up facility, in addition to their entitlement or may elect to sell their rights on market.

At the company's annual general meeting, the award of "equity incentives" to chief executive officer Dr Pete Smith was opposed by 3,999,833 proxy votes (7.15%) with 51,895,401 proxy votes (92.85%) in support.

All other resolutions were passed by wider margins.

Alchemia fell five cents or 6.9 percent to 67.5 cents.

NEUREN PHARMACEUTICALS

Neuren has appointed QRX chief executive officer Dr John Holaday as a directors.

Neuren chairman Dr Robin Congreve said the company would be significantly strengthened by Dr Holaday's 40 years of experience as a scientist, executive manager of biotechnology and biopharmaceutical companies, and banker.

Dr Holaday is chief executive officer QRX Pharma which specializes in pain and central nervous system diseases.

Neuren said Dr Holaday had built five public and private biopharmaceutical companies over the past 21 years and raised more than \$US450 million in capital.

Dr Holaday founded Entremed in 1992 and served as its chairman, president and CEO until his retirement in 2003 and was the co-founder, director, scientific director and senior vice president of Medicis Pharmaceutical Corp.

Neuren said Dr Holaday was the founder and chief of the Neuropharmacology Branch at the Walter Reed Army Institute of Research for 21 years.

Dr Holaday was Ernst and Young's Entrepreneur of the Year in 2006, holds more than 60 patents, has published more than 200 scientific articles and reviews and edited five books.

Neuren was up 0.1 cents or 2.4 percent to 4.2 cents.

GENETIC TECHNOLOGIES

Genetic Technologies has appointed Tommaso (Tom) Bonvino as a non-executive director following the resignation of co-founder and former chairman, Fred Bart.

Director Sid Hack has been appointed as the company's chairman.

Genetic Technologies said that Mr Bonvino, 49, had more than 27 years experience in consumer marketing and product development.

Most recently he was managing director and chief executive officer of IM Medical.

Mr Bonvino has managed companies for Italian, Spanish and French firms, distributing and marketing goods throughout South-East Asia.

Genetic Technologies said Mr Bonvino had established strong bilateral trade relationships between Australian and European companies in the technology and consumer goods sectors.

Mr Bonvino was previously on the board of Penleigh & Essendon Grammar School and was a board member of the Italian Chamber of Commerce from 2001 to 2009, the last four years as vice-president.

Genetic Technologies fell 1.1 cents or 20 percent to 4.4 cents.

TISSUE THERAPIES

Tissue Therapies says the US Patent and Trademark Office has issued a notice of allowance for the second core Vitrogro patent.

Entitled 'Growth Factor Complexes and Modulation of Cell Migration and Growth' Tissue Therapies said the patent had been accepted and would be granted when the issue fee was paid.

The company said the payment had been made and the patent follows the prior granting of Vitrogro patents in the US, South Korea, South Africa, Australia and New Zealand.

Tissue Therapies chief executive officer Dr Steven Mercer the patent examination process was "progressing well in other jurisdictions and I anticipate that we will be able to announce the granting of further patents over the next 12 months".

Tissue Therapies was unchanged at 17 cents.

STARPHARMA

Orbis Investment Management has become a substantial shareholder in Starpharma with a holding of 18,244,802 shares or 7.69 percent.

Orbis acquired the shares for \$8,843,623 or an average of 48.5 cents a share through a range of different accounts, between July in November, including participation in the recent placement (BD: Nov 18, 2009).

Starpharma fell one cent or 1.7 percent to 59 cents.

CYCLOPHARM

Sydney-based venture capital firm CVC Limited has increased its substantial shareholding in Cyclopharm from 30,460,158 shares (17.81%) to 32,264,378 shares (18.86%).

The 1,804,220 shares were bought on-market between July 27 and November 17, 2009 for \$152,780 or 8.47 cents a share

A CVC executive told Biotech Daily the shares were held in a 99 percent subsidiary Stinoc Pty Ltd.

Cyclopharm was up one cent or 11.1 percent to 10 cents.

LIVING CELL TECHNOLOGIES

Living Cell has appointed Peter Hosking as operations manager, reporting to chief executive officer Dr Paul Tan.

Living Cell said Mr Hosking would be responsible for diabetes research and development, quality assurance, production and encapsulation.

The company said the new position enabled the inter-related functions to be coordinated by one person.

Dr Tan said the appointment was made at “a very important time ... with the start of our New Zealand trial of Diabecell earlier this year”.

Dr Tan said the company would expand its New Zealand facilities and capabilities as the trial process and commercialization progressed.

Living Cell said Mr Hosking held senior operations management positions in ICPbio (NZ), Nufarm Health & Sciences (NZ), Pfizer (USA & UK) and Glaxo UK.

Mr Hosking holds a Bachelor of Technology degree from Massey University and a Masters of Business Administration from the University of North Carolina.

Living Cell was unchanged at 28.5 cents.

DR REUTER INVESTOR RELATIONS

Dr Reuter Investor Relations is hosting a web conference tomorrow November 26, 2009 to discuss European investment into ASX-listed life science companies.

Dr Reuter’s consultant Dr Chris Booth says speakers will address the style, processes and mandates of European institutional investors, when considering investment in ASX-listed life science companies.

Presenters include Samuel Stursberg from Switzerland’s Adamant Biomedical Investments AG; Dr Olaf Zilian from Helvea, Switzerland; Marcel Wijma of Van Leeuwenhoek Research in the Netherlands; and Thomas Hoffmann of Germany’s Murphy & Spitz.

The web conference will be held at 6pm (AEDT).

Further details can be found at www.dr-reuter.eu/images/download/webcon09.pdf.

Participation in Dr Reuter events are by invitation only and expressions of interest are to be sent to Dr Booth by email to: cbooth@dr-reuter.eu, or call +61 (0) 413 025 285.