



# Biotech Daily

Thursday April 22, 2010

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECH DOWN: CELLMID UP 11%; PRANA DOWN 11%**
- \* **AUSBIOTECH: 'DON'T DELAY R&D TAX CREDIT'**
- \* **AFG'S KAREN DADO: 'PARTNERSHIPS ARE HORSES FOR COURSES'**
- \* **HUNTER SAYS HI-164OV REDUCES HOSPITAL VISITS BY 90%**
- \* **XENOME CONVERTIBLE NOTE RAISES \$10m; DR WILLIAM ROTE RESIGNS**
- \* **PHYLOGICA APPOINTS OXFORD BIOMEDICA'S NICK WOOLF DIRECTOR**

## MARKET REPORT

The Australian stock market fell 0.95 percent on Thursday April 22, 2010 with the S&P ASX 200 down 46.9 points to 4907.4 points.

Fifteen of the Biotech Daily Top 40 stocks were up, 16 fell, five were unchanged and four were untraded. All three Big Caps were down.

Cellmid was best, up 0.3 cents or 10.7 percent to 3.1 cents with 64.2 million shares traded, followed by Genetic Technologies up 7.5 percent to 4.3 cents.

Clinuvel climbed 6.5 percent; LBT was up 5.3 percent; Heartware and Novogen were up more than four percent; Bionomics, Phosphagenics and Sirtex were up more than three percent; Viralytics and Tissue Therapies rose more than two percent; with Chemgenex up 1.25 percent.

Prana fell a further two cents or 10.8 percent to 16.5 cents with 1.2 million shares traded following a 57 percent rise on April 20 and a retreat of 15.9 percent yesterday.

Patrys lost 10.7 percent; QRX lost 9.2 percent; Phylogica fell 5.3 percent; Antisense was down 4.8 percent; Alchemia, Avexa, Starpharma, Sunshine Heart were down more than three percent; Benitec shed 2.4 percent; with Biota, CSL and Universal Biosensors down more than one percent.

## [AUSBIOTECH, FEDERAL GOVERNMENT, AUSTRALIAN INDUSTRY GROUP](#)

Ausbiotech wants the Federal Government to ignore calls by the Australian Industry Group to delay implementation of the Research and Development Tax Credit legislation. Ausbiotech chief executive officer Dr Anna Lavelle told Biotech Daily that any delay to the proposed 45 percent tax rebate cash payment for research and development due to begin on July 1, 2010, could jeopardize the scheme.

"If it's delayed, the Government could go into caretaker mode [before an election] or even lose office and that would be the end of it," Dr Lavelle said.

"Biotechs have waited long enough for this scheme and any further delay would be unacceptable," Dr Lavelle said.

Dr Lavelle referred to comments from the Australian Industry Group that the final draft of the proposal tightened the definition of research and development.

But Dr Lavelle said that there were some members of the AIG who wanted a looser definition so that mining companies could make a "whole of mine claim" including roads and airstrips.

She said the Federal Government narrowing of the definition brought claimable items into line with the usual activities of biotechnology companies, such as synthesizing drugs for diseases, developing new diagnostic tests or inventing new medical devices.

Dr Lavelle said that if the Australian Industry Group negotiated amended clauses, it would not harm the biotechnology sector, but any delay would threaten the entire scheme.

Dr Lavelle said the funds for biotechnology and innovation were "scarce enough as it is without jeopardizing a scheme that was well received and has taken one year to discuss".

The Australian Industry Group's policy director Dr Peter Burn told Biotech Daily that his organization was concerned about the eligibility criteria published by the Government earlier this month and the little consultation time to respond.

Dr Burn said the AIG was not attempting to broaden the eligibility definition so that its members could claim off-the-shelf computer programs or roads to mines.

Dr Burn said the Federal Government needed to specify what it wanted to achieve and then tax experts should discuss and frame the criteria.

Through a media officer, Innovation Minister Senator Kim Carr told Biotech Daily that consultations on the Second Exposure Draft of the R&D Tax Credit closed this week, the legislation was expected to be introduced into Parliament in the next sittings and the Government would refer the legislation immediately to a Senate committee.

"I fully support Dr Anna Lavelle's call for no more delay in introducing the R&D Tax Credit," Senator Carr said.

"The benefits of the new R&D Tax Credit are far-reaching. It will boost investment in research and development, which is essential to strengthening Australian companies, so they become more innovative, productive and prosperous and are better able to create jobs for the future," Senator Carr said.

"The changes are necessary because the current Tax Concession is not delivering enough of an incentive to small and medium enterprises - the engine room of the future economy," he said.

"In terms of the biotechnology industry, the new R&D Tax Credit will make a huge difference to start-up and early-stage firms in the biotechnology industry," Senator Carr said.

"It will offer biotechs and other innovators a simpler, more generous and more predictable tax incentive for research and development," he said.

"Biotechnology companies with a turnover of less than \$20 million will be eligible for a credit worth twice the present base concession and they will also be able to take it in cash if they have no tax to pay," Senator Carr said.

## AFG VENTURE GROUP

AFG Venture Group's health and life sciences sector leader Karen Dado says biotechnology companies need to diversify their partnerships.

Formerly a director in Pricewaterhousecoopers' technology practice, Ms Dado is also a member of Merck's Science Alliance Board providing commercial advice on potential biopharmaceutical investments.

In an article for her business advisory group's newsletter, Ms Dado said that despite ambitions of capturing a small segment of large global markets to secure large commercial returns, "the reality is that Australian start-ups are often ill-equipped to access global markets and build sales and positive cash flow quickly enough before their investment capital runs out".

"In the past year as access to funds became harder many such businesses focused on local capital, often ignorant of the right strategic partner due to the lack of international networks," Ms Dado said.

"Many executives in the life sciences sector agree that leveraging collaborative networks will be a defining organizational principle, but many alliances have been focused on research and development rather than sales, distribution and access to markets.

"The results of an independent analysis on the characteristics of alliances in the biotechnology sector suggest caution around overstating the performance benefits of working with the same partner repeatedly.

"Instead, it may be advisable to sample from a broad set of experiences with diverse partners across the value chain.

"Chief executive officers see technological innovation as the key source of gaining competitive advantage over the long term and as such are actively seeking strategic partners.

"The central implication for managers of small emerging businesses lies in building up alliance experience as early as possible and assessing alternative partners.

"Past surveys by this author consistently found that few alliances within the life sciences sector were successful, often because the balance of power was uneven, with one partner tending to dominate the decision making and put its interest above those of the alliance.

"A 50:50 split is best. Successful alliances are those that have autonomy and flexibility to respond as markets and technology change. Indeed the way the alliance is structured is critical to its success. In work undertaken by Bleeke and Ernst, more than 75 percent of alliances that terminated, ended with acquisition by one of the partners.

"We recommend a six-stage process to increase the chance of forming successful alliances," Ms Dado said.

Search and screen: Who is operating in or wants to enter your markets?

Strategic analysis: Is the potential alliance partner able to enhance value?

Negotiation: How can commercial arrangements be calculated?

Information Exchange: What information should be shared and captured and how can this be turned into knowledge to benefit the alliance or partnership?

Strategy Development: How can leverage be gained? How can it be shared? How will intellectual property and other assets be protected?

Exit provisions: What is the term and timeframe of the alliance? How will a mutually agreed split occur?

"Working through this framework in a systematic way will equip you to make smart decisions about strategic partnering," Ms Dado said.

The original article is at: <http://www.afgventuregroup.com/wordpress/?p=148>.

## HUNTER IMMUNOLOGY

Hunter Immunology says a 40-patient trial of HI-164OV (oral vaccine) for chronic obstructive pulmonary disease reduced hospital admissions by 90 percent.

Hunter Immunology said the trial at four hospitals, including the Royal Perth and Sir Charles Gardiner cut admissions in the group by 90 percent and reduced moderate to severe exacerbations, such as bronchitis, by 63 percent.

The company said a paper entitled 'Oral Immunotherapy With Inactivated Non-typeable Haemophilus influenzae Reduces Severity of Acute Exacerbations in Severe COPD' published in the journal Chest concluded that "treatment of severe chronic obstructive pulmonary disease with frequent exacerbations with HI-164OV was safe and effective, especially with respect to reduction in parameters of severity".

The paper said that "exacerbations defined as an increase in volume and purulence of sputum were reduced by 16 percent (not significant) in the active group".

The paper said that moderate-to-severe exacerbations, defined as requiring corticosteroid therapy, were reduced by 63 percent ( $p = 0.05$ ).

The proportion of patients with any acute exacerbation was little changed with treatment, but the proportion with episodes requiring corticosteroid therapy was reduced by 56 percent ( $p = 0.07$ ), the journal article said.

The mean duration of episodes was reduced by 37 percent ( $p = 0.01$ ) and prescribed courses of antibiotics were reduced by 56 percent ( $p = 0.03$ ) following therapy.

Exacerbations requiring admission into hospital were reduced by 90 percent ( $p = 0.04$ ) in the active group and no specific adverse effect was detected, the paper said.

An abstract is at: <http://chestjournal.chestpubs.org/content/137/4/805.abstract>.

Hunter Immunology said the authors including two staff members said that the protective effect of HI-164OV needed to be confirmed in larger studies but "the results show a potential to improve health and reduce the economic burden of acute exacerbations" in chronic obstructive pulmonary disease.

Hunter Immunology said its therapy works by stimulating the immune system to fight the incidence and severity of acute bronchitis in patients with chronic obstructive pulmonary disease, expected to be the world's third largest cause of death by 2020.

Hunter managing director Dr Kevin Healey said that patients in the next stage trial would be immunized from February 2011 until April 2011, to prevent exacerbations in the chronic obstructive pulmonary disease peak season, which was typically in the winter months.

Hunter Immunology is a public unlisted company.

## XENOME

Xenome has raised \$10 million through convertible notes issued to funds associated with existing investors Queensland Biocapital Fund and GBS Venture Partners.

Xenome said it was developing peptide drugs for improved treatments for pain and inflammation and the funds were primarily for the development of lead candidate Xen2174, including a phase II bunionectomy acute pain trial.

Xenome said director Dr William Rote had resigned from the board which included QBF's Dr Cherrell Hirst, GBS's Dr Andrew Baker, Jim Hazel, Dr Julie Cherrington and Xenome's managing director Dr Ian Nisbet.

Xenome is a public unlisted company.

## PHYLOGICA

Phylogica has appointed Nick Woolf as a non-executive director.

Phylogica said Mr Woolf had 18 years experience in biotechnology, equity research and investment banking.

The company said Mr Woolf was the chief business officer and executive director of Oxford Biomedica and previously was head of European biotechnology research at ABN Amro.

Phylogica said Mr Woolf was a qualified accountant and holds a Masters of Arts in Chemistry from the University of Oxford.

Phylogica fell half a cent or 5.26 percent to nine cents.