



Biotech Daily

Tuesday August 3, 2010

Daily news on ASX-listed biotechnology companies

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- * **HALCYGEN'S MAYNE ACQUISITION ROLLS IN THE REVENUE**
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- * **CATHRX EGM ON CEO JEFFREY GOODMAN'S 1m OPTIONS**
- * **VICTORIA PROVIDES \$3.7m FOR CANCER PROJECTS**
- * **PHYLOGICA REQUESTS RESEARCH PARTNERSHIP TRADING HALT**
- * **EASTLAND REQUESTS CAPITAL RAISING TRADING HALT**
- * **DR PETER ISDALE REPLACES AUSBIOTECH'S DR SIMON CARROLL**
- * **STIRLING BUYS \$7m TELEMEDCARE FOR \$511k**

MARKET REPORT

The Australian stock market climbed 0.07 percent on Tuesday August 3, 2010 with the S&P ASX 200 up 30 points to 4571.6 points. Twelve of the Biotech Daily Top 40 stocks were up, 16 fell, 10 traded unchanged and four were untraded.

LBT was best on no news, up two cents or 28.6 percent to nine cents with 212,049 shares traded followed by Cellmid up 15.8 percent to 2.2 cents and Phylogica up 12 percent to 8.4 cents.

Patrys climbed 9.1 percent; Compumedics was up 8.7 percent; Heartware Prima and Psivida were up more than three percent; Chemgenex and Nanosonics rose more than two percent; with Circadian up 1.7 percent.

Cathrx led the falls, down 3.5 cents or 15.9 percent to 18.5 cents with 40,000 shares traded, followed by Novogen down 5.9 percent 16 cents.

Alchemia, Bionomics and Phosphagenics lost more than three percent; Living Cell and Viralytics shed more than two percent; with Cellestis, Cochlear, CSL and Universal Biosensors down more than one percent.

[PATRYS](#)

Patrys has secured up to \$15 million in three tranches over three years from Advance Opportunities Fund, a fund managed by Singapore's Value Capital Asset Management. Patrys said it would receive a minimum of \$4 million during the first 12 months of the facility and Advance had the option to provide an additional \$1 million to complete the first tranche of the facility.

The company said two additional tranches of \$5 million each could be provided during the three-year term of the facility, subject to the consent of both parties.

Patrys said Advance would subscribe for structured notes, which it could convert to shares using one of two pricing formulas: a 35 percent premium to the weighted average price of Patrys shares at the beginning of each respective \$5 million tranche; or notes to be converted to equity at a 15 percent discount to the weighted average price of Patrys shares at the time of the conversion.

Patrys chief executive officer Dan Devine said the facility secured "an important source of funds at an exciting phase of the company's development as Patrys advances several lead products through various stages of clinical development".

The company's chief financial officer Roger McPherson said Patrys "was able to lock-in this funding at either a premium to today's price or based on future prices, meaning all funding received will be done at a price that should reflect the ongoing achievement of clinical, partnering and other milestones".

Advance Opportunities partner Jason Fisher said Patrys had "all of the elements we are looking for in one of our portfolio companies".

"Internally, it has multiple products with upcoming clinical milestones, an experienced management team, and a very novel and promising human antibody platform and pipeline," Mr Fisher said.

"Externally, it is operating in one of biotechnology's most lucrative spaces, antibody therapeutics and is targeting large markets by going after deadly cancers," Mr Fisher said.

"These factors point to great opportunities for value growth," he said.

Patrys said the funds were for its lead anti-cancer therapeutic candidates, including, but not exclusively, PAT-SM6, PAT-SC1 and PAT-LM1.

Patrys was up one cent or 9.1 percent to 12 cents.

[CORRECTION: QRX PHARMA](#)

In the editions of July 26 and August 1, 2010, Biotech Daily referred to a European regulatory requirement for a new QRX phase III bunionectomy pain trial.

QRX director Michael Quinn says rather than the implication that the company had to undertake an additional trial, the German Federal Institute for Drugs and Medical Devices required one trial, rather than several trials over and above those required for the US Food and Drug Administration application.

Mr Quinn said the European launch "was not planned by the company anytime soon – at least until well after the US launch".

"The response of only one additional study was great news," Mr Quinn said. "So much so, that it suddenly raised the prospect of accelerating plans for a European launch."

Biotech Daily accepts the headlines could have misled a casual reader.

The sub-editor will act as control for the bunionectomy trial - without pain relief.

QRX was unchanged at 97 cents.

HALCYGEN

Halcygen investor relations manager Lisa Pendlebury says the company is on track to be debt free in 12 months, thanks to the Mayne Pharma Faulding acquisition.

Halcygen acquired Mayne Pharma last year for \$US15 million (\$A16.5 million), with an earn-out deal from expected revenues (BD: Sep 29, 2009).

Ms Pendlebury said the debt had been reduced to \$US7.5 million and the company expected to clear the debt in 12 months time.

The earn-out arrangement was based on a capped revenue of \$65 million a year requiring Halcygen to pay Mayne's previous parent company Hospira up to \$7 million a year with no payments should revenue fall below \$40 million in that year.

Ms Pendlebury said Halcygen had been interested in acquiring the FH Faulding manufacturing plant near Adelaide since 2006 and the global financial crisis provided the opportunity for it to make a low offer to Hospira, which saw the plant as a non-core asset. The plant manufactures the Doryx acne treatment along with a range of other products including Betadine antiseptic, Epsom Salts and Pain Stop and was effectively "a tool kit for drug delivery – slow release, immediate release, pulse release", Ms Pendlebury said. She said the Doryx business alone was worth \$US250 million a year in the US.

Ms Pendlebury said that similarly to Halcygen's Suba-itraconazole for fungal infections, some of the Mayne-Faulding assets were patent-protected reformulations to reduce side effects or dosage.

She said the factory was 100 years old and had periodic refits and was approved by both the US Food and Drug Administration and Australian Therapeutic Goods Administration.

Ms Pendlebury said the acquisition had not taken the company's eye off development of Suba-itraconazole which required "a couple of million dollars" to gain European approval.

Ms Pendlebury said the company would submit its application for Suba-itraconazole to the European Medicines Agency later this year and Europe was a \$120 million market for the super generic drug.

Halcygen's Appendix 4C quarterly report for the three months to June 30, 2010, said the company received \$17,532,000 from customers, with a total \$39,107,000 for the 12 months to June 30, and had a net operating cash inflow of \$5,432,000 for the three months and \$9,986,000 for the 12 months to June 30.

Halcygen said cash at June 30, 2010 was \$19,743,000.

Halcygen was up half a cent or 0.9 percent to 58 cents.

CATHRX

Cathrx investors will vote to ratify the issue of 1,000,000 options to chief executive officer Jeffrey Goodman.

Cathrx said that at the time of his appointment as chief executive officer in February (BD: Feb 18, 2010) the fixed salary package was \$250,000 a year, which was "a significant reduction from his previous salary" and a long term incentive of the one million options to be exercised at the capital raising price of 16 cents each, by February 17, 2020.

The company said Mr Goodman had extensive experience in the industry and had refocused the company and "negotiated and delivered ... its first strategic partnership with Pioneer Medical Devices of Germany for the manufacture and supply of its catheter devices and components throughout the European Union".

The meeting will be held at Level 12, 117 York Street, Sydney on September 1, 2010 at 10am

Cathrx fell 3.5 cents or 15.9 percent to 18.5 cents.

VICTORIAN GOVERNMENT, VICTORIAN CANCER AGENCY

Victoria's Health Minister Daniel Andrews said the 2010 Victorian Cancer Agency grants would provide \$3.7 million for 24 research projects.

"We are taking action to provide world-class health services and support the latest medical research into cancer treatment and prevention," Mr Andrews said.

"That is why we are delivering \$3.7 million to ensure Victoria remains a world leader in cancer research that will save lives and lead to better treatment and care for cancer patients.

"We are committed to providing the most compassionate and best support to patients and their families at every point of their cancer journey."

Mr Andrews said one of the recipients was Peter MacCallum Cancer Centre's David Willis, who would receive \$80,000 to evaluate the impact of making and using personalized films for paediatric radiation therapy patients.

"Many children undergoing radiation therapy find it hard to explain their treatment to their school friends and family," he said.

"This world-first initiative sees young patients produce a personal DVD, which allows them to explore a range of issues associated with their treatment and tell their story to loved ones," Mr Andrews said.

The Victorian Government media release said that every day about 70 Victorians were diagnosed with cancer.

The funding includes \$2.4 million for seven Victorian Cancer Agency Research Fellowships for clinician-researchers; \$700,000 for eight Early Career Seed Grants for young researchers; \$600,000 to support projects that deliver comfort and assistance to cancer patients; and \$50,000 for a project to expand the collection of information from people with rare tumors.

Grant recipients include Melbourne Health, the Walter and Eliza Hall Institute for Medical Research, the Ludwig Institute for Cancer research, Peter MacCallum Cancer Centre, Southern Health, Monash University and Monash Institute of Medical research, the University of Melbourne, Murdoch Children's Research Institute, Melbourne's St Vincent's Hospital and Deakin University.

BONE MEDICAL

Bone has raised \$177,000 through the issue of convertible notes to "strategic private and sophisticated investors".

Bone said the funds were for working capital and to support its commercialization of biopharmaceutical projects.

The company said the funds had been converted to 1,767,510 shares at a revised conversion price of 10 cents a share and 1,767,510 unlisted options exercisable at 20 cents each, at a revised expiry of 24 months from the date of issue.

Bone was untraded at eight cents.

PHYLOGICA

Phylogica has requested a trading halt pending the "signing of formal documentation ... regarding a new research partnership".

Phylogica said the partnership was with "a large pharmaceutical and biotechnology group".

Trading will resume on August 5, 2010 or on an earlier announcement.

Phylogica last traded up 0.9 cents or 12 percent at 8.4 cents.

[EASTLAND MEDICAL SYSTEMS](#)

Eastland has requested a trading halt pending “an announcement concerning a material capital raising”.

Trading will resume on August 5, 2010 or on an earlier announcement.

Eastland last traded at 4.6 cents.

[AUSBIOTECH](#)

Ausbiotech chair Dr Deborah Rathjen says Dr Peter Isdale has been appointed to the board replacing deputy chair Dr Simon Carroll.

Ausbiotech said Dr Isdale was the chief executive officer of IMBcom which commercializes biotechnology primarily from the University of Queensland’s Institute for Molecular Bioscience.

The industry organization said Dr Isdale had 20 years of directorship experience on boards of private, public and ASX-listed companies in Australia, Asia and the Pacific Rim.

[STIRLING PRODUCTS](#)

Stirling says it has acquired a 65 percent controlling interest in Telemedcare Holdings for \$511,302 over 12 months as settlement of the company’s trade creditors.

Stirling said Telemedcare was “Australia’s most recognized brand in remote patient monitoring equipment and services”.

Stirling said it would provide \$3 million in working capital over 18 months and allow for the repayment of shareholder loans of \$3.66 million from future Telemedcare profits.

Stirling fell 0.1 cents or 9.1 percent to one cent with 21.2 million shares traded.