



Biotech Daily

Friday December 10, 2010

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH EVEN: LIVING CELL UP 26%; ANTISENSE DOWN 11%**
- * **LIVING CELL WINS RUSSIAN DIABECCELL MARKET APPROVAL**
- * **HEARTWARE TO RAISE UP TO \$117m; SHARE SALES**
- * **CM CAPITAL TAKES 27% OF SUNSHINE HEART**
- * **FOUNDER DR BRUCE GRAY LIGHTENS 3% IN SIRTEX**
- * **PLATYPUS CAPITAL TAKES 11% OF SIRTEX**
- * **CELLMID DIRECTOR KOICHIRO KOIKE RESIGNS, REMAINS CONSULTANT**
- * **STIRLING REQUESTS '\$5-6m CAPITAL RAISING' TRADING HALT**

MARKET REPORT

The Australian stock market scraped up 0.1 percent on Friday December 10, 2010 with the S&P ASX 200 up 4.6 points to 4745.9 points.

Thirteen of the Biotech Daily Top 40 stocks were up, 14 fell, four traded unchanged and nine were untraded.

Living Cell was best, up 3.5 cents or 25.9 percent to 17 cents with two million shares traded, followed by Phosphagenics up 8.3 percent to 13 cents with 1.4 million shares traded.

Benitec, Clinuvel and Prana climbed more than seven percent; LBT was up 5.6 percent; Cellestis and Patrys were up more than four percent; Impedimed and Tissue Therapies rose more than two percent; with Nanosonics and Sirtex up more than one percent.

Antisense led the falls, down 0.1 cents or 11.1 percent to 0.8 cents with 21.3 million shares traded, followed by Sunshine Heart down 9.1 percent to three cents with 855,645 shares traded (see below).

Heartware lost 7.5 percent (see below); Mesoblast retreated 6.4 percent; Bionomics and Cellmid fell more than four percent; Pharmaxis and QRX were down more than three percent; Cathrx shed 2.3 percent; with Biota and Chemgenex down more than one percent.

LIVING CELL TECHNOLOGIES

Living Cell's Russian subsidiary, Living Cell Biomedical, has received registration for Diabecell as a marketable medical technology in Russia.

Living Cell said registration allowed the sale and use of the encapsulated porcine islets of Langerhans for the treatment of type 1 diabetes.

Living Cell chief executive officer Dr Ross Macdonald told Biotech Daily the first step would be to educate the market and physicians about the product.

Dr Macdonald said that he hoped to have two clinics providing the laparoscopy service in 2011.

Dr Macdonald said the encapsulated pig cells were implanted in a surgical procedure under local anaesthetic and patients were observed for 24 hours.

He said that at this stage there was no reimbursement for the procedure in Russia, but allowed Biotech Daily to estimate that hospital and treatment costs, without the cost of the Diabecells, would be about \$10,000.

Living Cell has reported reduced insulin dependence and no serious treatment related events in its trials of Diabecell in Russia and New Zealand (BD: Apr 7; Oct 27, 2010).

In its media release Living Cell said Diabecell had safely reduced insulin requirements of type 1 diabetics.

The company said that in patients with unstable diabetes, Diabecell could eliminate life threatening episodes of a potentially fatal complication known as hypoglycaemic unawareness, when a patient has no awareness when their blood sugar is dropping to dangerously low levels.

Dr Macdonald said Russian registration was "a major step toward global commercialization of this important advancement in the treatment of diabetes, providing us with the necessary authority to commercialize Diabecell in Russia".

"This registration was granted following clinical trials conducted in Russia with patients suffering from insulin dependent type 1 diabetes [which] demonstrated that our product safely reduces a patient's need for insulin," Dr Macdonald said.

Living Cell said its Russian clinical trial program began in June 2007 at the Sklifosovsky Research Institute Moscow with eight patients between 21 and 68 years of age with insulin-dependent diabetes.

The company said each patient received between one and three implants of Diabecell with no significant product-related adverse events.

Living Cell said that blood samples taken from patients after a 52-week follow-up tested negative for any pig-to-human transmission of diseases.

Six of the eight patients showed long-term improvements in blood glucose control as reflected by both reduction in glycated haemoglobin (HbA1c %) levels and reduction of the required daily dose of insulin injections, Living Cell said.

Two patients discontinued insulin injections entirely for about eight months, the company said.

Living Cell said Russian registration was the first commercialization milestone in its strategy for Diabecell.

The company said it was conducting phase II trials in New Zealand with patients suffering from unstable type 1 diabetes and expected to begin pivotal phase III trials in New Zealand next year.

Living Cell said that its Immupel encapsulation technology meant patients receiving the Diabecell implant did not require immune suppressing drugs after implantation.

Living Cell was up 3.5 cents or 25.9 percent to 17 cents with two million shares traded.

HEARTWARE INTERNATIONAL

Heartware intends to offer convertible notes worth up to \$US115,000,000 (\$A116,729,000).

Concurrently, Heartware said shareholder, Apple Tree Partners LP, intended to offer, subject to market and other conditions, 1,000,000 shares of common stock and would grant the underwriters an option to purchase up to 150,000 additional shares to cover over-allotments, if any.

At today's close of \$2.35 Apple Tree would raise a further \$2,702,500.

Heartware said that \$100,000,000 in convertible notes due in 2017 would be issued subject to market and other conditions.

The company said it intended to grant the underwriters an option to purchase up to an additional \$US15 million in notes to cover over-allotments, if any.

Heartware said the completion of the two offerings were not contingent on each other.

Heartware said it intended to use the proceeds from the convertible notes for general corporate and working capital purposes, including, but not limited to, expansion of its manufacturing capabilities and/or licensing of or investment in complementary products, technologies or businesses.

Heartware said it would not receive any of the proceeds from the common stock offering.

The company said JP Morgan Securities LLC was the sole book-running manager for both the convertible notes and common stock offerings.

According to Commsec's Webiress, Heartware was at \$2.44 all day, but in one trade after the market closed, Heartware closed down 19 cents or 7.5 percent to \$2.35.

SUNSHINE HEART

CM Capital as trustees for CM Capital Venture Trust 4A and Venture Trust 4B increased its substantial shareholding in Sunshine Heart from 139,427,975 shares (26.0%) to 275,142,260 shares (27.2%).

In two substantial shareholder notices CM Capital said the 135,714,285 shares were acquired for \$3,800,000 or an average price of 2.8 cents a share in the recent rights issue. After the market closed, Sunshine Heart fell 0.3 cents or 9.1 percent to three cents.

SIRTEX MEDICAL

Sirtex founder Dr Bruce Gray through ACN 132 442 114 Pty Ltd has reduced his substantial holding in Sirtex from 16,462,283 shares (29.52%) to 14,711,796 shares (26.38%).

The substantial shareholder notice said Dr Gray sold the 1,750,487 shares on December 8, 2010 for \$10,195,921 or an average price of \$5.82 a share.

Sirtex was up eight cents or 1.3 percent to \$6.08.

SIRTEX MEDICAL

Platypus Asset Management increased its substantial shareholding in Sirtex from 4,685,543 shares (8.40%) to 5,939,026 shares (10.65%).

The substantial shareholder notice said the 1,253,483 shares were acquired for \$7,553,912 or an average price of \$6.03 a share.

CELLMID

Cellmid says the board "has reluctantly accepted" the resignation of Tokyo based non-executive director Koichiro (Ko) Koike, effective today.

Cellmid said Mr Koike was appointed a director on September 10, 2008 to facilitate the technology transfer between Cellmid and Cell Signals Inc, following the acquisition of the midkine product portfolio from Japan.

The company said the technology transfer was completed successfully and the company had reached several technical and commercial milestones.

Cellmid said that following his resignation the board offered, and Mr Koike accepted, a consulting role, allowing the company "to continue to take advantage of Mr Koike's corporate and business development skills in building Cellmid's Japanese operations".

"We accept Ko's resignation with great reluctance as he has been an integral part of building Cellmid's business in the past two years," Cellmid chairman Dr David King said.

"We are also delighted that he is prepared to continue his involvement with the company through a focused effort on building our Japanese interests in a consulting role," he said.

Cellmid was down 0.2 cents or 4.9 percent to 3.9 cents with 8.4 million shares traded.

STIRLING PRODUCTS

Stirling has requested a trading halt pending an announcement "in relation to a \$5-6 million capital raising".

Trading will resume on 14, 2010 or on an earlier announcement.

Stirling last traded at 0.7 cents.