



Biotech Daily

Thursday July 29, 2010

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH DOWN: NOVOGEN UP 14%; COMPUMEDICS DOWN 8%**
- * **SENATOR KIM CARR: BIOTECHNOLOGY FOR THE ENVIRONMENT**
- * **NANOSONICS BEGINS DELIVERIES; ASKS FDA TO DROP INDICATOR**
- * **BIOSIGNAL COMPLETES RGM ENTERTAINMENT DEAL**
- * **HARRY KARELIS TAKES NEURODISCOVERY CHAIR; ALL OPTIONS OPEN**
- * **HALCYGEN LOSES CRAIG BOTTOMLEY, GAINS LISA PENDLEBURY**
- * **BIOPROSPECT SERVES NOTICE OF DISPUTE ON SOLAGRAN**
- * **SOLAGRAN CFO DAVID CROLL ON-BOARD, CEO BRANKO JOVANOVIĆ OFF**

MARKET REPORT

The Australian stock market slipped 0.13 percent on Thursday July 29, 2010 with the S&P ASX 200 down 5.8 points to 4524.1 points.

Eight of the Biotech Daily Top 40 stocks were up, 11 fell, seven traded unchanged and 14 were untraded.

Novogen was best, up two cents or 14.3 percent to 16 cents with 95,658 shares traded, followed by Cathrx up 10 percent to 22 cents with 48,000 shares traded.

Living Cell climbed 4.35 percent; Benitec was up 3.6 percent; with Acrux and Optiscan up more than one percent.

Compumedics led the falls for the second day in a row, down one cent or 7.7 percent to 12 cents with 149,949 shares traded.

Prana lost 3.7 percent; Biota, Nanosonics and Universal Biosensors shed more than two percent; with Chemgenex, Cochlear, Prima and Virax down more than one percent.

AUSTRALIAN LABOR PARTY POLICY SPEECH

In a campaign speech to the Australian Industry Group, the Minister for Innovation Senator Kim Carr only mentioned 'biotechnology' in the context of environmental remediation.

Senator Carr said Australian manufacturing "has proven itself to be incredibly resilient, incredibly adaptable and incredibly creative".

Senator Carr said Labor's stimulus strategy "played an important part [in avoiding the impact of the global financial crisis of 2008], maintaining demand and keeping the wheels of industry turning".

"Most of the credit, however, must go to the industry itself - including the many partners represented here today," Senator Carr said.

Senator Carr addressed global warming issues saying that business as usual would not build high-tech prosperity in a low-carbon world.

"It is essential that we embrace change, build skills and unlock creativity wherever we can. That's why Labor has increased spending on research and innovation by 34 percent since 2007," Senator Carr said.

"That's why we prepared Powering Ideas, our innovation agenda for the next decade, and backed it with \$3.1 billion in new investment over the first four years," Senator Carr said.

"That's why we established Commercialisation Australia - as promised in Powering Ideas, and as delivered at the beginning of this year," Senator Carr said.

"It helps researchers, entrepreneurs and innovative companies get new ideas to market," Senator Carr said.

The Federal Labor Government has been criticized for its cuts to the biotechnology sector, primarily the axing of the Commercial Ready and Comet programs, replacing them with the much smaller Commercialisation Australia (BD: Oct 21, 2009; Feb 9, 2010).

Senator Carr said Enterprise Connect was a "promise from the last election delivered in our first year" which had helped 3,000 firms "identify and access the skills, tools and knowledge they need to compete effectively in the modern world".

"The rise of low-wage producers and the appreciation of the Australian dollar have put enormous pressure on our manufacturing industries. To remain competitive, we must be able to do more with less," Senator Carr said.

Senator Carr said Labor would drive innovation - by helping industry to cut consumption of power, water and other resources; increase the use of alternative energy; apply smart design, materials and processes to make smart products; harness biotechnology and nanotechnology to transform production processes and reduce greenhouse emissions; improve the way work is organized; and lift the skills of managers and workers.

The rest of the speech referred only to clean technologies, including the nomination of "clean manufacturing as a priority for Round 14 of the Cooperative Research Centres Program, to be conducted in 2011".

"This is the future of Australian manufacturing," Senator Carr said.

A spokeswoman for Senator Carr said the speech was one of several to be given by Senator Carr during the election campaign and was not the definitive statement on innovation policies.

NANOSONICS

Nanosonics says Australia's largest imaging group, the Imed Network, commenced installation of its order of about 200 Trophon EPR devices in June 2010.

Nanosonics said other major imaging companies and hospitals in Australia had acquired initial Trophon EPR ultrasound probe disinfection devices and were planning more extensive implementations across their imaging centres.

The company said that sales of Trophon EPR devices recommenced in June 2010 on a controlled basis, with a marked increase in sales revenues expected to bring the company back onto plan.

Nanosonics said the order pipeline had increased significantly and it had a strong forward order book.

Nanosonics said that it had a "close dialogue" with the US Food and Drug Administration which had required a chemical indicator for the Trophon EPR but the company said the device operated safely and effectively without the chemical indicator and has formally applied to the FDA for the removal of its requirement for a chemical indicator.

Nanosonics said that, in parallel, it continued to develop the chemical indicator technology as an accessory for Trophon EPR and as originally agreed with the FDA.

Based on advice from the FDA, Nanosonics said it would submit an updated file, for which final review was expected this year.

Nanosonics said the market potential for the US was "highly favorable", driven by both regulatory and market dynamics, together with recent material concerns by the US health authorities regarding cross-contamination risk with intra-cavity use of ultrasound probes, with significant numbers of patients being recalled for testing for communicable diseases. The company said it had strong interest in the distribution of Trophon EPR in North America, subject to regulatory approval.

Nanosonics said it was on-track to out-source some of its assembly requirements to an accredited Sydney-based production facility, enabling it to provide added capacity to meet increasing international demand as well as offering additional redundancy.

Nanosonics said it was also in discussion with a number of parties regarding additional applications of its technologies beyond the Trophon EPR and each addressed material opportunities for the further commercialization of the Nanosonics platform technologies. Nanosonics fell 1.5 cents or 2.5 percent to 58 cents.

BIOSIGNAL

Biosignal says shares and options have been issued to RGM Entertainment for the completion of the acquisition of RGM Group.

Biosignal said that as a consequence of the completion of the acquisition Devesh Chetty, Robyn Gardiner and Jason Fisher had been appointed to the board, while Manraj Khosa and Prof Michael Henderson had resigned as directors.

Last year Empire Investments a company associated with Dr Paul D'Silva took control of Biosignal's board (BD: Apr 28; May 6, 7; Dec 17, 2009).

But earlier this year the extraordinary general meeting to approve the reverse takeover approved all resolutions except the transfer of the original microbial signaling technology to Dr D'Silva's Commonwealth Biotechnologies (Mar 19, 2010).

Biosignal was placed in a voluntary suspension in order to comply with ASX Listing Rules following the change of business direction.

Biosignal last traded at 1.5 cents.

NEURODISCOVERY

Neurodiscovery says Harry Karelis would replace chairman Dr Mark Treherne following shareholder approval for the sale of UK subsidiary Neurosolutions (BD: Jun 15, 2010). Neurodiscovery said Dr Treherne was a large shareholder, based in the United Kingdom and was the non-executive chairman since the company listed on the ASX in 2005.

The company said Mr Karelis represented its largest shareholder Biotech Capital with about 15 percent of the company.

Mr Karelis, who is also a non-executive director of Phylogica told Biotech Daily that Warwick University's shares as part of the Neurosolutions spin-off were expected to be sold to clients of West Australian stock broking firm.

Mr Karelis said the new shareholders were expected to want board representation and when that process was completed a new board would review the company's position.

"All options are on the table," Mr Karelis said.

He said Neurodiscovery's 'long-suffering shareholders' needed to have a return of value, which they had not received from their investment in biotechnology.

In June, the company said that if the sale was approved it would hold about \$1.85 million in cash and have no material liabilities and would be in a position to explore additional opportunities over the coming months (BD: Jun 15, 2010).

Neurodiscovery said that in March it was assigned 100 percent ownership of its pain drug NSL-101 from Neurosolutions (BD: Mar 18, 2010).

In June the company said two phase II trials had been conducted with one showing it prevented pain associated with root planing and scaling, but in the second trial for the treatment of pain caused by the extraction of wisdom teeth, "the company was unable to measure NSL-101's efficacy due to unexpected confounding factors".

Neurodiscovery said Japan's Sosei Corp had taken 100 percent of NSL-043 for neuropathic pain, but for the life of the existing granted NSL- 043 patent, a percentage of any future revenue would be paid to Neurodiscovery.

The company said it was conducting a strategic review of the program to determine the best path forward and was in discussions with a number of parties.

Neurodiscovery said it had appointed Michael Robson as a non-executive director.

The company said Mr Robson held a number of senior management positions both in the Western Australian government and in private industry since 2001 and was the non-executive chairman and a director of Datamotion Asia Pacific.

Neurodiscovery was untraded at 4.4 cents.

HALCYGEN PHARMACEUTICALS

Halcygen says executive director and chief operating officer Craig Bottomley has resigned after five years with the company due to family reasons.

Halcygen said Lisa Pendlebury had been appointed as investor relations manager, a role she previously held at Pacific Brands.

Prior to Pacific Brands, Ms Pendlebury worked at CVC Asia Pacific and JP Morgan.

Halcygen chief executive officer Dr Roger Aston said that he and the board wanted to thank Mr Bottomley "for his significant contribution to the company".

Halcygen said it was in the process of recruiting a non-executive director with suitable experience to complement the backgrounds of the other directors and would further strengthen the senior management team.

Halcygen was up half a cent or 0.9 percent to 57.5 cents.

BIOPROSPECT. SOLAGRAN

Bioprospect says it has served written notice on Solagran of a dispute in connection with the development agreement of August 22, 2007 (BD: Jun 28, 29, 2010).

Bioprospect said the notice was the first step in the dispute resolution process under the agreement.

Bioprospect said representatives of the parties were required to meet promptly with a view to resolving the dispute and it had proposed August 2, 2010.

Bioprospect said that if the dispute was not resolved within five business days of the first meeting, senior executives of both parties must meet to further discuss the dispute in a second meeting and legal proceedings could begin if the dispute was not resolved within 10 business days of the second meeting.

Bioprospect said there were two aspects to the dispute.

Bioprospect said it entered into the agreement in reliance on alleged misrepresentations made by Solagran concerning the nature and extent of Solagran's intellectual property rights in and to the Bioeffectives technology.

Bioprospect said it had suffered loss and damage as a result of its entry into the agreement.

Bioprospect said it was entitled to have the agreement set aside and receive compensation from Solagran for any loss or damage it has suffered.

Bioprospect said the second aspect of the dispute concerned Solagran's obligation to supply Bioeffectives to Bioprospect at cost price.

Bioprospect said it believed that Solagran's supply of Bioeffective A, known as conifer green needle complex was not at cost price.

Bioprospect said it had exercised its right under the agreement to audit Solagran's books and records to verify its compliance with the agreement.

Bioprospect said it expected to be granted access to Solagran's book and records within the next two to three business days for the purpose of the audit.

Bioprospect said it was "confident that the dispute can be resolved through the dispute resolution process prescribed by the agreement, but if it is not, the board will, if the dispute resolution process becomes exhausted, consider its legal options at that time".

Biotech Daily attempted to contact Solagran but no one was available to comment. The issue will be followed tomorrow.

Bioprospect was unchanged at 1.4 cents with 1.6 million shares traded.

Solagran fell one cent or 5.1 percent to 18.5 cents.

SOLAGRAN

Solagran's chief executive officer Branko Jovanovic has "stepped down" as CEO and as a director, but remains an executive with the company.

Mr Jovanovic was appointed to the board following the resignation of co-founder and director Denis Kilroy as an executive director (BD: Feb 9, 2009).

Solagran said chief financial officer David Croll who joined the company in October 2009 would join the board as finance director.