



# Biotech Daily

Tuesday July 6, 2010

*Daily news on ASX-listed biotechnology companies*

- \* **ASX UP, BIOTECH EVEN: ANTISENSE UP 15%; VIRAX DOWN 13%**
- \* **AVEXA EGM 'POUNDS' BOARD; \$23m LIKELY TO STAY IN BIOTECH**
- \* **ADVANCED SURGICAL DEAL TO MARKET AMPUTATION SAVING DEVICE**
- \* **PRIMA PLEADS SCHULTZ TO ASX 22% PRICE FALL QUERY**
- \* **IMPEDIMED RESOLVES XITRON, JAMES MATTHIE DISPUTE**
- \* **US PATENT FOR PATRYS ANTI-CANCER COMPOUND PAT-PM1**
- \* **EASTLAND TELLS ASX NEWS MIGHT HAVE PUSHED PRICE 36%**
- \* **FERMISCAN NOMINATES LEON CARR ASX CONTACT**

## MARKET REPORT

The Australian stock market rebounded 1.3 percent on Tuesday July 6, 2010 with the S&P ASX 200 up 54.0 points to 4276.1 points.

Eleven of the Biotech Daily Top 40 stocks were up, 10 fell, 10 traded unchanged and nine were untraded.

Antisense was best, up 0.2 cents or 15.4 percent to 1.5 cents with 1.3 million shares traded, followed by Patrys up 10 percent to 11 cents with 223,937 shares traded.

Cathrx climbed 9.8 percent; Alchemia and Universal Biosensors were up more than six percent; Impedimed and Pharmaxis climbed more than three percent; Nanosonics and Sirtex rose more than two percent; with Cellestis up 1.45 percent.

Yesterday's best, Virax, led the falls, down one cent or 12.8 percent to 6.8 cents with 100,000 shares traded.

Sunshine Heart lost 5.4 percent; Clinuvel fell 4.3 percent; Benitec, Biota and Prima shed more than three percent; with Heartware, Mesoblast and Starpharma down more than one percent.

## AVEXA

Avexa shareholders voted overwhelmingly to remove chairman Nathan Drona and director Uri Ratner and elect Bruce Hewett and Steven Crowley as directors.

All four resolutions were passed by similar margins with the strongest vote supporting the appointment of Mr Hewett with 295,120,332 polled votes (59.6%) in favor, 63,661,005 votes (12.8%) against and 136,796,559 votes (27.6%) abstaining.

Sources at the meeting told Biotech Daily that "the board was pounded by small shareholders".

A vote was not called in the meeting but the company went directly to a poll or count of proxy votes.

According to the 2009 Annual Report, 1,032 shareholders of the company's 11,505 shareholders controlled 70.97 percent of the vote.

One of the principals behind the move to replace Mr Drona with Mr Hewett and Mr Crowley was RBS Morgans private client advisor Trent Muller.

Mr Muller told Biotech Daily that several clients of major broking houses including RBS Morgans, Bell Potter, UBS and Solomon Smith Barney were concerned with Avexa and involved in the call to remove Mr Drona and Mr Ratner.

Mr Muller said that the group was reasonably confident that they had the numbers to win the vote, without counting the 16 percent held by Calzada.

Calzada chairman David Franklyn told Biotech Daily his company abstained from the vote because the meeting was primarily for the shareholders to vent their anger with the board and that neither Mr Hewett nor Mr Crowley had stated their position and what they wanted to do with Avexa, its apricitabine program and its \$23 million.

Mr Franklyn said he was "looking forward to working with the new board".

Sources have told Biotech Daily that the new board would be expected to evaluate the apricitabine program to determine if there was any value to shareholders.

Options for the program include continuing towards US Food and Drug Administration (FDA) registration, licencing to a regional partner or otherwise disposing of the program.

The sources said that given the background of Mr Hewett and Mr Crowley in the Australian biopharmaceutical industry it would be expected that the \$23 million left in cash at Avexa would be retained for investment in Australian biotechnology.

Avexa was left with \$23 million in cash following the closure of its apricitabine or ATC program for HIV, having failed to find a licencing partner to take the drug to market (BD: May 10, 20 2010).

On May 20, 2010, Avexa announced the resignation of director Joe Bainsi, to be replaced by Uri Ratner, formerly of Passport Capital.

In May, Avexa made a number of claims regarding the meeting including the possibility that the new directors might commit more funds to the ATC program which Avexa said "would be an extremely poor use of shareholders funds with a very low chance of a successful outcome" (BD: May 26, 2010).

In June, European and US AIDS activists called for the continuation of the apricitabine program (BD: Jun 18, 2010).

The program was closed after the failure to find a major partner to commercialize the compound which had failed to show significant difference to its predecessor 3TC, also invented by former Avexa chief scientist Dr Jonathan Coates.

Avexa fell 0.8 cents or 18.2 percent to 3.6 cents with 3.4 million shares traded.

## ADVANCED SURGICAL DESIGN AND MANUFACTURE

Advanced Surgical has signed a deal with Allvascular and its principal Prof Rodney Lane to commercialize the peripheral access device (PAD).

Prof Lane is the inventor of the peripheral access device which returns the patient's own blood under pressure to perfuse gangrenous legs and save them from amputation.

Advanced Surgical chief executive officer Dr Greg Roger told Biotech Daily that Prof Lane owned the intellectual property, Advanced Surgical had developed and manufactured the device and his company would pay Prof Lane "a single-digit royalty" of sales of the device. Dr Roger said the next step for the company following the successful pilot trial (BD: Jun 8, 2010) was the 40-patient trial which began in April (BD: Apr 9, 2010) as well as trials planned for Europe and the US.

Dr Roger said his company had three approved devices in Europe and the US and was familiar with the regulatory pathway.

Dr Roger said the overwhelming majority of amputations were caused by diabetes and smoking.

In its media release to the ASX, Advanced Surgical said that about 1,000 limbs were amputated each day in the Western world and the annual global market was more than \$5.0 billion.

Advanced Surgical said it would take control of all the aspects of commercialization of the peripheral access device with a view to accelerating the speed to market of the treatment and the device.

Dr Roger said his company had developed the device while maintaining a positive operating cash-flow business.

Prof Lane said the company had been "key in proving up this technology and is now the ideal partner to take the device and treatment to market".

Advanced Surgical was unchanged at 42 cents.

## PRIMA BIOMED

Prima says it is not aware of any information that has not been announced which, if known, could be an explanation for recent trading in its securities.

The ASX said the company's share price fell 2.3 cents or 21.9 percent from 10.5 cents on July 2, 2010 to 8.2 cents on July 6, 2010, along with an increase in trading volumes.

Prima said that increased funding had allowed it to increase expenditure on research and development and the operating loss was likely to be higher than for the previous corresponding period.

The company said it did not believe the increased expenditure was "a reflective driver of the share price as such".

Prima fell 0.3 cents or 3.3 percent to 8.7 cents with 24.3 million shares traded.

## IMPEDIMED

Impedimed says it has resolved the dispute between its wholly owned subsidiary, Xitron Technologies and its founder James Matthie.

Impedimed said it was served with a US civil action by James R Matthie in December 2009 relating to an agreement made in 2001, before Impedimed purchased Xitron.

The company said the matter had been resolved and civil proceedings would be discontinued.

Impedimed was up two cents or 3.54 percent to 58.5 cents.

## PATRYS

Patrys says it has been granted a US patent for its lead cancer product in development PAT-PM1.

Patrys said PAT-PM1 was a natural human antibody that had shown promise for the treatment of solid tumors and metastases across a number of indications including pancreatic, lung, breast, colon and gastric cancers.

The company said the patent was granted by the US Patent and Trademark Office and contained claims that covered the PAT-PM1 antibody and potentially competitive antibodies with similar structures and functions and provided protection until 2023.

Patrys said PAT-PM1 patent applications were pending in Europe and other major markets.

The company said that the claims granted for PAT-PM1 were similar in breadth and scope to the types of claims present in patent applications for other Patrys products, including clinical candidates PAT-SM6 and PAT-LM1, so the PAT-PM1 patent set a precedent for similar coverage in all major markets for the company's complete pipeline.

Patrys chief executive officer Daniel Devine said there were "three ways Patrys can drive value".

"First we will advance lead products to and through clinical development and with the pending PAT-SM6 trial in melanoma, we hope to deliver this milestone imminently," Mr Devine said.

"Second, the company aims to develop many diversified products as internal programs and through collaborations with larger companies," he said. "We have made great progress on this aim in the first seven months of 2010, by adding three new products and finalizing a collaboration with CSL."

"Third, for long-term value, Patrys is focused on the protection of its product franchises through patent filings," Mr Devine said.

Mr Devine said the company had two product patents issued in 2010 and had filed three new patent applications.

Patrys was up one cent or 10 percent to 11 cents.

## EASTLAND MEDICAL SYSTEMS

Eastland has told the ASX that the release of news since April might have pushed its share price 64.7 percent.

Eastland has told the ASX that it was not aware of any information it had not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price rose from 3.4 cents on July 2, 2010 to 5.6 cents, a 64.7 percent increase, on July 6, 2010, and noted an increase in trading volume.

Eastland said it had announced the results of its Rwanda trial of Artimist for paediatric malaria, a research report from Patersons Securities, the expected beginning of phase III trials, had featured in a television program and would present at a conference in Boston in September.

Eastland was up 0.8 cents or 17.0 percent to 5.5 cents with 7.6 million shares traded.

## FERMISCAN

In replying to an ASX director's interest query, Fermiscan has nominated major shareholder and former director and executive Leon Carr as its regulatory contact. The ASX noted that appendices 3X and 3Z "indicated that Mr [Ben] Dillon was appointed as a director and Mr [Mark] Fordree ceased to be a director on June 2, 2010. It appears that the appendices should have been lodged with ASX by June 9, 2010. As the appendices were lodged on June 17, 2010, it appears that the company may be in breach of listing rules 3.19A and/or 3.19B."

Mr Carr wrote in response that:

"1. The reason the appendix was lodged late is that Mark Fordree was removed by the administrator and the 3rd director was appointed as a director. There was confusion the directors or administrator had to advise ASX. It was subsequently the directors made a decision to comply with ASX listing rules [sic].

"2. The directors have sort [sic] the advise of Robert Whitton, director of William Buck and also company auditors Pitcher Partners to oversee corporate governance and compliance. "With this two large accounting firms advising under listing rules 319A it is envisaged that all compliance will be adhered to [sic].

"3. As stated in answer 2 the company has sought the assistance of two accounting firms to ensure that all compliance with ASX rules are adhered to.

"I trust that the above answers to your questions are fully and frank [sic]," Mr Carr said.

Mr Carr has been a major shareholder in Fermiscan with a holding of about 31.1 percent of the company and was Fermiscan's business development officer.

Mr Carr was appointed a director on July 16, 2009 and resigned as a director in September 2009 (BD: Sep 25, 2009).

The New South Wales Supreme Court has made two judgments in relation to Mr Carr. In December 2009 the New South Wales Supreme Court said Mr Carr "committed numerous breaches of the law" in relation to a complex and long-running matter involving Resource Equities Limited and referred the matter to the Australian Securities and Investments Commission for further action.

Mr Carr and others were ordered to pay or compensate Resource Equities Limited more than \$2.3 million (BD: Dec 16, 2009).

Mr Carr has appealed that decision (BD: Dec 17, 2009).

Fermiscan ran a series of legal actions against the inventor of its x-ray diffraction test of hair to detect breast cancer, including a claim for \$700,000 should Prof James disparage the test (BD: Apr 28, Jun 5, 2009).

The same judge who described Mr Carr as "dishonest" in the Resource Equities matter, Justice Robert McDougall, found that the "proceedings must be dismissed" and the plaintiffs (Fermiscan) had been ordered to pay the defendant's costs, except for certain specified the costs. Those costs were expected to be about \$1.4 million (BD: Jun 5, 2009).

Fermiscan lost its appeal against that decision in November 2009 (BD: Nov 11, 2009).

Fermiscan is in a suspension and last traded at three cents.