



# Biotech Daily

Thursday March 18, 2010

*Daily news on ASX-listed biotechnology companies*

- \* **ASX FLAT, BIOTECH DOWN: COMPUMEDICS UP 38%; AVEXA DOWN 10%**
- \* **GTG'S GEOFF NEWING: 22 MONTHS GAOL FOR MARKET MANIPULATION**
- \* **CATHRX RIGHTS ISSUE TO RAISE UP TO \$11m**
- \* **BIOTRON APPOINTS ACLIRES FOR HEPATITIS C DRUG TRIALS**
- \* **NEURODISCOVERY QUILTS DRUG DISCOVERY**
- \* **FLUOROTECHNICS \$105k+ SALE TO SAUDI ARABIA**
- \* **CSIRO'S DR YOGI KANAGASINGAM WINS E-HEALTH FULBRIGHT**

## MARKET REPORT

The Australian stock market climbed 0.2 percent on Thursday March 18, 2010 with the S&P ASX 200 up 9.9 points to 4863.1 points.

Thirteen of the Biotech Daily Top 40 stocks were up, 17 fell, six traded unchanged and four were untraded.

Compumedics was best, up 5.5 cents or 37.93 percent to 20 cents with 80,000 shares traded, followed by Benitec up 11.1 percent to five cents with 129,706 shares traded and Patrys up 10.3 percent to 16 cents with 128,542 shares traded.

Mesoblast climbed 5.1 percent; Tissue Therapies was up 4.4 percent; Bionomics, Prima and Universal Biosensors were up more than three percent; Antisense rose 2.2 percent; with Heartware up more than one percent.

Avexa led the falls, down 1.5 cents or 10 percent to 13.5 cents with 3.6 million shares traded, followed by Living Cell down 9.8 percent to 23 cents with 1.4 million shares traded.

Sunshine Heart lost 8.3 percent; Prana fell 7.1 percent; Phosphagenics was down 5.6 percent; Cellestis and Viralytics fell more than four percent; Cellmid, Chemgenex and Novogen were down more than three percent; Genetic Technologies shed 2.6 percent; with Acrux, Alchemia, CSL, Nanosonics and Uscom down more than one percent.

## GENETIC TECHNOLOGIES

Former Genetic Technologies chief operating officer Geoffrey Newing, 44, was sentenced to 22 months gaol with a minimum of six months on five charges of market manipulation. In the County Court in Melbourne this morning, Justice Barbara Cotterell said that through the Palomine company, Mr Newing bought 2,580,000 Genetic Technologies' shares at an average price of 34.5 cents and the intention was to support the share price.

Justice Cotterell said 45 percent of the trades were in the last 20 minutes of trading to 4.15pm and resulted in a price increase or preventing a fall in share price.

"The effect of the trades was to maintain or create a false market," Justice Cotterell said.

Justice Cotterell spoke at length about Mr Newing's family background including the suicide of his father after the failure of the family farm and his care for his family, including his son from his first marriage and his five step-children with his second wife, Tamara Newing, the daughter of Genetic Technologies' founder Dr Mervyn Jacobson.

Dr Jacobson and Ms Newing are the subjects of separate court proceedings (BD: Feb 1, 4, 2010).

Justice Cotterell said that Mr Newing's son from his first marriage did not want to live with his mother and that Mr Newing had sole custody.

She said that concerned he might have to serve a prison sentence, the son was placed as a boarder at a leading private school in Melbourne.

Justice Cotterell said Tamara Millstein (Newing) was "close to her father and eager to please".

Justice Cotterell said Mr Newing saw structural problems with the company and there was an expectation by the company's board that legal action over patents could resolve some of the problems and increase the share price. However only two smaller licences ensued and "the board began to lose faith in Dr Jacobson," Justice Cotterell said.

Justice Cotterell told the court that following the issue of search warrants on February 14, 2007, the board said Mr Newing's and Dr Jacobson's roles were untenable and Dr Jacobson sacked the board.

Justice Cotterell compared Mr Newing's case to one of the stockbrokers involved, Richard Wade, who she said benefitted from about \$2,000 in commissions on the trades, but cooperated fully with the Australian Securities and Investments Commission investigation. Justice Cotterell said Mr Newing's benefit was greater and that he was the instigator of the offending and pleaded guilty after 12 months - just before a contested trial.

She said the offence was "objectively serious ... the market must be free from manipulation ... [and] your actions undermine share trading".

But Justice Cotterell said Mr Newing had shown remorse and she was "satisfied you are not likely to offend again" and had "excellent prospects for rehabilitation".

Justice Cotterell said there were issues of general deterrence and family issues which she needed to take into account and balance, but he must be adequately punished.

She said the margin calls on shares exposed the company to disaster and there was "the dominating influence of Dr Jacobson" who failed to gain licences as hoped.

Justice Cotterell told the County Court that counsel had urged that Mr Newing was "not the instigator".

"I make no view on Dr Jacobson," Justice Cotterell said.

She said Mr Newing stood to benefit from his actions "but not as much as others".

She said he sold his Toorak house and had moved to Hawthorn and was looking for work.

Justice Cotterell referred to a reference from former Genetic Technologies' chairman Henry Bosch saying the Mr Newing was diligent and professional in the face of many difficulties, he had put the company ahead of his own personal matters and "the offending was totally out of character".

She quoted Tamara Newing's first husband, Kevin Millstein, who wrote a reference complimenting Mr Newing for looking after the five step-children.

Justice Cotterell said it was "clearly a very difficult sentence", restated that Mr Newing had taken responsibility for his actions and was able to be rehabilitated, but it was "a massive error of judgment through commitment and loyalty to family" and that given the need for general deterrence she must impose a term of imprisonment.

She said the sentence would be partly suspended and sentenced Mr Newing to 18 months gaol on the first charge from today, with four further sentences of 18 months, each beginning one month later than the previous sentence, totaling 22 months in gaol, with a minimum time to be served of six months [not the earlier reported seven months].

Justice Cotterell said that following his release, Mr Newing must post a \$5,000 bond to be of good behavior for two years.

Justice Cotterell said that but for the plea of guilty the sentence would have been two and a half years with a minimum of one year to serve.

Genetic Technologies fell 0.1 cents or 2.6 percent to 3.8 cents.

### CATHRX

Cathrx says it hopes to raise up to \$11.2 million through a non-renounceable one-for-one rights offer at 16 cents a share.

Cathrx said the net proceeds of the entitlement offer would be used primarily to fund working capital, expand the number of re-processable devices and for the clinical development of products to diagnose and treat atrial fibrillation.

The record date is March 29, 2010.

Cathrx said that eligible shareholders who took their full entitlement could also apply for top-up shares.

In the event of a shortfall, the company said it reserved the right to allocate any shortfall to subscribers of top-up shares.

Cathrx said the offer was not underwritten.

Cathrx was unchanged at 23 cents.

### BIOTRON

Biotron says it has hired Aclires clinical research group to assist the trials of its hepatitis C drug BIT225.

Aclires website says it is based in Bermuda with offices in Argentina and Thailand.

Biotron chief executive officer Dr Michelle Miller said Aclires specialized in running clinical trials for hepatitis C and HIV, with accredited facilities in South America and Asia.

"It has a long history of running successful phase I and II trials of new drugs, with international pharmaceutical companies and US biotech companies among its clients," Dr Miller said.

"Aclires also has access to large numbers of eligible patient populations," Dr Miller said.

"This really is critical to the successful completion of the trial, as one of the biggest risk factors for trials is access to sufficient suitable patients," Dr Miller said.

Biotron said that unlike other hepatitis C drugs, BIT 225 worked by targeting the p7 protein, a viral protein essential to virus production and replication.

The company said that the next stage of development was to determine how the drug worked in combination with approved treatments for hepatitis C, Interferon and Ribavirin.

Biotron was up 0.4 cents or 4.35 percent to 9.6 cents.

## NEURODISCOVERY

Neurodiscovery has handed its neuropathic pain drug NSL-043 back to Japan's Sosei Corp and is reviewing NSL-101 for dental pain.

Late last year Neurodiscovery said it would not commit to a phase II trial of NSL-043 for neuropathic pain and its ownership fell to about 32 percent under the existing collaboration agreement with Japan's Sosei Corp with no further requirement to contribute funding for the future development of the program.

Neurodiscovery said that in discussions with Sosei it was agreed that a restructure of the ownership was the most appropriate strategy to further the drug's development.

The company said the Sosei agreement has been terminated and replaced with an assignment agreement and Neurosolutions would assign its 32 percent ownership of NSL-043 to Sosei which would then own 100 percent of the program.

In return for the assignment, Sosei agreed that, 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 would receive 32 percent of any potential revenue share, but if additional investment occurred the revenue share would be reduced.

Neurodiscovery said two positive phase I trials and "pivotal pre-clinical efficacy data" for NSL-043 had been completed.

Neurodiscovery has taken total ownership of NSL-101 from its 100 percent subsidiary Neurosolutions and will review the best commercialization path for the natural product formulation being developed as an over-the-counter product for pain.

The company said two phase II trials had been conducted in which one trial showed the compound prevented pain associated with the dental procedure of root planing and scaling, but in a second clinical trial of pain after wisdom teeth extraction, "the company was unable to measure NSL-101's efficacy due to unexpected confounding factors".

Neurodiscovery said it owned 100 percent of Neurosolutions electrophysiological assays specialist service business in the UK which ensured the company had sufficient funds to carry on activities without the need to raise additional capital from the markets.

Last month Neurodiscovery said revenue for the six months to December 31, 2009 was \$1,474,345 of which \$1,461,241 was from its specialist services (BD: Feb 26, 2010).

Neurodiscovery was untraded at 4.2 cents.

## FLUOROTECHNICS

Fluorotechnics says its Gelcompany division has sold its first three high performance electrophoresis (HPE) flat top tower systems to Saudi Arabia.

Fluorotechnics chief executive officer James Walker told Biotech Daily that each tower costs "about \$35,000", not included ongoing consumables, including the company's dedicated proprietary gels

Fluorotechnics said the buyer of three HPE systems was King Abdullah University of Science and Technology's proteomics chief research specialist Shareef Antar.

The company said the University was a new research facility "dedicated to inspiring a new age of scientific achievement in the Kingdom of Saudi Arabia".

The company said the HPE system was launched late last year and it enabled "higher resolution, reproducibility and ease-of-use in 1D and 2D gel electrophoresis separations than any other system".

Fluorotechnics said that in two-dimensional electrophoresis the HPE technology could detect "up to 15 percent more proteins spots because it uses thinner pre-cast gels and a more efficient cooling system with higher electric field strength".

Fluorotechnics was untraded at 31 cents.

## COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

Senior Commonwealth Scientific and Industrial Research Organisation scientist Dr Yogesan Kanagasingam has won a Fulbright scholarship to study imaging technology. The CSIRO said Dr Kanagasingam was the research director of the Australian E-Health Research Centre and was using imaging technologies to prevent blindness. The centre is a joint venture between the CSIRO and the Queensland Government. A media release from the CSIRO said the award would enable Dr Yogesan Kanagasingam to spend four months at Stanford University School of Medicine developing and validating a new non-invasive system to screen newborn babies. CSIRO chief executive Dr Megan Clark said Dr Kanagasingam's work had application across a wide range of areas, ranging from remote, non-invasive diagnosis of eye disease to early detection of Alzheimer's disease.

"We are very proud of Dr Kanagasingam's research and his success in attracting a prestigious Fulbright scholarship," Dr Clark said.

"His collaboration with colleagues at Stanford University is further evidence of how world-class multi-disciplinary research institutions can cooperate in a concerted effort to solve global health challenges," Dr Clark said.

The media release said Dr Kanagasingam was responsible for developing a novel ophthalmic imaging device, Eyescan, which was expected to replace the 150 year old direct ophthalmoscope used by doctors. It is portable, low-cost and easy to use.

"My experience at Stanford will enable me to develop a new imaging module for screening of newborn babies for sight threatening conditions such as retinopathy of prematurity," Dr Kanagasingam said.

"This is the major cause of blindness in newborns and a major cause of litigation in the US, however if found early enough it can be treated with laser therapy," he said.