



Biotech Daily

Thursday November 25, 2010

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: GENETIC TECH UP 15%; PHOSPHAGENICS DOWN 4.5%**
- * **VICTORIAN ELECTION A LAY-DOWN MISERE FOR BIOTECH**
- * **SENATOR CARR BLAMES COALITION FOR R&D TAX CREDIT DELAY**
- * **PATRY'S \$765k GERMAN GRANTS; CHANGES TO \$15m CREDIT LINE**
- * **BIOTRON CLAIMS INDEPENDENT VALIDATION OF HIV PROGRAM**
- * **EASTLAND v SIMS CASE CLOSED; WELLCOME'S AFRICAN STUDY**
- * **NUSEP'S SINGAPHARM STAKE IN \$US1B ASIAN PLASMA MARKET**
- * **ALCHEMIA DISSENT ON EXECUTIVE PLAN, CHAIRMAN MEL BRIDGES**
- * **ANTEO PLEADS SCHULTZ TO ASX 25.5% PRICE QUERY**
- * **CLINUVEL COMPLETES 10-FOR-1 CONSOLIDATION**
- * **CBIO LOSES DIRECTOR DR DENNIS FEENEY**
- * **FEDERAL COURT ADJOURNS GUN V SOLAMIND CASE**

MARKET REPORT

The Australian stock market climbed 0.2 percent on Thursday November 25, 2010 with the S&P ASX 200 up 8.7 points to 4593.4 points. Seventeen of the Biotech Daily Top 40 stocks were up, 10 fell, eight traded unchanged and five were untraded.

Genetic Technologies was best, up 0.4 cents or 15.4 percent to three cents with 121,178 shares traded, followed by Bionomics up 8.3 percent to 32.5 cents with 388,366 shares traded. Patrys climbed five percent; Tissues Therapies was up 4.55 percent; Circadian and Prana were up more than three percent; Cellmid, Cochlear and Viralytics rose more than two percent; with Cellestis, Heartware, Mesoblast, Nanosonics, QRX and Starpharma up more than one percent.

Phosphagenics led the falls, down half a cent or 4.55 percent to 10.5 cents with 520,154 shares traded, followed by Optiscan down 4.4 percent to 4.3 cents with 290,000 shares traded. Living Cell and Sunshine Heart were down more than three percent; Acrux and Impedimed shed more than two percent; with Biota, Immuron and Pharmaxis down more than one percent.

VICTORIAN STATE ELECTION 2010 EDITORIAL

This is probably the most easily written election editorial of all time.

Victoria, under Premiers Steve Bracks and John Brumby and Innovation Minister Gavin Jennings, has done more for biotechnology than any other State Government since the John Cain Labor Government founded Amrad in 1986.

While there may be valid criticisms of the Labor Government on environment, transport, education, planning and social issues, the overwhelming view of the biotechnology sector is that the Victorian Labor Government has given several hundred percent support.

From Bio-21 to the Parkville Cancer Centre and the Monash Synchrotron, as well as grant support from the Department of Innovation Industry and Regional Development including the Victoria Israel Science and Technology Research and Development Fund, along with the strong support for successive Ausbiotech conferences, the Victorian Government has done nothing but good for our sector.

Biotech Daily only wishes that Mr Brumby could be appointed a non-elected Federal Cabinet Minister for Innovation to translate his good work to the national level.

In stark contrast, the Liberal Party website does not mention the word “biotechnology” and calls to Opposition Leader Ted Baillieu’s office proved fruitless. It is a shame the State Liberal Party has not acknowledged and at least promised to copy the Brumby initiatives.

Australia’s third force in politics, the Greens, have been slow off the mark on industry policy, but the Federal Greens are working with the Gillard Government to pass the long-awaited 45 percent research and development tax credit legislation and have been open to discussion on funding biotechnology, while expressing some concerns over nanotechnology, animal welfare and genetically modified crops. These concerns, some of which are quite legitimate, are not related directly to life sciences or the application of biotechnology to human health.

The State electorates of Melbourne and Richmond are home to about 25 percent of Australia’s biotechnology companies – in part due to the Brumby initiatives above – and discussions with the Greens candidate for Melbourne, Brian Walters SC, have been friendly, receptive and productive. Mr Walters told Biotech Daily that the Greens support the Brumby Government’s investment in biotechnology and want to mirror the concept of centres of excellence for clean tech and information and communications technology.

“Government in Victoria should back centres of excellence for the industry and technology of the future,” Mr Walters said. “That way we can be world leaders at a time of immense change - riding the wave instead of being swamped by it.”

Biotech Daily believes that Victorian Labor – as distinct from its Federal counterparts – strongly supports our sector, the Liberal Party are not our friends and the Greens are not our enemies.

David Langsam
Editor

FEDERAL GOVERNMENT

Innovation Minister Senator Kim Carr says the Opposition's "deliberate filibustering" has delayed the research and development tax credit legislation.

The legislation was passed in the House of Representatives earlier this week with the support of the Greens and the independent Members of Parliament (BD: Nov 23, 2010). Biotech Daily was told that the Greens supported the Bills but wanted to add an amendment and that Senator Nick Xenophon supported the Bills, while Senator Steven Fielding was yet to make up his mind on the legislation.

A media release from Senator Carr said the relevant Bills would be reintroduced in February 2011.

PATRYS

Patrys says three grants worth EUR475,000 (\$A675,000) have been awarded to collaborators evaluating its drug candidates for solid tumors and blood-based cancers. Patrys said the grants to researchers at Germany's University of Würzburg were awarded by the University of Würzburg Interdisciplinary Center of Clinical Research and the German Research Foundation.

The company said one grant was awarded to Dr Leo Rasche to work with Patrys scientists to evaluate products as potential treatments for multiple myeloma and lymphoma.

Patrys said Dr Rasche's grant application was supported by recently generated data illustrating the potential application of Patrys' products to these blood-based cancers.

"The preclinical data generated to date shows that Patrys' antibodies are able to target and kill lymphoma and multiple myeloma cell lines," Dr Rasche said. "We are looking forward to building on this work and working with Patrys' team".

The company said that the potential to expand the application of its products beyond solid tumors to blood-based cancers was "a significant new opportunity ... as few marketed products are effective at fighting diseases such as lymphoma and multiple myeloma".

A second grant was awarded to Dr Lars Bönicke to study the ability of Patrys' products to prevent colon cancer metastases in a newly developed animal model of the disease.

The third grant was awarded to Dr Andreas Thalheimer to study the effectiveness of a Patrys' products to prevent colon cancer metastases in newly developed animal models.

Patrys said the grants to Dr Bönicke and Dr Thalheimer were partly on data showing the effectiveness of Patrys' products in animal models of human solid tumor metastases.

Separately, Patrys said the success of its \$3.8 million placement and current share purchase plan have allowed it to vary the terms of its \$15 million, three-year, equity line of credit with Advance Opportunities Fund (BD: Aug 3, 2010).

Patrys said that under the agreement Advance guaranteed a minimum funding of \$4 million over the first 12 months of the facility.

Patrys said the placement and share plan were expected to provide an alternative source of capital for that same period so it had releases Advance from the guarantee.

Patrys chief executive officer Dan Devine said the "elimination of the time-defined, mandatory funding under the guarantee allows Patrys and Advance to better match the timing and level of funding draw-downs with market conditions and company cash needs over the next several years".

"More broadly, the changes reflect how Advance is willing to work with Patrys to achieve our corporate goals, which is a tell-tale sign of an excellent partner and one of the reasons we formed this relationship in the first place," Mr Devine said.

Patrys was up half a cent or five percent to 10.5 cents.

BIOTRON

Biotron says an independent, international study has provided strong support for its HIV drug development program.

Biotron said the study demonstrated how the HIV virus managed to avoid the human body's natural defence mechanisms, showing that the Vpu protein of HIV was central to this process.

Biotron said it had a first-in-class drug that targeted the Vpu protein of HIV which had completed phase I safety trials.

The company said it had designed a phase Ib/IIa efficacy trial in HIV-positive patients, with documentation for regulatory and ethics submissions prepared.

The study, by researchers at Chicago's Rush University, entitled 'Degranulation of Natural Killer Cells Following Interaction with HIV-1-Infected Cells Is Hindered by Downmodulation of NTB-A by Vpu' was published in the journal Cell Host & Microbe. An abstract is at:

<http://www.cell.com/cell-host-microbe/abstract/S1931-3128%2810%2900345-8>.

Biotron quoted the study showing that Vpu stopped cells infected with HIV from triggering an immune reaction, 'hiding' the infected cells so that immune cells were unable to seek them out and destroy them.

The company said the study inferred that drugs targeting Vpu could potentially 'wake up' the cells, making them susceptible to destruction by the body's defence system.

Biotron said the study provided "solid evidence of the importance of Vpu as a potential major target for therapeutic intervention".

Biotron chief executive officer Dr Michelle Miller said the study was "really important for Biotron".

"We have been working on developing drugs to target the Vpu protein of HIV for several years and, until recently, there has been very little known about exactly how Vpu works, despite good evidence that it is critical to the process of establishing HIV infections in specific cell types," Dr Miller said.

"We have been leading the way into the clinic with this new class of drug and to see studies like this from the scientific community underlines the importance of Biotron's HIV program," Dr Miller said.

Biotron said it had recently commenced a phase II study of its lead antiviral drug, BIT225, in patients infected with hepatitis C virus.

Biotron was up 3.5 cents or 31.8 percent to 14.5 cents.

EASTLAND MEDICAL SYSTEMS

Eastland says "allegations against Mr D Sims and Ms L Sims in Supreme Court action CIV 3039 of 2009 have been settled, withdrawn and dismissed".

The one-sentence announcement provided no details on the Western Australia Supreme Court case involving HC Berlin Pharma and former director Douglas Sims (BD: Dec 8, 2010).

At that time, Eastland said a review of its operations has revealed a range of potential breaches of the Australian Securities and Investments Commission regulations and ASX guidelines.

Eastland said in December 2009 that since the restructure of its board and management team, it had begun "a complete review of all past relevant contractual and financial transactions in line with our corporate governance and risk management processes".

In September 2009 Eastland said chief financial officer Peter Tiede and company secretary Trevor Strahan had resigned effective immediately (BD Sep 2, 2009).

Eastland was up 0.4 cents or 6.9 percent to 6.2 cents with 11.1 million shares traded.

EASTLAND MEDICAL SYSTEMS

Eastland says a five-year African study of quinine compared to Artesunate in severe malaria is “very positive for Artimist” which has advantages as a sublingual drug. Eastland said the trial of 5,425 children in nine African countries reported that “Artesunate substantially reduces mortality in African children with severe malaria” was funded by the Wellcome Trust and published in The Lancet earlier this month. The abstract is at: www.thelancet.com/journals/lancet/article/PIIS0140-6736%2810%2961924-1/abstract. Eastland said the trial data, together with a meta-analysis of all trials comparing Artesunate and quinine, “strongly suggest that parenteral Artesunate should replace quinine as the treatment of choice for severe falciparum malaria worldwide”. The company said that quinine had been the gold standard treatment for severe malaria. Eastland said that a sister trial was completed in South East Asia recommending that “Artesunate should become the treatment of choice for severe falciparum malaria” and in 2006 the World Health Organisation (WHO) changed its guidelines to recommend Artesunate for severe malaria in adults. Eastland said it expected that WHO would review its recommendations for the treatment of severe malaria in children which “could provide significant benefit to the Artimist program” as Artesunate and Artemether (Artimist) were both part of the artemisinin group. Eastland’s Artimist is delivered under the tongue and its 30-patient Rwandan phase IIa trial that showed six sub-lingual sprays of 6mg Artimist reduced parasite counts to zero in 24 hours, compared to 21 intravenous doses of quinine taking 30 hours to reduce parasite counts to zero (BD: Jul 28, 2010).

NUSEP

Nusep says it will enter the \$US1 billion Asian blood plasma market through a \$S4 million (\$A3.1 million) investment in Singapharm Pte Ltd. Nusep said it would have a 38 percent stake in the Singapore-based blood fractionation business which had developed a disposable “mini-mill” plasma fractionation process based on Nusep’s Prime separation technology. Nusep said a Singapore investor would invest \$S3 million in Singapharm and the total investment required to set up the facility and fund trials of the mini-mill was \$S12 million. The company said Singapore’s Health Sciences Authority had reviewed Singapharm’s technology and a 40 patient trials would begin shortly and take 12 months to complete. The company said existing blood plasma fractionators would not process less than 10,000 litres of plasma, forcing many smaller Asian nations to purchase finished plasma therapeutic products and discard the plasma they currently collect. In addition much of this plasma is not collected under US Food and Drug Administration or Australian Therapeutic Goods Administration guidelines and could not be processed by the existing fractionators. Singapharm’s blood plasma mini-mill concept is designed to process smaller amounts of plasma from 20 litres to 10,000 litres and was suitable for smaller countries that want to establish their own local blood plasma manufacturing plants in compliance with first world standards. Nusep said it would sell Singapharm a licence to manufacture and sell plasma products including Albumin and intravenous immunoglobulin for \$S9.5 million which would be converted into equity on the sale of the first plasma product resulting in Nusep owning 51 percent of Singapharm. Nusep was untraded at 28 cents.

ALCHEMIA

All resolutions to Alchemia's annual general meeting were passed, with up to 16.8 percent of votes cast opposing the executive and employee share plan.

A total of 12,739,059 proxy votes (16.8%) opposed the share plan with 63,283,373 (83.2%) proxy votes in favor.

The remuneration report was opposed by 11,218,569 proxy votes (14.2%) with 67,608,603 proxy votes (85.8%) in favor.

The resolution to re-elect chairman Mel Bridges was opposed by 10,270,070 proxy votes (13.0%) with 68,659,431 proxy votes (87.0%) in favor.

The employee option plan was opposed by about three percent of the vote and director Carlo Montagner was re-elected overwhelmingly.

Alchemia was up half a cent or 0.8 percent to 60 cents.

ANTEO DIAGNOSTICS

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

The ASX said Anteo's share price rose from 4.7 cents over the 10 days to November 25, 2010 to 5.9 cents, a 25.5 percent increase and noted an increase in trading volume.

Anteo was up 0.1 cents or two percent to five cents with 23.3 million shares traded.

CLINUVEL

Clinuvel says it has completed its 10-for-one share consolidation.

The company said it had 30,344,956 shares on offer.

Clinuvel was up half a cent or 0.29 percent to \$1.73.

CBIO

CBio says non-executive director Dr Dennis Feeney has resigned following his appointment to a commercial and regulatory role with another company.

The company said Dr Feeney joined the company as its chief scientific officer in 2003 and was appointed president of global development and licencing in 2006.

CBio was unchanged at 19.5 cents.

BIOPROSPECT, SOLAGRAN, GUN CAPITAL MANAGEMENT

The Federal Court in Western Australian has again adjourned the Gun Capital case of misleading or deceptive conduct against Solagran, Solamind and Dr Vagif Soultanov.

Gun Capital is associated with former Bioprospect director Leo Khouri, a major shareholder in Bioprospect; Dr Soultanov through Solamind is a major shareholder of Solagran and both companies were significantly affected by the Opes Prime collapse (BD: Aug 26, 2010). No date has been set for the next hearing.

Bioprospect was unchanged at 0.7 cents.

Solagran was unchanged at 16 cents.