



Biotech Daily

Friday November 5, 2010

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: PATRYS UP 9%; CELLMID DOWN 21%**
- * **FEDERAL GOVERNMENT \$80m FOR INNOVATION INVESTMENT FUNDS**
- * **FDA ORPHAN STATUS FOR PATRYS PAT-SC1 FOR GASTRIC CANCER**
- * **VICTORIA ALP PROMISES \$15m FOR MHRI, PRANA ALZHEIMER'S WORK**
- * **ANTISENSE PAID \$522k TAX REBATE**
- * **NARHEX AGM PAVES ROAD TO RECOVERY; KEEPS NAME**
- * **MEDICAL DEVELOPMENTS EXPECTS 30% EARNINGS INCREASE**
- * **HELICON REQUESTS 'ACQUISITION, ISSUED CAPITAL' TRADING HALT**
- * **AVEXA DIRECTOR STEVEN CROWLEY QUILTS FOR JANSSEN-CILAG JOB**
- * **BENITEC READY FOR NEW UK PATENT FIGHT**
- * **SOLAGRAN DETAILS BIOPROSPECT MEDIATION TERMS**
- * **FEDERAL GOVERNMENT OPENS CRC ROUND**

MARKET REPORT

The Australian stock market climbed 1.2 percent on Friday November 5, 2010 with the S&P ASX 200 up 55.3 points to 4800.6 points. Twelve Biotech Daily Top 40 stocks were up, 10 fell, 15 traded unchanged and three were untraded. All three Big Caps were up.

Patrys was best, up one cent or 8.7 percent to 12.5 cents with 6.9 million shares traded, followed by Alchemia and Bionomics up 5.8 percent to 55 cents and 27.5 cents, respectively, with 539,025 shares and 1,000 shares traded, respectively. Tissue Therapies climbed 4.5 percent; Virax was up 3.7 percent; Sirtex rose 2.4 percent; with Acrux, Nanosonics, QRX and Resmed up more than one percent.

Cellmid led the falls, down 1.5 cents or 21.1 percent to 5.6 cents with 131.2 million shares traded, followed by Circadian down 7.8 percent to 59 cents with 236,818 shares traded. Phosphagenics fell 4.2 percent; Chemgenex and LBT lost more than three percent; Benitec, Clinuvel and Optiscan shed more than two percent; with Immuron down 1.2 percent.

FEDERAL GOVERNMENT, INNOVATION INVESTMENT FUNDS

Innovation Minister Senator Kim Carr says his Government will contribute \$80 million to raise \$160 million in venture capital to be made available through four new funds, A Department of Innovation media release said that venture capital was “a critical element of an effective innovation system because it links research to world markets”.

“The venture capital we are providing these fund managers today will help early-stage high-growth Australian companies commercialize their research,” Senator Carr said.

“This will lead to new skills, jobs and trade opportunities that will grow our economy,” Senator Carr said.

“Receiving Government funding of \$20 million each, the four fund managers also have received funding from private investors. This private investment must match or exceed the Government’s investment,” Senator Carr said.

The funds include the Medical Research Commercialization Fund (MRCF) founded by Brandon Capital with leading Australian medical research institutes, Southern Cross Venture Partners, Start-up Australia Ventures and Carnegie Venture Capital.

“Each fund has its own focus. For example, one will look at spin-outs from our world-class medical research institutes and another will focus on internet and new media technologies,” Senator Carr said.

For more information on the Innovation Investment Fund go to: www.ausindustry.gov.au, phone 132846 or email: venturecapital@innovation.gov.au.

PATRY'S

Patrys says the US Food and Drug Administration has granted orphan medicinal product designation for its anti-cancer product PAT-SC1.

Patrys said that PAT-SC1 had been evaluated for safety and efficacy in a human clinical trial involving gastric cancer patients with encouraging results, as patients treated with PAT-SC1 experienced a significant survival benefit compared to a historical control set of patients that received similar treatment but for the PAT-SC1 antibody.

The company said that the product was being converted to its large-scale manufacturing technology in preparation for a second trial.

Patrys said that the FDA was formally asked to confirm that orphan status was available for PAT-SC1 as produced using Patrys' new manufacturing technology and that confirmation has been received.

Patrys said orphan product designation was intended to provide incentives to encourage companies to pursue cures and treatments for rare diseases with high unmet medical needs.

Under orphan drug status, PAT-SC1 qualifies for potential grant funding during development as well as a period of marketing exclusivity upon FDA approval.

Patrys said orphan drug designation is available for disease indications with an incidence in the US of fewer than 200,000 cases and there were about 20,000 cases of gastric cancer identified each year in the US.

The company said that while gastric cancer was an orphan indication in the US, the market was much larger with more than 1,000,000 cases reported every year worldwide.

Patrys said the conversion of PAT-SC1 to its large-scale manufacturing technology was expected to be completed by June 2011 and the company would assess the opportunities to advance PAT-SC1 into a second clinical trial as an internal program or through a larger industry partner.

Patrys was up one cent or 8.7 percent to 12.5 cents with 6.9 million shares traded.

AUSTRALIAN LABOR PARTY, MENTAL HEALTH RESEARCH INSTITUTE PRANA BIOTECHNOLOGY

The Victorian Labor Party says it will provide \$15 million for research into Alzheimer's disease by the Parkville-based Mental Health Research Institute and Prana.

Victoria's Premier John Brumby said the grant would allow work to continue "on this important drug treatment for Alzheimer's, which could be critical to tackling this disease that affects thousands of Victorians".

The Victorian Government is in 'caretaker mode' ahead of the State election on November 27, 2010 and the announcement was made by the Victorian Branch of the Australian Labor Party and Prana.

"To rise to the challenge of around 1000 Victorians turning 65 every week, we need to keep building a world class health system, including by supporting innovative research that could make a difference to the lives of Victorians with Alzheimer's, their families and loved ones," Mr Brumby said.

"As our population ages, we are seeing a growing number of Victorians affected by Alzheimer's disease," Mr Brumby said. "That's why a future Labor Government will provide \$15 million to the Mental Health Research Institute so it can work with Prana Biotechnology to undertake this critical medical research."

The Labor Party media release said that dementia cases would grow from about 65,000 to 275,237 by 2050 in Victoria alone and Alzheimer's disease represented about 70 percent of all dementias.

The media release said the Mental Health Research Institute and Prana had been researching and developing PBT2 for more than 10 years and results show the drug could improve the treatment of Alzheimer's in the future.

Mr Brumby said the funding would support the move to the next critical stage of clinical trials to confirm that Alzheimer's patients can benefit from being treated by PBT2.

"The trial is expected to involve about 500 patients with mild to moderate Alzheimer's and will look at whether the benefits discovered in research so far can translate into treating patients," Mr Brumby said.

The \$15 million will be funded through the \$55 million Biotechnology Action Plan, launched last month at the Ausbiotech conference (BD: Oct 19, 2010).

The research collaboration will also seek funding through the private sector and other sources.

Separately Prana requested a trading halt pending an announcement "in relation to forthcoming funding activity".

Trading will resume on November 9, 2010 or on an earlier announcement.

In a media release, which was not posted to the ASX at the time of publication, Prana said the trading halt was "to assess how this [funding] relates to the company".

Prana last traded at 13 cents.

ANTISENSE THERAPEUTICS

Antisense says it has received a Research and Development Tax Concession refund of \$522,099 from the Australian Taxation Office for the year ending June 30, 2010.

Antisense said that earlier this week it announced an underwritten renounceable rights issue to raise about \$2.4 million (BD: Nov 1, 2010) and said that the proforma balance sheet in the prospectus did not include the tax refund.

The company said it would "determine in due course the appropriate application of this amount, as between working capital and specific pipeline project expenditure".

Antisense was unchanged at one cent with 1.9 million shares traded.

[NARHEX LIFE SCIENCES](#)

All resolutions to the Narhex extraordinary general meeting were passed overwhelmingly except the proposed name change to Narhex Limited.

Narhex executive director David Mandie told Biotech Daily the name change resolution received less than the required 75 percent of votes and was withdrawn.

The resolution was opposed by 24,228,244 proxy votes (44.3%) with 30,496,694 proxy votes (55.7%) in favor.

Mr Mandie said the resolutions included a one-for-10 consolidation of share capital, ratification of prior issues and support for two placements that would allow the company to pay creditors and administrators and leave it with sufficient cash to return to trading.

Mr Mandie said he expected the placement to raise up to \$2.5 million would be completed early next year.

Narhex last traded at 1.6 cents.

[MEDICAL DEVELOPMENTS INTERNATIONAL](#)

Medical Developments says a review of trading for the six months to December 31, 2010 indicates earnings before interest and tax would be 30 percent higher.

The company said it expected to earn \$630,000 compared to the previous corresponding period's \$484,000.

Medical Developments said the estimate was guidance "only for the purpose of ensuring an informed market" and it would be subject to the normal internal and external review processes during the compilation of the half year results and reports.

The company said it had made significant changes to its marketing and distribution, new sales and marketing staff had increased sales, orders from countries which had recently approved the Pentrox analgesic system for sale were expected to build over the financial year and sales to general practitioners were gaining momentum.

Medical Developments said a cost review and rationalization reduced costs significantly.

Medical Developments was up one cent or 2.9 percent to 36 cents.

[HELICON GROUP](#)

Helicon has requested a trading halt pending an announcement "in relation to an acquisition which will result in a substantial increase in the issued capital of the company".

Trading will resume on November 10, 2010 or on an earlier announcement.

Helicon last traded at three cents.

[AVEXA](#)

Avexa says director Steven Crowley has resigned following his appointment as an executive director at research pharmaceutical company Janssen-Cilag.

Avexa said Mr Crowley's new job precluded him from serving on public company boards, due to possible conflicts of interest.

Mr Crowley was elected to the board at an extraordinary general meeting that removed the previous board including chairman Nathan Drona and Uri Ratner, following the closure of the apricitabine (ATC) program (BD: Jul 6, 2010).

Avexa fell 0.1 cents or 2.3 percent to 4.3 cents.

[BENITEC](#)

Benitec says the UK Intellectual Property Office has received an application to revoke its exclusively licenced patent UK patent 2,353,282, equivalent to the US Graham patent. All objections to the Graham patent were finalized in September (BD: Sep 30, 2010). Benitec said today that the application to revoke its UK patent was filed by a UK-based patent attorney firm, "which may be acting on behalf of a third party" not disclosed in the application.

The company said that after an initial review it believed that the application to revoke "merely reiterates old arguments based on the antisense literature".

These arguments have been successfully overcome in other jurisdictions, including the US, the EU and Australia, the company said.

Benitec said the revocation application also alleged obviousness of the invention over various references and again similar representations were dealt with elsewhere.

"Benitec believes that the revocation application is without merit and, if anything, the action will serve to strengthen the patent," the company said.

The application to revoke may also be taken as an indication of the increasing realization of the commercial value of the patent family, Benitec said.

Benitec said the UK patent was a long-standing patent granted in 2003 and with the the Commonwealth Scientific and Industrial Research Organisation, Benitec would use the opportunity that defending this application presents to review the patent where appropriate.

Should the full review by the patent attorneys reveal further significant information, Benitec will provide a further update to the market, Benitec said.

Benitec said a counter-statement was due to be filed by December 14, 2010.

Benitec fell 0.1 cents or 2.9 percent to 3.4 cents with 6.2 million shares traded.

[BIOPROSPECT, SOLAGRAN](#)

Solagran says that all the conditions of the mediated settlement with Bioprospect have been satisfied (BD: Nov 2, 2010).

Solagran said as part of the settlement it had sold the 45,000,000 Bioprospect shares issued under the 2007 development agreement for \$324,000.

Solagran said that documentation and trial data supplied by Solagran to Bioprospect under the agreement had now been returned and "all intellectual property previously licenced under the agreement remains with Solagran".

Solagran said that Bioprospect had advised the Australian Pesticides and Veterinary Medicines Authority that its equine products would use coniferous chlorophyll carotene paste (CC-CP) as their active ingredient in substitution for conifer green needle complex (CGNC).

Solagran said it developed CGNC "to meet Australia's rigorous registration standards for therapeutic goods and produces it by means of unique and confidential processes and technology".

Solagran said it was "the only supplier of CGNC and it remains unaware of any alternate supplier which is able to produce the substance to meet the specifications laid down for CGNC in Australia".

Solagran said that given its agreement with Bioprospect had ended, Solagran was "free to pursue opportunities in the animal health and agricultural sectors without impediment".

Bioprospect was unchanged at 0.8 cents with one million shares traded.

Solagran fell half a cent or 4.2 percent to 11.5 cents.

FEDERAL GOVERNMENT

Innovation Minister, Senator Kim Carr today invited industry and research groups to partner and become Cooperative Research Centres.

“Applications for the 14th Cooperative Research Centres round are now open and I particularly encourage applications to establish centres in the areas of clean manufacturing, social innovation and sustainable regional communities,” Senator Carr said.

“Australia must undertake intensive research in these areas to build a strong, prosperous and green nation that can overcome big issues such as climate change, economic stability and skills shortages.

A Federal Government media release said applications addressing other national priorities were also welcome.

Cooperative Research Centres are formed through partnerships between publicly funded researchers and end users, such as private, public or community sectors that can deploy research outcomes.

The CRC website said the program provided funding to build critical mass in research ventures between end-users and researchers which tackle clearly-articulated, major challenges for the end-users.

The website said Cooperative Research Centres “pursue solutions to these challenges that are innovative, of high impact and capable of being effectively deployed by the end-users”.

For more information go to: www.crc.gov.au.