



Biotech Daily

Friday October 1, 2010

Daily news on ASX-listed biotechnology companies

- * **BDI-40 OUT-PERFORMS ASX200 OVER MONTH, YEAR**
- BENITEC UP 70%, MESOBLAST UP 41%, PATRYS DOWN 22%
- * **TODAY: ASX FLAT, BIOTECH DOWN:**
- CHEMGENEX UP 19%; BENITEC DOWN 10%
- * **FEDERAL GOVERNMENT RESTARTS AMENDED R&D TAX CREDIT BILL**
- * **QRX PLACEMENTS RAISE \$14m; SHARE PLAN**
- * **BIOTRON BEGINS PHASE IIa BIT225 TRIAL FOR HEPATITIS C**
- * **BENITEC BEGINS NEUROPATHIC PAIN PROGRAM**
- * **EASTLAND EARNS \$294k FROM SALE OF NON-CORE PORTLAND**
- * **RESMED AGM TO DOUBLE TOTAL DIRECTORS' PAY, INCREASE SHARES**
- * **ADVANCED SURGICAL AGM TO DOUBLE TOTAL DIRECTORS' PAY**
- * **FLUOROTECHNICS, ITL, ATOS SUSPENDED ON ACCOUNTS**

MARKET REPORT

The Australian stock market slipped 0.08 percent on Friday October 1, 2010 with the S&P ASX 200 down 3.7 points to 4579.2 points.

Nine of the Biotech Daily Top 40 stocks were up, 14 fell, nine traded unchanged and eight were untraded.

Chemgenex was best, up 6.5 cents or 19.1 percent to 40.5 cents with 712,628 shares traded, followed by Prima up five percent to 10.5 cents with 7.6 million shares traded.

Prana climbed four percent; Viralytics was up three percent; Biota rose 2.6 percent; with Alchemia and Nanosonics up more than one percent.

Benitec led the falls, down 0.4 cents or 10 percent to 3.6 cents with 4.3 million shares traded.

LBT and QRX lost more than seven percent; Impedimed, Phylogica and Universal Biosensors fell more than three percent, Clinuvel, Heartware and Tissue Therapies shed more than two percent; with Cathrx and Sirtex down more than one percent.

BIOTECH DAILY TOP 40 INDEX

The onset of Spring has seen the Biotech Daily Top 40 Index (BDI-40) resume its lead over the S&P ASX200, growing at twice the rate of the benchmark index.

For the month of September 2010, most BDI-20 stocks were up, with Mesoblast the clear leader, while the Second 20 rises were significantly larger than the equal number of falls. The BDI-40 was up 8.7 percent compared to the ASX200 up 4.1 percent.

For the 12 months to September 30, the BDI-20 was up 7.4 percent, the BDI-40 was up 6.5 percent, the three Big Caps of Cochlear, CSL and Resmed (which are not included in the BDI-20 or BDI-40) fell 1.2 percent, while the ASX200 fell 3.4 percent.

In September, 20 of the BDI-40 stocks increased their market capitalization, 13 fell and seven were unchanged.

Twelve BDI-20 companies were up, five fell and three were unchanged.

Cochlear, CSL and Resmed collectively rose 0.35 percent in September.

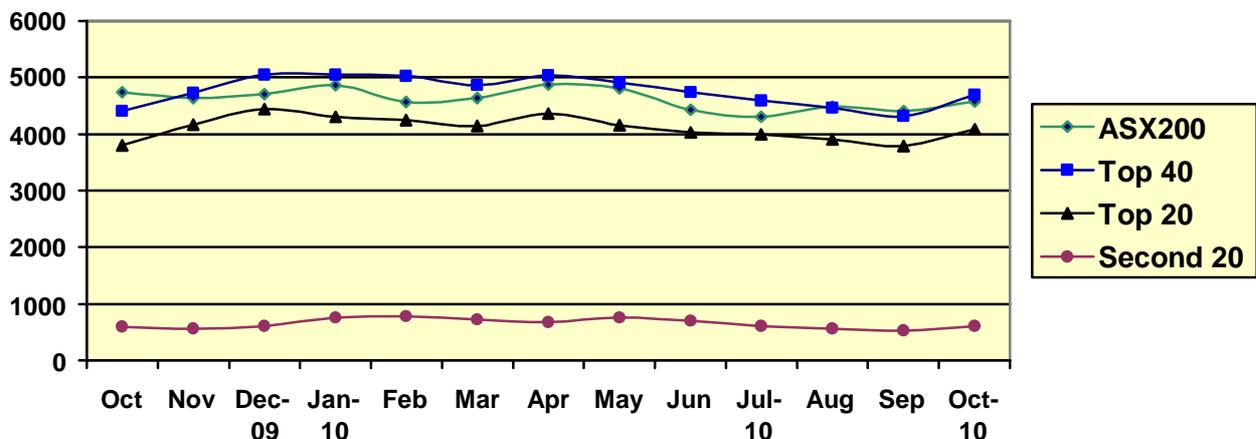
Mesoblast was the best of the Top 20, up 40.6 percent to \$398 million, with the Second 20's Benitec doing better from a very low base, up 70 percent to \$17 million.

They were followed by Cathrx up 35.9 percent to \$39 million, Psivida (28.6%), Nanosonics (27.9%), Tissue Therapies (23.1%), Acrux (20.4%) and Cellmid (16.6%), with Impedimed and Prima both up 15.9 percent.

Only three companies fell by more than 10 percent, with Patrys the worst, down 22.2 percent to 14 million followed by Immuron (16.1%) and Genetic Technologies (15.4%).

Biotechs raised \$26.4 million in September.

Biotech Daily Top 40 (\$m) v S&P ASX200 2009-'10



FEDERAL GOVERNMENT

An amended version of the 45 percent research and development tax credit Bill has been reintroduced into the House of Representatives.

Although the Bill was passed in the House of Representatives in the previous Parliament, a Parliamentary official told Biotech Daily that Bills that have not passed the Senate lapse when an election has been held.

A spokeswoman for Innovation Minister Senator Kim Carr told Biotech Daily the two proposed amendments were a “clarification of objects clause” and a “clarification of scope of core [research and development] activities”

The first amendment includes additional words to confirm that the research and development tax credit can extend to experimental activities for the purpose of generating knowledge in the applied form of new or improved materials, products, devices, processes or services.

The second amendment clarifies that the creation of new or improved materials, products, devices, processes or services is not precluded from being a core research and development activity in the definition of core research and development activities Ausbiotech chief executive officer Dr Anna Lavelle told Biotech Daily: “These changes pose no threat to our sector”.

A media release from Senator Carr said the Gillard Labor Government had introduced the research and development tax credit to replace the existing research and development tax concession with a more certain, more generous research and development incentive to business, particularly small and medium sized enterprises.

“The Bill to introduce the new ...Tax Laws Amendment (Research and Development) Bill 2010, which is supported by the Income Tax Rates Amendments (Research and Development) Bill 2010, has been amended to address a number of concerns raised by stakeholders during consultations and as part of the Senate Economics Legislation Committee report of June 15, 2010,” Senator Carr said.

“The Bill confirms the start date of July 1, 2010, which provides increased benefits to smaller firms as quickly as possible, and clarifies that ‘factory floor R&D’ will be included under the R&D tax credit,” Senator Carr said.

“Experimental development is important to Australian firms and represents 60 percent of R&D expenditure in Australia,” Senator Carr said.

“That is why we have made changes to the legislation and explanatory materials to further emphasise support for experimental development,” Senator Carr said.

“In addition to amendments to the Bill, the Government has agreed to focus specifically on the dominant purpose test when the R&D tax credit is reviewed in three years time,” Senator Carr said.

QRX PHARMA

QRX says it has raised \$14 million in two tranches of its placement and share plan announced earlier this week (BD: Sep 29, 2010).

QRX said it hoped to raise \$3.3 million in the first tranche, which it did, but the \$6.7 million second placement was oversubscribed by \$4 million, raising a total of \$14 million, pending shareholder approval at the annual general meeting to be held on November 8, 2010.

QRX said today that the share purchase plan would be at the same 85 cents a share with shareholders able to buy parcels of shares ranging up to \$15,000.

The record date for the share plan was September 30, 2010.

The Share plan opens on October 18 and closes on November 12, 2010.

QRX fell seven cents or seven percent to 93 cents.

BIOTRON

Biotron says it has begun its phase IIa clinical trial of BIT225 for hepatitis C virus in a combination study with the current standard of care, interferon and ribavirin.

Biotron said the 24-patient trial was designed to assess the safety of BIT225 when given daily for 28 days, as well to assess its effect on the level of virus in the blood of the patients and to see whether it could improve the efficacy of interferon and ribavirin.

The company said the 24 patients infected with hepatitis C genotype 1 would be dosed twice daily with BIT225 or placebo for 28 days at the commencement of a standard course of treatment of interferon and ribavirin.

Biotron said genotype 1 patients made up the majority of hepatitis C infections in the Western world and were the hardest to treat, with less than half responding to the current approved treatment.

The company said there was an unmet medical need for drugs that would improve treatment outcomes for this group of patients.

Biotron said the trial followed a seven-day clinical trial of the drug on its own in hepatitis C positive patients.

Biotron said the pilot trial "showed promising results" and the company hoped the results would be improved in the new trial, as laboratory studies with BIT225 had shown the drug was able to significantly improve the activity of interferon and ribavirin.

Biotron said the clinical phase of the trial was expected to conclude by the end of 2010.

Biotron was untraded at 6.4 cents.

BENITEC

Benitec says it has begun a research and development program to develop an expressed RNAi product for neuropathic pain.

Benitec said neuropathic pain was chronic intractable pain and was associated with diseases such as cancer and HIV and was a major contributor to the adverse quality of life suffered by terminal cancer patients and other sufferers of chronic disease.

The company said there was no treatment to prevent the development of neuropathic pain, nor to adequately, predictably and specifically control established neuropathic pain.

Benitec said there was an unmet clinical need and a challenge to develop a more effective pain therapy.

Benitec said its vector-expressed RNA interference technology had the potential to become the next major class of therapeutic drugs in this area, because of its potency and selectivity to knock down molecular targets known to be involved in chronic pain.

Benitec said it had contracted the University of Queensland's Tetraq to test a number of RNAi constructs in their pain models to determine which specific target sequences had the strongest effect on reducing neuropathic pain from a single injection.

Benitec chief executive officer Dr Peter French said it was "an ideal program to demonstrate the power and effectiveness of the company's platform RNAi technology".

"This program has the potential to produce a product that can achieve significant reduction of chronic intractable pain from a single injection," Dr French said.

"It is likely to be viewed favorably by clinicians, patients and regulators and therefore, providing the initial results show successful reduction of pain without adverse effects, Benitec plans to fast-track this program to the clinic," Dr French said.

The company said the cancer pain market was significant, with about 65 percent of cancer patients experiencing pain and was especially prevalent in patients with metastatic disease, particularly those with bone metastases.

Benitec fell 0.4 cents or 10 percent to 3.6 cents with 4.3 million shares traded.

EASTLAND MEDICAL SYSTEMS

Eastland says it has accepted an unconditional offer for its Portland Surgical Products property from Narson Pty Ltd.

Eastland said the transaction would result in an increase in Eastland's cash position by about \$294,000 after costs.

The company said settlement was expected on November 5, 2010.

Eastland said the sale was "in line with [its] strategy to dispose of non-core assets to allow the company to continue to align its actives with its pharmaceutical projects".

Eastland was unchanged at 4.5 cents.

RESMED

Resmed's annual general meeting will vote to increase the maximum aggregate non-executive directors fees from \$US400,000 (\$A413,705) to \$US800,000.

The meeting will also vote to increase the number of shares of common stock from 200,000,000 to 350,000,000.

Resmed said the meeting would vote on the election of directors Kieran Gallahue, Michael Quinn and Richard Sulpizio.

The meeting will be held at Resmed Inc, 9001 Spectrum Center Boulevard, San Diego California, on November 11, 2010 at 2pm (November 12 at 9am AEDT).

Resmed was up two cents or 0.6 percent to \$3.40 with 1.9 million shares traded.

ADVANCED SURGICAL MANUFACTURE & DESIGN

Advanced Surgical's annual general meeting will vote to increase the maximum aggregate directors' fees from \$250,000 to \$500,000.

The meeting will also vote to amend the constitution to reflect new dividend payment laws, adopt the remuneration report and elect directors Michael Spooner and John O'Meara.

The meeting will be held at 2/12 Frederick Street, St Leonards, Sydney, on November 5, 2010 at 11am.

Advanced Surgical was untraded at 37 cents.

FLUOROTECHNICS, ITL, ATOS WELLNESS, CALZADA

Fluorotechnics and ITL were the only two biotechnology companies among 23 companies suspended by the ASX today for failing to lodge their full year accounts.

Atos Wellness, which was intending to acquire the failed "fat-buster" compound AOD9604 from Calzada was also suspended by the ASX (BD: sep 21, 2010).

Calzada and Atos terminated the agreement for Calzada to invest \$500,000 in Atos and provide it with AOD9604 following due diligence investigations by each party.

Metabolic closed the AOD9604 after a 536 patient phase IIb trial showed "that weight loss compared to placebo at the primary and secondary endpoints of 12 or 24 weeks of treatment, was too low to reach statistical significance" (BD: Feb 21, 2007).

Fluorotechnics last traded at 3.8 cents.

ITL last traded at five cents.

Atos last traded at 1.2 cents.

Calzada fell 0.1 cents or 4.2 percent to 2.3 cents.

BIOTECH DAILY'S TOP 40 WITH MARKET CAPITALIZATION

Company \$Am	Oct-09	Sep-10	Oct-10
Cochlear	3,753	3,915	3,974
CSL	20,012	18,124	18,176
Resmed	3,846	5,140	5,125
Top 20			
AcruX	272	324	390
Alchemia	92	93	93
Antisense	29	8	8
Bionomics	75	86	88
Biota	478	167	172
Cellestis	324	227	226
Chemgenex	208	96	96
Clinuvel	102	67	62
Genera	42	31	28
Heartware	347	995	1,014
Impedimed	67	94	109
Living Cell	62	53	50
Mesoblast	140	283	398
Nanosonics	96	140	179
Pharmaxis	523	458	490
Sirtex	270	270	273
Starpharma	118	117	134
Sunshine Heart	25	14	16
Tissue Therapies	16	26	32
Universal Biosensors	210	239	228
Second 20			
Benitec	17	10	17
Cathrx	28	25	39
Cellmid	6	6	7
Circadian	35	27	26
Compumedics	30	24	23
Genetic Tech	21	13	11
Immuron	20	31	26
LBT Innovations	15	8	9
Novogen	75	13	13
Optiscan	13	6	6
Patrys	26	18	14
Phosphagenics	64	73	69
Phylogica	22	13	12
Prana	55	30	30
Prima	91	63	73
Psivida	91	65	91
QRX Pharma	69	91	102
Uscom	32	14	13
Viralytics	10	17	18
Virax	9	5	5

* Biotech Daily editor, David Langsam, owns shares in Alchemia, Bionomics, Biota, Chemgenex, Impedimed, Neuren, Optiscan, Pharmaxis and non-biotechnology stocks. These holdings are liable to change at any time.

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