



Biotech Daily

Friday October 6, 2017

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: AVITA UP 10%; BENITEC DOWN 13%**
- * **DR BOREHAM'S CRUCIBLE: OPTISCAN**
- * **CSIRO, CANN WORK ON MARIJUANA ORAL DROPS, INHALED VAPOR**
- * **USCOM WITHDRAWS PROF ROB PHILLIPS SHARE ISSUE**
- * **OPTISCAN'S IAN MANN, IBSEN, EZAHC INCREASE, DILUTED TO 10%**
- * **PROF TIM HUGHES WINS \$80K RESEARCH AUSTRALIA GSK AWARD**

MARKET REPORT

The Australian stock market climbed 1.04 percent on Friday October 6, 2017 with the ASX200 up 58.9 points to 5,710.7 points.

Seventeen of the Biotech Daily Top 40 stocks were up, 12 fell, nine traded unchanged and two were untraded. All three Big Caps were up.

Avita was the best, up 0.8 cents or 10.4 percent to 8.5 cents with 762,075 shares traded.

Universal Biosensors climbed 9.5 percent; Living Cell was up 8.9 percent; Compumedics improved 7.6 percent; Volpara was up 5.8 percent; Oncosil, Opthea, Prima and Starpharma were up four percent or more; Admedus and Sirtex rose two percent or more; Clinuvel, CSL, Resmed and Reva were up more than one percent; with Cochlear, Impedimed, Medical Developments and Pro Medicus up by less than one percent.

Yesterday's 22.6 percent best, Benitec, retreated 2.5 cents or 13.2 percent to 16.5 cents with 465,611 shares traded.

Actinogen lost 5.4 percent; Cellmid fell four percent; Airxpanders and Uscom were down more than three percent; ITL and Mesoblast shed more than two percent; Ellex, Neuren and Orthocell were down more than one percent; with Cyclopharm and Nanosonics down by less than one percent.

[DR BOREHAM'S CRUCIBLE: OPTISCAN](#)

By TIM BOREHAM

ASX Code: OIL

Share price: 9.0 cents; **Shares on issue:** 420,828,800; **Market cap:** \$37.9 million

Chief executive officer: Archie Fraser

Board: Alan Hoffman (chairman), Archie Fraser, Peter Francis, Ian Mann, Dr Ian Griffiths, Dr Philip Currie

Financials (2016-'17 year): revenue \$1.33 million (up 330 percent), net loss \$2.94 million (previously \$1.3 million loss), gross profit \$842,508 (up 285 percent), cash \$700,666 (previously \$954,805)

Identifiable shareholders: Ian Mann 9.95 percent, Robert Peters 6.7 percent, Opthea 2.2 percent, Peter Delaney 1.45 percent.

Appointed chief executive officer of the microscopic imaging provider last year, Scotsman Archie Fraser was just the laddie to turn around the company - given his tenure at the normally cellar-dwelling AFL club St Kilda.

The Scotsman presided over the Saints between 2005 and 2009 and – short of pulling on his boots himself – can take his share of credit for the club's grand final appearances in 2009 and 2010.

Fraser then switched codes and presided over the Hyundai A-League soccer competition during a growth period.

He also spent a nanosecond at Clive Palmer's proposed Football Federation that - like Palmer's Titanic replica - sunk without trace.

Optiscan hired Mr Fraser (by then a management consultant) in May last year, when the company was in a trading halt after a failed capital raising.

"I have learnt from sport that you either play it or watch it," says Mr Fraser, who opines that running a biotech is a breeze relative to managing a collective of big egos in the sporting world.

Two decades of work in progress

Optiscan was a Circadian (now Opthea) company founded in 1994, with inventor Peter Delaney working with CSIRO, and boasting now chief scientist Dr Alan Finkel on the board, listing on the ASX in 1997.

The roll-call of directors includes Vision Systems and Biota's Dr Jim Fox, George Cameron-Dow and Patrick O'Connor.

The company was recapitalized and was restored to trading in August last year after a \$1.4 million rights raising (at 2.5 cents a share).

While \$100 million has been poured into developing Optiscan's technology over the years, revenues remain microscopic.

One reason for this is that the company has suffered from attention deficit disorder.

"Optiscan's technology has always been world class but the company was pursuing many things at a time and it missed crucial deadlines," Mr Fraser says.

"We have now put the blinkers on to take the main two products to market."

Biopsies be gone

Optiscan has developed clinical endo-microscopes that, as the name suggests, allow a person's innards to be examined without the need for a painful biopsy.

The devices provide surgeons with a real-time view of individual human cells - magnified 1000 times- during a procedure.

The images are conveyed via a single optical fibre placed directly on the tissue. They can see whether a lump is benign or cancer in real time.

In 2002, Optiscan started selling an earlier version of the device for gastrointestinal surgery, via a partnership with Japan's Pentax (which finally cottoned on that film cameras had about as bright a future as nightmen and blacksmiths).

Pentax was taken over by Hoya and the tie-up fizzled out, but not before 150 systems were sold.

Optiscan then formed a collaboration with German optics house Carl Zeiss Meditec (CZM) and 10 years later the alliance remains intact.

Carl Zeiss has exclusive rights to Optiscan's neurosurgery, ear, nose, throat and spine applications.

Under the tie-up, Optiscan sells the units to Carl Zeiss, which will then market them under its own name (reportedly Convivo).

Carl Zeiss is expected to gain Conformité Européenne (CE) mark approval shortly, with US Food and Drug Administration consent expected by April, 2018.

Probing analysis

Optiscan's endoscope is a miniature microscope at the end of a single flexible optical wire. Yes, there are several rival devices on the market but of much lower resolution (gaps in the pixels "like a microwave screen door", according to the company).

Pilot versions of Convivo are currently being showcased at neurosurgical pow-wows in Venice and Boston.

Convivo is expected to be sold alongside CZM's Kinevo 9000, a newly released surgical microscope with enhanced probing abilities, but without Convivo's magnification abilities.

One doesn't have to be Einstein to assume the devices could be merged into one in future.

The Carl Zeiss initial focus is squarely on the neurosurgery market, which requires millimetre-perfect skills. In the US alone, 700,000 people are diagnosed with brain cancer with 27,000 new cases each year. From this, the company extrapolates a requirement of 4,000 to 8,000 systems.

In dollar terms, Fraser estimates a \$US1 billion global market for neurosurgery alone.

But the bigger market is in gastrointestinal procedures, which Optiscan would pursue separately to Carl Zeiss.

The company notes 10 percent of the US population (34 million) suffers chronic heartburn and of these a further 10 percent will develop a condition called Barrett's oesophagus. Due to the increased cancer risk, these patients require ongoing endoscopic surveillance.

"Once we have Zeiss flying the flag we can pursue different markets including [gastro-intestinal] and women's health," Mr Fraser says.

In the US, the updated device will benefit from existing insurance reimbursement codes for the old gastrointestinal device.

Not the end of the story

Separately, Optiscan is developing an updated version of an imaging platform for preclinical work, called Viewnvivo (as in fish'n'chips). This will be distributed through specialist distribution partners in the US, China and Europe.

Relaunched last year, Viewnvivo is a miniaturised fluorescence endo-microscope with applications in preclinical research. While the Carl Zeiss link-up is the main game for Optiscan, the company is confident Viewnvivo will snare a significant market share.

On September 14 the company announced a deal with Shanghai-based China Gate Scientific to distribute Viewnvivo in the Middle Kingdom. The deal is for three years, with a two-year option.

“We set out this year with a number of scientific targets and one ... was to position Optiscan and our technology into China with the right partner,” the company says.

Okay – cross that one off the to-do list.

Financials under the microscope

Optiscan generated \$1.33 million of revenue last year, derived from selling units for research and development, as well as income from services.

The company expects current-year revenues of \$2 million “as a minimum” from the Carl Zeiss collaboration, with the figure dependent on the upcoming product launch.

Viewnivo sales are expected to deliver \$2 million over the next 12 months, with a \$1 million research and development rebate due later this calendar year.

Mr Fraser expects the company to break even in the 2017-'18 year.

Like a cash-strapped football club, Optiscan always seems to be able to raise dough when it counts, with more than \$5 million raised in share placements, rights issues and exercise of options over the last 15 months.

Optiscan has just completed an underwritten share purchase plan that raised \$2.5 million, as well as a placement that raised a further \$1 million. Both were at 8 cents apiece.

Optiscan also has 25.5 million unlisted options exercisable at an average 6.2 cents, with an average expiry date of June 2019.

Dr Boreham's diagnosis:

Optiscan's long-term prospects perhaps lack resolution, but the addressable markets are capacious and Optiscan has a powerful partner in the \$1.6 billion market cap Carl Zeiss.

Indeed, if the projected revenues pan out as expected the company should be able to give the begging bowl a well-earned rest.

Given Optiscan shares have trade in a range of 2.7 cents to 13 cents over the last 15 months, at the current valuation the stock has been mid-ranking on the biotech performance league ladder.

As with long-suffering St Kilda fans, hope abounds.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He has never had an endoscopy but is often under the microscope and told to have a good look at himself.

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION CANN GROUP

The Commonwealth Scientific and Industrial Research Organisation says it is working with the Cann Group on marijuana's "minor cannabinoids and terpenes".

The CSIRO said the collaboration intended to develop a manufacturing process to produce consistent, quality-controlled products suitable for clinical trials.

The Organisation said that in addition to learning more about the potential side effects and the best way to use medicinal cannabis, the results of large clinical trials would make it easier for doctors to prescribe, making "medicinal cannabis ... accessible to the people who need it most".

The CSIRO said that Cann was issued Australia's first Medicinal Cannabis Cultivation Licence, as well as two research licences from the Federal Office of Drug Control, allowing it to produce Australian-grown cannabis that could be prescribed to patients.

The Organisation said it would help Cann "develop products that could be used to treat a range of conditions, including childhood epilepsy, chronic pain and loss of appetite in chemotherapy patients".

The CSIRO said that Cann was cultivating different strains of cannabis for medical use and once its dedicated laboratory was fitted out, the Organisation would analyze the crop "to get a better idea of the cannabinoids present, their biological effects and how extracts could be manufactured".

"While most research on medicinal cannabis has focussed on the effects of tetrahydrocannabinol and cannabidiol, we're going to explore the minor cannabinoids and terpenes, which give the plant its characteristic smell," the CSIRO said.

"From these results, we'll begin developing various extracts with different chemical profiles tailored for certain conditions," the CSIRO said.

"It's expected that these extracts will be taken as oral drops or inhaled as vapor," the Organization said.

Cann fell six cents or 4.4 percent to \$1.31.

USCOM

Uscom says an annual general meeting resolution to issue 984,000 'share rights' to executive chairman Prof Rob Phillips in lieu of pay has been withdrawn.

Last week, Uscom said shareholders would vote on the grant to Prof Phillips along with 205,800 shares to director David He 205,800 shares (BD: Sep 29, 2017).

The company's notice of meeting said Mr He's free shares would be issued "in lieu of cash payments" but failed to say clearly the same regarding Prof Phillips' shares.

Prof Phillips told Biotech Daily last week that his share rights would also be issued in lieu of chairman's fees and chief executive officer's payments.

Prof Phillips said there had been a negative investor reaction to the share issue.

Uscom fell half a cent or three percent to 16 cents.

OPTISCAN

Ian Mann says that with Ibsen Pty Ltd and Ezahc Pty Ltd he has increased and been diluted in Optiscan from 41,668,445 shares (11.14%) to 41,855,945 shares (9.95%).

The substantial shareholder notice, signed by Melbourne-based director Ian Mann, said the entities were diluted in share issues in March and August and bought 187,500 shares for \$15,000 in the recent share plan at eight cents a share (BD: Oct 4, 2017).

Optiscan was unchanged at nine cents.

[RESEARCH AUSTRALIA, GLAXOSMITHKLINE](#)

Research Australia says the Prof Tim Hughes has won the \$80,000 Glaxosmithkline Award for Research Excellence for his work in leukaemia.

Research Australia said the funds would support a leukaemia fellow at the South Australian Health and Medical Research Institute to work with Prof Hughes in furthering research into chronic myeloid leukaemia.

Research Australia said the Peter Wills Medal was awarded to Prof Kim Mulholland for research to improve the health of children in developing countries, focused on childhood pneumonia and the evaluation and introduction of new vaccines for the prevention of pneumonia in the developing world.

The organization said that Monash University early career researcher Dr Avnika Ruparelia won the Griffith University Discovery Award for research into the causes and therapeutics for the late-onset muscle disorders myofibrillar myopathies.

Research Australia said that mining magnate Andrew Forrest and his spouse and Nicola were recognised for “their leadership in giving with impact and offering examples of good practice to encourage further social giving” with the Great Australian Philanthropy Award. The organization said the award recognized their work through the Minderoo Foundation and the announcement in May of one of the Australia’s largest private donations totalling \$400 million, including \$75 million for the Eliminate Cancer Initiative.