



Biotech Daily

Wednesday January 24, 2018

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: BENITEC UP 4%; OSPREY DOWN 7%**
- * **FEDERAL GOVERNMENT \$69m FOR RARE CANCERS, DISEASES**
- * **ATOMO, ACCESS BIO PARTNER FOR HIV TEST**
- * **DIMERIX RAISES \$3.1m OF HOPED-FOR \$5.5m; SHORTFALL MEETINGS**
- * **SHAREHOLDERS ATTACK AVIRAGEN (BIOTA) MANAGEMENT, MERGER**
- * **DENMARK APPROVES MEDICAL DEVELOPMENTS PENTHROX**
- * **SOMNOMED H1 RECEIPTS UP 26% TO \$23m**
- * **VOLPARA 9-MONTH REVENUE UP 22% TO \$2.1m, MARKET SHARE UP**
- * **OSPREY RECEIPTS UP 195% TO \$1.9m**
- * **RACE RECEIVES \$170k FEDERAL R&D TAX INCENTIVE**
- * **RHYTHM, CSIRO BEGIN COLOSTAT REAGENT WORK**
- * **CYNATA DOSES 1st HIGHER DOSE GVHD PATIENT**
- * **SUDA COMPLETES ANAGRELIDE ACQUISITION FROM ALUZTRA BIO**
- * **HYDROPONICS CONSIDERS \$20m/YEAR CANADA MARIJUANA COMPANY**
- * **BOTANIX REQUESTS 'ACNE TRIAL RESULTS' TRADING HALT**
- * **ASX TO RELEASE 31m IMAGION ESCROW SHARES**
- * **MEGABAY BELOW 5% IN NOVITA**
- * **FEDERAL GOVERNMENT APPOINTS BRAIN CANCER ADVISORY GROUP**
- * **ADHERIUM LOSES 4-MONTH CFO TIMOTHY MARCOTTE**

MARKET REPORT

The Australian stock market climbed 0.29 percent on Wednesday January 24, 2018, with the ASX200 up 17.7 points to 6,054.7 points. Sixteen of the Biotech Daily Top 40 stocks were up, 13 fell, seven traded unchanged and four were untraded. All Big Caps were up.

Benitec was the best, up one cent or 4.4 percent to 23.5 cents with 263,084 shares traded. Immutep (Prima) climbed 4.35 percent; Cochlear, Orthocell, Pharmaxis and Universal Biosensors were up more than three percent; Resmed and Reva rose more than two percent; with Avita, Ellex, Nanosonics, Psivida and Viralytics up by more than one percent.

Osprey led the falls, down three cents or 7.4 percent to 37.5 cents with 264,968 shares traded. ITL fell 4.5 percent; Acrux and Oncosil lost more than three percent; LBT, Mesoblast and Volpara shed more than two percent; with Admedus, Polynovo and Pro Medicus down more than one percent.

FEDERAL GOVERNMENT

The Federal Government says it will provide \$26 million for 19 research projects in rare cancers and rare diseases, with a further \$33 million in the 2018-'19 financial year.

A media release from the Minister for Health Greg Hunt said the projects would be funded through the Medical Research Future Fund as part of the 'Rare Cancers, Rare Diseases and Unmet Needs Clinical Trials Program'.

The Government said the trials would be in areas such as acute lymphoblastic leukaemia in infants, aplastic anaemia, multiple sclerosis and Huntington's disease.

The media release said that rare cancers with low survival rates accounted for 47 percent of all cancer deaths in 2014 and for people living with a rare disease and the medical professionals treating them, there were significant challenges including diagnostic delays, lack of available treatments and difficulty in finding the appropriate care.

The Government said it would open a targeted grant round worth \$10 million for research into rare cancers and rare diseases with low survival rates.

The full list of grant recipients is at: <http://bit.ly/2DAduzg>.

ATOMO DIAGNOSTICS

Atomo and Access Bio say they will partner Atomo's lateral flow diagnostic test platforms for professional use with Access Bio's in-vitro HIV rapid test.

In December, Atomo said it had World Health Organization's approval as well as regulatory approvals, for its self-administered, finger-prick, HIV blood test making it eligible for procurement by the Geneva, Switzerland-based Global Fund to Fight AIDS, Tuberculosis and Malaria and the Geneva-based World Health Organization partner organization Unitaid (BD: Dec 7, 2017).

Today, Atomo chief executive officer John Kelly told Biotech Daily that the Somerset New Jersey-based Access Bio would use the Atomo platform with its reagents for a professional use rapid HIV test, while Atomo would market its own self-administered test. The companies said the new test product would be commercialised by Access Bio under its Carestart brand, in Africa, South East Asia, South America and the Eastern Europe Confederation of independent States.

Access Bio chief executive officer Young Ho Choi said that Atomo's "all-in-one test devices, which simplify and standardize test procedures, will help us improve the performance and user-friendliness of our HIV test for our customers".

Mr Choi said the "alliance with Atomo is highly compatible with our established business channels and we are actively exploring other areas of collaboration to strengthen our portfolio in the mid-to-long term".

Mr Kelly said that Access Bio was "a recognised market leader in rapid diagnostic testing". "Our Atomo Rapid platforms are proving their excellent usability and performance for a range of applications internationally and this new partnership adds significantly to our long-term growth plans," Mr Kelly said.

Atomo is a private company.

DIMERIX

Dimerix says it has received \$3,056,116 from a total offer of \$5,524,906 in its one-for-two, pro-rata, non-renounceable entitlement offer at 12 cents a share.

The company said it was involved in a series of investor meetings and hoped to place the shortfall of \$2,468,790.

Dimerix was unchanged at 12.5 cents.

AVIRAGEN (FORMERLY BIOTA PHARMACEUTICALS)

The Concerned Aviragen Shareholders (CAS) group says it opposes the merger with Vaxart Inc and Aviragen has a “track record of value destruction” (BD: Oct 31, 2017). In notices to the company and the US Securities and Exchange Commission the group said it comprised Digirad Corp, East Hill Management Corp, Thomas. Clay and others, collectively holding about 8.3 percent of Aviragen.

The group said shareholders should vote against the proposed merger at the special meeting scheduled for February 6, 2018.

In 2012, Biota moved from the ASX to the Nasdaq to merge with Nabi Pharmaceuticals for its \$US54 million in cash, settling for \$US27 million, and was renamed Biota Pharmaceuticals and then Aviragen (BD: Apr 23, Sep 18, Oct 26, 30, Nov 2012).

Following its move to the US, Biota lost its \$US231 million contract with the US Office of Biomedical Advanced Research and Development Authority to further develop its laninamivir anti-influenza drug with BARDA citing “concerns about the project with regard to the product manufacturing, clinical study enrolment pace, costs, and contractor performance” (BD: Apr 1, 2011; Apr 30, May 1, May 9, 2014).

It is believed that about 10,000 Australian-based Biota investors still hold shares in Aviragen with only several hundred establishing US accounts and selling their shares.

Today, the CAS group said “we have been extremely dissatisfied with the performance of the company under its current board and we believe that the proposed merger is not in the best interest of the company or its stockholders.”

“We believe Aviragen management has a track record of value destruction and that the board has failed to take appropriate actions and should be held accountable,” the group said.

The group said that Russell Plumb and Dr Joseph Patti took over the management of Biota on November 14, 2012, when the closing share price was \$US4.41 more than eight times the current price and the company relocated from Maryland to Georgia, where it said Mr Plumb and Dr Patti both reside.

The group said that in 2012, Biota had two revenue-generating assets, two phase II clinical development programs, the BARDA contract and \$US74 million in cash.

“Over the next two years, in our view management proceeded to mishandle the company’s most important asset, laninamivir octanoate, and its most important relationship with BARDA,” the group said.

In August 2014, Aviragen announced that its 639-patient phase II Igloo study of laninamivir octanoate was a complete failure, despite the fact that it observed positive antiviral activity, the group said.

“The tremendous failure of laninamivir octanoate and the BARDA contract necessitated [Mr] Plumb’s departure ... but, rather than clean house, in September 2014, the board elevated [Mr] Plumb to the newly-created role of executive chairman, and Dr Patti became CEO,” the group said. “The company has made no cuts to the base compensation of management or the board since these catastrophic operational failures.”

The CAS group said that Aviragen’s senior management was “highly incentivized to complete a transaction in which Aviragen experiences a change of control, which will trigger various enhanced severance obligations to Aviragen’s chief executive officer and chief financial officer”.

“We believe Vaxart’s financial situation is precarious, and it is rapidly running out of cash ... [and] the terms of the deal ... are extremely favorable to Vaxart,” the group said.

Last night on the Nasdaq, Aviragen was up 1.3 US cents or 2.18 percent to 62.88 US cents (78.5 Australian cents, equivalent to 9.8 cents pre-merger when the company was trading at \$A1.00) with 226,759 shares traded.

MEDICAL DEVELOPMENTS INTERNATIONAL

Medical Developments says that its Pentrox inhaled methoxyflurane analgesic has been approved for sale in Denmark.

Medical Developments was up four cents or 0.5 percent to \$7.93.

SOMNOMED

Somnomed says that receipts from customers for the six months to December 31, 2017 was up 25.6 percent to \$22,559,000 compared to previous corresponding period.

Somnomed said it had cash and cash equivalents of \$7,578,000 at December 31, 2017 compared to \$16,713,000 at December 31, 2016, with an expected cash outflow for the coming three months of \$19,000,000 and more than \$16,000,000 expected in the quarter. Somnomed fell 54 cents or 13.8 percent to \$3.37.

VOLPARA HEALTH TECHNOLOGIES

Volpara says its nine-month receipts from customers to December 31, 2017 was up 22.1 percent to \$NZ2,254,000 (\$A2,071,525) compared to the previous corresponding period. In a teleconference, Volpara said that with five-year contracts it was able to determine "annual recurring revenue" which was \$NZ2.7 million to \$NZ2.8 million for the nine months to December 31, 2018, compared to \$NZ1.1 million for the 12 months to March 31, 2017, its financial reporting year.

In its Appendix 4C quarterly report, Volpara said that it had received \$NZ650,000 for the three months to December 31, 2017, an increase of 86.8 percent on the previous corresponding period, but down from the \$NZ751,000 for the three months to September 30, 2017 and \$NZ853,000 for the three months to June 30, 2017.

The company said that it had added more than 240,000 women to the Volpara Enterprise platform in the three months, taking the total number of women who have been, or will be, screened to more than one million, "in its strongest quarter of sales ever, with zero churn". Volpara said the record number of women recruited was "an important indicator of market share" about 2.7 percent of US women and underscored the increasing value of its internet cloud-based data set enhancing its predictive insights for early cancer detection. Volpara said it had more than three million images stored in the internet cloud system. Volpara fell two cents or 2.7 percent to 71 cents.

OSPREY MEDICAL

Osprey says that customer receipts for the year to December 31, 2017 was up 194.9 percent to \$US1,504,000 (\$A1,876,210) compared to previous corresponding period.

Osprey said it had cash and cash equivalents of \$32,135,000 at December 31, 2017 compared to \$21,853,000 at December 31, 2016, with an expected cash outflow for the coming three months of \$4,100,000.

Osprey fell three cents or 7.4 percent to 37.5 cents.

RACE ONCOLOGY

Race says it has received \$170,262 from the Australian Tax Office under the Federal Government Research and Development Tax Incentive program.

Race said the rebate related to expenditure for the year to June 30, 2017.

Race was up one cent or two percent to 50 cents.

RHYTHM BIOSCIENCES

Rhythm says it has begun its Commonwealth Scientific and Industrial Research Organisation collaboration for its Colostat colorectal blood test (BD: Jan21, 2018). Rhythm said it had its own reagents for most of the Colostat targets and the collaboration would develop the last key reagents required for the test.

The company said that the CSIRO researchers would develop antibodies and target protein for the last of these targets and evaluate their performance relative to commercially available reagents.

Rhythm said that delivery of the reagents and cell lines needed for their scalable long-term production was expected in late November 2018.

Rhythm was up 1.5 cents or 6.7 percent to 24 cents.

CYNATA THERAPEUTICS

Cynata said it has dosed the first higher dose cohort patient in its phase I trial of CYP-001 for steroid-resistant acute graft-versus-host disease (BD: Jan 22, 2018).

Cynata said that the eight patients in the second cohort would receive two infusions of CYP-001 mesenchymal stem cells one week apart, each at a dose of two million cells/kg, up to a maximum dose of 200 million cells, twice the dose received by the eight patients in the first cohort.

Cynata was up six cents or 9.0 percent to 73 cents with 1.3 million shares traded.

SUDA PHARMACEUTICALS

Suda says it has completed the acquisition of the anti-thrombotic and potential anti-cancer agent anagrelide from the Salisbury, England-based Aluztra Bio.

Suda said it planned to formulate an oro-mucosal spray of anagrelide using its Oromist technology, which could potentially avoid the side-effects associated with the molecule when administered as an oral capsule (BD: Nov 28, 2017).

Suda was up 0.1 cents or 6.7 percent to 1.6 cents with 3.1 million shares traded.

THE HYDROPONICS COMPANY

Hydroponics says it is conducting due diligence on an unnamed Canadian marijuana company expected to have revenue of more than \$C20 million (\$A20.1 million) a year. Hydroponics said that the acquisition target was "complimentary to the existing Crystal Mountain-Dragon Vision business and provides exposure to the rapidly growing licenced producers in the Eastern states of Canada".

Hydroponics chief executive officer David Radford said that on completion of the acquisition the company would "offer an extensive range of products for the Canadian cannabis market".

The company said that the acquisition was expected to complete by May 2018.

Hydroponics was up one cent or 1.1 percent to 90.5 cents with 1.7 million shares traded.

BOTANIX

Botanix has requested a trading halt pending "an announcement regarding top line data for its BTX1503 phase Ib acne patient study".

Trading will resume on January 29, 2018 or on an earlier announcement.

Botanix last traded at 13 cents.

IMAGION BIOSYSTEMS

Imagion says that 30,950,569 shares will be released from ASX escrow on February 7, 2018.

Imagion listing documents said that the company had 91,232,785 shares currently tradeable on the ASX with 78,099,476 shares in ASX escrow until June 21, 2019 and 3,783,333 shares in ASX escrow until June 15, 2018.

Imagion was unchanged at 10.5 cents.

NOVITA HEALTHCARE (FORMERLY AVEXA)

Megabay Holdings says it has ceased its substantial shareholding in Novita, selling 12,028,265 shares for \$541,272 shares or 4.5 cents a share.

The substantial shareholder notice, signed by the Perth-based Megabay director Robin Boyd Judd said the previous notice was filed on February 15, 2016, but Biotech Daily was unable to find a previous substantial shareholder notice.

On February 15, 2016, the then Avexa said it had completed the Tali Health acquisition, which followed a January 27, 2016 announcement which said it had raised \$490,000 in a private placement at four cents a share to “professional and sophisticated investors who have subscribed for 12,250,000 million [sic] shares at four cents per share”.

According to a February 16, 2016 Appendix 3B new issue announcement the then Avexa had 76,625,393 shares making the 12,028,265 shares equivalent to 15.7 percent of the company.

According to the then Avexa’s 2016 annual report, on October 18, 2016, Megabay held 19,028,265 shares or 9.3 percent of the company.

Novita was up 0.4 cents or 8.5 percent to 5.1 cents with 3.7 million shares traded.

FEDERAL GOVERNMENT

The Federal Government says it has appointed the Australian Brain Cancer Mission strategic advisory group.

The Government said the group would be chaired by Prof Adele Green, with members including Prof Douglas Hilton, Sarah Mamalari, Dustin Perry, Robyn Leonard, Dr Chris Fraser, Prof Mark Rosenthal, Prof Rosalind Jeffree, Prof Grant McArthur, Prof Brandon Wainwright, Prof Andrew Scott, Michelle Stewart and Michelle Burke.

ADHERIUM

Adherium says chief financial officer Timothy Marcotte will resign, effective from January 31, 2018.

Last September, Adherium said Mr Marcotte had been appointed to replace Rob Turnbull who was appointed head of finance and business services (BD: Sep 19, 2017).

The company said that Mr Marcotte had been offered a chief executive position in Silicon Valley, California.

Adherium fell half a cent or 5.3 percent to nine cents.