



# Biotech Daily

Monday August 17, 2020

*Daily news on ASX-listed biotechnology companies*

- \* **ASX DOWN, BIOTECH UP: USCOM UP 12%; PROTEOMICS DOWN 5%**
- \* **BIOTECH DAILY EDITORIAL: R&D TAX INCENTIVE IS NOT INCOME**
- \* **USCOM REVENUE UP 18% TO \$4.3m, LOSS DOWN 4.2% TO \$1.3m**
- \* **COCHLEAR SETTLES PATENT CASE INTEREST, FEES FOR \$104m**
- \* **STARPHARMA, CHASE SUN PARTNER FOR DEP ANTI-INFECTIVE**
- \* **HYDRIX UP 260% ON 1st GUARDIAN HEART WARNING DEVICE IMPLANTS**
- \* **MEMPHASYS, NEWCASTLE UNI PARTNER FOR FERTILITY**
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- \* **EMERALD CHANGE NAME CHANGE TO EMYRIA EGM**
- \* **CFO TOM HOWITT REPLACES CRONOS CO-SEC LIOR HAREL**

## MARKET REPORT

The Australian stock market fell 0.81 percent on Monday August 17, 2020, with the ASX200 down 49.8 points to 6,076.4 points. Eighteen of the Biotech Daily Top 40 stocks were up, 14 fell and eight traded unchanged.

Uscom was the best, up 2.25 cents or 12.2 percent to 20.75 cents, with 1.5 million shares traded. Oncosil climbed 9.5 percent; Patrys was up 8.3 percent; Cynata and Universal Biosensors were up more than seven percent; Immutep was up 5.6 percent; Actinogen, Mesoblast and Neuren improved more than four percent; Alterity and LBT were up more than three percent; Dimerix, Orthocell and Starpharma rose more than two percent; Opthea, Optiscan and Volpara were up more than one percent; with CSL and Nanosonics up by less than one percent.

Proteomics led the falls, down three cents or 4.6 percent to 62.5 cents, with 2,296 shares traded. Next Science and Prescient lost more than three percent; Antisense, Avita, Clinuvel, Kazia and Osprey shed more than two percent; Imugene, Medical Developments, Paradigm and Resmed were down more than one percent; with Cochlear, Genetic Signatures, Nova Eye and Telix down by less than one percent.

## BIOTECH DAILY EDITORIAL: R&D TAX INCENTIVE IS NOT INCOME

A number of companies have been claiming the Federal Research and Development Tax Incentive as "revenue" when in fact they have little or no real revenue, at all.

In the Appendix 4C reporting season one company even called its Tax Incentive "Receipts from customers". The Australian Taxation Officer is not your "customer".

The Tax Incentive is similar to a tax rebate and is not taxable, so it should not be called revenue; just as one's tax payment in one year is not an allowed tax-deductible expense in the following year.

It can be classified as "other income" along with grants.

Unless one goes to the fine detail (and some companies do not provide it) an investor could think the company has money when it doesn't.

Revenue does not include the Tax Incentive or grants. It does include sale of product, licence fees, milestone payments, royalties and bank interest.

All these sub-units of revenue should be made clear and investors should not need to go searching for the truth, buried deep in the notes, or have to call the company to find out what they have not announced, clearly.

**David Langsam**  
**Editor**

## USCOM

Uscom says revenue for the year to June 30, 2020 was up 17.6 percent to \$4,284,726 with net loss after tax down 4.2 percent to \$1,331,335.

Uscom said revenue was from sales of its Uscom 1A blood flow, Spirosonic digital ultrasonic and BP+ blood pressure monitor devices.

Uscom executive chair Prof Rob Phillips said the company "reported record sales, receipts, cash flow and profit reflecting the success of ... changes in operations and the success of Uscom China in [the second half of the financial year]".

"We are proud of our 2020 results particularly as the global climate has been so unpredictable," Prof Phillips said.

"We are optimistic for 2021 as China, our major market, is already rebounding strongly and our sales continue to grow as the new Ventitest, BP+ and Spirosonic devices enter our expanding global distribution networks," Prof Phillips said.

"We are also focusing on growing our European and [South East] Asian operations as we wait for the US to recover," Prof Phillips said.

The company said diluted loss per share was down 10.0 percent to 0.9 cents, with net tangible asset backing per share up 11.1 percent to 2.0 cents.

Uscom said it had cash and cash equivalents of \$1,920,657 at June 30, 2020 compared to \$1,208,496 at June 30, 2019.

Uscom was up 2.25 cents or 12.2 percent to 20.75 cents with 1.5 million shares traded.

## COCHLEAR

Cochlear says it has settled Alfred E Mann Foundation and Advanced Bionics LLC pre-judgment interest and attorneys' fees claims by the for \$US75 million (\$A104.4 million). In May, Cochlear said the US Court of Appeals for the Federal Circuit in Washington, DC denied its petition for a rehearing of the patent infringements appeal and was remanded to the District Court for payment of about \$US280 million for the judgment amount and post judgment interest (BD: May 19, 2020).

The company Cochlear said at that time that it expected to make the payment by July 2020 and had bank loans to fund the judgment, but a decision in the US District Court was still pending on the Alfred E Mann Foundation and Advanced Bionics' application for prejudgment interest of \$US123 million and attorney's fees of \$US15 million, and it opposed both applications and the calculation methodology.

Cochlear said there was uncertainty on whether pre-judgment interest and/or costs would be awarded, and/or the amount of any award.

The company said the patent had expired and the judgment would not disrupt its US business.

In March, Cochlear said the Court of Appeals affirmed the US District Court decision in the Alfred E Mann Foundation and Advanced Bionics LLC lawsuit, ruling that Cochlear must pay \$US268 million in patent infringement damages (BD: Mar 17, 2020).

Today, the company said the settlement was conditional on the outcome of an appeal by Cochlear to the US Supreme Court against the Judgment of \$US280 million in patent infringement damages and post judgment interest against Cochlear and its US subsidiary Cochlear Americas.

Cochlear said it had agreed to file its appeal by no later than September 15, 2020 and to deposit \$US75 million into an escrow account pending the outcome of the appeal.

The company said that if its Supreme Court appeal was unsuccessful, the funds would be paid to Alfred E Mann Foundation and Advanced Bionics and would be final.

Cochlear said that if its Supreme Court appeal was successful, the funds would be returned and there might be a new trial to redetermine the quantum of damages.

The company said that a provision for the settlement liability and associated legal expenses would be recognized in the 2019-'20 financial statements.

Cochlear fell \$1.47 or 0.7 percent to \$198.30 with 170,257 shares traded.

## STARPHARMA HOLDINGS

Starpharma says it will work with China's Tianjin Chase Sun Pharmaceutical Co to develop dendrimer enhanced product formulations for an un-named anti-infective drug.

Starpharma said it aimed to use its dendrimer enhanced product (DEP) nanoparticle formulations to enhance the performance and therapeutic utility of the anti-infective.

The company said that Chase Sun would fund all activities under the agreement and costs for further development of any products.

Starpharma said that it had the potential to conduct additional DEP programs across therapeutic areas beyond anti-infectives.

The company said that in the event that Chase Sun wanted to commercialize any resultant DEP products, a further licence agreement would be required.

Starpharma chief executive officer Dr Jackie Fairley said that Chase Sun was "a rapidly growing and innovative company".

"This agreement illustrates the broad applicability of the DEP platform and will further develop the commercial potential of DEP in the anti-infective space," Dr Fairley said.

Starpharma was up three cents or 2.9 percent to \$1.06.

## HYDRIX

Hydrix says the first four Angel Medical Guardian cardiac arrest warning devices have been implanted over three days last week in Singapore.

Hydrix said the recipients had since been discharged from hospital and it would gather data over two weeks to establish the patient's baseline heart signal and customize each patient's alarm configuration.

Hydrix executive chairman Gavin Coote told Biotech Daily said his company had partnered with the Eaton Town, New Jersey-based Angel Medical to design and implement improvements and upgrades for the Guardian device.

In a media release to the ASX, Mr Coote said the Guardian implants were "a significant milestone" for Hydrix and Angel Medical.

"This achievement demonstrates strong execution of our buy, build, invest strategy to create product revenue and earnings streams, and of equal importance, reflects progress in our aspiration to meaningfully improve a billion lives," Mr Coote said.

Hydrix was up 23.1 cents or 259.55 percent to 32 cents with 45.8 million shares traded.

## MEMPHASYS

Memphasys says it will progress several prospective reproductive technologies for animals and humans with Newcastle University in central New South Wales.

Memphasys said the projects would include its next generation Felix sperm separation device for humans and animals, diagnostics for animal fertility and semen oxidative stress, and development of long-life sperm storage media.

The company said it was progressing technical feasibility studies to establish operational and economic viability of the products and aimed to complete the studies this year.

Memphasys executive chair Alison Coutts said the "primary objective is to bring our Felix device for human [in-vitro fertilization] into commercialization, [but] we are not a one product company".

"We have strengthened our relationship with Newcastle University by jointly progressing a number of projects focused on male infertility in animals and humans which are now at technical feasibility study stage," Ms Coutts said. "If successful, and requisite internal and external hurdles are met, then these niche products may provide significant additional revenue streams to the Felix device."

Memphasys fell half a cent or 3.2 percent to 15 cents with four million shares traded.

## PAINCHEK

Painchek says it has care management system provider partnerships with Autumn Care, Carelynx and Sarah Software Solutions for its pain assessment application.

Painchek said its integration partners covered 180,000 aged care beds in Australia and more than 50,000 beds in the UK.

The company said its application used artificial intelligence and facial recognition technology to assess pain and the results would be automatically downloaded to the care management system without the need for paperwork or the duplication of data entry.

Painchek said it targeted 100,000 dementia beds in Australia by June 2021, with 36,000 of 60,000 beds currently occupied by dementia patients.

Painchek chief executive officer Philip Daffas said the partnerships were "a demonstration of our collective desire to provide aged care with digital healthcare tools that improve the quality of care and safety during these difficult times".

Painchek fell half a cent or 4.55 percent to 10.5 cents with 11.4 million shares traded.

### ALTHEA GROUP HOLDINGS

Althea says that its marijuana has been prescribed to 740 new patients in July, providing unaudited revenue of \$692,091, taking the total prescribed to 8,304 patients.

Althea said it had higher than anticipated demand for its subsidiary Myaccess Clinics, which was a marijuana provider in the UK.

Althea chief executive officer Josh Fegan said that “prescriptions [were] increasing by the day and a robust supply chain [was] now in place”.

“Our Myaccess Clinics business continued to drive patient access to medicinal cannabis across the UK, with our GBP99 (\$A180) consultation price point and unrivalled customer service resonating well with the public,” Mr Fegan said.

Althea was up 2.5 cents or 7.1 percent to 37.5 cents with 3.2 million shares traded.

### BIONOMICS

Bionomics 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 the company’s share price rose 3.2 cents or 38.55 percent from 8.3 cents on “to a high of 11.5 cents in the last few days” and noted a significant increase in the trading volume on August 14 and 17, 2020.

Bionomics was up 2.6 cents or 27.7 percent to 12 cents with 9.3 million shares traded.

### RACE ONCOLOGY

Merchant Funds Management says it has increased its substantial shareholding in Race from 11,323,335 shares (9.28%) to 13,356,668 (10.37%).

The Perth-based Merchant said that on “various dates” it acquired 283,333 shares on-market for \$79,980 or 28.2 cents a share, and on August 12, 2020 it acquired 1,750,000 shares from exercised options for \$1,225,001 or 70 cents a share.

Race was up two cents or 2.3 percent to 90 cents.

### ZELIRA THERAPEUTICS

Zelira director Jason Peterson says his 74,593,952 share-holding has been diluted from 8.55 percent to 6.53 percent.

The Perth, Western Australia-based Mr Peterson said that he was diluted on August 11, 2020 in Zelira’s \$8.75 million placement at 5.0 cents a share (BD: Aug 3, 2020).

Mr Peterson said the shares were held by Celtic Capital, Professional Payment Services, Wicklow Capital and Sunset Capital Management.

Zelira was up 0.1 cents or 1.9 percent to 5.4 cents with 3.3 million shares traded.

### ZELIRA THERAPEUTICS

Zelira executive deputy chair Harry Karelis and Gemelli Nominees say they have been diluted below five percent.

In a substantial shareholder notice Mr Karelis said he and Gemelli were diluted in Zelira’s \$8.75 million placement at 5.0 cents a share (BD: Aug 3, 2020).

### ADHERIUM

Phillip Asset Management for Bioscience Managers says it has increased its Adherium holding from 104,261,036 shares (17.3391%) to 166,666,667 shares (27.07%).

In May, Bioscience Managers Translation Fund 1 raised \$5 million for Adherium at three cents a share (BD: May 26, 2020).

Adherium was up 0.2 cents or eight percent to 2.7 cents.

### ADHERIUM

K One W One (K1W1) Limited says it has increased and been diluted in Adherium from 10,990,860 shares (6.57%) to 33,836,351 shares (5.09%).

In a substantial shareholder notice signed by director Damon Crowe, the Auckland-based K One W One said that on January 30, 2020 it acquired 11,854,631 shares at 2.2 cents a share in the conversion of notes and bought 10,990,860 shares at 3.0 cents a share in the \$525,519 rights issue at three cents a share (BD: Jan 29, 2020).

K One W One said it was diluted on in a share issue, relating to the \$5 million capital raising at three cents a share from Bioscience Managers (May 26, 2020).

### EMERALD CLINICS

Emerald says it will vote to change its name to Emyria Limited at an extraordinary general meeting in September.

Last week, Emerald chief executive officer Dr Michael Winlo said the name spoke to the company's "mission to use a myriad of data to provide individualized care beyond the physical confines of a clinic" (BD: Aug 14, 2020).

The meeting will be held at the offices of BDO, Level 1, 38 Station Street, Subiaco, Western Australia on September 18, 2020 at 10:30am (WST), 12:30pm (AEST).

Emerald was unchanged at 7.9 cents with 1.9 million shares traded.

### CRONOS AUSTRALIA

Cronos says it has appointed chief financial officer Tom Howitt as company secretary, following the resignation of Lior Harel.

Cronos said Mr Howitt had previously served as company secretary for companies listed on the ASX, the Nasdaq and the Toronto stock exchange, including Genetic Technologies and its subsidiary Gtech International Resources, later Simavita.

Cronos was up 0.2 cents or 2.4 percent to 8.5 cents.