



Biotech Daily

Monday December 1, 2008

Daily news on ASX-listed biotechnology companies

- * **BIOTECH DAILY TOP 40 INDEX: DECEMBER – CLOSE TO THE BONE**
- * **TODAY: ASX DOWN, BIOTECHS UP: BENITEC UP 33%, NEUREN DOWN 15%**
- * **BOB MOSES: ‘KEEP PROGEN’S CASH IN BIOTECH’**
- * **XCEED EXTENDS METABOLIC TRADING HALT TO SUSPENSION**
- * **DR MERILYN SLEIGH REPLACES JOHN MARTIN ON TYRIAN BOARD**
- * **OPTISCAN REDUCES BOARD FROM FIVE TO FOUR DIRECTORS**
- * **VENTRACOR REMUNERATION REPORT OPPOSED, DIRECTOR DISSENT**
- * **PEPLIN REDOMICILE TAX OFFICE CLASS RULING**
- * **ELLEX AGM DUMPS DIRECTOR RUEDIGER NAUMANN-ETIENNE**
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MARKET REPORT

The Australian stock market fell 1.5 percent on Monday December 1, 2008 with the All Ordinaries down 53.7 points to 3,619 points. Fifteen of the Biotech Daily Top 40 stocks were up, four fell, eight traded unchanged and 13 were untraded.

Benitec was best, up one cent or 33.33 percent to four cents with 40,000 shares traded, followed by Labtech up 20.83 percent to 14.5 cents, Clinuvel up 14.29 percent to 24 cents and Universal Biosensors up 13.21 percent to 60 cents.

Genetic Technologies climbed 11.11 percent; Acrux was up 9.68 percent; Pharmaxis improved 7.5 percent; Prana rose 6.67 percent; Cellestis was up 5.85 percent; Avexa and Polartech climbed more than four percent; Arana, Chemgenex and Progen climbed more than three percent; with Peplin up 1.79 percent and Resmed up 0.74 one percent.

Neuren led the falls, down one cent or 15.38 percent to 5.5 cents, followed by Bionomics down 14.89 percent, Antisense down 10.26 percent, Heartware down 4.76 percent, CSL down 2.05 percent and Cochlear down 0.36 percent.

BIOTECH DAILY TOP 40 INDEX

While the 10.85 percent fall of the Biotech Daily Top 40 Index (BDI-40) in the month to November 30, 2008 was better than the All Ordinaries 11.4 percent tumble, that could be because several companies are below cash backing and lower values are unrealistic.

The three Big Caps (which are not included in the BDI-40) were 2.7 percent lower for the month of November, dragged down by CSL falling 4.6 percent to \$20.9 billion, Cochlear down 3.0 percent to \$3.1 billion and Resmed the only star, up 8.7 percent to \$4.1 billion.

For the year to November 30, the All Ordinaries fell 46.5 percent, the BDI-40 fell 55.1 percent, but the Big Caps climbed 2.7 percent.

Eight of the BDI-40 stocks climbed in the month of November, 27 fell and five were unchanged. The winners did so from low bases, with Genetic Technologies best, up \$3 million or 21.4 percent to a market capitalization of \$17 million, compared to \$56 million a year ago.

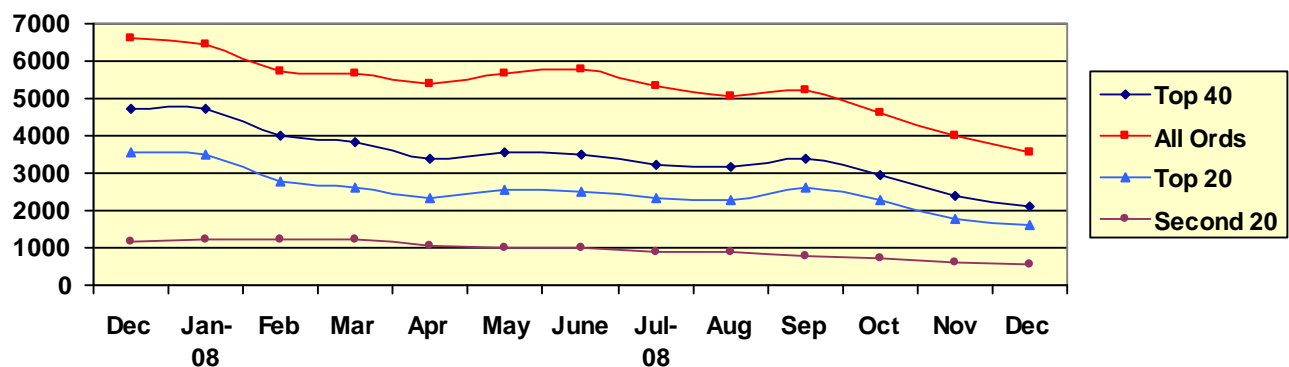
Progen climbed 17.5 percent to \$47 million, despite holding \$70 million in cash, followed by Phosphagenics up 16.3 percent to \$50 million, Polartech up 15.8 percent to \$22 million, Neuren (13.3%), Biota (8.5%), Cytopia (7.7%) and Arana (2.2%). Bone, Cathrx, Optiscan, Ventracor and Viralytics were unchanged.

Benitec led the falls, down 40 percent to \$9 million followed by Starpharma down 30.8 percent to \$36 million, Acrux down 29.5 percent to \$74 million Tyrian (formerly Proteome) down 26.7 percent to \$11 million, Labtech down 25 percent to \$12 million and Living Cell down 23.3 percent to \$33 million.

Among the nearly 70 companies outside the Top 40, 10 are worth a Sydney house (\$2m) and seven could be swapped for a Melbourne house (\$1m). Some question why they bother to remain listed, but there are All Ordinaries' top 500 companies worth far less.

The only change to the Top 40 is the promotion of Universal Biosensors to the BDI-20 and the relegation of Tyrian from the Top 20 to the Second 20. Universal Biosensors expects its first diagnostic for blood glucose to be marketed by Johnson & Johnson in 2009.

Biotech Daily Top 40 (\$m) v ASX All Ordinaries 2007-08



PROGEN

Antisense chairman Bob Moses wants Progen to use part of its \$70 million to bring several companies together to create a new cancer therapeutics group.

Mr Moses's role in the Progen 'coup group' of shareholders has been unclear, until today. Mr Moses told Biotech Daily that his group does not want to invest in Progen's PI-88 liver cancer drug or for Progen to further invest in it.

Mr Moses said his group wanted to licence PI-88 (see below) and build a new company from Progen and several other public and private companies with related carbohydrate technologies and specialized skills to focus on advanced polysaccharides for cancer.

He said he had a formal term sheet to sell PI-88 to a small pharmaceutical company, to "get something for the asset which was not likely if there was a 100 percent capital return". Progen must pay Taiwan's Medigen \$2 million if PI-88 is licenced to a third party.

Mr Moses said that institutions representing a significant minority of Progen's shares "clearly just wanted their money back", but if the company returned all its funds to investors that would be a wasted opportunity for Australian biotechnology.

Mr Moses said he had sent a proposal to Progen chairman Dr Mal Eutick with "the concept of a company combining assets from Progen and at least two other companies in the space, which collectively would form a new more tightly focused company, with the skills focused on advanced carbohydrate compounds, some of which had been demonstrated in animals and humans to be highly effective in cancer".

The proposal would give Progen shareholders three options: either request 100 percent of cash return at \$1.10 a share; retain Progen shares to convert to the new cancer therapeutic company shares; or a ratio of cash return and support for the new company.

Mr Moses said this would not be starting a new company from scratch as there was very little, if any, discovery work required.

He said that the institutions wanting their money back appeared to represent less than one-third of all Progen's shares on issue.

"Less than half of Progen's cash (about \$35 million of \$70 million) would fund the new company very nicely," Mr Moses said.

"Shareholders should have the choice – the current proposal is just a capital return for everyone, whether they want it or not," he said.

He said that the cash return proposal meant non-cash assets would be converted to cash at "fire sale prices" and his group offered "upside opportunity to shareholders prepared to back our strategy".

"We have animal and human data, a sharp focus on high quality polysaccharides and can create an experienced board," Mr Moses said.

Dr Eutick told Biotech Daily there was some logic to the Moses cancer group proposal, but Progen had commissioned Price Waterhouse Coopers to investigate proposals and he did not want to pre-empt any recommendations.

"We definitely remain open to discussions," Dr Eutick said. "All options are open."

He said that Progen had not seen the data from the companies in Mr Moses's proposal, nor had Mr Moses seen his data.

Dr Eutick said Progen's 500 series drugs had produced "at least two good leads".

He said Progen's board would have to see all the proposals rather than just accept one.

"The biggest problem is getting enough detail to get a clear picture," Dr Eutick said.

He said the 45 day time limit was why Price Waterhouse Coopers was putting all potential deals into a corporate framework.

Dr Eutick said that whatever happened, Progen's shareholders would vote and give the company a mandate to proceed.

Progen climbed 2.5 cents or 3.21 percent to 80.5 cents.

XCEED CAPITAL

Xceed Capital has requested a suspension to follow on from the trading halt requested on November 27, 2008 relating to the sale of Polynovo to Metabolic.

On November 27, Metabolic's annual general meeting failed to approve the proposed merger with Xceed's subsidiary Polynovo.

The suspension was granted "pending the release of information regarding the funding of ongoing operations and development of Polynovo".

The resolution to the Xceed annual general meeting on the proposed sale was withdrawn prior to the meeting, but proxy votes on the resolution were 32,151,566 in favor with 6,606,126 proxy votes open and none against.

The reelection of directors Dr Stewart Washer, Peter Francis and Ian Griffiths were passed by more than 30 million proxy votes in favor with 1,772,142 proxy votes against.

Xceed last traded at 5.5 cents

Metabolic was unchanged at 2.7 cents.

TYRIAN DIAGNOSTICS

Tyrian Diagnostics has appointed former Evogenix (now Arana) managing director Dr Marilyn Sleigh as a director, replacing John Martin.

Tyrian said Dr Sleigh had a background in biological research with the Commonwealth Scientific and Industrial Research Organisation and was a director of Clover Corporation, Mimetica and the Rural Industries Research and Development Council.

Tyrian chairman Roger Amos said the appointment of Dr Sleigh "together with the recent appointment of Dr Caroline Popper means the board is now well structured to oversee the company's next growth phase in building its diagnostic product pipeline".

The company said Mr Martin had been a director since 2000.

Tyrian was untraded at 4.5 cents.

OPTISCAN

Optiscan says that as part of its continuing review of operations and cost structures director Jim Fox retired with effect from November 30, 2008.

The company said its board would continue with four directors: Grant Latta, Tony Rogers, chief executive officer Vicki Tutungi and technology director Peter Delaney.

Optiscan was untraded at 6.2 cents.

VENTRACOR

Ventracor's annual general meeting saw strong opposition to its remuneration report and dissent against the re-election of director John Ward.

The remuneration report was opposed by 12.2 million proxy votes with 19.2 million proxy votes in favor. Mr Ward had the backing of 26.0 million proxy votes, but 5.2 million proxy votes were cast against his reelection.

Ventracor was unchanged at 7.8 cents.

PEPLIN

Peplin says the Australian Taxation Office has released its final Class Ruling (CR2008/82) on Peplin's redomicile implemented in October 2007.

Peplin said that in Section 9 of the information memorandum for the redomicile, the final Class Ruling confirmed that scrip-for-scrip roll-over relief was available in relation to the exchange of shares and options in Peplin Limited for share and options in Peplin Inc.

Peplin was up half a cent or 1.79 percent to 28.5 cents.

ELLEX MEDICAL LASERS

Ellex's annual general meeting voted down the election of 5.47 percent investor Ruediger Naumann-Etienne as a director.

A poll of votes resulted in 12.75 million votes against Mr Naumann-Etienne with 8.9 million votes in favor.

Directors Alex Sundich, Giuseppe Canala and Malcolm Plunkett were all opposed by more than 4.6 million votes, but elected by 11.9 million votes or more.

The remuneration report was supported by 15.6 million proxy votes in favor and 2.6 million proxy votes against.

Ellex has requested a trading halt pending an announcement on a capital raising.

Trading will resume on December 3, 2008 or on an earlier announcement.

Ellex was untraded at 16.5 cents.

SOLAGRAN

Solagran's annual general meeting was unusual in that all resolutions including the awarding of options to directors were passed overwhelmingly.

Most company meetings have seen strong opposition to directors' options.

The meeting supported the issue of 28,000,000 ordinary shares at 30 cents a share to Solalife (The Solalife Russia Unit Trust) with 79,443,075 proxy votes in favor, 48,864,642 proxy votes at the proxy holder's discretion, with just 1,683,982 proxy votes opposed.

All other resolutions including the issue of 6,000,000 unlisted options to director Dr Vagif Soultanov, 4,000,000 unlisted options to director Denis Kilroy, as well as the re-election of Peter Stedwell, were passed by similar margins.

Solagran was unchanged at 18.5 cents.

BIOTECH DAILY

With three weeks to go to Australia's long Summer holidays, Biotech Daily would like to thank all subscribers for their support and mention some of the changes to be introduced in 2009.

We'd like to be able to guarantee an upturn in the markets and will do our best to that end, but in the meantime will make do with improving the website and making some strategic changes to the Biotech Daily Index.

We are working on a search facility for the back copies and will make parts of the website, such as the back copies, Marc Sinatra's Bio-Guides and the CEO Interviews subscriber only. When this occurs subscribers will be emailed a password, probably linked to email addresses.

From the January update, the BDI-20 and BDI-40 will be compared to the S&P ASX 200 instead of the All Ordinaries. While the two S&P indices track each other closely, the All Ordinaries currently includes companies with market capitalizations as low as \$300,000. Progen will remain within the Biotech Daily Top 40 until such time as it either acquires a suitable company or technology or returns its cash to shareholders, which the company has said will occur before we resume publishing in January. Any major announcement by Progen will be reported in a special edition.

Biotech Daily will increase the subscription price by \$50 to \$690 a year from January, continuing the 10% discount for Ausbiotech and Bio-Melbourne Network members.

BIOTECH DAILY TOP 40 WITH MARKET CAP

Big Caps \$Am	Dec 1	Nov3	Oct 1
Cochlear	3,094	3,189	3,312
CSL	20,919	21,936	22,463
Resmed	4,072	3,746	4,146
Top 20			
Acrux	74	105	150
Alchemia	23	27	35
Arana	186	182	193
Avexa	45	49	68
Bionomics	55	61	75
Biota	64	59	124
Cellestis	180	193	206
Chemgenex	99	110	170
Cytopia	14	13	14
Heartware	130	161	192
Living Cell	33	43	37
Mesoblast	106	109	133
Neuren	17	15	16
Novogen	79	98	113
Peplin	47	58	73
Pharmaxis	233	292	438
Phosphagenics	50	43	44
Sirtex	106	118	115
Starpharma	36	52	49
Tyrian (Proteome)	11	15	17
Second 20			
Antisense	22	26	30
Benitec	9	15	14
Bone Medical	25	25	24
Cathrx	28	28	31
Circadian	25	31	36
Clinuvel	64	76	70
Genetic Tech	17	14	26
Impedimed	52	54	55
Labtech	12	16	15
Optiscan	7	7	21
Phylogica	7	9	15
Polartechinics	22	19	23
Prana	61	73	87
Progen	47	40	44
Psivida	15	16	21
Stem Cell Sciences	5	6	8
Sunshine Heart	16	18	27
Universal Biosensors	69	74	91
Ventracor	23	23	54
Viralytics	14	14	15

* Biotech Daily editor, David Langsam, owns shares in Alchemia, Biota, Chemgenex, Cytopia, Polartechinics and Stem Cell Sciences as well as non-biotechnology stocks. These are liable to change at any time.

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