



Biotech Daily

Wednesday December 10, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECHS EVEN: POLARTECH UP 25%, ALCHEMIA DOWN 13%**
- * **AGENIX SETTLES CHINA DEAL**
- * **POLARTECHNICS RENEWS TRUSCREEN DELIVERY TO CHINA, INDIA**
- * **BIOMÉRIEUX LAUNCHES PREVI ISOLA WITH LABTECH'S MICROSTREAK**
- * **GREIFSWALD UNI'S PROTEOMICS UNIT BUYS FLUOROTECHNICS' GELS**
- * **VICTORIA GOVERNMENT'S \$5m FOR MONASH ELECTRON MICROSCOPY**
- * **JP MORGAN CHASE TAKES 7% OF QRX PHARMA**
- * **PROGEN CFO LINTON BURNS DEPARTS BIOTECH**
- * **MEDICAL THERAPIES APPOINTS DR JULIA HILL COO; REPLACES CO SEC**
- * **PROF IAN FRAZER QUILTS OBJ'S SCIENTIFIC BOARD**
- * **SAFETY MEDICAL EXTENDS TRADING HALT TO SUSPENSION**

MARKET REPORT

The Australian stock market climbed 1.1 percent on Wednesday December 10, 2008 with the All Ordinaries up 39.6 points to 3,573.3 points. Ten of the Biotech Daily Top 40 stocks were up, 10 fell, nine traded unchanged and 11 were untraded.

Polartech was best, climbing as much as 40 percent to 10.5 cents before closing up 1.9 cents or 25.33 percent to 9.4 cents with 728,000 shares, followed by Tyrian up 21.88 percent to 3.9 cents and Labtech up 19.23 percent to 15.5 cents.

Cytosia climbed 10 percent; Clinuvel was up 7.14 percent; Progen rose 3.55 percent; Arana was up 2.52 percent; with Cochlear, Novogen, Peplin and Phosphagenics up more than one percent.

Alchemia led the falls, down 1.5 cents or 13.04 percent to 10 cents with 1.5 million shares traded, followed by Pharmaxis down 9.57 percent to \$1.04.

Genetic Technologies, Starpharma and Viralytics lost more than six percent; Acrux and Biota were down more than three percent; Sirtex and Ventracor shed more than two percent; with CSL and Universal Biosensors down more than one percent.

AGENIX

Agenix says the problematic 2007 acquisition of two Shanghai pharmaceutical companies been resolved conditionally through a new joint venture partnership.

Agenix said it had a preliminary settlement deed with the Chinese vendors and in particular, Shanghai Rui Guang Bio-Pharma Development Company (SHRG; see Biotech Daily; July 24, August 29, 2008).

Agenix said the deed was binding, subject to the acquisition parties obtaining finance by December 31, 2008.

The company said that to avoid litigation, RMB44,000,000 (\$A9,600,000) would be paid to Agenix by June 30, 2009 with a deposit of five percent (\$480,000) due by December 15, 2008 and further payments between January and June 30, 2009, secured by bank guarantee or letter of credit.

Agenix said that SHRG would grant an exclusive master licence agreement of hepatitis B anti-viral Youheding to the Agenix Wholly Foreign-Owned Enterprise: Agenix Biopharmaceutical (Shanghai) Co for markets outside mainland China, allowing Agenix to purchase Youheding for export markets and, at Agenix's discretion, engage third-party manufacturers to make the product outside China.

Agenix said a joint venture would be established to own the intellectual property rights of the pipeline products including hepatitis B drugs, anti-cancer and other products.

Agenix will own 57 percent of the joint venture through the Agenix Wholly Foreign-Owned Enterprise (WFOE). Under the original acquisition, Agenix held a 60 percent interest in the pipeline products.

Shanghai's School of Pharmacy of Second Military Medical University will own 40 percent and an equity interest of three percent will be owned by the 2007 vendors.

The joint venture will licence product rights to Agenix WFOE for all development, registration and management decisions on commercialization of the pipeline products. On product registration in China, the Agenix WFOE will acquire the intellectual property rights of the pipeline products from the joint venture.

Agenix will sign a non-exclusive agreement with Shanghai Yi Sheng Yuan Pharmaceutical to manufacture trial samples of the pipeline products as well as commercial production.

Agenix said the financial effect of the negotiations has not been agreed, but "a significant write-down in the value of ... intangible assets will be necessary".

Agenix said signing the deed would allow it to clarify its accounts for the year to June 30, 2008, which would be sent to shareholders with a notice of annual general meeting, expected to be held in early 2009.

Agenix said lodgment of the audited accounts and a demonstrated adherence to ASX Listing Rules would enable the company to resume trading.

The deed is binding subject to finance and a final settlement deed, manufacturing agreement and joint venture agreement by December 31, 2008.

Agenix will not take legal action but if finance is not obtained by December 31, 2008 then it will revert to its original rights under the China acquisition deal documents.

Agenix chairman Nick Weston said the board replaced the one that was involved in the original acquisition and had "worked extremely hard ... to obtain a resolution to a complex and difficult set of circumstances surrounding the China acquisition".

"It is the board's strong view that this settlement ... is the best option for Agenix and avoids the high costs and uncertainty of litigation and arbitrations in China," Mr Weston said. "The deal is subject to the other side obtaining finance, but if the settlement does become unconditional, the company will be on a more solid footing to pursue these core operations for the benefit of shareholders," he said.

Agenix last traded at 1.7 cents.

POLARTECHNICS

Polartechonics says it has re-commenced the delivery of its Truscreen cervical cancer screening units to China and India, worth \$400,000 in revenue for December 2008.

The company said the deliveries follow the company's announcement that it had entered into major sales and supply contracts for Truscreen.

Chinese production of the sensors began in March 2008, with production increasing until quality issues arose (see Biotech Daily; August 14, 2008).

Polartechonics said at that time it had identified the causes of the quality issues, which included unacceptable variations in the lens component during plastic injection moulding in China and dust contamination of the lens during transport and handling to and from the US for specialized coatings.

The company said the processing procedures were revised and it was "only three months behind our original plan".

At the company's annual general meeting Polartechonics' chairman Robert Hunter projected sales growth from \$6.8 million in 2009 to \$67 million in 2010 and \$151 million in 2011 (see Biotech Daily; November 25, 2008).

Polartechonics said that of the 100 screening units being shipped in December, 50 were going to the China Women's Doctor Association's screening program across China, with 50 going to India.

Polartechonics chief executive officer Ben Dillon told Biotech Daily that each screening unit was expected to conduct 3,000 tests, implying further sales of 300,000 consumables a year from the sale of the units.

Mr Hunter said in a media release to the ASX that the company was "on-track to deliver our projected sales for the 2008- 2009 financial year and expect to become profitable in 2010" on the basis of contracts with subsidiaries China's Unisplendour Group.

In November the company's Truscreen consumable production reached over 1000 units a day on successive days and is programmed for scalable growth.

Polartechonics said production followed "an extensive manufacturing validation exercise to address production issues post start-up earlier this year and has lifted Polartechonics' confidence in meeting the 2009 targets".

The China production is planned to meet Truscreen consumable demand through to mid 2009 when additional large scale manufacturing commences.

"We are now gaining a sustainable delivery pipeline following the signing of scalable supply contracts in China, Malaysia and Poland to satisfy the demand we are now seeing for our state of the art products," Mr Hunter said.

Truscreen will deliver 77 percent of the company's revenue in 2009 and lead the group to profitability with its signed contract for the supply of 450 Truscreen screening units in a range of hospitals across China in 2009.

Polartechonics said its China contracts were expected to generate recurring sales of \$10 million a year in consumables, based upon the installed hospital user base being established in 2009, making the company cash flow positive with the revenue expected to be matched by other markets, including India, Korea and Eastern Europe.

"Private medical clinics across Europe and Asia are seeking real-time point of care screening and triage for cervical cancer, which we can deliver through Truscreen," Mr Hunter said.

Polartechonics is also developing Cerviscreen, a self-sampling device for human papillomavirus and other sexually transmitted diseases.

Polartechonics climbed as much as 40 percent to 10.5 cents before closing up 1.9 cents or 25.33 percent to 9.4 cents with 728,000 shares traded.

LABTECH SYSTEMS

Labtech says Biomérieux's Previ Isola, incorporating Labtech's Microstreak technology, has been launched with the first commercial sales made to clinical laboratories.

Labtech said the Previ Isola was the first instrument to incorporate the Microstreak technology.

This company said the automated agar plate streaker performed one of the core tasks of diagnostic microbiology and had the capacity to offer significant time, space and cost savings to laboratory operators.

In the current trend of laboratory concentration, there was strong demand for automation that can standardize processes and provide traceability, timesaving and optimized workflow, as well as improved safety, Labtech said.

The company said Previ Isola offered staff "the opportunity to use their time in more valuable activities that relate to patient care".

Labtech said the commercial launch was beginning in mid-sized clinical microbiology laboratories in the US and Western Europe.

Labtech will receive royalty payments on sales of the patented disposable applicators that effect the agar plate streaking.

Labtech chief executive officer Lusia Guthrie said her company was "delighted to see the full commercial launch of the first product using our Microstreak technology".

Labtech was up 2.5 cents or 19.23 percent to 15.5 cents.

FLUOROTECHNICS

Fluorotechnics says it has "substantially expanded its sales and collaborative relationship with the influential proteomics facility at Greifswald University" in Germany.

Fluorotechnics said the Greifswald facility was "a service leader in the European continent and ... to commit to the newly available range of pre-cast non-fluorescent gels for 2D electrophoresis".

The company said Greifswald University's core proteomics facility at the Institute for Microbiology and Interfaculty Center for Functional Genomics was an experienced protein analysis team working with in enzyme production supplying European pharmaceutical companies.

Fluorotechnics chief executive officer Dr Duncan Veal said the collaboration included sales of Fluorotechnics hardware in the first year as well as consumables on an ongoing basis.

"This is a very significant commercial change that will be widely reported within the industry," Dr Veal said.

"This is important because the Greifswald unit is so highly respected in proteomics and it will cease using our competitor's product and is adopting the new Fluorotechnics technology," Dr Veal said.

Fluorotechnics said its two-dimensional gels offered higher resolution and due to the technical advantages of the gels, offered "much higher protein detection sensitivity" and its plastic-backed gels were more convenient to use than glass alternatives.

The company said Greifswald University's proteomics facility would use the gels for a number of research projects and to develop high throughput processes for diagnostic and industrial quality control for enzyme production.

Most of the work will be in Greifswald while Fluorotechnics supported the research projects with resources from its development teams in Kirchentellinsfurt and Sydney.

Fluorotechnics was up one cent or 1.01 percent to \$1.00.

VICTORIA GOVERNMENT

The Victorian Government will co-invest \$5 million in the Monash Centre for Electron Microscopy giving researchers and industry greater access to scientific instruments. A media release from Innovation Minister Gavin Jennings said he opened the centre today, giving Victorian scientists access to infrastructure to make breakthroughs in nanotechnology.

"Nanotechnology is delivering better materials for a vast array of products from sunscreens to electronic devices, to new drugs and more fuel-efficient jet engines," Mr Jennings said.

"Victoria has been crying out for such a facility, which will concentrate research efforts across the private and public sectors, and across international borders," Mr Jennings said. Electron microscopy enables the study of the structure of physical and biological matter from the atomic to the micron scale.

The media release said the facility would house a new field emission gun-transmission electron microscope, the highest resolution microscope in Australia; a low energy electron microscope, the only one of its kind in the world; and an atom probe field ion microscope, one of fewer than 10 worldwide.

"This is sensitive equipment, similar in complexity to the Australian Synchrotron," Mr Jennings said.

"It requires qualified staff to use it, and I'm pleased to say, Monash has that expertise," he said.

A forecast by New York-based Lux Research predicts nano-enabled goods worth \$US3,000 billion will be produced globally by 2015. In 2007 the figure was \$US147 billion. The Australian Nanotechnology Alliance expects Australian manufacturers to produce up to \$60 billion in nano-enabled products by 2015 and employ around 125,000 people. The total project cost of the Monash Centre for Electron Microscopy is \$24 million over next five years, including \$14 million for the facility and equipment upgrades, and an annual operating budget of \$A million.

QRX PHARMA

JP Morgan Chase & Co became a substantial shareholder in QRX Pharma with a holding of 4,567,556 shares or 6.09 percent of the company on December 5, 2008.

In two notices to the ASX, one after the close of business yesterday, and the second today, JP Morgan Chase of Columbus Ohio, said it increased its investment in QRX Pharma to 5,338,825 shares (7.12%) on December 8, 2008.

The registered holder is JP Morgan Securities Australia.

QRX Pharma fell two cents or eight percent to 23 cents.

PROGEN

Progen says chief financial officer and company secretary Linton Burns has resigned "to accept a position in a different industry".

Progen said Mr Burns would remain with the company in the next several weeks to ensure the successful transition of his duties.

John Robert Lee has been appointed company secretary.

Progen said Mr Burns had been with the company for more than four years and had been "an extremely valuable part of the executive team" and had been instrumental in the development and maintenance of the company's fiscal and compliance systems.

Progen was up three cents or 3.55 percent to 87.5 cents.

MEDICAL THERAPIES

Medical Therapies has appointed Dr Julia Hill as chief operating officer.

The company said Dr Hill had more than 15 years experience in the life sciences sector having worked in biomedical research as well as in commercializing technology.

Dr Hill joined Medical Therapies in July and has managed the transfer of the Midkine technology assets from Japan, the production of anti-midkine antibodies and the validation of the company's veterinary midkine immunoassay.

Medical Therapies said it had appointed Andrew Bursill as company secretary, effective immediately.

Mr Bursill is a member of the Institute of Chartered Accountants in Australia and has been employed by Franks & Associates for more than 10 years.

Medical Therapies said Mr Bursill provided outsourced company secretarial and chief financial officer services for listed and unlisted public companies.

Since October 2008, Mr Bursill has been acting financial controller.

Medical Therapies' company secretary Bernadette Kerrigan has resigned, effective on December 12, 2008.

Medical Therapies was untraded at 3.6 cents.

OBJ

Transdermal drug delivery system developer OBJ says Prof Ian Frazer has resigned from its scientific advisory board.

Prof Frazer told the company that "as the scientific advisory committee of OBJ has not needed my services for a while and my commitments elsewhere are quite extensive, I've decided that I should resign ... effective today".

OBJ was untraded at 0.8 cents.

SAFETY MEDICAL

Safety Medical has requested a suspension to follow-on from the trading halt requested on December 8, 2008 relating to new product lines and finance arrangements.

Safety Medical last traded at 11.5 cents.