



# Biotech Daily

Monday December 15, 2008

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECHS UP: POLARTECHNICS UP 38.5%, LIVING CELL DOWN 12%**
- \* **DR MERVYN JACOBSON FACES 319 CHARGES**
- \* **J&J'S LIFESCAN BOOSTS UNIVERSAL BIOSENSORS' OUTPUT**
- \* **ELANCO SUBMITS ACRUX ANIMAL TREATMENT TO US REGULATOR**
- \* **SELECT VACCINES TIGHTENS BELTS, DUMPS ANAVAX FOR HEP C**
- \* **MEDICAL THERAPIES CONVERTIBLE NOTE CONDITIONS; FUNDING**
- \* **NORWOOD ABBEY CAN DRAW DOWN \$250k**

## MARKET REPORT

The Australian stock market rebounded 2.4 percent on Monday December 15, 2008 with the All Ordinaries up 83.2 points to 3,535.7 points.

Fifteen of the Biotech Daily Top 40 stocks were up, eight fell, six traded unchanged and 11 were untraded.

Polartechtechnics was best, up five cents or 38.46 percent to 18 cents with 1.7 million shares traded, followed by Antisense up 34.38 percent to 4.3 cents, Ventracor up 24.24 percent to 4.1 cents with 6.9 million shares traded and Novogen up 13.64 percent to 75 cents.

Alchemia and Optiscan climbed more than 10 percent; Chemgenex was up 9.89 percent; Avexa was up five percent; Biota and Viralytics climbed more than four percent; Heartware was up 3.64 percent; Cochlear climbed 2.97 percent; with Arana, Progen, Resmed and Universal Biosensors up more than one percent.

Living Cell led the falls, down 1.5 cents or 12 percent to 11 cents with 37,000 shares traded, followed by Phylogica down 10 percent to 3.6 cents and Prana down 9.09 percent.

CSL and Psivida lost more than three percent; Cellestis and Pharmaxis shed more than two percent; with Mesoblast and Peplin down more than one percent.

## GENETIC TECHNOLOGIES

Genetic Technologies co-founder Dr Mervyn Jacobson and his daughter Tamara Newing have been charged with a total of 672 charges of market manipulation.

In a media release the Australian Securities and Investments Commission said it had brought the charges which would be prosecuted by the Commonwealth Director of Public Prosecutions.

ASIC said Dr Jacobson and Ms Newing appeared in the Melbourne Magistrates' Court and Dr Jacobson faced 319 counts of market manipulation regarding his involvement in the trading of company shares between April 22, 2005 and November 2, 2006.

Ms Newing, of Hawthorn East, Victoria, is charged with 353 counts of market manipulation regarding her involvement in the trading of Genetic Technologies' shares between April 18, 2005 and November 2, 2006.

ASIC alleges that Dr Jacobson and Ms Newing "arranged for orders to be placed on the ASX for the purchase of GTG shares through a number of different stock-broking firms". "These orders, according to ASIC, were likely to create or maintain an artificial price for trading in the company's shares," the ASIC media release said.

Dr Jacobson and Ms Newing were released on bail subject to a number of conditions including that Dr Jacobson provide surety for an amount of \$800,000; Ms Newing provide surety for an amount of \$400,000 and not travel overseas except between December 15, 2008 and January 10, 2009; and Ms Newing surrender her passport to ASIC by no later than 4pm on January 12, 2009 and on her return not approach any international point of departure.

Dr Jacobson and Ms Newing are scheduled to appear in the Melbourne Magistrates' Court on April 23, 2009 for their respective committal mentions.

ASIC said that on July 8, 2008 Rocco Musumeci of Rockdale, New South Wales, was indicted on three counts of market manipulation following his involvement in the trading of Genetic Technologies shares.

On November 10, 2008, Richard John Wade, of East Melbourne, Victoria, pleaded guilty to six counts of market manipulation with regard to his involvement in the trading of Genetic Technologies shares, the ASIC media release said.

Further proceedings in respect of Mr Wade and Mr Musumeci will be heard on December 18 and 19, 2008 in the Melbourne County Court.

A media release from lawyers Clayton Utz said Dr Jacobson was "a man of the highest integrity who has tried all his life to do the right thing in all his business endeavours".

"The circumstances surrounding the laying of the charges have only strengthened his resolve to vigorously defend them," the law firm said.

"Dr Jacobson has no comment at this stage about the ASIC investigation and the events surrounding the recent AGM of Genetic Technologies," Clayton Utz said.

A media release from Clayton Utz on December 12 said Dr Jacobson was "shocked and disappointed by these charges" which related "to matters which are alleged to have occurred some years ago".

Genetic Technologies said on Friday that it would appoint additional directors to join its board.

Dr Jacobson spilled the board at the company's annual general meeting in November and with co-founder director Fred Bart appointed Huw Jones and Sid Hack as directors (see Biotech Daily November 19, 2008).

The then chief executive officer Michael Ohanessian was one of the board members to lose his position and departed the company that day.

Genetic Technologies said it had begun a search for a new chief executive officer.

Genetic Technologies was unchanged at 3.8 cents.

## UNIVERSAL BIOSENSORS

Universal Biosensors has expanded its relationship with Johnson & Johnson's Lifescan Inc assisting Lifescan establish manufacturing blood glucose sensors strips.

Universal Biosensors said Lifescan would have its own separate manufacturing plant for the sensor strips.

Universal Biosensors' corporate headquarters in the Melbourne suburb of Rowville has a state-of-the-art sensor strip manufacturing plant capable of producing 750 million strips per annum.

In the US the strips retail for about 50 US cents.

The company said the Lifescan manufacturing line would increase the overall manufacturing capacity for the strips which are expected to be launched with the blood glucose diagnostic units in 2009.

Universal Biosensors said it would be paid \$US2 million in the first quarter of 2009 for providing these manufacturing process support services.

Universal Biosensors said it and Lifescan signed a master services and supply agreement in October 2007, which was structured as an umbrella agreement for "a series of additional arrangements for the supply by [Universal Biosensors] of additional services and products in the field of blood glucose monitoring".

Universal Biosensors chief executive officer Mark Morrisson said Lifescan's "commitment to additional glucose sensor strip capacity at this time is obviously enormously pleasing to us".

He said that in addition to the fees from directly manufacturing sensor strips, "we will also receive a service fee for each of these blood glucose sensor strips sold, whether those strips are manufactured by [Universal Biosensors] or by Lifescan".

Mr Morrisson said Universal Biosensors was continuing discussions with Lifescan over a number of new agreements for the supply of additional services and products.

Universal Biosensors was up one cent or 1.82 percent to 56 cents.

## ACRUX

Acrux says Eli Lilly's Elanco has submitted an application to US regulators for the first animal health product under their licence, development and commercialization agreement. Acrux said the submission to the US Food and Drug Administration's Center of Veterinary Medicine was "a significant regulatory submission milestone".

The company said Elanco was developing a range of products using Acrux's liquid technology to deliver drugs across the skin of animals.

Subject to approval of the application by the Center of Veterinary Medicine, Acrux expects a milestone payment from Elanco in the second half of 2009 and royalties starting in 2010.

Elanco develops and markets products for animals in more than 100 countries.

The market for animal health products is worth more than \$US14 billion a year worldwide, with products for companion animals growing strongly, Acrux said.

Acrux chief executive officer Dr Richard Treagus said the use "in companion animals has always represented a compelling application of the Acrux technology and we are delighted to that it is moving closer to achieving its full potential".

Acrux was unchanged at 48.5 cents.

## SELECT VACCINES

Select Vaccines will seek out-licencing or co-development partnering arrangements for its Anavax virus-like particle platform, anti-viral platform and diagnostics portfolio.

Select Vaccines said it would also seek financial support from government and public foundation funding for some of the technologies and would consider "consolidation opportunities within the vaccine space".

Select Vaccines said work on the Anavax technology demonstrated the successful expression of the Anavax hepatitis C virus virus-like particle in a scalable mammalian cell culture system.

Subsequent experiments to test the immune response to the hepatitis C virus virus-like particle in mice failed to meet the primary endpoint of a significant antibody response, which is essential for prevention of hepatitis C infection.

Select Vaccines said the results were disappointing, as previous studies with an earlier version of the virus-like particle, produced in a laboratory-scale mammalian cell system, demonstrated better immune responses than those seen using the materials from the scalable mammalian cell culture system.

The expression system used in the most recent studies appears to be very suitable for production of Anavax virus-like particle in mammalian cells, but the hepatitis C virus (HCV) version of Anavax virus-like particle (VLP) does not appear to be sufficiently immunogenic when produced in this way.

Following the analysis of data from these experiments and consultation with the scientific advisory panel, Select Vaccines said the results "do not support continued development of the Anavax HCV VLP vaccine at this time".

"Future development of the Anavax technology will instead focus on indications where the technology appears more promising, including those that are suitable for production in the scalable *Hansenula* yeast system," Select Vaccines said.

The company said it was evaluating out-licencing or co-developing the anti-viral technology, which is focused on small molecule antiviral drugs against picornavirus infections, which includes encephalitis, meningitis, myocarditis and rhinovirus infections.

The market for picornavirus therapies is more than \$US400 million. Research and development work has ceased until a partner can be found or the technology out-licenced. Select Vaccines said it had two agreements in place for its Hepatitis diagnostic tests.

The commercialization of the diagnostics has been slow and the company "is seeking to address this with the aim of speeding up revenue generation".

The review of operations has allowed the company to stretch its available cash to mid-2009 while partnering or co-development opportunities are sought.

Select Vaccines has always enjoyed a strong working relationship with the Burnet Institute and a contract research agreement has been in place for a number of years.

This agreement expires at the end of December 2008 and will not be renewed until a new funded research plan is developed. Select Vaccines hopes to continue the excellent relationship when funding permits and future research is imminent.

The Company is also considering consolidation options in the vaccine space and potential synergies with other companies in this area to strengthen the pipeline.

Select Vaccines' chief executive officer Julie Nutting the company "can extract better value from its existing assets with a clear focus on partnering the Anavax VLP and antiviral technologies and optimizing commercialization of the diagnostic portfolio products".

"We are also evaluating several later stage vaccine candidates for in-licensing and consolidation options in order to strengthen the product portfolio," Ms Nutting said.

Select Vaccines was untraded at 0.6 cents.

## MEDICAL THERAPIES

Medical Therapies says it has been “vigorously pursuing” funding and the repayment of outstanding convertible notes which mature on December 31, 2008.

The company says there is “a strong possibility that adequate funding will be received ... during the first half of 2009”.

“We have implemented severe budget cuts and our board and senior management have been working with significantly reduced fees and salaries to ensure that money is spent on product development,” Medical Therapies said.

The company said that earlier this year it signed “a firm commitment letter in relation to a \$2 million investment with NS Capital” but this had been delayed. NS Capital subscribed for Medical Therapies shares; but the funding has not been received.

Medical Therapies said its Midkine assets “generated strong interest from licencing partners”, discussions were ongoing and had “a solid prospect of revenue within the next six to 12 months from these licencing activities”.

Other funding offers have been received but some were conditional on using the investment for product development only, not for the repayment of the convertible notes. The company is appointing advisors to provide capital raising services, particularly in South East Asia.

Medical Therapies said its share purchase plan has had “a very low rate of shareholder participation”.

Medical Therapies said \$1 million of convertible notes, mature on December 31, 2008.

After 10 days for notices of conversion the company would arrange for the repayment of the notes with any outstanding interest to those note-holders that do not convert.

The company said conversion might not be attractive at current share prices and the majority of notes will be redeemed.

The company said funding might not be before the due date for the note redemption.

Medical Therapies said it would seek note-holders approval for amendments to provide time to meet the obligations under the terms of the notes.

Medical Therapies was untraded at 3.6 cents.

## NORWOOD ABBEY

Norwood Abbey says it has an agreement entitling it to draw down cash advances of up to \$250,000 for working capital and the company’s restructuring program.

Norwood Abbey previously said its white knight investor was Melbourne-based Lettered Management which had provided an assurance it would arrange up to \$1 million (see Biotech Daily; October 30, 2008).

Norwood Abbey said its restructure was well-advanced, with continuing reduction in its obligations and debts and was exploring opportunities to restore value for shareholders and expects to bring at least one of these to completion within the next quarter.

The \$250,000 facility may be drawn down during December 2008 and January 2009. The convertible notes will be six months from drawdown, with interest at 10 percent a year payable quarterly in arrears. The notes are convertible at one cent at any time during the term of the loan. The lender will be issued options exercisable at 1.5 cents on or before December 31, 2009 on the basis of one option for each convertible note issued.

Norwood Abbey was unchanged at 0.6 cents.