



Biotech Daily

Monday November 24, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECHS UP: PROGEN UP 34%, PRANA DOWN 12%**
- * **PROGEN: M&A OR WIND-UP; SURVIVES ROUND ONE OF COUP FIGHT**
- * **GOLDMAN SACHS EXPLAINS TYRIAN DIAGNOSTICS NOTICE**
- * **PHYLOGICA ACQUIRES DYNAMIC MICROBIALS FOR \$1m IN SHARES**
- * **FIRST ARM RECRUITED IN AVEXA'S PHASE III HIV TRIAL**
- * **BOARD APPROVAL FOR SUNSHINE HEART'S KENTUCKY TRIAL**
- * **PORTLAND EXTENDS TRADING HALT TO SUSPENSION**
- * **PROF MAHESH CHOOLANI JOINS HEALTHLINX ADVISORY BOARD**

MARKET REPORT

The Australian stock market climbed 0.1 percent on Monday November 24, 2008 with the All Ordinaries up 1.9 points to 3,388.8 points.

Fifteen of the Biotech Daily Top 40 stocks were up, 10 fell, eight traded unchanged and seven were untraded.

Progen was best, climbing 20.5 cents or 34.45 percent to 80 cents with 1.15 million shares traded, followed by Living Cell up 25 percent to 11 cents, Acrux up 17.86 percent to 49.5 cents, Stem Cell up 15.38 percent to 15 cents and Tyrian up 12.5 percent to 4.5 cents.

Bionomics climbed 7.14 percent; Pharmaxis was up 5.94 percent; Optiscan climbed 4.76 percent; Alchemia, Cellestis and Genetic Technologies were up more than three percent; Chemgenex, CSL, Novogen and Sirtex rose more than two percent; with Arana and Resmed up more than one percent.

Prana led the falls, down four cents or 11.59 percent to 30.5 cents with 37,593 shares traded, followed by Universal Biosensors down 8.93 percent to 51 cents and Labtech down 8.7 percent to 10.5 cents.

Benitec and Peplin both lost 6.67 percent; Biota fell four percent; Cochlear, Heartware and Neuren were down more than three percent; Cytopia shed 2.94 percent; with Ventracor down 1.28 percent.

PROGEN

Progen's chairman Dr Mal Eutick says the company will either find a merger increasing the company's value or return all funds to shareholders.

Dr Eutick said in his address to the annual general meeting posted to the ASX that the company would announce "within 45 days from today, terms of an M&A transaction able to deliver a value to shareholders in excess of a \$1.10 per share [or] ... should this not occur, the board will recommend that the entire capital of the company (less liabilities and allowances for the continuing statutory and other costs) be returned to shareholders".

"This is a sum we currently estimate by February to be approximately \$70 million, or about \$1.10 per share," Dr Eutick said.

He said the proposals would require shareholder approval and would be prior to January 14, 2009 the last day possible to hold the meeting requisitioned by the coup group.

"At this point, we envisage that part of any deal would involve a capital return to shareholders," Dr Eutick said.

In what could be seen as test for the coup group attempting to take over Progen, the annual general meeting re-elected existing directors but rebuffed the remuneration report. Earlier this month a group of investors requisitioned a meeting to oust most of Progen's existing board including chief executive officer Justus Homburg (see Biotech Daily; November 10, 14 and 21, 2008).

Progen took all the resolutions at today's meeting to a poll with about 30 million of the possible 60,469,512 million shares included in the voting.

The remuneration report was rejected with 14,616,577 votes (50.33%) opposed and 14,425,616 votes (49.67%) in favor.

Dr Eutick was re-elected with 19,029,749 votes (61.38%) in favor and 11,747,267 (38.17%) votes against and director Robert Williamson was re-elected with 17,626,164 (59.39%) votes in favor and 12,050,521 votes (40.61%) against.

Director John Lee, who is not subject to the coup group's proposed resolution, was supported by a far greater majority with more than 28.6 million votes (93.1%) in favor and 2.1 million (6.9%) against

The ratification of a previous share issue to Cellgate Inc was passed with 14,810,618 votes (54.7%) in favor and 12,265,965 votes (45.3%) against.

It appears that those opposed to the current board were able to muster about 10 million votes or 16 percent of the total share issue, with some other shareholders also displeased on specific issues.

While there are a further 30 million potential votes available for the coup group's requisitioned meeting due to be held before January 14, 2009 the strength may have been indicated at today's meeting.

Progen climbed 20.5 cents or 34.45 percent to 80 cents with 1.15 million shares traded.

TYRIAN DIAGNOSTICS

On Friday November 21, 2008 Goldman Sachs Group Inc said it had sold 11,360,000 Tyrian shares for \$2,726,000 on November 18, 2008.

Today Goldman Sachs said the notice was posted in error and the Group held those shares for Irrewarra Investments along with a further 3,794,134 shares held by Goldman Sachs International.

The combined holding of 15,154,134 shares is 6.11 percent of Tyrian and is unchanged from the holding it had in Proteome, prior to the company name change.

Tyrian was up half a cent or 12.5 percent to 4.5 cents.

PHYLOGICA

Phylogica will acquire all the outstanding shares in Dynamic Microbials in exchange for shares at the rate of 0.9 Phylogica shares for each Dynamic share.

Phylogica filed an Appendix 3B from to the ASX requesting the issue of 20,250,000 shares for the remaining 62.2 percent of Dynamic Microbials, a private, Perth-based biotechnology company that had licenced certain anti-microbial rights to Phylogica's Phylomer technology.

At today's share price of five cents, the additional stake is valued at \$1,012,500 and the entire company at about \$1.63 million.

The company said it had a 37 percent stake in Dynamic as a result of the original licence agreement.

Phylogica said Dynamic Microbials had been screening for peptides able to kill certain superbugs or micro-organisms that have developed multi-drug resistance.

In particular, the company has generated antimicrobial data against 50 different clinical samples of *Acinetobacter baumannii*.

The company said the bacteria was "a major cause of hospital-acquired infections globally" and multi-drug resistant strains of *Acinetobacter baumannii* were rising and killing "hundreds of patients each year". Phylogica said the organism was an important pathogen in a number of patient populations including burns victims.

The company said the research program had generated peptides able to kill clinical isolates of multi-drug resistant strains of *Acinetobacter baumannii*, which in turn had "generated significant interest overseas from biotechnology and pharmaceutical companies".

Phylogica said it was in discussions "with a number of these about potential partnering arrangements to help further the program and extending screening to other important related drug-resistant organisms such as *Pseudomonas*".

Phylogica was unchanged at five cents.

AVEXA

Avexa has completed recruitment of the first 160 patients for the two-dose component of its phase III trial for apricitabine for HIV.

Avexa chief executive officer Dr Julian Chick told Biotech Daily that there would be about 50 patients in each arm of 800mg apricitabine, 1200mg apricitabine and the control group. Dr Chick said the patients were part of the 900 patient trial which would see 450 in the preferred dose of apricitabine and 450 in the control arm.

Avexa said more than 300 patients had been involved in the screening or dosing stages of the trial, which was ongoing with more than 130 specialist HIV centres in 15 countries.

The company said results from this component of the trial were expected by July 2009.

Avexa said 37 patients remained on apricitabine (ATC) in the extension study associated with its earlier phase IIb trial (see Biotech Daily; March 12, 2008).

The company said the longest dosed patients had received apricitabine for nearly three years and all patients in the extension study had completed at least 96 weeks of dosing, which was "another significant milestone in the clinical development of ATC".

"So far, patients have not developed resistance to ATC and there have been no reported serious adverse events related to the drug candidate," Avexa said.

Dr Chick said recruitment completion of the two-dose component of the phase III trial "further de-risks the program and adds significant value to ATC on our road to commercialization of the compound".

Avexa was unchanged at 10 cents.

SUNSHINE HEART

Sunshine Heart says it the institutional review board of the Jewish Hospital at the University of Louisville, Kentucky has approved the US clinical trial for C-Pulse. Sunshine Heart said the trial had been fully approved by the US Food and Drug Administration.

C-Pulse is a heart assist therapy for patients suffering from moderate heart failure.

The Jewish Hospital is the first US center to receive institutional review board approval for participation in the company's clinical trial.

The hospital has also completed all clinical training on the C-Pulse system including both surgical implant and site training, the company said.

Sunshine Heart said once the requisite contracts were signed, the hospital will be able to begin clinical enrolment which was expected to begin this year.

The principle investigators at the Jewish Hospital are the chief of the Division of Thoracic and Cardiovascular Surgery and director of the mechanical assist device program Dr Mark Slaughter and University of Louisville Health Science Center cardiologist Dr Sumanth Prabhu.

Sunshine Heart was untraded at five cents.

PORTLAND ORTHOPAEDICS

Portland Orthopaedics has requested a suspension to follow on from the trading halt requested on November 20, 2008 relating to an asset sale.

Portland last traded at 1.2 cents.

HEALTHLINX

Healthlinx says a 'world authority in obstetrics and gynaecology' Prof Mahesh Choolani has joined its scientific advisory committee.

Healthlinx said Prof Choolani was "one of the most highly regarded clinicians and researchers in Singapore".

The company said he was an associate professor of obstetrics and gynaecology at the Yong Loo Lin School of Medicine at the National University of Singapore.

Healthlinx said Prof Choolani's programs included the Foetal Genetics Programme, Ovarian Cancer Program (Diagnostic Biomarker Discovery Laboratory) and the Foetal Therapy Program (Foetal Therapy Laboratory).

The company said Prof Choolani was awarded the Young Scientists Award in 2006, a teaching excellence award, contributed to hundreds of articles and publications and was named as the co-inventor of four patents.

Healthlinx was untraded at five cents.