



Biotech Daily

Wednesday October 1, 2008

Daily news on ASX-listed biotechnology companies

- * **GREY SEPTEMBER: SUNSHINE HEART UP 80%, BENITEC DOWN 44%**
- * **TODAY: ASX, BIOTECHS UP: LIVING CELL UP 19%, AVEXA DOWN 6%**
- * **PHARMAXIS SUBMITS BRONCHITOL MARKETING APPLICATION**
- * **NUSEP IN \$25m MERGER WITH NXGEN**
- * **SYNCHROTRON GAINS HI-TECH COMPUTER; REMOTE RAPID ACCESS**
- * **NORWOOD ABBEY SUSPENDED FOR ABSENT ACCOUNTS**
- * **CHAIRMAN JOHN PRIEST LENDS APOLLO \$2m**
- * **DR SZE WEE TAN SYNDICATE TO TAKE CONTROL OF ROCKEY**
- * **OBJ LOSES DIRECTORS FOLLOWING LESS-THAN-SUCCESSFUL STUDY**
- * **STARPHARMA RELEASES 3.6m ESCROW SHARES**

MARKET REPORT

The Australian stock market recovered 4.0 percent on Wednesday October 1, 2008 with the All Ordinaries up 183.2 points to 4,814.5 points.

Thirteen of the Biotech Daily Top 40 stocks were up, 10 fell, 11 traded unchanged and six were untraded.

Living Cell was best, up three cents or 19.35 percent to 18.5 cents, followed by Stem Cell up 17.65 percent to 30 cents, Cytopia up 12.5 percent to 18 cents, Universal Biosensors up 11.43 percent to 78 cents and Sunshine Heart up 10 percent to 11 cents.

Chemgenex climbed 8.45 percent; Labtech, Mesoblast and Phosphagenics were up more than six percent; Polartech was up 5.26 percent; Bionomics, Biota and CSL were up more than three percent; Prana rose 2.33 percent; with Cochlear and Resmed up more than one percent.

Avexa led the falls, down one cent or 6.25 percent to 15 cents, with 2.1 million shares traded, followed by Genetic Technologies down 5.8 percent to 6.5 cents. Phylogica lost 4.76 percent; Heartware, Pharmaxis, Progen and Starpharma were down more than three percent; Cellestis and Peplin both shed 2.33 percent; with Acrux down 1.06 percent.

BIOTECH DAILY TOP 40 INDEX

The day after a global stock market write-down is perhaps not the best timing for Biotech Daily's monthly comparison of the biotech sector against the All Ordinaries, especially as most of yesterday's Australian fall was recovered today.

For the first time in three years, CSL has fallen – by \$2 billion or 8.5 percent - dragging down the Big Caps, despite rises by Cochlear (7.8%) and Resmed (0.2%).

Nine of the Biotech Daily Top 40 Index (BDI-40) companies were up for the month to September 30, 2008, with 29 falling and two – Impedimed and Viralytics – unchanged. The Top 40 does not include the three Big Caps.

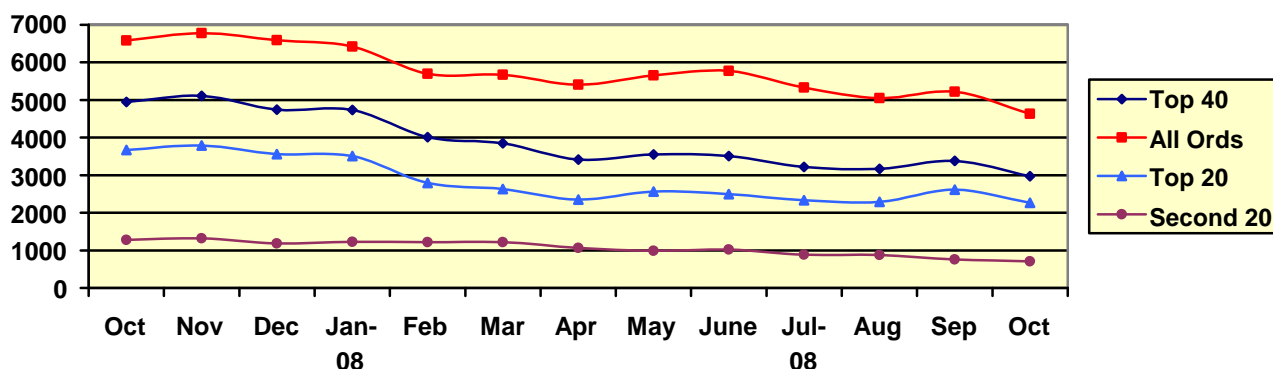
Three Biotech Daily Top 20 Index (BDI-20) companies climbed against the trend with Starpharma the best, up 11.4 percent to a market capitalization of \$49 million followed by Heartware up 3.2 percent to \$192 million and Pharmaxis up 1.9 percent to \$438 million.

But the biggest gain was Sunshine Heart leaping 80 percent to \$27 million, its highest value since March 2008. Stem Cell Sciences was up 33.3 percent on small volumes and from a low base, Progen recovered 10 percent, followed by last month's worst performer, Polartechonics up 4.5 percent, Bone Medical (4.3%), and Prana (2.4%).

The BDI-20 fell 13.5 percent in September - in line with the All Ordinaries down 11.2 percent. For the year to September 30, the All Ordinaries fell 29.6 percent and the BDI-20 lost 38.4 percent, but the Big Caps were up 7.75 percent for the year. The Biotech Daily Second 20 Index fell 7.1 percent for September giving the BDI-40 an average 12.1 fall for the month.

Benitec was the worst performer down 44.0 percent to \$14 million followed by Avexa down 42.4 percent to \$68 million as the job of finding a partner or alternative funding clashes with the cost of continuing its phase III trial of apricitabine for HIV. Both Phylogica and Psivida fell 36.4 percent and Proteome lost 32 percent, followed down by seven companies falling by more than 20 percent: Alchemia, Arana, Chemgenex, Living Cell, Novogen, Antisense and Clinuvel.

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



[PHARMAXIS](#)

Pharmaxis has submitted a marketing application for its mucous-clearing agent, Bronchitol to the Australian Therapeutic Goods Administration.

If approved, Pharmaxis will be authorized to market Bronchitol in Australia for the treatment of bronchiectasis.

The application is based on a multicentre phase III clinical trial involving more than 360 subjects which evaluated the safety and efficacy of Bronchitol for inhalation in subjects with bronchiectasis.

Pharmaxis said all primary efficacy end points were positive and statistically significant and Bronchitol was shown to be well tolerated with no serious adverse events attributed to treatment.

The company said the Therapeutic Goods Administration (TGA) had 255 working days to review the application.

Pharmaxis said there was no approved medication that specifically targets mucous clearance for people suffering from bronchiectasis.

Pharmaxis chief executive officer Dr Alan Robertson said it was a "major milestone ... [and] an important development for people living with the incurable lung condition bronchiectasis".

"Pharmaxis is dedicated to the development of safe and effective treatments for airway diseases, and we continue to work closely with regulatory authorities worldwide to bring Bronchitol to patients as quickly as possible," Dr Robertson said.

Bronchitol is also under development as a twice daily inhalation therapy for people with cystic fibrosis with two large phase III trials currently underway.

Pharmaxis' Aridol asthma test is available in both the European Union and Australia.

Pharmaxis fell seven cents or 3.11 percent to \$2.18.

[NUSEP](#)

Nusep has signed a binding heads of agreement to acquire NxGen Pharmaceuticals for \$25 million.

Nusep said NxGen reported a net profit of \$2.1 million on sales of \$4.8 million in the year to June 30, 2008.

This acquisition will be subject to shareholder approval.

Nusep said NxGen was the largest Australian custom pharmaceutical company supplying 80 percent of the Australian market.

NxGen has seen significant growth over the last few years driven in part by the erectile dysfunctional nasal spray that it manufactures on an exclusive basis for its medical clinic client, Nusep said.

NxGen is a private company which has novel products which include a slow release implant designed to overcome drug and alcohol addiction.

This acquisition will be paid for through the issue of 294 million Nusep shares at 8.5 cents a share, representing 87.5 percent of Nusep's expanded capital.

The acquisition values NxGen at \$25 million or 10 times its 2008-'09 net profit forecast of \$2.5 million.

The transaction should translate to a 10 cent to 20 cent value for Nusep shareholders.

Nusep executive chairman John Manus said the merger completed Nusep's evolution into a profitable healthcare company and provided significant value to shareholders.

The company is undertaking due diligence and expects to report back to shareholders within the next month.

Nusep climbed 0.8 cents or 16.0 percent to 5.8 cents.

AUSTRALIAN SYNCHROTRON

The Victorian Government is investing \$1.45 million toward a \$2.9 million high performance computing facility at the Australian Synchrotron in Clayton.

Innovation Minister Gavin Jennings said the funds would help develop the high-performance computing facility to support imaging beamlines at the Synchrotron.

The Australian Synchrotron, the Commonwealth Scientific and Industrial Research Organisation, Monash University and the Victorian Partnership for Advance Computing are also contributing funds.

"This facility will equip the Australian Synchrotron with the specialist capabilities required to analyze beamline experiments, allowing rapid interrogation, analysis and visualization of the data being generated directly at the beamlines," Mr Jennings said.

"With this facility, the Australian Synchrotron will be a leader for imaging beamlines, establishing one of only two beamlines world-wide equipped with the capability to reconstruct high-resolution 3D phase contrast images while experiments are in progress," Mr Jennings said.

"It will provide scientists with the capacity to undertake immediate analysis of experiments, determining whether the results are meaningful or need to be reworked," he said.

The Victorian Government media release said the Australian Synchrotron would be the largest scientific user facility in the Southern Hemisphere by the end of 2009 and was "accelerating groundbreaking Victorian biotechnology research".

The computer, with 500 times the power of an average home computer, will allow medical researchers to follow the movement of individual stem cells and cancer cells in the human body, and allow protein chemists to see the protein structures they are analyzing.

One proposed application of this powerful new form of computer tomography includes tracing the movements of gold nanoparticle-labelled stem cells after injection into the spines of multiple sclerosis patients.

The computer cluster will consist of up to 512 processing cores in parallel, providing about six teraflops at peak capacity, a media release from the Australian Synchrotron said.

The media release said protein chemists and drug developers would be able to access synchrotron light within weeks and without leaving home.

The Australian Synchrotron said that two years ago similar work would have meant waiting for months or years and then travelling overseas carrying precious samples through Customs.

The rapid access service will be open to researchers with an urgent need such as to beat an international competitor or establish an intellectual property position; with too few samples for a full 24-hour run; or with extra samples to run following a previous experiment.

Australian Synchrotron principal scientist for protein crystallography Dr Julian Adams said five synchrotrons offered remote access.

"Giving remote access users a priority is simply a matter of logistics and cost," Adams said.

"Each on-site user receives at least three hours of induction training and must also be fitted with a costly radiation dosimeter, which records radiation exposure over a three-month period."

"Remote users don't incur these overheads, and they use the synchrotron in just the same way as those on-site.

About one day a month will be set aside for rapid access with researchers able to gain access in about two and a half weeks from the time their application is submitted.

The first rapid access day is October 8, 2008 and the Synchrotron is open for applications.

NORWOOD ABBEY

Norwood Abbey has been suspended from trading on the ASX following its failure to lodge full year statutory accounts.

The ASX named 30 companies most of which were mining companies.

Norwood Abbey was the only biotechnology company listed as failing to provide the full year accounts.

Norwood Abbey was untraded at one cent.

APOLLO LIFE SCIENCES

Apollo Life Sciences says it has secured debt funding up to \$2 million dollars from chairman and major shareholder John Priest.

Mr Priest has in turn secured funding from an independent third party financier, CVC Limited on the same terms as Apollo (see below) with the exception of Mr Priest providing appropriate security over shares held by Apollo Capital.

The \$2,000,000 carries an interest rate of 22.5 percent, is capitalized on a monthly basis and may be paid along with the principal amount on or before the repayment date of September 30, 2009.

The unsecured loan will be drawn down as required to fund working capital requirements. To secure the funding, Apollo has agreed to issue to the third party financier three million options over ordinary shares.

The options will be granted upon the draw down of funds and must be exercised within three years from the date of issue. The option exercise price is intended to reflect the pricing of the rights issue contemplated as part of the funding conditions.

Details of the exercise price will be announced when the options are granted.

Subsequent to Apollo's strategic restructure the board said that continuing to pursue licencing possibilities for the company's core technologies through mechanisms such as pay-for-service feasibility studies would provide the best opportunities to shareholders to obtain value for these key assets.

Apollo said the debt funding would allow the company to explore these opportunities and maintain adequate working capital.

Apollo is in a voluntary suspension and last traded at four cents.

ROCKEY BIOMED

Rockey Biomed has accepted a proposal from managing director Dr Sze Wee Tan to inject up to \$2 million in exchange for a controlling interest in the company.

The re-capitalization proposal has been made by a syndicate of sophisticated Singaporean investors led by Dr Tan and is subject to shareholder approval.

The proposal includes a non-renounceable rights issue to existing shareholders on a one-for-one basis at 0.0675 cents a share to raise \$500,000.

The rights issue will be fully underwritten by Dr Tan's syndicate.

The company will seek shareholder approval of the allotment of shares under the shortfall to the syndicate.

A placement of 740,642,345 shares will be made to the syndicate at 0.0675 cents a share to raise \$500,000 before costs of the issue.

A total of 1,481,481,481 options exercisable at 0.0675 cents each will be granted over a two year period following the date of shareholder approval to the syndicate.

If exercised, these options will inject a further \$1,000,000 over two years.

Rockey fell 0.1 cents or 25 percent to 0.3 cents.

OBJ

OBJ says Dr Gil Shearer and Dr Ken Donald resigned as directors effective on September 26, 2008, following less than successful replication studies.

OBJ said that following an announcement to the ASX on September 8, 2008 it had completed a review of its proof-of-concept and supporting programs including key technology, equipment and skin model factors which may contribute to dermaportation efficacy.

In the September 8, announcement entitled 'Shareholder Update' OBJ said it had multiple research programs to develop, optimize and validate its transdermal drug delivery platforms including an in-vitro proof-of-concept program at the University of Queensland to validate its delivery platforms for pharmaceutical applications.

OBJ said the program included a series of in-vitro skin diffusion studies to evaluate and select susceptible drugs and then optimize the formulation and magnetic fields before progressing to in vivo proof-of-concept in animals and/or humans.

One objective was to validate previous in vitro human epidermal studies that had been conducted at Curtin University of Technology in Western Australia.

The initial replication studies undertaken at the University of Queensland were focused on small molecules and found initial evidence supporting enhanced transdermal delivery of Naltrexone by the Dermaportation platform.

"However, the improvement was less than the results previously achieved at Curtin," OBJ said.

"The company subsequently embarked on a program at Curtin to investigate the potential technology, equipment and skin model factors that may have contributed to these variable results, such that it can improve its technology transfer procedures and increase the reliability of results across different laboratories," OBJ said.

OBJ said it intended to continue the program at the University of Queensland following completion of the current testing program at Curtin.

"The early-stage and uniqueness of the OBJ magnetic delivery platforms requires further research and development to identify and optimize the key factors influencing magnetic delivery," OBJ said.

OBJ said it had "engaged transdermal and magnetic experts to conduct an independent evaluation of the technology and to advise the company on its technology developments and optimization programs".

The company said the proof of concept program was expected to resume at the conclusion of the evaluation.

Biotech Daily attempted to clarify the meaning of the September 8, 2008 media release, but was unable to speak with any OBJ executives.

OBJ was untraded at one cent.

STARPHARMA

Starpharma says 3,601,707 shares held for the Dow Chemical Co will be released from voluntary escrow on October 18, 2008.

A further 7,203,413 Dow shares are due to be released from escrow on October 19, 2009.

These shares are part of the company's total share issue of 179,715,153 shares.

Starpharma fell one cent or 3.7 percent to 26 cents.

BIOTECH DAILY TOP 40 WITH MARKET CAP

Big Caps \$Am	Oct-08	Sep-08	Aug-08
Cochlear	3,312	3,071	2,459
CSL	22,463	24,554	19,044
Resmed	4,146	4,138	3,048
Top 20			
Acrux	150	183	195
Alchemia	35	47	50
Arana	193	263	237
Avexa	68	118	132
Bionomics	75	81	76
Biota	124	136	131
Cellestis	206	212	226
Chemgenex	170	222	227
Cytopia	14	17	17
Heartware	192	186	152
Living Cell	37	50	46
Mesoblast	133	152	128
Neuren	16	18	26
Novogen	113	159	103
Peplin	73	85	58
Pharmaxis	438	430	323
Phosphagenics	44	54	66
Proteome	17	25	24
Sirtex	115	134	139
Starpharma	49	44	48
Second 20			
Antisense	30	39	39
Benitec	14	25	18
Bone Medical	24	23	23
Cathrx	31	34	30
Circadian	36	40	34
Clinuvel	70	91	100
Genetic Tech	26	32	32
Impedimed	55	55	52
Labtech	15	16	17
Optiscan	21	25	30
Phylogica	15	11	14
Polartechnics	23	22	29
Prana	87	85	95
Progen	44	40	37
Psivida	21	33	33
Stem Cell Sciences	8	6	10
Sunshine Heart	27	15	12
Universal Biosensors	91	108	95
Ventracor	54	62	63
Viralytics	15	15	15

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

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