



Biotech Daily

Friday October 24, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECHS DOWN: PSIVIDA UP 14%, GENETIC TECHNO DOWN 18%**
- * **BIOTA CHAIRMAN OPPOSES CRITICAL DIRECTOR CANDIDATE**
- * **HUNTER HALL INCREASES TO 12% OF BIOTA**
- * **BIOPROSPECT FIGHTS-BACK AGAINST SOLAGRAN TAKEOVER**
- * **FLUOROTECHNICS IPO RAISES \$8m**
- * **US FDA CLEARS UNILIFE INSULIN SYRINGE**
- * **'CORE' EU PATENT FOR VIRALYTICS' CAVATAK**
- * **30% OPPOSE PHARMAXIS' DIRECTOR OPTIONS**
- * **APOLLO'S \$2m FUNDING ON HOLD**
- * **US PATENT FOR NORWOOD ABBEY, MIT MICRONEEDLE SYSTEM**
- * **MEDICAL THERAPIES ASKS AGM TO SUPPORT \$3m CAPITAL RAISING**
- * **HEALTHLINX VOTES ON 27m RELATED SHARES; OPTIONS, DIRECTORS**
- * **PORTLAND VOTES ON 8m CEO OPTIONS, DIRECTORS**

MARKET REPORT

The Australian stock market fell a further 2.7 percent on Friday October 24, 2008 with the All Ordinaries down 107.7 points to 3,831.6 points. Nine of the Biotech Daily Top 40 stocks were up, 12 fell, nine traded unchanged and 10 were untraded.

Psivida was best, up 19 cents or 13.57 percent to \$1.59 on small volumes, followed by Alchemia up 1.5 cents or 7.32 percent to 22 cents. Avexa and Pharmaxis climbed more than four percent; Biota and Cochlear were up more than three percent; with CSL up 2.56 percent.

Genetic Technologies led the falls, down one cent or 18.18 percent to 4.5 cents, followed by Benitec down 14.55 percent to 4.7 cents. Living Cell and Viralytics lost more than 12 percent; Neuren fell 8.33 percent; Bionomics, Novogen and Ventracor lost more than seven percent; Chemgenex, Heartware, Peplin and Progen fell five percent or more; Cytopia and Resmed fell more than four percent; Cellestis, Prana and Starpharma were down more than three percent; Acrux, Antisense, and Polartechnics shed more than two percent; with Circadian down more than one percent.

BIOTA

Biota chairman John Grant has taken the unusual step of opposing the election of Dr Michael Montalto just three business days from the company's annual general meeting. Biota said that in the proxy form sent to shareholders with the notice of meeting the chairman intended to vote undirected proxies in favor of all items of business.

Today, Biota said "Mr Grant wishes to advise that he intends to vote undirected proxies to the chairman against the election of Dr Montalto as a director".

Biota said that shareholders who have lodged their proxy votes and wish to withdraw them had several options to change their votes.

But the notice to the ASX will not have been received by many shareholders and it is believed that a significant number of proxy votes have already been lodged.

Dr Montalto told Biotech Daily that he was running for election as a shareholders' representative and had set out his case at: www.thebiotablog.blogspot.com.

Dr Montalto said on his blog that more than 10,000 individuals hold shares in Biota, and collectively hold more than 80 percent of the company.

He said large holders had been few and, in general, transient.

He said he held shares for more than 10 years and attended "many of the court hearings involving our company's litigation over the last four years".

Dr Montalto said Biota had "an excellent science track record ... [but not] an excellent corporate track record".

He said poor decisions included entry into the US and a subsequent withdrawal for a cost of around \$10 million; litigation against Glaxosmithkline and subsequent withdrawal for a cost of \$30 million; rejection of a settlement against Glaxosmithkline costing about \$90 million and the initiation of a share buyback at prices expecting a legal settlement with a cost of about \$2 million.

"Without the avian influenza outbreak two years ago and the reluctant and temporary re-activation of Relenza by GSK, the company would have not experienced any share price growth in nearly a decade," Dr Montalto said.

He said board renewal "seems to have reluctantly commenced".

"The problem is that it falls to current board members and management to make decisions about the future of the company," he said.

Dr Montalto's criticisms are detailed at the blogsite (see above).

Biota shareholders will vote on the grant to chief executive officer Peter Cook of 976,300 options as well as the reelection of directors Paul Bell and Grant Latta and the election of Dr Montalto, along with several changes to the company's constitution.

The meeting will be held on October 29, 2008 at the Novotel on Collins, 270 Collins Street, Melbourne, at 10am.

Biotech Daily editor David Langsam owns shares in Biota.

Separately, Hunter Hall Investment Management increased its substantial shareholding in Biota from 19,861,515 shares (10.96%) to 21,119,010 shares (12.1%).

Biota climbed one cent or 3.03 percent to 34 cents.

PORTLAND ORTHOPAEDICS

Portland shareholders will vote on the issue of 8,000,000 options to chief executive officer and managing director John Brassil exercisable at 2.5 cents and vest in two equal on January 1, 2009 and January 1, 2010.

Portland's annual general meeting will also consider the renewal of the executive and staff option scheme and the re-election of director Dr Richard Gregson.

Portland was unchanged at 1.1 cents.

BIOPROSPECT. SOLAGRAN

Bioprospect chairman Steve Morrow has responded to moves by Solagran to take control of his company's board.

In a media release to the ASX Mr Morrow said shareholders would be asked to vote in person or by proxy on a resolution proposed by Solagran, a shareholder with 6.64 percent of the issued capital of Bioprospect.

Mr Morrow said the resolution called for his removal as a director and non-executive chairman.

He said the notice of meeting included an explanatory memorandum with the reasons for requesting my removal.

"In that explanatory memorandum, Solagran has made various allegations against me," Mr Morrow said.

"I refute the allegations but do not believe it is appropriate to go into details given the size of Solagran's shareholding and the basis for their action," Mr Morrow said.

Mr Morrow said the board of an ASX listed company should add value to the company and the ASX says the board can do that by, amongst other things, exercising independent judgment.

"This ASX principle highlights the importance of having independent directors on the company's board," Mr Morrow said.

"It is a less than desirable situation for Bioprospect not to have a majority of independent directors on its board, which would happen if I was removed," Mr Morrow said.

"The current CEO, Peter May and myself have developed a critical 12 month plan with regard to the companies (sic) flagship Termilone product which aims to see the product registered with the APVMA and ready to be commercialized with major international joint venture partners. If Solagran Limited want to call for my removal based on comments made to a journalist prior to the current Solagran representatives being on the board that is their prerogative but I would suggest that it is in the company's best interest to allow the current team ... to see through the Termilone commercialization plan," Mr Morrow said.

In the release he listed his achievements as chairman of the company.

He said the evaluation of Solagran's Bioeffectives in animal health and nutrition had progressed "with encouraging results in poultry and horses".

"I believe that Solagran's Bioeffective products have enormous potential and our current management team have a number of opportunities to develop and pursue.

"The company is at a critical stage of the Termilone project, with decisions being made now that will impact on the future success of this promising range of products.

"It is imperative that this momentum be continued without changes in board structure," Mr Morrow said.

He "strongly" urged shareholders to vote against the resolution to oust him.

In a schedule attached to the notice of meeting Bioprospect cited "relevant paragraphs taken from the article titled 'Cop in Murder Probe Threat' dated September 21, 2008 written by Mark Hawthorne which appeared in The Age newspaper.

Mr Morrow said the challenge from Gun Capital's Leo Khouri, an investor in his company, came when the board refused to buy shares in Solagran, another company Mr Khouri is an investor in and is a consultant to.

A deal was eventually struck with Mr Khouri, and Snr Sgt Anthony Langdon became a director, along with two Solagran directors, Peter Stedwell and Peter (Charles) Pellegrino. The annual general meeting will be held in the Webb Room, Hotel Charsfield, 478 St Kilda Road, Melbourne on November 26, 2008 at 1.30pm.

Bioprospect was unchanged at 1.8 cents.

Solagran climbed two cents or 7.69 percent to 28 cents.

FLUOROTECHNICS

Fluorotechnics says it has closed its initial public offering raising “nearly \$8 million”. Fluorotechnics said it “comfortably passed its minimum \$6 million target ... supported by institutional investors from Asia, Australia and Europe as well as professional and retail investors”.

Fluorotechnics manufactures and sells Fluorescent and electrophoresis life science consumable tools to global markets (see Biotech Daily; September 4, 2008) and said it expected to list by October 31, 2008 with more than 24 million shares on issue and a market capitalization of more than \$24 million based on the offer price of \$1 a share. Fluorotechnics chief executive officer Dr Duncan Veal said that “succeeding in a float in this market demonstrates the prospects of the company, as only a very robust investment proposition attracts new capital in these times”.

“The Fluorotechnics team is full of optimism as we have strong sales pipelines, outstanding products and expertise,” Dr Veal said.

“Our customers are in the global health and pharma industries whose activity level remains strong despite the economic down-turn,” he said.

UNILIFE MEDICAL SOLUTIONS

Unilife says the US Food and Drug Administration has given clearance of the Unitract 1mL insulin syringe.

FDA clearance of the 510(k) submission for the Unitract 1mL syringe gives Unilife permission to market and sell the syringe within the US.

Unilife said it would “initiate its launch plan for the evaluation and commercial release of the product within target US healthcare, diabetes and harm reduction markets”.

Unilife chief executive officer Alan Shortall said US FDA clearance of the Unitract syringe gave the company “a green light to commence product launch activities within the world’s largest healthcare market, where the use of needlestick prevention devices is mandatory”.

“Our US launch plan will include product evaluation trials within target market sectors, and the finalization of discussions with interested distributors,” Mr Shortall said.

“These activities will help generate market demand over the coming months in anticipation of the full commissioning of the automated assembly system at our US facilities in Pennsylvania,” Mr Shortall said.

He said the syringe had “significant competitive advantages” and expected it generate significant levels of demand.

“Once production of the Unitract 1mL insulin syringe commences at our own manufacturing facilities in Pennsylvania, we will be able to further strengthen our competitive position by promoting it to US markets as a US-made product,” Mr Shortall said.

“Achieving regulatory approval ... across North America, Europe and Australia is a strong reflection of Unilife’s high-quality management team,” he said.

“Unilife is now in a strong cash position, has proven expertise in the development of production systems to manufacture our proprietary range of safety syringes and secured exclusive agreements with global healthcare and pharmaceutical leaders,” Mr Shortall said.

“With all key Unilife projects on-track, Unilife is well positioned to emerge as a multinational leader in the design, development and supply of innovative safety medical devices,” he said.

Unilife was up 2.5 cents or 11.11 percent to 25 cents.

VIRALYTICS

Viralytics says it has been granted a European patent covering the company's core technology.

Viralytics said the notice of allowance had been received (see Biotech Daily; May 20, 2008) and that subject to the completion of a number of administrative matters a patent was expected to be granted later in the year.

The company said the granted European patent provided it with exclusive use of the Coxsackie A group viruses, including Viralytics lead product Cavatak, for the treatment of all cancers expressing the ICAM-1 molecule until 2020.

Viralytics chief scientist and inventor of the technology Prof Darren Shafren said the patent was similar to the patent granted in the US in April 2008 covering the company's core technology.

"Together, these patents give the company a strong intellectual property foundation for potential out-licensing and commercialization of our products and technology," Prof Shafren said.

Viralytics said numerous cancers had elevated levels of ICAM-1 on their cell surfaces and the presence of ICAM-1 allowed the Viralytics family of viruses to lock onto the surface of cancer cells to infect and destroy them as described in the patent.

Viralytics fell 0.6 cents or 12.0 percent to 4.4 cents.

PHARMAXIS

A large minority of Pharmaxis shareholders have opposed the grant of options to chief executive officer Dr Alan Robertson and director William Delaat.

About 14 percent of proxy votes opposed the company's remuneration report at the company's annual general meeting.

A total of 61,259,404 proxy votes supported the remuneration report but 10,297,712 proxy votes opposed it.

The resolutions to provide options to Dr Robertson and Mr Delaat were supported by about 51.2 million proxy votes supported but 20.2 million proxy votes opposed it.

The reelection of directors Denis Hanley and Mr Delaat were passed overwhelmingly with more than 70 million proxy votes in favor, with 1.4 million proxy votes opposing Mr Hanley's reelection and 107,378 opposing Mr Delaat's election.

Pharmaxis climbed 7.5 cents or 4.75 percent to \$1.655.

APOLLO LIFE SCIENCES

Apollo says that a \$2 million funding agreement with chairman and chief executive officer John Priest has fallen through.

Apollo said the funding was dependent on "back-to-back" funding from an independent financier (see Biotech Daily; October 1, 2008).

Apollo said the independent financier had "sought to vary the terms of the facility by imposing additional conditions".

"Regrettably these conditions do not provide the company with the degree of comfort that the funds would be forthcoming as previously anticipated," Apollo said.

"These additional conditions are not acceptable and as a result the funding will not proceed," the company said.

"In light of this the board is now considering alternatives and will report to the market when it has further information," Apollo said.

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

NORWOOD ABBEY

Norwood Abbey says the US Patent office has granted an additional microneedle patent to the Massachusetts Institute of Technology.

Norwood Abbey said the patent related to its collaborative research with MIT.

Norwood Abbey said it had a global licence over the patent and all intellectual property flowing from its sponsored research at MIT.

The patent is entitled 'Microneedle Transport Device' and the application was filed on September 9, 2002, Norwood Abbey said.

The company said the patent was for a transdermal transport device which includes a reservoir for holding a formulation of an active principle and an array of needles which have bores in fluid communication with the reservoir to facilitate transporting the formulation to and from the reservoir through the needles.

Norwood Abbey was unchanged at 0.5 cents.

MEDICAL THERAPIES

Medical Therapies shareholders will consider a \$3 million capital raising along with the ratification of two prior share issues and the election of directors.

Medical Therapies said the capital raising would be at a price "not lower than a 20 percent discount to the average market price of its shares over the last five days on which sales were recorded before the issue is made, within three months from the date of approval".

The annual general meeting will vote on the prior issue of 9,654,286 shares and 7,649,809 shares and consider the adoption of a new constitution and the re-election of directors Maria Halasz, David King and Koichiro Koike.

The meeting will be at Level 6, 40 King Street, Sydney on November 24, 2008 at 10am.

Medical Therapies was untraded at five cents.

HEALTHLINX

Healthlinx shareholders will vote on the issue of 26.9 million shares to parties related to director Stephen Copulos, along with 600,000 director options in lieu of payments.

Healthlinx said the options exercisable at 11 cents each were "in lieu of monetary remuneration".

The company proposes the issue of 100,000 options to each of Gregory Rice, Stephen Copulos, John Evans and Stewart Washer, with 200,000 to managing director Nick Gatsios.

The Healthlinx annual general meeting will consider the prior agreement of a \$500,000 convertible note arrangement with Citywest Corp Pty Limited ATF The Copulos (Sunshine) Unit Trust, a party related to director Stephen Copulos, along with approval to issue up to 26,900,000 shares to the group.

The meeting will also consider the election of directors John Evans and Stewart Washer.

The meeting will be held at Punt Hill Little Bourke, the Lonsdale Room, 11-17 Cohen Place, Melbourne on November 26, 2008 at 4pm.

Healthlinx climbed 0.9 cents or 21.43 percent to 5.1 cents.