



Biotech Daily

Thursday October 30, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECHS UP: PHOSPHAGENICS UP 8%, CHEMGENEX DOWN 13.5%**
- * **MOST ALCHEMIA PROJECTS ON HOLD**
- * **WHITE KNIGHT LETTERED MANAGEMENT SAVES NORWOOD ABBEY**
- * **JAPAN PROTECTS STARPHARMA'S VIVAGEL, COATED CONDOMS**
- * **FLUOROTECHNICS CLOSES 1st TRADING DAY EVEN AT \$1**
- * **CATHRX APPLIES FOR CE MARK FOR EXPANDED PRODUCT RANGE**
- * **COLLABORATION EVALUATES OBJ'S TRANSDERMAL PLATFORM**
- * **SUNSHINE HEART APPOINTS NICHOLAS CALLINAN**
- * **CELLESTIS RELEASED FROM QUARTERLY REPORTS**
- * **UNILIFE VOTES ON 10m CEO OPTIONS**
- * **SOLAGRAN VOTES ON 37m SHARES, 10m DIRECTORS' OPTIONS**

MARKET REPORT

The Australian stock market followed global markets up 4.0 percent on Thursday October 30, 2008 with the All Ordinaries up 151.5 points to 3,957.3 points.

Fourteen of the Biotech Daily Top 40 stocks were up, eight fell, nine traded unchanged and nine were untraded.

Phosphagenics was best, up half a cent or 8.33 percent to 6.5 cents with 33,250 shares traded, followed by Starpharma up two cents or 8.0 percent to 27 cents.

Living Cell and Viralytics climbed more than six percent; Sirtex was up 5.79 percent; Avexa, Circadian and Novogen were up more than four percent; Alchemia and Cochlear rose more than three percent; Mesoblast was up 2.27 percent; with Acrux and Pharmaxis up more than one percent.

Chemgenex led the falls, down seven cents or 13.46 percent to 45 cents, followed by Benitec down 12.28 percent to five cents and Prana down 10.0 percent to 36 cents. Polartech lost 3.75 percent; Biota and CSL shed more than two percent; with Clinuvel, Heartware and Ventracor down one percent or more.

ALCHEMIA

Alchemia chief executive officer Dr Pete Smith says that despite the 60 percent cutback to staff most programs will continue or be put on hold.

Dr Smith told Biotech Daily that the decision to terminate employment contracts of so many key staff was a difficult and distressing one, but the company had no alternative. Alchemia announced the cutbacks on Tuesday (see Biotech Daily; October 28, 2008). Dr Smith said that the versatile assembly on a sugar template (Vast) program would be completed.

He said the universal library for screening targets against molecules was "80 percent complete" and the company would enter into agreements with the existing molecules. Dr Smith said the company had 16,000 compounds, against which companies could screen their selected targets.

He said Alchemia's opioid program had shown promise and at a cost of about \$100,000 a year was worth pursuing.

He said the main short term revenue generator, the synthetic heparin program had "very little to spend" and was expected to be approved by the US Food and Drug Administration by December 2009.

He said the oncology assets were very important to the company and would require money or partnering to be continued and were on hold.

"If the taps were to reopen we could resume work," Dr Smith said.

"There will be no further internal development, but partnerships will be sought," Dr Smith said.

Alchemia climbed half a cent or 3.23 percent to 16 cents.

NORWOOD ABBEY

Norwood Abbey says its white knight investor Lettered Management has provided an assurance it will provide or arrange up to a \$1 million.

Norwood Abbey said it had a net cash outflow of \$303,000 in the three months to September 30, 2008 and \$314,000 in cash.

The company said it would "generate approximately \$150,000 during the coming quarter from refunds due from taxation authorities in Australia and overseas" and had an equity line facility with GEM.

A previously foreshadowed rights issue has not yet been activated in view of the market conditions and share price.

Norwood Abbey said the cumulative effect of transactions was to expunge around \$1.6 million from the company's liabilities and to provide working capital to meet immediate needs. A further \$500,000 in liabilities is expected to be dealt with in the short term.

The company said it had reached in-principle agreement with a US investment group for the Needle-free project.

Subject to completion, Norwood Abbey said it would retain a royalty interest in the project and the investor group would assume responsibility for \$500,000 in liabilities.

The company said it was the largest shareholder in Norwood Immunology with 48.6 million shares representing a 21 percent holding.

Norwood Immunology has reported that it is increasing its emphasis on commercial opportunities in stem cell therapies.

The company is in discussions regarding additional new funding, designed to further address the company's needs and prepare for proposed transactions that will be intended to add a new dimension to the company's activities.

Norwood Abbey was up 0.3 cents or 60 percent to 0.8 cents.

STARPHARMA

Starpharma says Japan has approved “a key patent relating to the use of dendrimers to protect against sexually transmitted infections”.

Starpharma said the approval meant that Vivagel and Vivagel coated condoms were covered by granted patents in all major markets including Europe, the US and Japan. Starpharma has a licence agreement with SSL International plc relating to the Vivagel coated condom, with estimated receipts of more than \$100 million in royalties, milestone payments and development support.

Starpharma said it continued to develop Vivagel as a stand-alone product for use by women to protect themselves from HIV and HSV-2 or genital herpes.

Starpharma was up two cents or eight percent to 27 cents.

FLUOROTECHNICS

Fluorotechnics opened its first day of trading on the ASX five cents above its \$1.00 initial public offer, fell to 95 cents and closed even at \$1.00.

The company is trading under the ASX code of FLS.

Fluorotechnics produces and sells fluorescences and stains to world markets (see Biotech Daily; September 4, 2008).

Fluorotechnics said it had a market capitalization of nearly \$24 million after raising \$7.6 million through its initial public offer.

The company will use the funds to ramp-up production capacity to meet the strong unmet demand for its proteomics products.

Fluorotechnics chief executive officer Dr Duncan Veal said the company was “a very solid revenue generating high growth business”.

“We are ambitious and institutional and retail investors understand what we’ve achieved and what we expect to achieve in the next few years,” Dr Veal said

“We’ve also ensured tight escrow rules for earlier investors to maximize share trading stability.”

Fluorotechnics closed unchanged at \$1.00.

CATHRX

Cathrx says it has submitted an application for Conformité Européenne (CE) Mark approval to sell an additional range of catheters for abnormal heart rhythms diagnoses.

The company said its sophisticated diagnostic catheters complemented its basic diagnostic cardiac catheter range which already has CE approval and is sold in Europe.

Cathrx said the new products had up to 20 electrodes and would typically be used in procedures for the treatment of atrial flutter to help clinicians accurately detect, record and diagnose these cardiac rhythm events.

Cathrx chief executive officer Neil Anderson said the submission to sell in Europe was another step forward in Cathrx’s marketing strategy and built on existing approvals with incremental variations and designs.

The application was made through TUV, a German-based European notified body for regulatory approval.

Cathrx was unchanged at 65 cents.

OBJ

OBJ says it has executed a second research collaboration agreement to evaluate and optimize its transdermal drug delivery platforms for use with an undisclosed compound. OBJ said the agreement was with a "fast moving consumer goods" company and the project would compare the in-vitro skin penetration of the target drug delivered by dermaportation, enhanced transdermal polymer and a commercial formulation.

OBJ said that in December 2007, it executed a research collaboration agreement with the same company for an initial feasibility to evaluate both the dermaportation and enhanced transdermal polymer platforms for up to two compounds for over-the-counter healthcare applications. The study was completed in March 2008.

OBJ said the unnamed company wanted to conduct additional studies to further evaluate the magnetic delivery platforms for one of the previously tested compounds.

OBJ will receive up to \$US335,000 (\$A490,000) for completion of the project.

OBJ was untraded at 0.5 cents.

SUNSHINE HEART

Sunshine Heart has appointed Nicholas Callinan as its chairman following the retirement of Malcolm McComas who remains as a non-executive director.

Mr Callinan is the founder and managing partner of Collins Hill Pty Ltd which provides advice to institutional investors and funds managers.

He has served on a number of company boards both private and public, government bodies and charitable foundations in Australia and overseas.

Sunshine Heart was unchanged at 6.5 cents.

CELLESTIS

Cellestis says that it has been released from the quarterly reporting regime.

Cellestis company secretary Brian Manuel told Biotech Daily that companies needed four consecutive cash flow positive quarters to apply for release from the requirement.

He said Cellestis had achieved that milestone.

Cellestis was unchanged at \$2.10.

UNILIFE MEDICAL SOLUTIONS

Unilife shareholders will vote on issues relating to the acquisition of Polynovo from Xceed Capital and the Commonwealth Scientific and Industrial Research Organisation.

The annual general meeting will vote on the prior issue of 2,000 redeemable convertible notes, with each note priced at \$1,000 and all notes combine converting to 8,000,000 shares with an issue price of 25 cents each..

The meeting will also vote on the issue of 550,000 options exercisable at 35 cents each to director William Galle; 1,000,000 options to chairman Jim Bosnjak; 10,000,000 shares to chief executive officer Alan Shortall; 7,500,000 options exercisable at 33 cents per option to Mr Shortall; proposed termination payments to Mr Shortall, Jeff Carter and Ed Paukovits; the proposed remuneration package for Mr Shortall; and the proposed settlement agreement with former Unitract Syringe shareholders.

Shareholders will vote on the re-election of directors Mr Galle and Mr Bosnjak.

The meeting will be held at the Australian National Maritime Museum, 2 Murray Street, Darling Harbour, Sydney on November 28, 2008 at 10am.

Unilife was unchanged at 23 cents.

SOLAGRAN

Solagran shareholders will vote on the issue of shares and options to its directors and Russian staff.

The annual general meeting will consider the approval of 9,000,000 shares at 27 cents a share to Solana LLC; 28,000,000 shares at 30 cents each to Solalife LLC (the Solalife Russia Unit Trust); 6,000,000 unlisted options exercisable at 50 cents to chairman and founder Dr Vagif Soultanov; and 4,000,000 unlisted options exercisable at 50 cents to director Denis Kilroy.

Dr Soultanov and Mr Kilroy along with Russian scientists and advisers lost more than 56 million ordinary shares and more than 10 million contributing or partly paid shares that they gave to Opes Prime Stockbroking (see Biotech Daily; April 4, 8 and 11, 2008).

Solagran said that in the year to June 30, 2008 \$1 million in raw materials was bought from Solana LLC and Solana's account was settled by an issue of 9,000,000 shares.

Solagran said there were no related parties involved between Solana and Solagran and Solana and Solamind Pty Ltd.

Solagran said Solalife was the trustee company for the Solalife Russia Unit Trust which holds units on behalf of a number of Russian Scientists and Administrators whose ongoing participation with Solagran was important

Shareholders will vote on the re-election of director Peter Stedwell who is also the company secretary.

Solagran also announced that the price per Ropren course would be \$US1,125 in Russia and said "written agreements with nine hospitals in St Petersburg for supply at that price are currently being finalized".

The company said one of its distribution advisers had been "approached by medical authorities in Slovakia seeking supply of Ropren in that country".

Director Charles Pellegrino said the Tomsk facility was producing 15kg of Bioeffective R per month at purity sufficient for pharmaceutical production.

The company also announced a non-renounceable pro rata rights issue of a 30 cents contributing shares payable 10 cents on application, with two further 10 cents a share installments on November 30, 2009 and November 30, 2010.

Ordinary shareholders will be entitled to one new contributing share for every 10 shares held and existing contributing shareholders will be entitled to acquire three new contributing shares for every 40 contributing shares currently held.

Solagran said this would raise \$2,067,437 in applications if fully subscribed, and a total of \$6,202,310 if the new contributing share issue was fully subscribed and paid up.

The rights Issue will not be underwritten but directors will retain the right to place any shortfall.

Solagran will apply to the ASX for official quotation of the 30 cent contributing shares.

The meeting will be held in the Grand Waldorf Room 3, the Sebel Albert Park, 65 Queens Road, Melbourne, on November 28, 2008 at 2.30pm.

Solagran climbed 1.5 cents or 5.88 percent to 27 cents.