



Biotech Daily

Thursday September 18, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECHS DOWN: PEPLIN UP 7%, ANTISENSE DOWN 14%**
- * **DR MERVYN JACOBSON SPILLS GENETIC TECHNO BOARD**
- * **BIOPHARMICA, WAIMR DEVELOP CANCER GROWTH RETARDANT**
- * **FEDERAL GOVERNMENT GIVES \$60m TO VENTURE CAPITALISTS**
- * **BIO-GUIDE BRIEF: FLUOROTECHNICS IPO**
- * **HEALTHLINX VASCULAR PERMEABILITY PROGRAM 'NOT NON-CORE'**
- * **BIOLAYER DIRECTOR PETER RAYNER RESIGNS**

MARKET REPORT

The Australian stock market fell 2.5 percent on Thursday September 18, 2008 with the All Ordinaries down 117.8 points to 4,651.9 points.

Six of the Biotech Daily Top 40 stocks were up, 26 fell, five traded unchanged and three were untraded. All three Big Caps fell.

Peplin was best, up 2.5 cents or 6.67 percent to 40 cents with 4.9 million shares traded, followed by Sunshine Heart up 4.65 percent to nine cents.

Acrux, Labtech and Progen were up more than three percent; with Sirtex up more than two percent.

Antisense led the falls, down 0.8 cents or 13.56 percent to 5.1 cents, followed by Cathrx down 13.33 percent to 65 cents, with Cellestis and Optiscan both down 10 percent.

Bionomics, Prana, Stem Cell and Viralytics lost more than eight percent; Benitec and Universal Biosensors were down more than seven percent; Heartware fell 6.45 percent; Biota, Circadian, Clinuvel and Pharmaxis fell more than five percent; Chemgenex, Cochlear and Psivida were down more than four percent; Novogen, Polartechnics, Resmed and Starpharma were down more than three percent; Avexa and CSL shed more than two percent; with Alchemia, Arana and Phosphagenics down more than one percent.

GENETIC TECHNOLOGIES

Genetic Technologies founder, director and major shareholder Dr Mervyn Jacobson has called for a spill of the board. A trading halt has been called.

Genetic Technologies said the resolution notice came from "Mervyn Jacobson ApS ... an entity associated with ... Dr Mervyn Jacobson".

The company's 2007 annual report said Dr Jacobson owned 150,931,900 shares or 41.65 percent of the company under several related shareholding parties.

There is an ongoing Australian Securities and Investments Commission inquiry into share dealing by former executives at Genetic Technologies.

The notice from Dr Jacobson calls for the removal of chairman Henry Bosch, managing director and chief executive officer Michael Ohanessian who was appointed on September 24, 2007 (see Biotech Daily; September 20, 2007), directors John Dawkins, David Carruthers and Monash University deputy chancellor Dr Leanne Rowe, who was appointed to the board on April 17, 2008. Fred Bart continues as a director.

Genetic Technologies said Dr Jacobson has nominated Grahame Leonard to be appointed as a director.

Mr Leonard is a lawyer and accountant and chairman of the consulting firm Readify and is a former president of the Jewish Community Council of Victoria.

Mr Leonard told Biotech Daily that his agreement to stand for the board of Genetic Technologies was dependent on his conducting satisfactory due diligence.

Mr Leonard said he had a share holding in the company.

The company's shares have traded above \$1.00 and until the ASIC investigation its market capitalization was more than \$100 million. In March 2007 the company's share price and market capitalization fell 50 percent.

Trading will resume on September 22, 2008, or on an earlier announcement.

Genetic Technologies last traded at 6.7 cents.

BIOPHARMICA

Biopharmica and the Western Australian Institute for Medical Research have screened 70,000 compounds which increase HLS5 levels to block the growth of cancerous cells. Led by Western Australian Institute for Medical Research (WAIMR) director Prof Peter Klinken, researchers have screened a large collection of drug-like molecules and recently identified a number of compounds which can increase levels of the HLS5 gene.

"This discovery is very encouraging and a great step forward in our quest to create new cancer treatments," Prof Klinken said.

"Because of the role HLS5 plays in keeping cell growth at a normal rate, we expect that these compounds will greatly slow down the growth of cancer cells," Prof Klinken said.

Biopharmica said the HLS5 tumor suppressor gene was reported by Prof Klinken's team in 2004.

The group's research has shown that people who don't have the gene or those who have a mutated or inactive form of the gene are more likely to develop certain types of cancer.

"Our preliminary data reveals that several of these compounds do indeed markedly slow down the growth of human cancer cells," said Prof Klinken.

"Importantly, we also know through computer modeling that nearly all of these compounds have drug-like qualities," he said.

"From here, we take the research to the next phase of laboratory testing with the ultimate hope of investigating if one of these molecules can be used to create a fresh treatment that can slow growth of cancer cells in patients," Prof Klinken said.

Biopharmica was unchanged at 4.5 cents.

FEDERAL GOVERNMENT

The Minister for Innovation Senator Kim Carr says the Australian Government's Innovation Investment Fund will provide \$20 million to each of three venture capital funds.

A media release from Senator Carr's office said the three successful applicants under tranche two of round three of the Innovation Investment Fund are IB Australian Bioscience Fund, Andover Venture Partners and Yuuwa Capital.

Senator Carr said the three funds would provide venture capital to invest in innovative Australian businesses commercializing Australian-grown research.

"To date, more than 80 investee companies have received support under the program which has helped bring many new products and services to market," Senator Carr said.

"Venture capital is increasingly important in funding high-risk innovations world wide," Senator Carr said.

"This program has been central to growing a viable venture capital industry in Australia over the past 10 years," Senator Carr said.

Senator Carr said a well functioning venture capital market provided an efficient mechanism for identifying, screening and funding the most promising early-stage commercialization ventures.

The Review of the National Innovation System recommended continuation of the IIF, which will be considered as part of the Government's Innovation White Paper.

The three successful applicants will be offered the opportunity to become licenced fund managers and the Australian Government will commit \$20 million to each fund, matched by a minimum dollar-for-dollar investment by private sector investors.

IB Australian Bioscience Fund will focus on medical and life sciences, Yuuwa will be a Perth-based fund with an emphasis on life science and information technologies and Andover will specialize in Australian media, information and clean technologies.

Round three was implemented in 2006 and became operational in 2007. For round three, \$200 million has been committed to licence 10 new fund managers.

Further details are www.ausindustry.gov.au.

The Bioscience Managers Fund I is a private equity-style venture capital fund of \$40 million.

The fund's strategy is focused on Australian private bioscience companies at an early stage of development and a companion fund has the capacity for follow-on investments.

The fund's key personnel are Matt McNamara, Dr Darren Grubb, Jonathan Buckley, Jeremy Curnock-Cook and Dr Jonathan Hepple.

The Western Australia-based \$40 million Yuuwa Capital IIF Fund proposes to invest in seed-stage life sciences and information and communications technology ventures.

Seed-stage companies require more resources than later stage investments. This is high risk and few groups are either willing or able to do this.

Yuuwa proposes a portfolio of 12 investees, with an average commitment of \$2.5 million.

Private capital of \$20 million is already committed to the fund, whose key personnel are Matthew Macfarlane, James Williams and Elizabeth McCall.

The Andover Venture Fund I targets a total raise of \$80 million, a first close of \$40 million and a 30 percent average compound growth rate over the 10 year life of the Fund.

Investment focus is on early and expansion stage venture investments in Australian companies operating in the clean technologies, new media, information technology and life sciences sectors.

Andover's team comprises managing partners Jeremy Ingall and Dr Michelle Deaker and general partners, Dr Paul Kelly, Michael Smellie and a third unnamed general partner.

MARC SINATRA'S BIO-GUIDE: FLUOROTECHNICS IPO

Fluorotechnics is a Sydney-based biotechnology company that was formed in 2001 around fluorophores from the fungus *Epicoccum nigrum*; the idea being to leverage the use of these fluorophores in several areas applicable to the life sciences, in particular in qualitative protein detection.

Offer Details:

Price: \$1.00; Funds sought: \$10 million; Market Cap at Offer Price: \$26 million.

Directors:

Chairman Richard Taylor, chief executive officer Dr Duncan Veal, chief sales and marketing officer Günter Thesseling, non-executive directors John Fletcher, David Weber, Prof Peter Bergquist. The chief financial officer and chief operating officer is James Walker and the scientific marketing director Dr Reiner Westermeier.

The board and management are strong, with a good spread of general business expertise combined with a strong focus in Fluorotechnics main areas of interest.

Business segments:

Fluorotechnics: Produces a range of kits for protein and cell detection based on the fluorophore, Epicocconone. They work on the basis that Epicocconone spontaneously conjugates proteins, fluorescing red in the conjugated state.

Elektrophorese-Technik (ETC): Developer and manufacturer of electrophoresis consumables and equipment for life science industries.

The Gel Co (acquisition to be completed): Provider of accessories for a range of hardware produced by companies such as Applied Biosystems.

The combination of the business segments creates some economies of scale and a stronger market presence through a wider product offering and distribution and sales network. Importantly, the ETC non-fluorescing gels and adaptor products from the Gel Co, should enhance and ease the uptake of Fluorotechnics' fluorophore technology.

Competitive Environment:

The general markets that Fluorotechnics are in are tough and dominated by large companies such as GE Healthcare, Qiagen and Bio-Rad. It will be hard to compete with any of these larger companies in areas that are even remotely commoditized or where Fluorotechnics product offerings do not have clear competitive advantages. On the positive side, these markets are relatively immune to economic cycles.

Comment:

Fluorotechnics success will be highly dependent upon uptake of its fluorescence-based protein detection kits and products complimentary to those kits and it is in this area that they have some advantages over even their biggest rivals.

This company should appeal to those seeking life science technology investments who do not want the high risk inherent in pharmaceutical or even device development companies.

Fluorotechnics' IPO opened on September 10 and closes on October 10, 2008.

BBY is the float's lead manager and the prospectus is at <http://www.fluorotechnics.com>.

See Biotech Daily; September 4, 2008.

HEALTHLINX

Last night's Biotech Daily referred to Healthlinx's vascular permeability program as "non-core" compared with its cancer diagnostics development.

Healthlinx managing director Nick Gatsios told Biotech Daily that the vascular permeability program was an asset class inherited when Cryptome Pharmaceuticals was acquired by Healthlinx but the board "felt that these assets could deliver value to the company and shareholders and hence we completed the in-licence of the core patent and subsequent patents in August 2006 with the express view to increase value in these assets and then proceed to partner (as with Insymbiosis) the technology to develop the assets further and increase value".

"Few companies have done a preclinical deal on a compound for co-development," Mr Gatsios said.

He said that although the assets do not align directly with diagnostics he said they were not "non-core".

Healthlinx was unchanged at 5.1 cents.

BIOLAYER

Biolayer says non-executive director Peter Rayner has resigned effective from September 16, 2008.

Mr Rayner said he was resigning "due to other work commitments".

Biolayer was untraded at 2.5 cents.