



Biotech Daily

Friday August 8, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX EVEN, BIOTECHS UP:**
 - **SUNSHINE HEART, BENITEC UP 22%, PHYLOGICA DOWN 18%**
- * **SOUTH AFRICA APPROVES VIRAX'S HIV VACCINE TRIAL**
- * **NEW ZEALAND GRANTS BENITEC 'DOUBLE-STRANDED' PATENT**
- * **SIRTEX SAYS DR BRUCE GRAY QUILTS DEFAMATION CASE**
- * **BIOTA SAYS COURT CASE ACHIEVED GSK FOCUS ON RELENZA**
- * **BIONOMICS REAPPOINTS CEO DR DEBORAH RATHJEN**
- * **SOLAGRAN TO ASX: ANZ'S OPES PRIME SHARE SALE PUSHED PRICE**

MARKET REPORT

The Australian stock market edged up a further 0.2 percent on Friday August 8, 2008 with the All Ordinaries up 7.6 points to 5,037.6 points.

Twelve of the Biotech Daily Top 40 stocks were up, 11 fell, 10 traded unchanged and nine were untraded. All three Big Caps were up.

Sunshine Heart was best, up one cent or 22.22 percent to 5.5 cents, with Benitec up 1.3 cents or 22.03 percent to 7.2 cents, both on modest volumes.

Labtech climbed three cents or 17.65 percent to 20 cents on very small volumes; Arana was up 8.1 cents; Circadian improved 6.67 percent; Bionomics was up 4.69 percent; Clinuvel and Resmed were up more than three percent; CSL and Ventracor rose more than two percent; with Acrux, Avexa and Cochlear up more than one percent.

Phylogica led the falls, down 1.6 cents or 17.78 percent to 7.4 cents on small volumes, followed by Agenix down five percent to 1.9 cents.

Living Cell, Mesoblast, Neuren and Polartech fell four percent or more; Viralytics was down 3.85 percent; with Alchemia, Cellestis and Cytobia down more than one percent.

VIRAX

Virax says the South African Medicines Control Council has approved a phase I/IIa clinical trial of its VIR201 vaccine for HIV/AIDS.

Virax chief executive officer Dr Larry Ward said the approval was "a major milestone" for VIR201.

Virax said the trial would cost \$US6 million and was funded by a non-profit organization created by a consortium of companies led by BHP Billiton.

The company said the trial would build on data generated in previous clinical trials of VIR201 in Australia.

"In these trials VIR201 showed a positive effect in suppressing virus levels in HIV infected individuals thus marking it as one of the most advanced HIV therapeutic vaccines under development," Virax said.

In comparison to the earlier Australian trial in which participants were undergoing antiretroviral therapy, the proposed trials will monitor the safety and immunogenicity of VIR201 in participants undergoing antiretroviral therapy treatment and individuals naïve to treatment at a 10-20 fold increased dose of vaccine.

Virax said the increased dose of VIR201 was designed to stimulate an enhanced HIV specific immune response for patients to better control their HIV viral load.

The trial will support further development of VIR201 in expanded phase II trials.

Virax has an open investigational new drug application with the US Food and Drug Administration for a phase II trial of VIR201.

Virax will seek further non-dilutive funding to support later stage clinical development.

Virax climbed 0.3 cents or 7.5 percent to 4.3 cents with 3.2 million shares traded.

BENITEC

New Zealand has granted Benitec a patent on producing double-stranded nucleic acid constructs for therapeutic and related applications of RNA interference.

Benitec chief executive officer Sue MacLeman told Biotech Daily New Zealand was the first country to grant the patent entitled 'Double-Stranded Nucleic Acid'.

Ms MacLeman said the patent was filed on June 3, 2004 and was pending in other jurisdictions and further grants were expected in the coming months.

"This is an excellent example of a patent that offers broad coverage and leverage in the field of RNAi therapeutics," Ms MacLeman said in a media release to the market.

"We have already licenced this patent family for use in pre-clinical and clinical development of a hepatitis C therapeutic construct and will look to further licencing opportunities," Ms MacLeman said.

Ms MacLeman said through Benitec's patent portfolio and licenced technology from partners, the company had "access to many pending and issued patent claims in the RNAi space".

"This technology's addition further broadens our RNAi intellectual property portfolio," Ms MacLeman said. "This is a fully owned Benitec patent that comes from work undertaken by the Benitec team."

The granted claims of the patent include an invention directed towards producing constructs for RNAi techniques.

The invention provides a ribonucleic acid (RNA) for use as interfering RNA in gene silencing techniques to silence a target gene.

Inventors include Dr Michael Graham, Dr Ken Reed, Dr Robert Rice, Dr Peter Roelvink, Dr Bruce Harrison, Dr David Suhy and Dr Alexander Kolykhalov.

Benitec climbed 1.3 cents or 22.03 percent to 7.2 cents.

[SIRTEX](#)

Sirtex says founder and major shareholder Dr Bruce Gray has discontinued defamation proceedings against non-executive directors and has paid part of their costs.

Sirtex said that on November 3, 2006, Dr Gray began proceedings against non-executive directors Richard Hill, Grant Boyce and John Eady in relation to their response of September 18, 2006 to a letter sent to shareholders by Dr Gray and others (see Biotech Daily; September 14 and 18, 2006).

The defamation action occurred in the context of legal action involving Sirtex, Dr Gray and the University of Western Australia (see Biotech Daily; May 9, 2008).

Issues relating to legal costs are ongoing (see Biotech Daily; July 18, 2008).

Sirtex was untraded at \$2.50.

[BIOTA](#)

Biota has written to shareholders explaining the company's decision-making in its legal action against Glaxosmithkline over its anti-influenza drug Relenza.

The letter signed by Biota's chairman John Grant said the case "was high profile and the settlement has attracted considerable media attention, some of it ill-informed".

"The purpose of this letter is to provide Biota's shareholders directly with factual information on how the settlement of the case came about and what it means for the company," Mr Grant said.

"The settlement took place during mediation between Biota and Glaxosmithkline scheduled this July in compliance with Victorian Supreme Court orders.

Mr Grant said the board, senior management, senior members of the legal team and corporate advisors, Caliburn Partnership, were in attendance. Biota's board met during the mediation proceedings, the letter to shareholders said

Biota discontinued the action in return for \$20 million from Glaxosmithkline. Biota's costs were up to \$40 million (see Biotech Daily; July 21, 2008).

Mr Grant said Biota would continue to receive royalties from Relenza sales, as the existing agreement remained. Glaxosmithkline agreed to establish senior executive liaison with Biota, to support the Relenza franchise.

Mr Grant said the board's objectives in the litigation were to have Glaxosmithkline restore Relenza to an acceptable position in world markets and seek compensation for what Biota considered to be a breach of Glaxosmithkline's contractual obligations.

Settlement proposals emerged in the discovery stage of proceedings which "strengthened Biota's view of its case and encouraged the company to continue with further discovery of [Glaxosmithkline's] documents." Biota thought the case "was tracking positively".

Mr Grant said Relenza's market performance improved significantly and government stockpiling for avian flu antiviral drugs increased demand considerably, leading to increased royalties from Relenza sales, which would have to be offset against any compensation Biota could expect the court to otherwise award against Glaxosmithkline. He said trial costs could have ballooned up to \$100 million, while Relenza royalties increased from less than \$600,000 in 2004, to \$40 million in 2007 and \$20 million in 2008, with total earnings potential of up to \$300 million, or beyond.

"In the board's view, a key objective of the litigation - the revival of Relenza - was underway. The second objective - compensation - would have to be offset against the uncertainties, risks and improving performance of Relenza," he said.

The settlement enables Biota to redirect further resources into its research and development pipeline.

Biota was up half a cent or 0.68 percent to 74.5 cents.

BIONOMICS

Bionomics has reappointed Dr Deborah Rathjen as chief executive officer and managing director until August 7, 2011.

Bionomics chairman Dr Peter Jonson said Dr Rathjen had led Bionomics "through a number of company-changing events and achieved significant uplift in share value".

Bionomics was up 1.5 cents or 4.69 percent to 33.5 cents.

SOLAGRAN

Solagran says that the final divestment of the ANZ Bank's holding of its shares given to Opes Prime was "the primary reason for the change in share price".

The ASX said the company's share price rose from 29 cents to 41 cents on August 7, 2008 with an increase in trading volumes.

Yesterday Solagran said it had been told by the Australia and New Zealand Banking Group that all of its Opes Prime shares have been sold by the bank.

The ANZ Bank acquired the Solagran securities following the collapse of Opes Prime Stockbroking.

On April 11, 2008 the Bank held 56,107,515 ordinary shares (42.6%) and 10,132,865 partly paid shares (21.0%) of Solagran (see Biotech Daily, April 11, 2008).

On August 1, 2008 the ANZ reduced its substantial holding in Solagran from 18,750,664 shares (9.09%) to 12,886,343 shares (6.24%) between July 25 and 30, 2008.

Solagran said it announced on March 19, 2008 the Russian Ministry of Health had released Ropren for sale and the share price closed at \$1.07 that day.

"However one week later, the ANZ Bank appointed receivers to Opes Prime Stockbroking Limited (Opes Prime) and in the process, ANZ claimed equity in some 65 million Solagran securities which they announced would be sold on market as soon as possible," Solagran said

"The effect of this on the Solagran share price was immediate and obvious," the company said.

"The directors believe that the primary reason for the fall in the Solagran share price over the past four months has been the market overhang created by the securities seized by ANZ. That market overhang has now been removed," Solagran told the ASX.

Solagran climbed 6.5 cents or 15.85 percent to 47.5 cents with 3.7 million shares traded.