



Biotech Daily

Friday July 18, 2008

Daily news on ASX-listed biotechnology companies

- * **ASX DOWN, BIOTECHS UP:
POLARTECHNICS UP 12.5%, STARPHARMA DOWN 13%**
- * **METABOLIC BECOMES POLYNOVO WITH \$18m CASH**
- * **EDITORIAL: A MARRIAGE MADE IN BIO-HEAVEN**
- * **GIACONDA TO RAISE UP TO \$40m**
- * **SIRTEX LOSES INDEMNITY COSTS FIGHT**
- * **BIO-MELBOURNE WORKSHOPS DEALING 'BIG PHARMA' DEALS**

MARKET REPORT

The Australian All Ordinaries Index fell 62.1 points on Friday July 18, 2008 down 1.2 percent to 4,915.3 points.

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

Polartech was best, up 1.5 cents or 12.5 percent to 13.5 cents on modest volumes followed by Chemgenex up 7.53 percent to \$1.00 and Mesoblast up 6.16 percent to \$1.12.

CSL climbed 5.86 percent; Optiscan and Progen were up more than four percent; Alchemia and Viralytics were up more than three percent; Cytopia and Prana rose more than two percent; with Antisense, Pharmaxis and Universal Biosensors up more than one percent.

Starpharma led the falls, down four cents or 13.33 percent to 26 cents, followed by Agenix down 0.2 cents or 5.56 percent to 3.4 cents.

Bionomics, Living Cell and Ventracor fell more than four percent; Arana, Peplin and Sirtex shed more than two percent; with Cochlear and Novogen down more than one percent.

[METABOLIC, XCEED, POLYNOVO](#)

Metabolic will acquire Xceed Capital's subsidiary Polynovo in an effective backdoor listing providing a total cash pool for the new company of \$18 million.

Pending shareholder approvals Xceed and CSIRO will receive 247 million new shares in Metabolic, representing 45 per cent of the post merger total issued capital.

Xceed executive director Dr Stewart Washer told Biotech Daily the company would be renamed Polynovo Biomaterials.

He said Metabolic non-executive chairman Rob Stewart would continue, with Polynovo chief executive officer Dr Ian Griffiths as chief executive officer and managing director.

Franklyn Brazil, Paul Lappin and Bruce Rathie will be non-executive directors.

Dr Washer said he would be a director of the new company until Xceed distributes its Metabolic shares to its shareholders.

He said Metabolic had been earning interest on its cash holdings and had reduced spending so the company retained "just under \$16 million" in cash assets. He said Polynovo had about \$2 million in cash.

Polynovo's lead technology, Novosorb was invented by the senior principal research scientist at the Commonwealth Scientific and Industrial Research Organisation molecular science section, Dr Thilak Gunatillake.

Dr Gunatillake is on secondment from CSIRO to Polynovo.

Polynovo has developed the technology for use in bone repair and it can be used as a permanent or dissolving filler.

Polynovo says Novosorb is the platform for a range of medical products that can be safely broken down and excreted (biodegradable) and used (bioresorbable) by the human body. Novosorb can be formulated either as an injectable gel that can be cured in-situ or on demand or as a solid form product with compressive strength similar to bone. Novosorb can be tailored to large world markets with potential applications in orthopaedics, orthodontics, drug delivery, wound care, tissue engineering, nerve regeneration and cartilage repair.

Dr Washer said Polynovo had acquired or exclusively licenced all the intellectual property and there was no royalty stream due to CSIRO.

CSIRO owns 36 percent of Polynovo which will reduce to 16.2 percent of the new entity.

Most of Xceed's 64 percent holding in Polynovo which will become 28.8 percent of the new entity will be distributed to Xceed shareholders, broadening Metabolic's investor base. Xceed will retain no more than 10 percent of the merged entity.

Metabolic's new issued capital will be about 549 million shares, of which 158 million will be owned by Xceed and 89 million by CSIRO.

Metabolic chairman Rob Stewart said the board was "delighted" with the proposed acquisition.

"Polynovo is an exciting company with a track record of securing international licensing deals with major companies," Mr Stewart said. "Over the last year we have explored numerous [merger and acquisition] possibilities," Mr Stewart said.

"We believe that Polynovo presents us with the greatest potential to add value for our shareholders," he said.

The new board will review the company's existing projects targeting motor neuron disease and osteoporosis. It is expected that the Company will continue to seek an out-licensing deal for its osteoporosis drug and will continue its collaboration with Neuren for neural regeneration peptides.

Shareholder meetings are expected by October with completion by late October 2008.

Metabolic reached 4.7 cents, closing unchanged at 3.9 cents with 6.6 million shares traded. Xceed was up 1.6 cents or 28.57 percent to 7.2 cents on small volumes.

BIOTECH DAILY EDITORIAL

Biotech Daily is delighted with Metabolic's choice of Polynovo as its acquisition and that its \$16 million cash will be invested in the biotechnology industry.

Metabolic has looked at scores of proposals and the office must have felt like a Hollywood audition theatre with every struggling biotechnology company hoping for a chance at its \$16 million.

Metabolic has been searching for a partner for more than a year, more so since two lead drugs were dropped. The recent sale of the Circadian holding to Dr Iain Kirkwood and Lyn Brasil helped sharpen the focus and a decision on the shortlist was made.

Metabolic says despite the competition, Polynovo was "the stand-out" candidate.

Biotech Daily, in hindsight and absent from the auditions, agrees.

The Novosorb technology is impressive and can be used in a vast array of medical needs from bone replacement to structure scaffolding. It can be made permanent or biodegradable.

Novosorb was invented in Australia by CSIRO and the inventor Dr Thilak Gunatillake continues his involvement on secondment to Polynovo.

The board is a bit large for a developing company and could do with more device development experience, but it does have significant talent.

We wish the happy couple all the best.

David Langsam, Marc Sinatra

GIACONDA

Giaconda hopes to raise up to \$40 million from the placement of 100,000,000 shares at 40 cents a share to Australian Medical Therapy Investments in a series of tranches.

In a media release to the ASX Giaconda said Australian Medical Therapy Investments (AMTI) was a private investment company focused on the Australian biotechnology industry and Giaconda would be its first major investment.

AMTI managing director and former Giaconda lawyer Colin Goldrick told Biotech Daily that his fund would not look at other investments in the sector "until this one is bedded in".

"We are definitely looking at opportunities down the track, but not for the next six months and probably not for 12 months," Mr Goldrick said.

Giaconda said an agreement had been signed, but the transaction was incomplete.

The company said hurdles to completion included AMTI satisfying Giaconda that it had the assets and funds to pay for the placement. Expert reports and explanatory memorandum needed to be commissioned and shareholder and regulatory approval were required.

AMTI has until August 15, 2008 to satisfy the required financial capacity.

Giaconda said significant shareholder Prof Thomas Borody had placed his 50,620,000 shares in escrow and released if the proposal does not complete.

Giaconda has 73,498,505 shares on issue.

Giaconda's chief executive officer Patrick McLean said the board was "excited about the prospect of raising significant funds in these difficult times" but recognized the proposal was incomplete and there was uncertainty over whether it would proceed.

Giaconda's lead products are Myoconda for mycobacterium avium ss paratuberculosis (MAP) infection in Crohn's Disease and Heliconda for resistant Helicobacter pylori infection. Last week the company suspended its phase IIa trial of Hepaconda for hepatitis C in people with genotype 1 infection (see Biotech Daily; July 8, 2008) following two key indicators of the disease not responding to the treatment.

On July 14, 2008 Giaconda said it had a cash burn of \$122,000 for the quarter to June 30, 2008 and \$281,000 in the bank.

Giaconda fell 0.7 cents or 20 percent to 28 cents on very small volumes.

SIRTEX

Sirtex says that Federal Court Judge Robert French dismissed Sirtex's application for indemnity costs against the University of Western Australia on July 16, 2008.

On April 18, 2008 (see Biotech Daily of that date), Sirtex announced it had won the primary case and on May 9, 2008 reported its intention to claim indemnity costs from the University of Western Australia on the basis of an offer of settlement made prior to the commencement of the hearing in March 2007.

Sirtex said the offer included proceedings between the University and Sirtex be discontinued; the two parties release each other from claims made in connection with the proceedings or the patents held by the company; if the university achieved substantial success in its proceedings against Sirtex founder and major shareholder Dr Bruce Gray then Sirtex would either pay the University an amount of \$1.5 million or shares to the value of \$1.5million; and the University and Sirtex bear their own costs.

Notwithstanding that Sirtex was successful in defending the University's claim, the company said Justice French decided the University's rejection of the offer was not unreasonable and would not justify an order for indemnity costs.

Sirtex said it had the benefit of general costs ordered in its favor against the University and Dr Gray and its claim for damages against Dr Gray in respect of which Sirtex will be claiming any costs not recovered from the University.

These claims are next before the Court on September 12, 2008.

Sirtex fell six cents or 2.17 percent to \$2.70.

BIO-MELBOURNE NETWORK

The Bio-Melbourne Network's August 13, 2008 workshop will address preparation for partnering and/or licencing with large pharmaceutical companies.

The Network says biotechnology company managers "need to have a clear strategic understanding of the product focus and the level of preparation that is required to seriously discuss partnering and licencing opportunities with big pharma".

The Network's August Bio-Workshop presents an analysis of the therapy areas of interest and the partnering processes of sponsors CSL, Glaxosmithkline and Wyeth.

The session will be hosted by Clayton Utz.

CSL's director of commercial development of research and development Dr Tony Eglezos, Glaxosmithkline Australia's head of research and development alliances Dr Ashley Bates and Wyeth Australia's director of corporate affairs and health strategy, Dr Michael Nobes will each detail the therapy areas of interest and their companies' development processes.

The pharmaceutical company presentations will be followed by a panel discussion on industry and deal trends. The workshop will conclude with a biotechnology company panel discussion from Metabolic's former chief executive officer Dr Roland Scollay and Halcyon executive chairman Dr Roger Aston examining partnering and licencing success factors.

The workshop will be held at Clayton Utz, Level 18, 333 Collins St, Melbourne and will commence with registration at 8:40am and conclude at 12.30 pm followed by lunch.

For more information contact Nicole Pitcher by email: npitcher@biomelbourne.org, or telephone +613 9650 8800 or visit www.biomelbourne.org.