



Biotech Daily

Thursday November 19, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECH FLAT: VIRALYTICS UP 57%; ANTISENSE DOWN 11%**
- * **PROGEN SETTLEMENT COSTS \$1.8m, BOARD SEATS, JUSTUS HOMBURG**
- * **BIOGUIDE BRIEF: PROGEN - MORE TRUCE THAN RESOLUTION**
- * **VALE NARHEX'S DR MICHAEL COHEN**
- * **FEDERAL GOVERNMENT GIVES YUUWA CAPITAL \$20m TO INVEST \$40m**
- * **VIRALYTICS 'KNOWS NUSSINK, NUSSINK AT ALL' ABOUT 75% PRICE RISE**
- * **NEARLY 22% OPPOSE LIVING CELL PAY PLAN, DIRECTORS' OPTIONS**
- * **NEARLY 22% OPPOSE GENERA DIRECTOR MEL BRIDGES**
- * **NANOSONICS PLEADS SCHULTZ, GOOD NEWS TO ASX QUERY**
- * **TEXAS CHILDREN'S HOSPITAL BUYS FIRST USCOM DEVICE**
- * **VIRAX PASSES SECOND DATA SAFETY BOARD REPORT**
- * **IMMURON APPOINTS GRANT RAWLIN CEO, ELANE ZELCER DIRECTOR**

MARKET REPORT

The Australian stock market climbed 0.2 percent on Thursday November 19, 2009 with the S&P ASX 200 up 10.2 points to 4,749.2 points. Twelve of the Biotech Daily Top 40 stocks were up, 13 fell, 11 traded unchanged and four were untraded.

Viralytics was best, climbing 2.1 cents or 75 percent to 4.9 cents, before closing up 1.6 cents or 57.1 percent at 4.4 cents with 43.25 million shares, followed by Psivida up 15.4 percent to \$4.04 with 13,184 shares traded. Impedimed climbed 6.25 percent; Nanosonics was up 5.1 percent; Bionomics was up four percent; Progen climbed 3.6 percent; Alchemia rose 2.9 percent; with Biota, Clinuvel, Cytobia, Heartware and Novogen up more than one percent.

Antisense led the falls, down 0.7 cents or 10.94 percent to 5.7 cents with 1.8 million shares traded, followed by Labtech down 7.7 percent to 12 cents. Cellestis lost 5.8 percent; Avexa fell 4.8 percent; Starpharma was down 3.3 percent; Chemgenex and Mesoblast shed more than two percent; with Acrux, Circadian, Pharmaxis and Phosphagenics down more than one percent.

PROGEN

Progen says it has resolved its Medigen dispute, paying the Taiwanese company \$1.8 million, guaranteeing board seats and losing chief executive officer Justus Homburg. Progen said in its announcement to the ASX last night after the market closed that "settlement had been reached with parties representing 19.32 percent of the voting power in Progen (key respondents) in relation to the legal proceedings in the Supreme Court of Queensland".

Progen had alleged that Medigen and related Taiwanese interests contravened section 606 of the Corporations Act 2001 (BD: Aug 4; Sep 15; Oct 22; Nov 2, 2009).

Progen said it and the key respondents executed deeds agreeing to bring an end to the proceedings and releasing each other in respect of those proceedings.

The company said the settlement was designed "to restore stability to the company to enable it to focus on the progression of its product pipeline and delivering value to all shareholders".

The two parties have agreed not to act in any manner that contravenes section 606 of the Corporations Act a section entitled 'Prohibition on certain acquisitions of relevant interests in voting shares'.

The parties further agreed to not call general meetings for specified purposes primarily relating to changing directors for 18 months.

The agreement included a board restructure composed of three independent directors and three Medigen related directors, including chairman Stuart James, Dr John Chiplin, Dr Julie Cherrington, Dr Tzong-Pai (Paul) Lin and two of Thomas Burt, Heng Hsin Tang or Joe Yeh-Chiao Lin, subject to election by shareholders at the 2009 annual general meeting.

Dr Gordon Schooley and one of Thomas Burt, Heng Hsin Tang or Joe Yeh-Chiao Lin will resign as directors, at Progen's 2009 AGM.

Progen said the current directors have agreed, subject to their fiduciary duties, to recommend to shareholders the election of Dr Paul Lin as a director, as well as the re-election of Mr James, Dr Chiplin, Dr Cherrington and Mr Joe Lin, unless he is the director who resigns as stated above.

The current directors have also agreed, subject to their fiduciary duties, to recommend to shareholders the re-election of Mr James, Dr Chiplin, Dr Cherrington, Dr. Paul Lin and two of Mr Burt, Mr Tang or Mr Joe Lin (whichever has not resigned as stated above) as directors at the 2010 AGM, to the extent they are required to stand for election or re-election at that meeting.

Each of the key respondents agrees for a period of 18 months not to increase its shareholding in Progen unless it is an acquisition from another key respondent, such that the aggregate relevant interest of the key respondents will not exceed 19.32 percent.

The agreement terminates the alliance with Medigen and Progen requiring a \$2 million payment to Medigen on a defined PI-88 commercialization milestone.

Following the license of muparfostat (PI-88) to Global Transbiotech by Progen's wholly owned subsidiary, Pharmasynth, Medigen claimed that the payment became due.

This was disputed by Progen, but the company will pay Medigen \$1.8 million in full and final settlement of this claim.

Biotech Daily believes that PI-88 could return to Progen if Global Transbiotech fails to reach a particular milestone on time.

Chief executive officer of four years, Justus Homburg departed Progen last night and the company said an interim chief executive officer would be appointed shortly and an international search firm would be engaged to identify a suitable permanent replacement.

Progen was up two cents or 3.6 percent to 57 cents.

MARC SINATRA'S BIOGUIDE BRIEF- PROGEN PHARMACEUTICALS

Someone once said to me awhile back that Progen should stop pretending it had a reason for existing and simply give its cash back to its shareholders.

I am inclined to agree, primarily because management issues overshadow any technological assets.

The latest twist in the fight for Progen's assets came last night, with the announcement of what is effectively a truce between the warring parties.

Each faction will end up with three directors, with one faction loosely comprising Stuart James, Dr Don Chiplin and Dr Julie Cherrington and the other faction to be comprised of three directors sympathetic to Taiwan-based Medigen.

Holding the deal together is an agreement with key Medigen sympathetic shareholders that they will not vote in such way as to affect the new board's composition.

Other aspects of the deal include that Progen pay Medigen a previously disputed fee of \$1.8 million dollars and that Dr Justus Homburg depart the Progen.

As I said above, the deal is a truce and not a resolution and I doubt it will lead to any real stability as claimed by Progen.

Open warfare is likely to start again in 18 months, with covert operations commencing much sooner.

If you are a Progen shareholder, you should be wishing you took part in Progen's buy-back earlier this year.

I can't see anything happening in the foreseeable future to push the price of Progen's anywhere near, much less over, the buy-back price.

**Marc Sinatra
Analyst**

NARHEX LIFE SCIENCES

Narhex says its executive chairman and acting managing director Dr Michael Cohen passed away suddenly overnight.

Dr Cohen, 70, was a director of Narhex since 2001 in addition to his role of chairman and acting as managing director since December 2007.

Dr Cohen was the founder of Scientific Services Ltd, which was listed as a public company in 1987 and subsequently sold to Security Generale de Surveillance.

He was a director of several listed Australian biotechnology companies, including Peptech which later became Arana.

Dr Cohen was a member of several national and international associations and was a Fellow of the Royal College of Pathologists Australasia.

Biotech Daily is sorry for the loss of Dr Cohen and wishes well to his family, friends and colleagues.

FEDERAL GOVERNMENT. YUUWA CAPITAL

The Federal Innovation Minister, Senator Kim Carr says Yuuwa Capital has \$40 million to invest in venture capital seed funding.

Senator Carr said Yuuwa had been appointed as a new Western Australia fund manager under the Government's Innovation Investment Fund, a venture capital program that assists with the development of new fund managers in early stage venture capital investing.

Senator Carr said the Yuuwa Capital fund would specialize in investing in seed and start-up ventures with significant growth potential.

"Innovation drives productivity and competitiveness and the Innovation Investment Fund backs the best early stage innovators to get on with the job," Senator Carr said.

"The global recession has choked off the supply of capital for young high-tech companies. That's why funds like this are so important in sustaining our innovators as we continue to recover from the effects of the downturn," Senator Carr said.

The Government media release said the Yuuwa Capital fund had \$20 million from the Australian Government and \$20 million raised from the private sector.

The media release said Yuuwa would "work with research organizations, industry networks and West Australian universities to generate investment opportunities".

It said the Yuuwa fund would specialize in ventures with a primary focus on life sciences, including medical devices, pharmaceuticals, biotechnology and information technology, media and communications.

VIRALYTICS

Viralytics has preempted an ASX share price query saying it "is not aware of any information that if known to the market may cause the increase in the company's share price".

Viralytics said that an article by David Haselhurst, 'The Speculator', appeared in an online investor report, www.eurekareport.com.au last night reporting that managing director Bryan Dulhunty completed a week-long road show in the US.

The company said the US presentation was released to the ASX on November 11, 2009.

Viralytics said it was due to release an announcement to the market today advising that La Jolla Cove Investors had converted \$135,000 of its convertible note into 5,744,681 shares.

The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1.

Viralytics climbed 2.1 cents or 75 percent to 4.9 cents, before closing up 1.6 cents or 57.1 percent at 4.4 cents with 43.25 million shares traded.

LIVING CELL TECHNOLOGIES

A significant minority of Living Cell shareholders opposed the remuneration report and issue of options to directors.

The company's remuneration report was opposed by 12,166,045 proxy votes (21.96%) with 43,243,394 proxy votes (78.04%) in favor.

The issue of 400,000 options each to incoming directors Robert Finder and David McAuliffe and 500,000 options to David Brookes were opposed by a similar margin, but Mr Finder and Mr McAuliffe were elected with more than 55 million proxy votes in favor and just 1,000 proxy votes against.

Director Prof Robert Elliott was re-elected overwhelmingly as was director Laurie Hunter. Living Cell was unchanged at 29 cents.

GENERA BIOSYSTEMS

A total of 21.93 percent of proxy votes opposed the election of senior biotechnology director Mel Bridges to Genera's board at today's annual general meeting.

Mr Bridges was opposed by 7,500,633 proxy votes (21.93%) with 26,697,869 proxy votes (78.07%) in favor.

The remuneration report and the reelection of directors Fernando Careri and David Symons were passed overwhelmingly.

Genera was unchanged at 89 cents.

USCOM

Uscom says the Texas Children's Hospital in Houston has bought its first ultra-sonic cardiac output monitor for use in the paediatric intensive care unit.

Uscom said the sale followed a four month assessment and evaluation process.

The company said the Texas Children's Hospital was an internationally recognized full-care paediatric hospital with 1,580 primary-care physicians, paediatric subspecialists, surgical subspecialists and dentists, with a nursing and support staff of more than 6,000.

Uscom chief executive officer Paul Butler said the hospital was "a world leader in adoption of practice changing technologies" and the purchase was "an important endorsement of our technology".

The ultra sonic cardiac output monitors are believed to be worth about \$US20,000 each.

Uscom was unchanged at 66 cents.

VIRAX

Virax says a second meeting of the data safety monitoring board has approved the Southern African trial of its HIV immunotherapeutic vaccine, VIR201.

Virax said the board was composed of clinical trial and HIV experts whose evaluate the data throughout the trial for safety and found no adverse safety data so the trial would continue without change.

Virax said the trial aims to show the ability of VIR201 to suppress HIV virus replication, "marking it as one of the most advanced therapeutic HIV vaccines".

The company said that in July 2009 it announced that the Royal Perth Hospital's Prof Martyn French identified VIR201's novel antibody-based mechanism of action, which was significant for the ongoing development of VIR201 and would be further analyzed in the Southern Africa trial.

Virax was up 0.9 cents or 17.3 percent to 6.1 cents.

NANOSONICS

Nanosonics has told the ASX that it was not aware of any information it had not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price rose from 53.5 cents on November 9, 2009 to 64.5 cents, a 21.56 percent increase, on November 19, 2009 but did not note an increase in trading volume.

Nanosonics said that at its annual general meeting on November 4, 2009 it announced an in-principle agreement for a role out of its Trophon EPR reprocessor, beginning in 2010.

Nanosonics said it and its distributors had orders from healthcare providers in Australia and New Zealand.

Nanosonics was up three cents or 5.1 percent to 62 cents.

IMMURON

Immuron has appointed its general manager of research and development Dr Grant Rawlin as chief executive officer and Dr Elane Zelcer as a director.

Immuron said Dr Rawlin was a veterinarian and scientist and had been with the company since 2000.

The company said Dr Rawlin was “central to the intellectual property developed by the company” and led the team that developed the commercial antibody production system that is the core of its research and commercialization activities.

He has visited Israel twice in the past six months to facilitate research at the Hadassah Medical Centre and has developed an excellent relationship with the research and commercialization teams.

Immuron said Dr Zelcer “had considerable experience in the biotechnology sector” including chief executive officer positions with companies and the commercialization company for intellectual property developed at Monash University and as a director of the Dairy Cooperative Research Centre.

Immuron said Dr Zelcer was the executive director of Bioconsult which assists companies develop their intellectual property through strategic partnering, capital raising and collaboration.

Dr Zelcer is also the national convenor for Hadassah Australia’s Ausimed program and the chair of the Victorian State Government Bioeconomy Working Group.

Immuron said the appointments “reflect a change in the strategic direction” and introduce experience in the areas of partnering and commercialization at a time when the company’s research enters the critical human trial phase.

Immuron fell 0.3 cents or four percent to 7.2 cents.