



Saturday, January 19th, 2008

Biotech firms make list of best picks for investors

Sat Jan 19 2008

By Martin Cash

TWO Winnipeg biotech companies are among the five microcaps selected as the best picks for attractive returns in 2008 by a Bay Street research firm.

DiaMedica Inc. and Kane Biotech Inc. -- two companies that share the same address at Albert Friesen's biotech incubator Genesys Ventures -- were selected because of a number of features including good technology and management teams. But according to Maria Luckevich of Research Capital, author of the report, they also have a shorter development timeline, creating a lower-risk profile than is typical for the sector as well as high upside potential.

Neither company will require the full gamut of regulatory approval that would be the case for newly developed therapeutics that are internally absorbed.

The other selections in the report, called *Biotech Microcap Best Bets*, were Amorfix Life Sciences Ltd. of Mississauga, Fralex Therapeutics Inc. of Toronto and Stem Cell Therapeutics Corp. of Calgary.

Luckevich said she produced the research at least partly as a way to address the current poor investment climate in North America for biotech companies.

'Market potential'

"The whole rationale for the report is because there is little to no appetite for traditional therapeutics that have high risk and long development timeline," Luckevich said. "These companies (on the list) have less onerous regulatory requirements but a large market potential."

Kane Biotech is hoping to start generating revenue later this year in an arrangement with Minnesota's Harland Medical Systems, which is to start selling catheters coated with Kane's biofilm prevention formulation later this year.

DiaMedica is developing a novel treatment of nerve stimulus for Type-2 diabetes that is using a combination of drugs whose safety has already been tested and approved and therefore present a much quicker turnaround.

Luckevich said a good example of the poor state of the biotech market was the experience of Cardiome Pharma Corp., a Vancouver company that received a positive recommendation in mid-December for its heart drug from an FDA committee that usually precedes full approval. The company's shares were up 10 cents the following day to \$9.30, but have since fallen to \$7.87.

DiaMedica shares closed unchanged at \$1.15 and Kane Biotech was up a penny to 28 cents in trading on Friday.

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