



# Biotech Daily

Wednesday October 14, 2009

*Daily news on ASX-listed biotechnology companies*

- \* **ASX, BIOTECH UP: AVEXA UP 23%; NANOSONICS DOWN 6%**
- \* **MONASH, NEURAL DIAGNOSTICS AUTOMATE PSYCHIATRIC DIAGNOSES**
- \* **CSL INVESTORS APPROVE AGM RESOLUTIONS, 5% DISSENT**
- \* **NOBILON BEGINS BIODIEM INTRANASAL FLU VACCINE TRIAL**
- \* **AVEXA PLEADS SCHULTZ TO ASX 19% QUERY, UP 73% IN WEEK**
- \* **PSIVIDA VOTES TO INCREASE 'INCENTIVE' SHARES**
- \* **THE \$1.02 FLOOR UNDER MESOBLAST - 'UNUSUAL, NOT MANIPULATIVE'**
- \* **KARMELSONIX AGM VOTES ON 159m SHARES, 23m OPTIONS**
- \* **FERMISCAN REAPPOINTS GREG WEST COMPANY SECRETARY**
- \* **NOVOGEN LABORATORY, OFFICE SPACE FOR LEASE**

## MARKET REPORT

The Australian stock market climbed 0.95 percent on Wednesday October 14, 2009 with the S&P ASX 200 up 45.4 points to 4831.1 points.

Sixteen of the Biotech Daily Top 40 stocks were up, nine fell, 12 traded unchanged and three were untraded.

Avexa was best for the second day in a row, up 3.5 cents or 22.6 percent to 19 cents with 20.3 million shares traded, followed by Cathrx up 11.1 percent to 40 cents and Sunshine Heart up 10.6 percent to 5.2 cents.

Uscom climbed 8.6 percent; Cellestis and Viralytics were up more than six percent; Sirtex was up 5.5 percent; Biota was up 4.2 percent; Circadian, Labtech and Novogen were up more than three percent; Heartware rose two percent; with Bionomics and Universal Biosensors up more than one percent.

Nanosonics led the falls, down three cents or 6.1 percent to 46.5 cents with 221,536 shares traded. Living Cell, Prana and Progen fell five percent or more; Psivida shed 2.25 percent; with Pharmaxis, Resmed and Starpharma down more than one percent.

## [NEURAL DIAGNOSTICS, MONASH UNIVERSITY](#)

Neural Diagnostics hopes to revolutionize the diagnosis and treatment of mental and neurological illnesses.

The private company, funded by 15 sophisticated investors, has been sponsoring the development “electrovestibulography” by Monash University biomedical engineer Brian Lithgow since 2005.

Neural Diagnostics chief executive officer Dr Roger Edwards told Biotech Daily that his company was created to commercialize the technology in which patterns of electrical activity in the brain’s vestibular (or balance) system were measured against distinct response patterns found in depression, schizophrenia and other central nervous system (CNS) disorders.

Dr Edwards said a prototype had been in operation at Melbourne’s Alfred Hospital for two years and the next step for the company was to gain regulatory approvals in Australia, the US and Europe and take the technology from the laboratory to centres for research.

Dr Edwards said the technology would have particular application in pharmaceutical companies developing drugs for mental illness.

A media release from Monash University said electrovestibulography was “akin to an [electrocardiogram] for the mind”.

Monash University said the vestibular system was closely connected to the primitive regions of the brain that relate to emotions and behavior and Mr Lithgow “saw the diagnostic potential of measuring and comparing different patterns of electrovestibular activity”.

Working with psychiatry researchers at Monash University’s Alfred Psychiatry Research Centre, Mr Lithgow tested volunteers and found distinct response patterns, or biomarkers, that distinguished different CNS diseases from each other and from regular electrovestibular activity.

Monash University said it “hoped the simple, quick and inexpensive screening process for CNS diseases will eventually become standard practice in hospitals around the world”.

“The patient sits in a specially designed tilt chair that triggers electrical responses in their balance system,” Mr Lithgow said.

“A gel-tipped electrode placed in the individual’s ear canal silences interfering noise so that these meaningful electrical responses are captured and recorded,” Mr Lithgow said.

“The responses are then compared to the distinct biomarkers indicative of particular CNS disorders, allowing diagnosis to be made in under an hour,” he said.

Dr Edwards said the implications of the new technique were huge.

“This could be one of the most significant inventions ever to come out of Monash,” Dr Edwards said. “CNS disorders cost upwards of \$US2 trillion globally and affect one in four people sometime in their lifetime.”

“At present, diagnosing these conditions is done almost exclusively by qualitative measures, through questions and interviews, and it can take many years for sufferers to be correctly diagnosed,” Dr Edwards said.

## [CSL](#)

About five percent of CSL investors opposed the company’s remuneration report and the grant of performance rights to chief executive officer Dr Brian McNamee and chief financial officer Antoni Cipa (BD: Sep 11, 2009).

More than 260 million proxy votes supported the report and grant with more than 12.3 million and more than 13.1 million proxy votes opposed respectively.

CSL was up 29 cents or 0.9 percent to \$32.00 with 5.1 million shares traded.

## [BODIEM](#)

Biodiem says development partner Nobilon International BV has begun a clinical proof-of-concept trial of their intranasal live attenuated influenza vaccine for annual seasonal use. Biodiem quoted Nobilon's research and development director Dr Han van den Bosch saying he was encouraged by the continuation of the clinical development program of the live attenuated influenza vaccine SCH 900795 after interim results of Nobilon's first phase I study showed the primary end-point was met.

"We remain on track to continue the development program of our [live attenuated influenza vaccine] for annual seasonal influenza vaccination," Dr van den Bosch said.

"We will investigate safety, tolerability and immunogenicity of SCH 900795 in 140 healthy adults of 50 years and older," he said.

Dr van den Bosch said the first subject in the Western European double-blind, randomized, placebo-controlled study had been dosed.

The earlier phase I study had a randomized, double-blind, placebo-controlled, rising single-dose design and included 117 healthy volunteers aged 19 to 50 years.

The study is investigating the safety, tolerability and immunogenicity of escalating doses of SCH 900795.

The company said live attenuated influenza vaccine (LAIV) differed from most existing influenza vaccines, because it has been designed to offer single dose intranasal delivery, had advanced cell culture manufacturing technology and had the potential for earlier and broader protection against infection by influenza viruses.

Biodiem chief executive officer Julie Phillips told Biotech Daily her company retained the US rights and partial Japanese rights to the technology and would be entitled to royalties from Nobilon should the compound proceed to market.

Biodiem was untraded at 20 cents.

## [AVEXA](#)

Avexa 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 13 cents on October 12, 2009 to 15.5 cents, a 19.2 percent increase, on October 13 and noted an increase in trading volume.

Avexa said it expected its operating loss for the six months to December 31, 2009 "to be at least 40 percent less than the loss for the previous corresponding period.

Avexa was trading around 11 cents last week and hit a high of 19 cents in today's trading, a rise of 72.7 percent.

Biotech Daily editor David Langsam recently acquired Avexa shares.

Avexa was up 3.5 cents or 22.6 percent to 19 cents.

## [PSIVIDA](#)

Psivida says its annual general meeting will vote on resolutions to increase the number of incentive shares by 1,000,000 shares and automate the increase in these shares.

The meeting will also vote to issue shares and options to chief executive officer Dr Paul Ashton.

Shareholders will vote on the issue of stock options to non-executive directors and the election of five directors, Dr David Mazzo, Dr Paul Ashton, Paul Hopper, Michael Rogers and Peter Savas.

Psivida fell eight cents or 2.25 percent to \$3.47.

## MESOBLAST

Over the past week Biotech Daily has observed a large number of very small trades in Mesoblast, often a single share at a time - the first noted in a biotechnology company. The effect of these small purchases appears to place a floor under Mesoblast's price and possibly reduce the difference between the bid price and the ask price.

But the ASX says that the "algorithmic trading" in Mesoblast shares while unusual is not manipulative.

The reason for taking such a close look at Mesoblast's course of sales was that Biotech Daily editor David Langsam has been considering acquiring Mesoblast shares and put a notional "under \$1" point for buying the shares.

Despite the news from Osiris on September 8, 2009 (US time) that two phase III trials showed no significant difference between its Prochymal adult stem cells and placebo for graft versus host disease, Mesoblast opened and closed at \$1.05 on September 9, 2009, (AEST) trading between \$1.02 and \$1.08.

On September 10, 2009, Mesoblast traded between \$1.04 and \$1.13, opening at \$1.05 and closing at \$1.095.

Given the similarities between the companies it is reasonable to expect that good news for Osiris is good for Mesoblast and bad news for Osiris should be bad for Mesoblast.

Confusing any simple analysis, on September 10, 2009 Mesoblast announced positive news that a trial of its adult stem cells in sheep had shown a "dramatic reversal of the degenerative process" in a model of inter-vertebral disc disease.

One stockbroker told Biotech Daily that the trading of individual shares could be the result of a buyer or seller using an automated computer trading system to trade shares evenly through the course of the day.

"It could be an institutional order to a broker who is working with an algorithm," the stockbroker said.

The stockbroker said the algorithms could be set to buy or sell at particular prices or times and the volumes were not big enough to suggest anything other than a cautious trading program. He said the frequent small trades were "frustrating and annoying".

ASX corporate relations manager Matthew Gibbs told Biotech Daily that the ASX was aware of the algorithmic high-frequency low-volume trading in Mesoblast.

"It may be deemed unusual, but in this particular case it is not manipulative," Mr Gibbs said.

Mr Gibbs said that along with other exchanges the ASX was conducting a review of algorithmic trading which he said was not uncommon in small to mid market capitalization companies.

He said there were a number of issues to be understood with the method of trading.

He said that when the ASX noted this kind of trading the Exchange contacted the brokers to obtain assurances that it was legitimate trading.

"We do keep an eye on this sort of trading," Mr Gibbs said.

Mesoblast closed up half a cent or 0.49 percent to \$1.02 with 1.1 million shares traded.

## KARMELSONIX

Karmelsonix investors will vote on the prior issue of 58,816,661 shares and 22,670,830 options as well as approve the issue of 100,000,000 new shares to raise up to \$6 million. The meeting will also vote on the reelection of chairman Peter Marks.

Karmelsonix said the annual general meeting would be held at Giorgios, 1235 High Street Armadale, Victoria on November 12, 2009 at 10.30am

Karmelsonix fell 0.1 cents or 1.8 percent to 5.4 cents with 2.1 million shares traded.

## FERMISCAN

Fermiscan says that former company secretary Greg West had been reappointed as company secretary replacing Caroline Raw.

Ms Raw was appointed company secretary on October 6, 2009.

Fermiscan chief executive officer Mark Fordree told Biotech Daily that the company outsourced the company secretary role to Ms Raw to maintain compliance with regulations.

Mr Fordree said Mr West was a Fermiscan employee and had previously resigned from the position.

He said Mr West was comfortable with the new management and had accepted the position.

Fermiscan was up 0.2 cents or 6.9 percent to 3.1 cents.

## NOVOGEN

Novogen says there has been interest in its 577 square metres of laboratory and office space for lease in Gladesville on Sydney's north shore, but the premises remain available.

Novogen says the facility is close to the Macquarie Park biotechnology precinct and the lease time and price per square metre were "very negotiable".

The company said the laboratory area has four fume cupboards and the office would be leased fully fitted out with workstations, telephone system, meeting rooms and small kitchen.

Contact Novogen's general manager of operations Bryan Palmer on 0411 410 910 to arrange an inspection.

Novogen was up two cents or 3.2 percent to 64 cents.