



# PacificChannel

Life Sciences and Clean-Tech Ventures

Issue 10 - December 2010



## Pacific Biotech Bulletin - The Business of Bio and Engineering Technologies

Pacific Channel Limited has expertise in the business of biotechnology and related engineering technologies and provides seed capital to build commercially viable companies in Australia and New Zealand. Pacific Channel's affiliate is New York-based The Channel Group, LLC, a life sciences venture development and management firm. Through access to additional capital and expertise, Pacific Channel provides a channel to the world's largest biotechnology markets, the United States, Europe and Asia.

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Dear Sir/Madam,

### 1 Welcome

Welcome to the 2010 Christmas edition of the Pacific Biotech Bulletin, Pacific Channel Ltd's quarterly newsletter. It has been another exciting year for Pacific Channel with successful capital raisings and our first sale of a portfolio company.

The sale of Somnaceutics Limited's business assets to New Image Group (NZX:NEW) was a milestone event because it demonstrated that successful commercial enterprises, based on biotech products developed by scientists in New Zealand, can be created, quickly internationalised and on sold. The commercialisation of a sleep-enhancing milk product in Asia by Somnaceutics, a Pacific Channel start-up company, and the subsequent sale of the company's business assets, enabled investors to realise a return on their investment in a short period.

I am also delighted to announce that Dr Gary Pace, who has more than 30 years experience in the development and commercialisation of advanced technologies, has been appointed

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Chairman of Pacific Channel while Paul Smart, founding Chief Financial Officer at Sky Network Television, arguably New Zealand's most commercially successful start-up, and Director of several clean-technology companies both private and public, has become a Non-Executive Director.

The skills and experience that both Gary and Paul bring to the Pacific Channel boardroom will prove invaluable as the company looks to build on its success creating investment returns from life science and clean-tech innovations.

In other news, Pacific Channel will partner Australasia's largest angel investment network, Ice Angels, to co-invest in early-stage life-science and clean-technology companies. The partnership will consolidate the trend for early-stage companies in New Zealand to attract investment from syndications rather than single investors.

Earlier this year, Pacific Channel was lead broker in the placement of shares in Caldera Health to raise \$560,000 in seed funding. The company has achieved its key objectives for stage one and will be looking to raise additional capital in the New Year.

Elsewhere in this issue we provide an update on SciTOX's plans to seek funding and draw your attention to five companies, associated with Pacific Channel, that intend to seek funding in the future. A brief summary of these companies can be found in section 8.

I hope that you find this edition of the Bulletin informative and interesting. Our website [www.pacificchannel.com](http://www.pacificchannel.com) is regularly updated with key developments and initiatives, but please contact me directly if you have any questions.

Kind regards  
**Brent Ogilvie**  
Managing Director  
*Pacific Channel Ltd*

## 2 Somnaceutics sold to New Image Group (NZX:NEW) after successfully commercialising a sleep-enhancing milk product in Asia

The business assets of a Pacific Channel start-up company that has successfully commercialised a sleep-enhancing milk product in Asia has been sold to New Image Group (NZX:NEW) for an undisclosed sum.

Somnaceutics was co-founded by Pacific Channel in mid 2007 to develop the milk product. Pacific Channel Director, Brent Ogilvie, said "the sale of Somnaceutics' business assets was very pleasing because it demonstrates that start-up companies based on New Zealand science can be commercially successful and generate returns for investors in a short period".

Pacific Channel organised two investment rounds in Somnaceutics co-investing with the New Zealand Venture Investment Fund and private individuals.

Pacific Channel also managed the company from start-up before identifying a Chief Executive Officer and Dr Gary Pace as Chairman. Dr Pace is a director of ResMed, a leading developer, manufacturer and marketer of products for the diagnosis and treatment of sleep disorders, which is listed on the New York Stock Exchange (NYSE) and the Australian Stock Exchange (ASX).

The sleep-enhancing milk is based on a product that was initially developed by well-known New Zealander, Professor Bob Elliot, who is also the scientist behind ASX listed company, Living Cell Technologies (ASX:LCT), a global leader in cell therapy.

Production of the sleep-enhancing milk is being ramped up, with more cows that naturally produce

milk with the sleep enhancement peptide being added to special dairy herds.

The sleep-enhancing milk will continue to be produced in New Zealand through New Image Group, which also has the marketing resources to sell the product globally.

### **3 Dr Gary W. Pace and Paul Smart join Pacific Channel Board of Directors**

#### **Dr Gary W. Pace - Chairman**

Dr Pace has been appointed Chairman of Pacific Channel. Dr Pace is an experienced serial entrepreneur with a strong track record in developing and commercialising advanced technologies spanning: biotechnology, pharmaceuticals, medical devices and food industries.

His experience includes preparing high-growth life science start-up companies for capital raisings including IPOs, planning and coordinating mergers and acquisitions to achieve the best results for stakeholders and representing Australasian biotech companies in North America.

His directorships include: ResMed (NYSE, ASX), a leading developer, manufacturer, and marketer of products for the diagnosis and treatment of sleep-disordered breathing; QRxPharma (ASX) a pharmaceutical company he founded focused on novel pain drugs; and Transition Therapeutics (NASDAQ, TSX) a company developing new therapies for metabolic disorders. Most recently Dr Pace co-founded Sova Pharmaceuticals a privately held company developing drugs for sleep disordered breathing.

#### **Paul Smart Non-Executive Director**

Mr Smart brings significant relevant experience to his appointment as Non Executive Director at Pacific Channel including senior management (both high-growth private and public companies), strategic planning, risk management and preparing companies for trade sale or IPO. Mr Smart is also a Director of clean-tech companies Whispergen and Righthouse; Deputy Chairman of the NZPM Group whose subsidiary Patton Refrigeration is developing start-up businesses in Australia, Thailand and India; and a former Chief Financial Officer at Meridian Energy, the largest renewable electricity generator in New Zealand.

### **4 Pacific Channel partners Ice Angels in funding early-stage companies**

Australasia's largest angel investment network, Ice Angels, will partner Pacific Channel to co-invest in early-stage life-science and clean-technology companies.

The partnership will consolidate the trend for early-stage companies in New Zealand to attract investment from syndications rather than single investors.

The level of syndicated investment in early-stage companies in this country has increased from 16% in 2007 to 71% in the first half of 2010, according to the bi-annual publication, Young Company Finance.

Ice Angels Chairman, Trevor Smith, said "the Ice Angels Pacific Channel partnership would expand the capital available for new life sciences ventures in New Zealand and provide access to international expertise and capital.

"Collectively, Ice Angels, Pacific Channel and their associated partners have invested more than NZ\$47 million in 28 ventures and realised significant returns on exit. Pacific Channel's focus on biotechnology and clean-tech combined with our scale will provide the partnership with more expertise and greater scale in this capital intense sector," Mr Smith said.

Ice Angels and Pacific Channel are also co-investment partners with the New Zealand Venture Investment Fund (NZVIF) which administers venture capital and seed co-investment programmes for the New Zealand government.

Operating since 2003, Ice Angels has more than 100 members being a collective of individual investors rather than a pooled investment fund.

Pacific Channel has demonstrated success in funding and securing returns from life-science ventures and accounts for around one-third of the seed and early-stage investment in the New Zealand life sciences sector.

Pacific Channel Director, Brent Ogilvie said "New Zealand has a long history of excellence in life sciences research and we see significant life sciences investment opportunities in New Zealand. "With this partnership, we hope to see an increased level of investment in biotechnology and clean-tech innovations with the potential to be commercialised globally," said Mr Ogilvie, a former New Zealand Trade Commissioner to New York.

"There is a lack of seed funding available to life science start-ups and early-stage companies in New Zealand, particularly in the life sciences field. Coupled with the considerable opportunities in international markets for life science products, we see a unique opportunity for investment through our specialised understanding of the life science and clean-tech industries, and our providing a 'channel' between New Zealand and specialist international marketplaces.

## 5 Caldera Health achieves its seed-round objectives

Pacific Channel Ltd was lead broker in the placement of shares in Caldera Health to raise \$560,000 in seed funding earlier this year.

Now, in December, Pacific Channel is pleased to report that Caldera has achieved the key objectives that formed the basis of this first round of investment, on time and within budget. Caldera is developing reliable and sophisticated diagnostic devices for diagnosing prostate cancer - superior to the current PSA test, a blood test which has proven to be unreliable. It is anticipated that these diagnostic devices will facilitate comprehensive monitoring and enable tailored treatment of prostate cancer.

Activities undertaken to achieve the seed-round objectives included:

- Establishing a prostate cancer blood and urine bank;
- Validating key biomarkers;
- Filing provisional patent applications to protect technology;
- Identifying immune biomarkers that will be used to monitor patients on Caldera's intended immune therapy platform.

Looking ahead, the company plans to use its diagnostic tools to develop treatment regimes using drugs already fully approved and in use in the United States including drugs approved for other cancers but not for the treatment of prostate cancer.

About 600 New Zealand men die from prostate cancer each year, about the same as the number of women who die from breast cancer. With early diagnosis, at least one third of those who die from prostate cancer could be saved, according to Caldera Health scientists who first worked together 20 years ago.

In line with its original planning, the company will be seeking capital early in the New Year. Please note that no offer currently exists in relation to Caldera Health. Accordingly, Pacific Channel is not seeking any expression of interest at this stage.

## 6 Re:Gen wins TUANZ Innovation Rural Award

Pacific Channel congratulates Bridgit Hawkins and the team of Re:Gen Limited for winning the TUANZ Innovation Rural award.

Re:Gen offers dairy farmers an innovative tool that helps them to manage dairy effluent to increase productivity and reduce environmental impacts.

The tool was described by TUANZ as the most innovative rural product, service or initiative

developed in New Zealand to enhance productivity in the rural sector. It provides dairy farmers with a solution to reducing the environmental impact of dairying.

Re:Gen has received assistance from its partners Massey University and Gen-i with support from the Foundation for Research, Science and Technology (FRST).

Click [here](#) to watch a clip about Re:Gen on TVNZ's Rural Delivery programme (select Chapter 2 and the clip will play after an advertisement).

## 7 Current Investment Opportunities

### **Please Note:**

The information below is not, and should not be regarded as an offer of securities to the public. Investment opportunities will only be offered to persons who are "eligible persons" in terms of section 5(2CC) of the Securities Act 1978. Interested parties should contact Pacific Channel and will be required to provide confirmation that they are "eligible persons" to receive further information. No expression of interest will involve an obligation or commitment of any kind. If you are not familiar with the provisions of the Securities Act 1978, please consult with your professional advisor.

### **a) CPT**

CPT Limited has developed a proprietary continuous pyrolysis process that converts disused tyres into steel, char, gas and oil. CPT's process has a low capital and operating cost compared with known competing technologies. In larger markets outside Australasia, oil and char can be further processed to produce diesel and carbon black, respectively. CPT has successfully built a pilot plant in Auckland. CPT is seeking new equity investment to establish a commercial-scale plant in New Zealand.

### **b) GSS**

Graffiti Security Systems Limited has developed the world's first, automated water-driven graffiti prevention system, the STORMWALL. Prototype product has been trialled at 10 sites around New Zealand, which have remained 100% graffiti free. GSS is seeking new equity investment to fund sales, develop market channels and further develop its environmentally friendly solution to graffiti problems.

### **c) Re:Gen**

Re:Gen Limited has developed a sophisticated, yet simple to use, solution to help farmers manage dairy effluent while capturing critical soil and climatic information for each farm that will be the basis for an extensive range of future applications. Re:Gen is seeking new equity investment to fund sales, marketing and product development.

## 8 Future investment opportunities

A number of companies associated with Pacific Channel will be seeking co-investment funding in the future. These include:

### **a) ElectroDHydro**

ElectroDHydro Limited is commercialising a dewatering technology for waste sludge from municipal waste water treatment plants (WWTPs). The technology has been successfully trialled at three WWTPs in New Zealand and one in Korea. The company has received expressions of interest to trial, with an intent to purchase the technology, from WWTPs in the United States, Germany, China and Japan.

### **b) Progressive Equipment**

Progressive Equipment is commercialising high-performance machines that convert waste-wood matter and other green waste into a valuable bio-energy source. Progressive Equipment will seek funds to take its technology offshore.

Please note that no offer currently exists in relation to these companies. Accordingly, we are not

seeking any expression of interest at this stage.

## 9 Around the Water cooler

Pacific Channel congratulates its 2010 University of Auckland interns Nicholas May, Lishia Singh and Zhenzhen Li for completing their Master's research:

- Nicholas' thesis topic: Accessing Global Knowledge for International New Venture Development
- Lishia's thesis topic: Regulatory Strategising in Biomarker Diagnostic Companies - Perceptions, Processes and Resources
- Zhenzhen's thesis topic: Motivations and Barriers to Overseas Chinese Investors in New Zealand Life Sciences

## 10 Your feedback

We welcome your feedback. Please send your comments to [info@pacificchannel.com](mailto:info@pacificchannel.com) .

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## 12 Disclosure of qualifications and interests

Mr Brent Ogilvie, Managing Director, Pacific Channel Limited holds a BSc. (Bio.) from The University of Waikato and a Master of Business Administration (MBA) from the University of Auckland. Pacific Channel is adviser to Caldera Health Limited, Re:Gen Limited, CPT Limited and GSS Limited.

Ms Bridgit Hawkins, Chief Executive Officer, Re:Gen Limited holds a Masters Degree in Agricultural Science from Massey University.

Please note that no offer currently exists in relation to any of the companies mentioned in this bulletin. Accordingly, we are not seeking any expressions of interest at this stage.

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