



PacificChannel

Life Sciences Venture Development and Investment

Issue 9 - June 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 market, the United States.

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Dear Sir/Madam,

1 Welcome

Welcome to the latest edition of the Pacific Channel Bulletin. In this issue, we begin with news of the successful placement of shares in Caldera Health to raise \$560,000 in start-up capital. Pacific Channel acted as lead broker in this transaction that provides Caldera Health, led by Kiwi scientists Dr Jim Watson and Dr Richard Forster, with the necessary capital to develop a 'diagnostic platform' to enable the early detection of prostate cancer.

Also in this bulletin, we highlight the stunning success in Taiwan of a company co-founded by Pacific Channel. In a recent market trial, the first shipment of 100,000 sachets of Somnaceutics' sleep-enhancing milk powder product sold out within days and we now look forward to a commercial launch of the product, known as Sleep Time, in Taiwan this October.

Somnaceutics' success was recognised recently when it won the Cawthron Institute award for Innovation in Science and Technology at the Natural Products New Zealand gala dinner in Nelson.

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11 Disclosure of qualifications and interests

On the HR front, I'm delighted to announce that Pacific Channel has appointed a medical doctor, Robert G. Feldman, as executive director. Dr Feldman's experience as an entrepreneur, medical researcher and investor will be greatly valued as Pacific Channel identifies and assesses new business opportunities in the life-sciences sector.

Also, I would like to take this opportunity to congratulate Dr Anju Verma on obtaining a PhD. Pacific Channel supported Anju in her research relating to aging and diabetes.

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 7.

I hope that you find this edition of the bulletin informative and interesting. Our website 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 Successful capital raising to support prostate cancer diagnostic

Pacific Channel Ltd was lead broker in the placement of shares in Caldera Health to raise \$560,000 in start-up funding.

Caldera Health, led by Kiwi scientists, Dr Jim Watson, CNZM, FRSNZ, and Dr Richard Forster, will use the \$560,000 to build the company's prostate cancer diagnostic business.

Initially, this will involve developing a 'diagnostic platform' to enable the early detection of prostate cancer using biomarkers - substances that indicate the presence of the disease.

Watson, founder and former chief executive of Genesis Research and Development, and Forster, co-founder of biofuel-technology company, Lanzatech, contend that the biomarkers they have identified will produce more accurate results in diagnosing prostate cancer than those produced using the prostate specific antigen (PSA) approach - a blood test which has proven to be unreliable.

The first round capital will allow Caldera to hire an additional three scientists to test the biomarkers they have identified and provide access to 'state of the art' cancer detection technology. In future, 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.

Also on the drawing board, are plans to establish prostate cancer support clinics in major New Zealand cities where the diagnostic and treatment regimes developed by the company will be available to prostate cancer patients.

Watson and Forster both suffer from prostate cancer which is more prevalent in males as prostate cancer tumours require testosterone to grow. About 600 New Zealanders die from it 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 the scientists who first worked together 20 years ago.

Both men were misdiagnosed when the PSA test was applied to them. Frustrated by the lack of reliable diagnostic tools and effective treatments, Watson, with a background in steroid hormones and immunology, and Forster, with a background in genetics and biochemistry, began identifying biomarkers that could be used as diagnostics. It is hoped that validation of these biomarkers will be completed by the end of this year.

Caldera's diagnostic and immune programmes will be patented in the United States and a second round of capital raising is anticipated early next year.

3 Sleep milk - a stunning success in Taiwan

Somnaceutics, a company co-founded by Pacific Channel, has been stunned by the strong demand for its sleep-enhancing milk powder in a Taiwan trial.

The first shipment of the 'ready-to-drink' sachets of milk powder sold under the name, Sleep Time, sold out within a day of market launch and of the 144 consumers who participated in a comprehensive survey about the product and its effectiveness, 88 percent experienced significant sleep improvement.

The Taiwan commercial launch of Sleep Time, which will be marketed through New Image Group's 20,000 distributors, is scheduled for October. Somnaceutics worked with its partner New Image (NZX:NEW) to finalise production techniques including the removal of lactose. The companies have jointly developed packaging and promotional materials as part of a marketing campaign to drive sales through New Image's extensive distribution network.

Pacific Channel director, Brent Ogilvie, said "production of Sleep Time in New Zealand is being ramped up and our shareholder who supplies the milk containing a high level of sleep-enhancing peptides is adding more cows of the required type to his dairy herd to increase our production base."

Somnaceutics was established in 2007 to commercialise the sleep enhancing milk product that was developed by Professor Bob Elliott, who is also the scientist behind Australian Stock Exchange listed company, Living Cell Technologies (ASX:LCT), a global leader in cell therapy.

In July 2009, Pacific Channel managed the New Zealand side of the successful A\$4.2 million trans-Tasman capital raising to fund LCT's clinical trials of DIABECCELL®, a new treatment for Type 1 diabetes using insulin-producing cells taken from healthy pigs bred in the Auckland Islands.

Somnaceutics chief executive, Guy Wills, said "the flavoured milk powder, which is mixed with a small amount of water, has a natural soporific effect and has been shown in clinical trials to increase the amount of time spent in rapid eye movement (REM) sleep which improves overall sleep quality.

"Taiwanese like the fact that the product is natural and has been scientifically developed and clinically proven," Wills said.

Customer feedback from the trial in Taiwan, where five million people or 22 percent of the country's population suffer from chronic insomnia, has provided vital information that will be used to fine tune important elements in the marketing of the product such as flavour, formulation and packaging, he said.

Sleep Time is currently available in a vanilla and honey flavour but other taste options such as chocolate were being considered, he said.

Somnaceutics shareholders include Pacific Channel, Prof. Bob Elliott, Guy Wills and Dr. Gary Pace, who is also 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 ASX. Dr. Pace is Somnaceutics Chairman.

4 Imperial College medical doctor joins Pacific Channel

The current 'Entrepreneur in Residence' at Imperial College in London, Dr Robert G. Feldman, will soon join Pacific Channel as executive director.

Pacific Channel managing director, Brent Ogilvie, said "I'm delighted at the appointment of Dr Feldman because his experience as a bio-entrepreneur, medical researcher and investor will prove invaluable as Pacific Channel identifies and assesses new business opportunities in the life-sciences sector."

Feldman's recent achievements included raising capital for hepatitis C therapeutics company, Riotech Pharmaceuticals, and establishing operations in Europe for Paramount BioSciences, a United States-based drug development investor, Ogilvie said.

Earlier in his career, Feldman founded the United Kingdom based vaccine company, Microscience, raising series A funding for the company whose business was based on technology he developed along with another researcher.

A qualified medical doctor and former research training fellow at Harvard Medical School, Feldman has particular expertise in microbiology, biotechnology and immunology. He was awarded his PhD at the University of Utrecht in the field of microbiological immunology and holds an MSc in biochemistry and molecular biology.

Feldman's role will include acting as chief scientific officer at Somnaceutics (see article 3). Robert may be contacted at robert.feldman@pacificchannel.com

5 SciTOX seeks funding to expand into Europe and US

Christchurch-based company, SciTOX, will soon be seeking funding to launch its proven bio-sensor toxicity analyser into the United States, East Asia and Europe.

"The funding raised will be used to support the commercialisation of its first bio-sensor devices, the ALPHA and UniTOX, which use highly sensitive measurements of micro-organism activity to measure the toxicity of trade waste," said SciTOX chief executive officer, Ralph Wattinger.

"It follows the successful \$1.3 million capital raising in December 2008 that closed oversubscribed and ahead of schedule," Wattinger said.

To date, the company had sold nine units in the US, Italy, Czech Republic, Taiwan, Korea, Denmark and Latin America and distributors in each country had provided positive feedback about the ALPHA prototype, he said. The device is currently being customized based on the feedback it received from these and local users.

Brent Ogilvie of Pacific Channel, the company which brought SciTOX to the market, said SciTOX had a sound business case to sell the bio-sensor in the US, East Asia and Europe having secured 70 distributors across key markets.

Sales of another 12 units were projected in the short term. Potential customers included the oil service company, Baker Hughes, which has operations in more than 90 countries, he said. Please note that no offer currently exists in relation to SciTOX Ltd. Accordingly, we are not seeking any expression of interest at this stage.

For enquires about SciTOX, please contact Brent Ogilvie on bogilvie@pacificchannel.com

6 Somnaceutics wins award

Somnaceutics was recognised for its success in commercialising its sleep enhancing product, Sleep Time, at the recent Natural Products New Zealand Industry Awards in Nelson.

Somnaceutics won the Cawthron Institute award for Innovation in Science and Technology.

"The company faced and overcame many challenges from concept through pilot scale production

and clinical trials to scale up and launch the product into the market," said Michelle Palmer, executive director Natural Products NZ.

"The natural products industry is an increasingly significant contributor to export earnings for New Zealand with an estimated value of \$1 billion in 2009, so it is important that we recognise excellence and strengthen the industry's credibility both nationally and on the world stage," Palmer said.

7 Future Investment Opportunities

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

a) CPT

CPT intends to seek funding for the automation and running of production units for its proprietary continuous pyrolysis process that converts waste, end-of-life, tyres into valuable components such as oil, steel, char and gas, which have large global markets. Funds raised will also be used to recruit key personnel and to establish supply and sale agreements. CPT's process has lower capital and operating costs than other systems and will be sold into large markets.

b) ElectroDHydro

A new company, formed to commercialise Flo-dry Engineering's electro-dewatering technology. ElectroDHydro's technology reduces the water content of waste in industrial and agriculture sludge, significantly reducing the amount of waste to be transported to landfills.

c) Graffiti Security Systems

Graffiti Security Systems has developed a market-proven system that sprays water on people who are vandalizing a wall. The system acts as a deterrent and prevents any paint adhering to the targeted wall. The company will be seeking funding to support the appointment of a general manager and a push to achieve more sales in New Zealand and to complete patent filing in key global markets.

d) Nova Eco Tech

Nova Eco Tech, a company that designs and develops retrofit gaseous alternative fuel systems for automotive internal combustion engine applications, intends to seek funding to commercialise the product. The systems are easy to install and enable vehicle owners to reduce fuel costs and carbon dioxide emissions.

e) Progressive Equipment

A new company formed to own and commercialise high-performance machines developed by Progressive Equipment will seek funds to take its technology offshore. The machines process and convert waste-wood matter and other green waste into a valuable bio-energy source.

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

8 Around the Water cooler

Pacific Channel congratulates Dr Anju Verma for obtaining a PhD from the Auckland University of Technology after completing research relating to aging and diabetes.

Pacific Channel supported Dr Verma to complete her thesis on "Ontology* Based Personalized Modeling for Chronic Disease Risk Evaluation and Knowledge Discovery: An Integrated Approach." The support for Dr Verma spanned a five-year period and included a break for maternity leave.

Dr Verma completed her PhD under the supervision of Professor Nikola Kasabov and Dr Qun Song at AUT with significant support from the Foundation of Research Science and Technology.

*Ontology is representation of existing knowledge of life and the discovery of new knowledge.

9 Your feedback

We welcome your feedback. Please send your comments to info@pacificchannel.com .

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11 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, Somnaceutics Limited and SciTOX Limited and Mr Ogilvie is a director of Somnaceutics Limited and SciTOX Limited.

Mr Ralph Wattinger, Chief Executive Office, SciTOX Limited, holds a BSc from Florida Institute of Technology.

Mr Guy Wills, Chief Executive Officer, Somnaceutics Limited, holds a BBS (Marketing and Psychology) 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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