



PacificChannel

Life Sciences and Clean-Tech Ventures

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Pacific Biotech Bulletin - The Business of Bio and Engineering Technologies

Pacific Channel Limited is New Zealand's leading venture creation, development and investment firm focused on start-up and early-stage life science and clean-tech innovation. Through our expertise, seed funds and access to capital, we create, build and fund commercially viable companies in Australia and New Zealand. Our proven commercialisation network provides an established channel to the world's largest technology markets: the United States, Europe and Asia. Pacific Channel's US affiliate is New York-based The Channel Group, LLC, a life-sciences venture development and management firm.

CONTENTS

1 Welcome

2 Caldera Health secures \$1 million to develop prostate cancer diagnostic

3 Innate Therapeutics secures \$3.325 million for Multiple Sclerosis trial

4 Pacific Channel leads \$350k SciTOX funding

5 Re:Gen helps farmers improve farm productivity and environmental performance - Pacific Channel leads \$350k investment

6 Professor Bob Elliott wins 2011 World Class New Zealand Award

7 Seed funding for cystic fibrosis trial treatment - Pacific Channel and NZVIF

8 Dr Gary Pace, Pacific Channel's Chairman, wins Director of Year - Governance award

9 Pacific Channel joins the NZ 2011 Rugby

Dear Sir/Madam,

1 Welcome

Welcome to the mid 2011 edition of the Pacific Biotech Bulletin, Pacific Channel Ltd's quarterly newsletter. It has been another productive period for Pacific Channel and its portfolio and client companies with demonstrable achievement leading to successful capital raisings.

In May 2011, Pacific Channel led a \$1 million investment into Caldera Health enabling the company to advance development of its technology to diagnose prostate cancer. Seed capital of \$560,000 had been secured by Pacific Channel a year earlier.

Earlier this month, Pacific Channel and AngelHQ, an angel investment club, led a \$350,000 equity investment into Regen Ltd. The fresh capital will be used to fund the marketing of an innovative farm-data system, Re:Gen, which helps farmers to improve farm productivity and environmental performance.

Seed capital was also provided this month to Breathe Easy Ltd, a company looking to develop

World Cup Business Club

10 Current Investment Opportunities

11 Future Investment Opportunities

12 Insights from the next generation of bioentrepreneurs

13 Around the 'Water Cooler'

14 Your feedback

15 Subscribe/unsubscribe

a treatment for cystic fibrosis. The company was co-founded by Pacific Channel and Professor Bob Elliot who recently won a 2011 Kea World Class New Zealand Award in recognition for his pioneering work across a range of medical fields over many years.

In medical research, Professor Elliot is a world leader in the treatment of type-1 diabetes and cystic fibrosis and I would like to take this opportunity to congratulate him on winning this award.

Elsewhere in this issue we draw your attention to companies, associated with Pacific Channel, that are or intend seeking funding.

A brief summary of these companies can be found in sections 10 and 11.

In section 12 you will find insights from the next generation of bioentrepreneurs. I hope that you find this edition of the Bulletin informative and interesting. If you would like to follow or contribute to Pacific Channel's activities please join our group on [LinkedIn](#) or visit our website www.pacificchannel.com which is regularly updated with key developments and initiatives. If you have any questions, comments or feedback please contact me directly. If you have any questions, comments or feedback please contact me directly.

Kind regards

Brent Ogilvie

Managing Director

Pacific Channel Ltd

2 Caldera Health secures \$1 million to develop prostate cancer diagnostic

Pacific Channel led \$1 million of new equity investment for Caldera Health Ltd in May 2011 enabling the company to advance development of its technology to diagnose prostate cancer.

The placement of Caldera Health shares to raise \$1 million in Series A funding followed Pacific Channel securing \$560,000 in seed-capital in June 2010.

Caldera Health director, Dr Jim Watson, who was the founder and chief executive of Genesis Research and Development, said Caldera had developed a "true partnership" with Pacific Channel. "Not only had Pacific Channel acted as lead manager on the capital raisings, it was also an investor, brought commercial expertise to the table in developing business strategy, and provided scientific, commercial and director-level recruitments," Dr Watson said.

Caldera Health is in the advanced stages of developing non-invasive molecular in vitro diagnostic tests that could detect prostate cancer with a far greater degree of accuracy than the currently available, poorly predictive, PSA blood test. In vitro diagnostic tests are medical devices intended to perform diagnosis in a controlled environment outside a living organism. The set of biomarkers being developed by Caldera Health will enable prostate cancer treatments to be tailored to the requirements of individual patients.

After an introduction by Pacific Channel, Dr Roland Toder joined Caldera Health as Vice President Business Development to progress the development and commercialisation of Caldera Health's diagnostic platform. Dr Toder's experience includes molecular diagnostics, product and corporate business development. He has a track record of successful fundraising.

As reported in the last Bulletin, Caldera also plans to use its diagnostic tools to develop treatment regimes using drugs that are fully approved and already in use in the United States. This includes drugs approved for specific types of cancer 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, Dr Watson said.

Caldera is open to receiving oversubscriptions in relation to its current funding round - see Section 10 below

3 Innate Therapeutics secures \$3.325 million for Multiple Sclerosis trial

Innate Therapeutics Ltd has secured \$3.325 million via a \$3 million rights issue to shareholders and \$325k raised by Pacific Channel from private investors.

The capital raised in March 2011 is being used to fund a phase 2a clinical trial of a drug to treat Progressive Multiple Sclerosis (PMS).

There are no specific treatments for PMS and the drug being developed has the potential to meet the demands of a global market that is estimated to be a multi-billion dollar market.

Dr Robert Feldman of Pacific Channel said "the market potential of the PMS drug is underlined by the fact that there are treatments for Relapsing Remitting Multiple Sclerosis (RRMS), but for at least 50% of people RRMS progresses into PMS for which there are no specifically approved treatments".

Innate Therapeutics' unique platform has already been administered to eight PMS sufferers in New Zealand on compassionate grounds and the results have been positive.

Human safety trials are underway and if successful, Innate Therapeutics intends to raise around US\$10 million to fund a phase 2b efficacy trial. If such an efficacy trial were successful, it is anticipated that Innate Therapeutics would be acquired by a multinational pharmaceutical company at a significant premium.

4 Pacific Channel leads \$350k SciTOX funding

Pacific Channel led investment of \$350k in April 2011 to fund the development of SciTOX Ltd's waste toxicity measurement device.

The funds will be used to evolve the existing toxicity device so it can meet the operational needs of wastewater treatment plants by rapidly measuring both nutrient and toxicity levels of incoming liquid wastes.

SciTOX, which is based in Christchurch, has started trials in Dunedin in addition to the trials in Bromley which have been interrupted by the Christchurch earthquakes.

Brent Ogilvie of Pacific Channel said "there is a sizeable global market for a device that provides a robust assessment of the nutrient and toxicity levels of liquid waste coming into wastewater treatment plants enabling managers to run facilities efficiently and to reduce the risk of plant failures. Distributors have been secured across key regional markets".

5 Re:Gen helps farmers improve farm productivity and environmental performance - Pacific Channel leads \$350k investment

In June 2011, Pacific Channel and AngelHQ, Wellington's angel investment club, led a \$350,000 investment into Regen Ltd in exchange for equity in the company.

New investment of \$250k was provided by investors, which included Pacific Channel's co-investment partner, the New Zealand Venture Investment Fund (NZVIF). Another \$100k is expected after a milestone has been met.

The fresh capital will be used to fund the marketing of an innovative farm-data system, Re:Gen, to

dairy farmers and to continue product development.

Re:Gen collects data on rainfall, soil moisture, soil temperature and effluent pond levels and transmits readings to a centralised data base. It then analyses this information and based on its knowledge of site specific soil characteristics, uses proprietary algorithms to recommend daily actions that farmers can access via mobile devices or computer.

Brent Ogilvie of Pacific Channel said "Re:Gen provides farmers with clear recommendations that enables them to manage dairy effluent to comply with environmental standards while increasing farm productivity at a time when there is growing pressure on them to meet effluent-disposal standards.

"The product helps dairy farmers reduce the environmental impact of dairying and increase profitability, he said.

Regen has also received assistance from its partners Massey University and Gen-i with support from Ministry of Science and Innovation (formerly the Foundation for Research, Science and Technology (FRST)).

6 Professor Bob Elliott wins 2011 World Class New Zealand Awards

Pacific Channel congratulates Professor Bob Elliott for receiving a 2011 World Class New Zealand Award from Kea, a group that recognises and supports individuals who are building New Zealand's reputation on the world stage.

An Emeritus Professor of Child Health Research, Prof Elliott pioneered the transplantation of insulin-producing pig cells into humans to treat type-1 diabetes and discovered a novel medical method of treating newborn babies with cyanotic heart disease.

Pacific Channel has cooperated with Prof Elliot on many projects and together co-founded Somanceutics Ltd and Breathe Easy Ltd. Somnaceutics developed a sleep-enhancing milk tonic and recently sold its business assets to The New Image Group (NZX:NEW)). Breathe Easy is developing a drug for cystic fibrosis.

Please [click here](#) to view Prof Elliott's speech.

7 Seed funding for cystic fibrosis trial treatment

Breathe Easy Ltd has received seed funding from Pacific Channel and New Zealand Venture Investment Fund (NZVIF) to develop a treatment for cystic fibrosis. Breathe Easy's treatment is envisaged to reduce the sputum viscosity of teenage and adult cystic fibrosis sufferers, with associated improvements in health.

As mentioned above Breathe Easy was co-founded by Pacific Channel and Emeritus Professor Bob Elliott.

In other news, the company is sponsoring a visit to New Zealand by Dr Bob Beall, Chief Executive and President of the Cystic Fibrosis Foundation, USA, in conjunction with the Cystic Fibrosis Association of New Zealand.

Dr Beall has been instrumental in building a pipeline of new medications for cystic fibrosis sufferers and is meeting with the New Zealand patient and research community to come up with initiatives to improve the quality of treatment and to establish a trial network.

Click [here](#) to learn more about what motivates us to help cystic fibrosis sufferers breathe easy, and then click on the song, Breathe.

8 Dr Gary Pace, Pacific Channel's Chairman, wins Director of Year -

Governance award

Pacific Channel's Chairman, Dr Gary Pace, has won the award Director of Year - Governance, presented by San Diego's Corporate Directors Forum.

The forum, a non-profit organisation that promotes high standards of professionalism in corporate governance, gives the award to someone who has guided the board and executive management of a growing company. Criteria for the award include ensuring that good ethics have been maintained and that everything has been done properly.

Pacific Channel focuses on good governance across its portfolio including client companies and is proud that its own governance is in such capable hands.

9 Pacific Channel joins Rugby World Cup NZ 2011 Business Club

Pacific Channel has joined the New Zealand 2011 Business Club and looks forward to hosting international business and investment guests visiting New Zealand during the Rugby World Cup at its events in Auckland and Northland. If you are visiting New Zealand during the Rugby World Cup and would like to meet with us or attend our events, please contact us. Please [click here](#) for more information.

10 Current Investment Opportunities

Please Note:

The information posted below is not, and should not be regarded as, an offer of securities to the public. Investment opportunities will only be offered to, and may only be taken up by, persons who are "eligible persons" in terms of section 5(2CC) of the Securities Act 1978 or who are otherwise entitled to receive an offer of securities without a prospectus and investment statement (for example, where the offer is made under the Securities Act (Venture Capital Schemes) Exemption Notice 2008). Interested parties should contact Pacific Channel and will be required to provide confirmation that they are "eligible persons" or otherwise qualify 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) ElectroDHydro Ltd

ElectroDHydro has developed an innovative technology to enhance mechanical sludge dewatering in municipal wastewater treatment plants. The technology creates beneficial reuse options for waste sludge by reducing the water content. The dried sludge can then be used as fertiliser or fuel. The technology creates an environmentally and economically beneficial alternative to the current practices which include spreading partially treated sewage in the countryside or sending it to a landfill.

ElectroDHydro's technology has been trialled in New Zealand, Australia and Korea. The company has received expressions of interest to trial the technology, with intent to purchase, from distributors and plants in the United States, Germany, China and Japan.

To view a short video clip on the ElectroDHydro technology please [click here](#).

b) Pulsecor Limited

Pulsecor has developed a non-invasive device that measures arterial stiffness - a superior indicator of cardiovascular risk than only assessing a patient's blood pressure. The technology is as easy-to-use, fast and as portable as a blood-pressure device.

c) OceaNZ Blue Ltd

OceaNZ Blue has pioneered aquaculture technology to produce premium New Zealand abalone for international markets. OceaNZ Blue has successfully marketed its product in China, Singapore, the

United States, Japan and Europe and plans to expand its productivity and facilities to support the growing demand.

d) Caldera Health

Caldera Health is in the advanced stages of developing non-invasive laboratory based diagnostic tests that could detect prostate cancer with a far greater degree of accuracy than the currently available, poorly predictive, PSA blood test. Caldera is open to receiving limited oversubscriptions to its current funding round.

11 Future investment opportunities

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

a) Lygand Ltd

Pacific Channel has founded Lygand to develop a rapid diagnostic blood test to identify ischaemic strokes, using a novel patented diagnostic biomarker licensed from Lesanne Life Sciences, LLC. Ischaemic strokes are common and are treatable if identified quickly.

b) Pacific Marine Energy Ltd

Pacific Marine Energy intends to establish marine energy power stations in the South Pacific region to generate electricity in a way that is sustainable and cheaper than electricity generated using diesel.

c) D'Arcy Polychrome Ltd

D'Arcy Polychrome has developed a technology to produce encapsulated dry colour pigments that are easy to formulate and mix into liquid paint. The technology allows proprietary colour pigments to be marketed and avoids the need for solvent-based colourants.

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

12 Insights from the next generation of bioentrepreneurs

Pacific Channel congratulates Ms Lishia Singh and Ms Zhenzhen Li who recently graduated with a Masters in Bioscience Enterprise from the University of Auckland. Both Ms Singh and Ms Li completed their Master's research under Pacific Channel's commercial supervision and guidance.

Ms Singh's Master's research investigated "Regulatory strategising in biomarker diagnostic companies: Perceptions, process and resources." Her research was also supported with a Capability grant from the Ministry of Science and Innovation. Please [click here](#) to obtain a summary of Ms Singh's research.

Ms Li's Master's research investigated "Motivations and barriers to overseas Chinese Investors in New Zealand Life Sciences". Please [click here](#) to obtain a summary of Ms Li's research.

13 Around the Water cooler

Pacific Channel sponsored Urban Eco-living Trust has built its first Tread Lightly Caravan - a mobile environmental classroom jam-packed with exhibits that teach children how to live sustainably. The caravan is now operational and is visiting schools and attending community events throughout Auckland.

The Tread Lightly Caravan will be viewed by about 30,000 people every year. Where possible, it will be powered by renewable energy sources including solar panels and second-generation (waste based) biofuel.

14 Your feedback

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

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