



Pacific Biotech Bulletin - The Business of Biotechnology

Pacific Channel Limited has expertise in the business of biotechnology and provides seed capital to build commercially viable biotechnology 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 October 2009 edition of the Pacific Biotech Bulletin. In this issue we cover Living Cell Technologies Limited's surging share price in the wake of a recent capital raising and Migco's progress in developing a migraine prevention drug that has significant market potential. Also featured in this month's edition of the Bulletin is Ecodiesel's NZ\$4.5 million fund raising to complete New Zealand's largest biodiesel manufacturing plant and to provide working capital once the plant commences operations in 2010.

In other news, Somnaceutics, formerly Sleep Limited, has signed a heads of agreement with a major distributor of natural health products in Asia and Nova Eco Tech Limited, a recipient of free advice from Pacific Channel, has become a resident of The ICEHOUSE and a finalist in Spark, The University of Auckland Entrepreneurship Challenge. Nova Eco Tech, the new name for GTR Design Solutions, is also one of two companies advised by Pacific Channel that has made the final of the \$Unlimited Investment Challenge.

'Around the Water Cooler' features an update on the Tread Lightly Caravan which is looking for a corporate sponsor. A mobile classroom containing exhibits designed to teach school children about what they can do to protect the environment, the caravan requires NZ\$250,000

on top of the NZ\$400,000 already provided by existing sponsors, to cover 2010 operating expenses.

Finally, we highlight Pacific Channel's initiatives to support Samoa after the recent devastating tsunami. Pacific Channel is offering advice to businesses that have the potential to create jobs in Samoa and will match donations up to NZ\$10,000 to support families in the Lefaga District. The funds raised will be used to turn an existing building into a medical centre and to provide basic supplies.

I hope 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
Director
Pacific Channel Ltd

2 Living Cell Technologies' share price surges after A\$4.2 million capital raising

Living Cell Technologies Limited's share price has surged to A26 cents per share in the wake of its recent share offer of A16.5 cents per share.

The successful A\$4.2 million capital raising involved the placement of 25.5 million ordinary LCT shares at A16.5 cents per share with options attached to purchase two shares attached to every five shares unit.

Pacific Channel managed the New Zealand side of the trans-Tasman capital raising for LCT (ASX:LCT), a New Zealand global leader in cell-based therapy that is listed on the Australian Stock Exchange ("ASX").

On the International OTCQX tier of the Over-The-Counter (OTC) market in the United States, LCT is trading at around 94 percent of the volume that it is trading on the ASX.

LCT's OTCQX listing was arranged by The Channel Group L.L.C., a New York-based life sciences venture development and management firm.

Phillip Sussman, Managing Partner of The Channel Group, Pacific Channel's affiliate in the United States, said LCT's high trading volumes are very encouraging after only one year of being listed on the OTCQX.

LCT will use the A\$4.2 million raised in July of this year to conduct clinical trials of a new treatment for type 1 diabetes, DIABECCELL®, in both New Zealand and Russia.

Pacific Channel Director, Brent Ogilvie, said "this is the third capital raising in 2009 in which Pacific Channel worked with Professor Bob Elliott, the prominent New Zealander who co-founded LCT in 1987.

"In May, Pacific Channel raised a second round of capital for Sleep Limited, now Somnaceutics Limited, and in July raised first round capital for Breathe Easy Limited, a company developing a treatment for cystic fibrosis. Somnaceutics is commercialising a milk product to help people sleep," he said.

LCT's DIABECCELL® treatment for diabetes involves implanting insulin-producing cells into patients to regulate glucose levels. The cells, taken from healthy Auckland Island pigs, are encapsulated with alginate to ensure acceptance by the body's immune system.

The most recent patient completing clinical trial treatment, who had type 1 diabetes for 15 years, became the second person to no longer require insulin injections after treatment.

3 Migco Pharmaceuticals raises capital for migraine-prevention drug

Migco Pharmaceuticals has raised NZ\$560,000 to continue developing its migraine prevention drug, codenamed MGX-008.

The NZ\$560,000 was secured from the New Zealand Venture Investment Fund (NZVIF) and private investors.

Pacific Channel prepared the necessary documentation for the capital raising including an independent valuation and facilitated the transaction. Pacific Channel also assisted Migco to secure NZ\$1 million of equity funding in 2007.

Migco CEO Larry Stenswick said "the fresh funding enables Migco to continue forward with its programme to develop MGX-008 and to prepare for a NZ\$6 million fund raising to support clinical trials". A pilot 'proof of concept' clinical trial involving patients who had failed other treatments has been completed by a respected California neurologist. The results have been published in the journal Headache. More than 67% of the patients in the trial positively responded to MGX-008, a drug with a botanical source, and overall the rate of migraine incidence was reduced by more than 50%. "The results of a larger trial will be presented at the 19th World Congress of Neurology at the end of October."

Mr Stenswick said "the new investor funds will be used to complete an investigational new drug application (IND) to the United State Food and Drug Administration (FDA) prior to commencing formal clinical trials.

"FDA approval was necessary before MGX-008 could be commercialised on a global scale. Many people throughout the world suffer from migraine and a drug like MGX-008 which has been confirmed as safe in clinical trials has significant market potential," he said.

For more information about Migco and its future funding plans contact Brent Ogilvie at Pacific Channel bogilvie@pacificchannel.com

4 Ecodiesel to raise NZ\$4.5 million

Ecodiesel Limited, co-founded by Pacific Channel, is seeking to raise NZ\$4.5 million from New Zealand resident investors via a convertible notes issue.

The funds will be used to complete New Zealand's largest biodiesel manufacturing plant and to provide working capital once the expanded plant commences operations in 2010.

The capital raising follows a NZ\$1.5 million placement of convertible notes in March this year. The company's initial equity capital of NZ\$3 million was facilitated by Pacific Channel.

The plant in the Auckland suburb of Onehunga will make biodiesel using tallow, a by-product of the meat industry, and will have an initial output of 20 million litres per year.

Ecodiesel's proven low-capital cost proprietary process allows any animal, vegetable or waste fat to be converted to high-quality biodiesel.

Ecodiesel Chairman, Lindsay Fergusson, said "the outlook for Ecodiesel is very positive given the growing demand for sustainable sources of energy and New Zealand's commitment to a green economy.

"The biodiesel to be produced at the plant will have similar energy characteristics to conventional petroleum diesel but by comparison will be clean burning and biodegradable," Mr Fergusson said.

"Also, the level of greenhouse gas emissions is more than five times lower than emissions from ordinary petrodiesel thus making a meaningful contribution to reducing global warming. For this reason the New Zealand Government is supporting the biodiesel industry with a sales grant of up to 42.5 cents per litre payable to New Zealand manufacturers like Ecodiesel," Mr Fergusson said.

The biodiesel facility is being built to a commercial scale and will be capable of meeting the biofuel obligations of the major oil companies.

Mr Fergusson said biodiesel output at the plant could be increased to 40 million litres a year at low cost to meet rising demand.

The convertible notes are being issued for five years to 30 September 2014, but may be repaid by Ecodiesel after two years. The notes are unsecured and rank equally with the convertible notes issued in March 2009 but are subordinated to all other debt and creditors. The interest payment on the notes (or coupon rate) is 15 percent per annum, payable quarterly in arrears. Upon repayment, noteholders will be able to convert some or all of their notes to fully paid ordinary Ecodiesel shares at NZ\$1.25 per share. The minimum subscription is NZ\$50,000, and thereafter in multiples of NZ\$25,000. The offer closes 20 November 2009.

A Combined Prospectus and Investment Statement (which was registered on 24 September 2009) is available from Brent Ogilvie at Pacific Channel bogilvie@pacificchannel.com

5 Somnaceutics eyes Asia market

Somnaceutics Limited, a company commercialising a sleep-enhancing milk product, has signed a heads of agreement with a major distributor of natural health products in growing Asian markets.

The agreement will see the distributor, who cannot be named under the terms of the commercial arrangement, distribute Somnaceutics' sleep enhancing drinks in Taiwan and Malaysia.

Somnaceutics plans to market the product in other Asian countries subject to the confirmation of distribution arrangements.

Somnaceutics Chairman Dr. Gary Pace, who is a director of ResMed (NYSE: RMD and ASX: RMD.AX), a global leader in developing, manufacturing and marketing products for the screening, treatment and management of sleep and respiratory disorders, said "the decision to go to Asia capitalises on the increasingly health conscious and increasingly wealthy Asian consumer."

Dr Pace said "Asians are embracing New Zealand dairy products, such as colostrum, which are trusted to be clean, green and safe and Somnaceutics stands to benefit from this trend.

"Somnaceutics' natural sleep product contains sleep-enhancing peptides - protein fractions - that are slowly released into the bloodstream and will be sold directly to consumers," said Dr Pace who has a PhD from Massachusetts Institute of Technology where he was a Fulbright Fellow and General Foods Fellow.

Dr Pace was an investor in the first round of a two-step NZ\$1.5 million capital raising for Somnaceutics, which has changed its name from Sleep Limited.

The second round of funding is planned later this year.

The presence of the desired peptides in a certain type of milk was discovered by Professor Bob Elliot of Living Cell Technologies (ASX:LCT) who later developed the manufacturing process to extend naturally the life of these peptides. The process is protected by a provisional patent application.

Somnaceutics CEO, Guy Wills said "the Somnaceutics' milk product has a natural soporific effect and patients who took the drug during clinical trials were able to enjoy significantly more rapid eye movement (REM) sleep than they would have otherwise. Uniquely, the product is both natural and effective without the negative side effects that many people experience with other sleep treatments. It has strong consumer appeal and therefore presents an exciting marketing opportunity because it has a science base and fits with current understandings about the influence that milk can have on sleep".

6 Free investment advice leads to investment accolades

Pacific Channel's first recipient of 50 hours of free investment advice, Nova Eco Tech Limited, has become a resident at The ICEHOUSE and one of 10 finalists in Spark, The University of Auckland Entrepreneurship Challenge.

Pacific Channel's offer was to provide investment advice to New Zealand life science and engineering technology entities and researchers whose ideas have the potential to create jobs.

Formerly known as GTR Design Solutions, Nova Eco Tech has developed a fuel-conversion kit, the Eco-Rhider, which significantly reduces motor-vehicle fuel consumption and carbon emissions.

Pacific Channel Director, Brent Ogilvie said "the electronically controlled kit can be installed in any vehicle.

"Nova Eco Tech's association with The ICEHOUSE and the experience its chief executive officer, Gordon Hain, and co-founder, Shu-Chin Ma, will gain as finalists in Spark will help the company to realise its full potential," Mr Ogilvie said.

The ICEHOUSE is a business incubator for start-ups associated with The University of Auckland Business School.

Student-led Spark is a partnership between The University of Auckland Business School and The ICEHOUSE. The initiative is supported by ASB Bank, Auckland Uniservices Limited, New Zealand Trade and Enterprise, the Tindall Foundation. Kim Crawford Wines and Bronze Partners: Lion Nathan Breweries, AJ Park and Ernst & Young.

Mr Ogilvie said Pacific Channel provided Nova Eco Tech with advice on becoming investment ready, accessing grant funding and on approaching and communicating with key stakeholders.

"Nova Eco Tech also received feedback from clean-tech experts in Pacific Channel's network," Mr Ogilvie said.

7 Two Pacific Channel companies in \$Unlimited Investment Challenge

Somnaceutics Limited and Nova Eco Tech Limited, two companies advised by Pacific Channel, have made the final of the \$Unlimited Investment Challenge.

The \$Unlimited Investment Challenge, an initiative led by Unlimited Magazine, is open to New Zealand companies seeking to grow in export markets.

The programme is supported with expertise from early-stage investors, professional-service providers, export-market experts, sponsoring partners and leading entrepreneurs.

Pacific Channel Director, Brent Ogilvie, said the competition presented an opportunity for both companies to gain recognition as businesses with strong upside potential and to secure investment of up to NZ\$5 million from a range of investors.

"This is a great opportunity for these companies to move into an exciting new phase of growth and development," Mr Ogilvie said.

Other news about Somnaceutics and Nova Eco Tech can be found elsewhere in this Bulletin.

8 Pacific Channel to support Samoa after tsunami

Pacific Channel is supporting job creation and the redevelopment of a medical centre destroyed in the devastating tsunami.

Job creation

Pacific Channel is offering investment advice valued at NZ\$10,000 to businesses that either directly or indirectly have the potential to create jobs in Samoa through Life Sciences, Engineering Technology or sustainable tourism.

Pacific Channel will provide 100 hours of investment advice to entities judged to have the best potential for job or wealth creation.

Pacific Channel Director, Brent Ogilvie, said "the aim is to contribute to the rebuilding of business in Samoa".

"Technologies that could be commercially applied to support local horticulture (such as control of fruit flies), botanical drugs or supplements, low-cost rock crushing for building materials, sustainable

fishing and energy production; or ecotourism opportunities that have high value job creation potential are invited to present their proposal to Pacific Channel," he said.

The application deadline is 20 November 2009. Applicants may submit an expression of interest through emailing info@pacificchannel.com.

When registering your interest, please provide the following information and we will respond to you as soon as possible.

Details required:

Full name

Email

Phone number

Company name

Abstract of the opportunity (as a guide, no more than 250 words)

Support for medical centre reconstruction

Pacific Channel will match donations up to NZ\$10,000 to support families in the Lefaga District, which has a population of approximately 5,000 and no medical clinics or facilities, after the severe damage caused by the tsunami on the south Samoa coast of Upolu.

The funds raised will be used to re-model a building that has been donated for use as a medical centre and to equip the building with basic supplies at an estimated cost of NZ\$40,000 plus materials. All donations will be directly applied to this purpose.

Pacific Channel will assist in project management of the intended construction working closely with Mrs Rona Gilchrist, a Samoan New Zealander, who is an elder of the village and who is returning to Samoa to oversee the project.

We acknowledge the support of Humes Pipelines which has donated materials. Several doctors from New Zealand and the United Kingdom have volunteered their services on a rotating basis to man the proposed Lefaga Medical Centre.

If you wish to support this good cause with cash, medical goods or building supplies, please contact Brent Ogilvie at: bogilvie@pacificchannel.com or +64 9 377 9689.

9 Around the 'Water Cooler' - mobile 'green' classroom needs corporate sponsor

A mobile classroom containing interactive exhibits designed to teach school children about protecting the environment is looking for a corporate sponsor.

The purpose-built vehicle has already attracted almost NZ\$400,000 in sponsorship from the Ministry for the Environment, Auckland City Council, Perry Foundation, Lion Foundation, the Lotteries Commission and the Department of Internal Affairs but is looking for an additional NZ\$250,000 in 2010 to finance operational costs.

Construction of the mobile classroom, known as the 'Tread Lightly Caravan', has been completed and the vehicle will begin visiting Auckland schools early next year.

The classroom is the Urban Ecoliving Trust's first project.

Trust spokesperson, Julian Nixon, said "the caravan will contain interactive exhibits and games that will demonstrate how everyday choices about what we buy, what we eat, how we heat our homes and how we travel can make huge differences to our impact on the natural environment.

"While the emphasis will be on fun, the information contained in the exhibits will be educational and linked with the New Zealand primary and intermediate school curricula," he said.

"The goal is to give school-age children a better understanding of the environmental consequences of their individual choices," he said.

Pacific Channel, a founding sponsor, continues to support the Trust through providing strategic and governance advice and hosting its offices.

The Trust is audited by Deloitte which also provides financial management advice.

Additional information about the Trust and its activities can found at www.tread-lightly.org. Alternatively, please contact Andrea Kendall: akendall@tread-lightly.org

10 Trustee wanted

Urban Ecoliving Trust, see previous article, is seeking an experienced Trustee to join its Board. The suitable person will have a good working knowledge of 'corporate New Zealand'.

11 Your feedback

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

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13 Disclosure of qualifications and interests

Mr Brent Ogilvie, 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 Living Cell Technologies Limited, Somnaceutics Limited, Ecodiesel Limited and Migco Pharmaceuticals Limited and Mr Ogilvie is a director of Somnaceutics Limited and Ecodiesel Limited.

Lindsay Fergusson, Chairman of Ecodiesel Limited, holds a degree in law from Victoria University of Wellington and has completed senior management programs at Columbia and Harvard Universities in the United States. He is a Life Fellow of the NZ Institute of Management and a Fellow of the Institute of Directors in NZ.

Larry Stenswick, Chief Executive of Migco Pharmaceuticals Limited, holds a M.A. from the University of Maryland.

Dr Gary Pace, Chairman, Somnaceutics Limited, holds a B.Sc. (Hons I) from the University of New South Wales and a Ph.D. from the Massachusetts Institute of Technology where he was a Fulbright Fellow and General Foods Fellow.

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 Somnaceutics Limited or Migco Pharmaceuticals Limited. Accordingly, we are not seeking any expressions of interest at this stage.

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