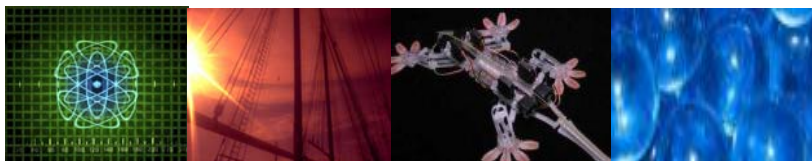


June 2006

## NEWSLETTER



STRATEGON

### Strategon to Deliver New Grant Program

Strategon is launching a new Capital Raising Program to assist high growth businesses with commercialisation services, business and strategic planning and to access capital through specialist business mentors. The Program makes these services more accessible through a 50% subsidy for eligible companies provided by the New South Wales Department of State and Regional Development.

The **Capital Raising Program** is a unique opportunity for businesses to gain business advice and the investment required to allow them to expand into new markets or commercialise their technologies.

This initiative targets New South Wales based companies to provide experienced business mentors to guide and navigate them in the development of their business and financing plans. A clear strategic plan and access external finance is critical to allow businesses to expand and prosper.

"In addition to laying the foundations for growth, the Program has been designed to assist companies gain direct avenues to secure the funding required to achieve their growth objectives", according to Lisa Nolan, Director, Strategon Capital Pty Ltd. "Hands-on assistance will be provided to secure appropriate sources of capital through Government grants, debt, equity, and the corporate sector by utilising a targeted approach and showcasing to potential investors".

Businesses interesting in gaining further information on the assistance available are encouraged to attend an Information Seminar on 22<sup>nd</sup> June 2006 or to contact Lisa Nolan at Strategon Capital on 1300 364 527 to confidentially discuss their specific requirements.

**Funded by:**



First for Business  
Department of State and  
Regional Development

### INVESTMENT OPPORTUNITIES FEATURED IN THIS EDITION

- ◆ Significant Advancement in Wound Management & Pressure Matting
- ◆ Niche Food Manufacturer - Capturing a Category
- ◆ Manufacturing High Value Chemicals & Fuels from Agricultural Products
- ◆ Risk Management Maximising Returns
- ◆ Cleaning up on Waste Management
- ◆ Franchising Opportunity Presented by a Regional Leader in Injury Management
- ◆ Established Skincare Range Offering an Alternative to Petroleum
- ◆ Proprietary Software Provides Corporate Workflow Efficiency & Communication Security
- ◆ Food Manufacturing and Retail Franchise – National and International Expansion
- ◆ Innovation Offering Rapid Expansion in the Recruitment Industry

**Details listed below**

### Budget Ignored the Most Critical Source of Capital for Early Stage Companies

Strategon welcomes the changes announced in the recent Federal Budget with respect to Venture Capital, in particular the increased funding for the Innovation Investment Fund Program and we look forward to details for the new Early Stage Venture Capital Limited Partnership scheme.

Unfortunately the early stage Angel funding sector has been ignored and the substantial risks faced by entrepreneurs and investors have not been recognised with appropriate tax incentives. Furthermore without investors at this early expansion stage, the supply of entrepreneurial companies coming down the pipeline for VC investment will be diminished. With Angel investment an early stage industry in itself, and without the US experience of substantial institutional backing particularly from the educational sector strengthening the market, Australia will continue to be a slow growth market driven by visionary individuals bravely trusting their judgement with no direct incentives from a tax perspective.

We would welcome the Federal Government's consideration of the following incentives which bolster Angel investment in the US and UK:

## US Tax Code

**Section 1045: Tax-free rollover.** Section 1045 provides that investments in Qualified Small Business Stock (QSBS) (for practical purposes this includes any venture that an angel would fund but excludes accounting firms, investment companies, etc) that are sold in part or all for a gain, may be 'rolled over' into another QSBS within 60 days of the sale without incurring tax on any portion of the proceeds. Tax is deferred until such time as the proceeds are no longer reinvested.

**Section 1244: Losses.** If an investment results in a loss, and it was part of the first \$1million of funding received by the venture, then the loss can be deducted against ordinary income.

## UK Enterprise Investment Scheme

The scheme provides income tax relief for new equity investment by external investors and business angels in qualifying unquoted companies, and capital gains tax exemption on disposal. Individuals (including external investors, business angels and owner/directors) and some trustees may defer the capital gains tax arising on any chargeable gain by investing the proceeds in qualifying companies.

Feature of the scheme include:

- Participation is limited to companies with gross assets of no more than £15million before raising funds under the scheme and no more than £16million immediately afterwards.
- Investors can obtain income tax relief at 20 per cent on investments up to £150,000 a year.
- There is no limit on the investment qualifying for deferral of liability to capital gains tax.
- The reliefs are available only for investment in new ordinary shares in qualifying companies.
- Investors must hold their shares for at least 3 years to retain their income tax relief in full, unless the company is wound up for genuine commercial reasons.
- A gain arising from the disposal of shares for which EIS income tax relief was received and retained is exempt from capital gains tax.

There are however glimmers of light in this highly fragmented Australian market and we include a selection of opportunities for your review.

## Business Expansion Program Tests Access to Capital for Regional Companies

Strategon has been commissioned by the Department of Transport and Regional Services to deliver a "Business Expansion Program". This pilot program aims to attract investment to regional Australia. Phase One of the Program was piloted within 3 regional Centres, Wagga/Albury, Mount Gambia and Darwin. Strategon has completed the mentoring of 30 businesses in the development of their growth strategies. 12 businesses will now be offered assistance to secure capital and/or corporate partners required. The pilot ultimately aims to define for the Department whether there is a deficiency in access to professional advice and / or a gap in the access to capital for regional companies. Strategon will report on the Program in October.

## Invitation to Register as a Mentor/Industry Expert/Consultant

Strategon invites Angels interested in utilising their industry knowledge and expertise to review and provide feedback to participants on the business plans developed in the new Capital Raising Program to contact Lisa Nolan on 1300 364 527

***Visit our website to learn more about Strategon's commercialisation services.***

[www.strategon.com.au](http://www.strategon.com.au)

## Current Business Opportunities

### Significant Advancement in Wound Management and Pressure Matting

**Reference:** STRAT 0045  
**Capital Required:** \$3,000,000  
**Stage of Development:** Commercialisation  
**Distribution and first round capital secured**

The Company was established in November 2005 to capitalising on innovative, patented approaches to bandaging and wound dressing management. The Company's product range has applications within veterinary, medical, age-care and industrial markets segments. The Company aims to enter commercial partnerships with industry leaders to bring its superior range of wound management, bedding and dressings applications to market under exclusive licensing arrangements or joint ventures. The Company is finalising its first partnership with a leader in the veterinary industry. They were also recently granted an AusIndustry COMET Grant to take it initial product to market.

The product range includes:

- ◆ Bandaging system – A unique, reusable/disposable securing device used to fix dressings over wounds injuries on humans and animals.
- ◆ Dressing - A multi layered, highly absorbent dressing which can be chemically impregnated
- ◆ Pressure Matt - A multi-layered pressure sensitive device that provides a cost effective, self monitoring, bed pressure management system for the reduction or elimination of pressure problems in the age-care facilities and hospitals.

The recent emphasis in wound care management recognises the importance of keeping wounds moist to aid healing while maintaining optimal moisture, pressure, gas exchange, and temperature. This has been achieved by the Company, whilst maintaining patient comfort. The Company's products meet a market need, minimises the risk to animal and humans of over compression, can be used without extensive training and can be produced at a sustainable, competitive cost.

Additional funding is now sort to prototype the second product, the Pressure Matt.

**For more information please call 1300 364 527**

### Capturing the Category

**Reference:** STRAT 0020  
**Capital Required:** \$1,000,000  
**Stage:** Expansion

Established in 1993, this Company has built a reputation as quality manufacturer of muesli. Today, the Company is well established in major supermarkets, a supplier to the Accor International Hotel Chain and Amway of Australia, and exports to more than seven countries. The Company also distributes to health food stores, Harris Farm Markets, five star hotels and cafes. Starting with only one product, the Company now manufactures some 15 different mueslis under the Company's own label and for private label. The Company achieves the great taste by lightly drying its basis ingredients in golden syrup, a low allergy, natural sweetener. Unlike competitive brands, the Company does not sacrifice either the level salt, fat or sugar content to achieve a palatable taste. Rather, it provides a balanced level of all these inputs. All products are certified both Kosher and Halal. Product innovation has seen the Company cater to the growing number of health related intolerances such as coeliacs, and has introduced an organics range. The Company has an experienced team and has invested in state of the art blending and packaging equipment to deliver efficiencies in its operation. Over the past year, the Company has established distribution partners in Hong Kong, Thailand, Singapore, UK, India, and Taiwan. The business aims to gain market leadership in the muesli category in supermarket and health food stores. The ready to eat cereal category in 2004 was estimated to be \$740 million, with an annual growth rate of 8% in Australia. A capital injection will allow the Company to elevate in-store promotional activity to increase volume, to accept offers to expand distribution into a number of independent supermarkets, to bring forward planned new product development and pursue targeted export markets.

**For more information please call 1300 364 527**

## Manufacturing High Value Chemicals and Fuels from Agricultural Products

**Reference:** STRAT 0046  
**Capital Required:** \$400,000  
**Stage of Development:** Distribution arrangement in place  
Currently establishing initial production.

Over the past 18 months this Company has developed new processes to manufacture high value chemicals from sugarcane. The Company's initial aim is to produce gluconic acid, fructose, and mannitol. To this end, the Company has developed a process for efficient and economic production and has lodged a provisional patent for this technology. The Company has also demonstrated mannitol synthesis from fructose, and will continue research to develop this into a commercially viable process. Strategically, the Company has opted to focus its initial efforts on low risk product lines, within markets supplied solely by imported products to establish cash flow. The Company's technologies provide a large cost advantage over imports and present significant export potential. Developments in the future will concentrate on processes for the production of ethanol. The Company is seeking to gain assistance through the AusIndustry Commercialisation Ready grant program and is completing distribution arrangements with a national supplier of the food industry for its first product. The Company also anticipates income from licensing of technologies in the future, where the processes developed are not appropriate for integration into our manufacturing facilities. The Company has drawn together an experience technical and management team.

## Risk Management to Maximising Returns

**Reference:** STRAT 0047  
**Capital Required:** \$500,000  
**Stage of Development:** Early stage

Experienced share market investors such as Warren Buffet actively promote the importance of risk management though existing portfolio management software products available today ignore risk management. This Company offers professional investors and discretionary fund managers a valuable risk tool, in addition to their existing portfolio management software. The product is currently available as a PC based standalone product and is selling via the Company's website as well as one online investment shop. The Company has an initial agreement in place to promote the product through a stock broking house to market the existing product to retail consumers. The Company now seeks to bring the professional investor offering to market.

**For more information please call 1300 364 527**

## Cleaning up on Waste Management

**Reference:** STRAT 0048  
**Capital Required:** \$1,150,000  
**Stage of Development:** Early stage

This Company has demonstrated a clear market need for an integrated Cleaning /Waste Management service, providing both ferrous metal collection and sweeping. The Company utilises its own patent pending magnet technology. The service delivers reductions in plant downtime due to ferrous metal contamination, leading to greater productivity and significant cost benefit to the customer. Additionally, there are significant occupational health and safety benefits to be gained as the service reduces the risk of lost time accidents due to loose ferrous metal pieces causing injury in the workplace. A key advantage of the magnetic technology is its portability which allows the Company's technology to adapt to a wide range of machines to operate in a broad range of potential applications on client work sites.

The technology has been proven through extensive research and development and operating experience in Victoria and New South Wales. Initial trials, and the on-going services now provided to Patrick Corporation Port Botany have shown a large reduction in ferrous metals waste found onsite, and highlighted a net cost saving of over \$400K pa, or 77% reduction in tyre costs alone.

Productivity gains have also been achieved through increased equipment availability due to reduction in downtime.

Highlights

- ◆ The only company offering a combined sweeping/ferrous metal collection services

- ◆ An opportunity to capture this fragmented market segment utilising the technology's unique features and operating efficiency
- ◆ The integration and efficiency of the services allows the company to generate strong operating margin previously unachievable
- ◆ Blue-chip reference customer and a growing pipeline
- ◆ Global expansion potential through licensing

In order to fund the Company's national rollout and the acquisition of required capital equipment the company requires an equity input of \$ 1,150 000 over the coming 12 months.

**For more information please call 1300 364 527**

### Franchising Opportunity Presented by a Regional Leader in Injury Management

**Reference: STRAT 0049**

**Capital Required: \$300,000**

**Stage of Development: Expansion**

The Company is known as one of the leaders in rehabilitation and injury management. It has a strong reputation for providing professional injury management and rehabilitation. The Company commenced operations in January 2002 in Orange NSW and since then has grown to 4 offices (Orange, Dubbo, Wagga Wagga and Canberra) and 16 staff.

The McKinsey report, commissioned by WorkCover has lead to the implementation of a number of changes within the industry over the past 3 years. The Company has prepared itself for the changes within the market building strategic alliances with major employers in its service area. Further, the Company has established relationships with a number of major insurers to ensure consistent flow of business. An opportunity to franchise the operation will provide greater efficiency and increased scale to access industry panels.

### Proprietary Software Provides Corporate Workflow Efficiency and Communication Security

**Reference: STRAT 0050**

**Capital Required: \$250,000**

**Stage of Development: Early stage**

The Company offers a fast, easy to use web-based workflow solution for small to enterprise businesses through to large corporates. The Company helps to bring together all the common operations of business in one simple to use system. The application has been designed to allow companies, employees, suppliers, clients to work together to achieve outstanding results. The Company breaks the boundaries of proprietary software and other project & job management systems by allowing a company

- ◆ Full real-time resource & job allocations
- ◆ Financial quoting & modelling,
- ◆ Job, task allocation
- ◆ Communication to management, employees, suppliers, contractors and clients.
- ◆ All communication is kept secure inside of the product and uses email, wireless and SMS technology for notifications.

The Company has commenced discussions with a leading telecommunications provider to tailor their existing product to assist them to address some of the issues they are experiencing in their daily project management, workflow and client management. This Company also believes the product may be of value to their clients.

The Company seeks an Angel investor with experience within It sector.

**For more information please call 1300 364 527**

### Established Skincare Range Offering an Alternative to Petroleum

**Reference: STRAT 051**

**Capital Required: \$300,000**

**Stage of Development: Expansion - Initial Angel funding secured.**

**Additional capital required for marketing to support expanding distribution**

The Company manufactures all-natural olive based skincare products. The Company's products were developed and trialed over a three year period. The principals originally planted olive trees in 1997 as a means of diversifying their farm activities. Late in 2002, the owners saw a unique business opportunity to use evoo (olive oil) in skin/body care products. Scientific literature has shows that evoo is extremely good for the

skin when used topically. It is rich in Vitamins A, E & K and has a wealth of antioxidants known to scavenge the free radicals that cause skin aging. European research has isolated olive compounds such as oleuropein, hydroxytyrosol and other phenolic compounds that have highly potent anti-viral, anti-oxidant, anti-bacterial and other pharmacological applications. Many current commercially available products, which claim olive ingredients or extracts, are manufactured with a petroleum base and include some potentially toxic ingredients. The range consists of 13 stock keeping units (SKUs) across 7 areas of skin care (day cream, night cream, body lotion, body butter, moisturising cleansing bar, castile soaps and lip balms). The Company's product range meets a growing consumer need for a 'natural' healthy skincare choice. Unlike virtually all other skincare products, this range is completely free from petroleum or toxic ingredients. Through current market research it has been identified that there is an opportunity to launch an all-natural extra virgin olive oil (evoo) skin care range into the pharmacy channel leading into gift, tourism and health retail outlets. Pharmacy has been chosen as the channel to launch. The Company has secured over 130 pharmacies since December 2005, and has engaged brokerage firms to represent its products to pharmacies and health stores in the ACT; QLD; NSW; and VIC. A national roll out campaign is underway and will be supported by an innovative marketing and advertising.

**For more information please call 1300 364 527**

### **Innovation Offering Rapid Expansion in the Recruitment Industry**

**Reference:** STRAT 032

**Capital Required:** \$1,500,000

**Stage of Development:** Expansion -Initial investor funding secured.

**Additional capital required for marketing to support expanding distribution**

The Company has developed a new approach to the recruiting market based on over 20 years success in the industry. Traditionally recruitment has been resource intensive, time consuming and costly. The advent of job boards has added a new dimension however they are relatively passive relying on companies to match jobs with seekers and seekers accurately lodging data. The Recruitment industry is currently an AUD\$11 Billion industry which is rapidly growing. The web based product was launched in Sydney and Melbourne in May 2006 and internet traffic, job lodgements and resumes submitted have exceeded forecasts for the first 6 months.

This Company combines the best aspects of these two approaches to recruitment and incorporates a series of add ons for the benefit of job seekers to avoid the inefficiencies in the existing systems. A loyalty system with immediate benefits including discounts on card presentation, access to financial services, on going database integrity, time and cost savings, system automation and staffing efficiencies are a number of the features of the company's business processes.

To date the Company has funded software development, market research, training and recruitment, and establishing partner agreements. The Company is seeking \$1.5m for the marketing and further roll out of the new platform initially in Australia. Investors with experience in large scale loyalty programs and international expansion would be beneficial.

**For more information please call 1300 364 527**

### **Food Manufacturing and Retail Franchise – National and International Expansion**

**Reference:** STRAT 033

**Capital Required:** \$250,000 to \$500,000

**Stage of Development:** Expansion -Initial investor funding secured.

**Additional capital required for store rollout and international expansion**

Operating in a market valued at over \$100b internationally the company has pioneered the manufacture and rollout of a highly sought after food product. A number of retail operations have been established and the opportunity exists for an investor to purchase a franchise, invest in the master franchise and/ or invest in the international expansion. Experience with the pilot operation shows that the key target market is from teenagers through to people in their early forties.

Unlike many other food products it does not rely heavily on impulse purchases. This is a significant difference as people make a purchase decision prior to visiting the stores and it develops to become part of a consumer's routine. It has also been found that very little difference exists between seasonal takings and this allows a very consistent approach to staffing and advertising and greatly simplifies store management. The

## Australian Business Angels

store environment is non-threatening and experience indicates it will be quickly approved by parents and social groups as an acceptable meeting place for children and youth groups.

The stores run using the system and processes developed by the company have achieved annual sales up to AUD\$850,000 per annum (exclusive of GST).

### Milestones Completed

- ◆ Product introduced to Australian consumers
- ◆ Concept refined to suit Australian market needs
- ◆ Franchise documentation and systems package completed for Franchisee (Store Operations)
- ◆ Legal documentation package complying with Australian Franchising Code of Conduct completed
- ◆ Franchise documentation and systems package completed for National Master Franchisor (Country Operations)
- ◆ Initial visits to determine feasibility of concept introduction conducted to USA, Singapore, Malaysia, India and New Zealand. Income and expenditure models to validate viability of business proposal completed for each country visited
- ◆ Supply agreements developed with key equipment and ingredients suppliers
- ◆ Heads of Agreement reached for development in the USA
- ◆ Establish preferred city to launch in the USA (5 are currently short listed)

**For more information please call 1300 364 527**

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