

PREV: CN

PRVCF: OTC

18H: SG

PreveCeutical Medical, Inc.

UPDATE

Early stage biotechnology company PreveCeutical Medical has made considerable progress with an ambitious research pipeline focused on preventative and curative medicines. The Company has claimed several achievements in recent months, moving projects "closer to goal."

Venom-based Peptides - In partnership with the University of Queensland's commercial arm UniQuest Pty. Ltd., PreveCeutical Medical has successfully completed the first of three phases in the scorpion venom peptide project. Eight peptides have been identified that can be redesigned and synthesized into a therapeutic compound with greater biostability. (More on page 4)

Nose-to-Brain Delivery System with Cannabinoid-based Therapy - The Company has successfully begun a library of chemically 'fingerprinted' cannabinoid extracts based on medical cannabis samples received in May and June 2018. Each unique extract will be incorporated into the *Sol-Gel* nose-to-brain drug delivery system to develop a range of cannabinoid-based products to address various anxiety disorders. (More on page 5)

Dual Gene Therapy for Obesity-Diabetes - UniQuest has begun a project to develop an effective gene therapy for patients suffering from obesity and Type 1 diabetes. Five different genes implicated in obesity and diabetes on a target short-list. The next step involves protein sequencing and peptide synthesis. (More on page 6)

Capital Raise - A private placement of CN\$6.4 million (US\$5.0 million) in June 2018, is supporting the research pipeline. (More on page 7)

INDUSTRY PEERS and VALUATION

SYM	OPERATIONS	PRICE	REV \$\$ Mlns	PRICE/ SALES	PRICE/ CSH FLW	PRICE/ BK VAL
ACRX	Pain treatment, delivery devices	\$4.60	3.4	82.32	neg	na
BDSI	Pain management and addiction	\$2.78	46.7	3.54	neg	4.05
CORI	Transdermal, transmucosal delivery	\$9.35	36.5	9.29	neg	13.61
CPIX	Diversified, oral drugs	\$5.88	41.6	2.20	neg	1.53
EGLT	Pain treatment, nasal spray	\$0.16	28.1	0.31	neg	na
ELTP	Oral, controlled-release drug delivery	\$0.09	7.9	9.10	neg	22.25
GWPH	Cannabinoid extracts, compounds	\$166.52	17.0	275.73	neg	9.31
IMNP	Immunology, nanocapsule formulas	\$0.08	-	na	neg	0.58
ORMP	Oral delivery of polypeptides, insulin	\$4.80	2.5	34.02	neg	4.17
PVOTF	Cannabinoid pharmaceuticals	\$0.31	-	na	neg	6.04
PLXP	Non-steroidal anti-inflammatories	\$4.00	0.7	53.63	neg	5.33
PRPH	Homeopathic medicines	\$3.00	13.8	2.51	neg	1.69
ZEAL	Peptide for gastrointestinal disease	\$16.90	12.2	44.52	neg	10.49
Averages			19.1	47.02	neg	7.19

MARKET DATA

Price: \$0.07 (9/21/18)

52 Wk Hi-Lo: \$0.20 - \$0.002

Ave. Volume: 774K

Short Interest: <1%

Beta: NA

All Market Data in US\$

VALUATION

Price/Sales: nm

Price/CFO: nm

Price/EPS: nm

Price/Book Value: nm

Based on TTM ending 6/30/18

Consensus EPS FY2018: NA

Forward PE: NA

EQUITY SECURITIES

Common Shares Out: 387.2 M

Insiders: 22.4%

Float: 299.1 M

Institutional: -0-

5% Holders: -0-

Warrants and

Options Outstanding: 216.9 M

Convertible Debt

Equivalent Shares: 50.0 M

As of 8/22/18

Includes private placement of 130.0 million common shares and 130.0 warrants in June 2018

Source: Company Reports and Crystal Equity Research estimates

INVESTMENT HIGHLIGHTS

Positives

- ♦ Lucrative market for preventative healthcare, valued at US\$200 billion by 2023, and growing by 15% annually according to industry analysts at iHealthcare Analyst
- ♦ Highly differentiated portfolio of novel therapeutic compounds and products; opportunity to compete effectively as relatively small biotechnology developer in preventative healthcare market
- ♦ Research and development relationship with established and reputable university sponsored scientific team at University of Queensland in Australia
- ♦ Revenue and profits from first commercially available product *CELLB9* helping to offset research and development spending
- ♦ Well capitalized through recent private placement of common stock and warrants for CN\$6.4 million (US\$5.0 million) in new capital.
- ♦ Potential for improved liquidity following five-for-one stock split and expansion of constructive float in common stock

Negatives

- ♦ Few barriers to entry for competing health science developers and marketers in already well populated preventative health care market
- ♦ Significant business execution risks inherent in ambitious research and development program of several mutually exclusive projects
- ♦ Need to raise additional, potentially dilutive capital to achieve commercial stage with each project in current development pipeline
- ♦ Possible price volatility in unseasoned common stock and derivative securities with limited trading history
- ♦ Potential for immediate loss of capital due to wide bid-ask spread and relatively low daily trading volume

OUTLOOK

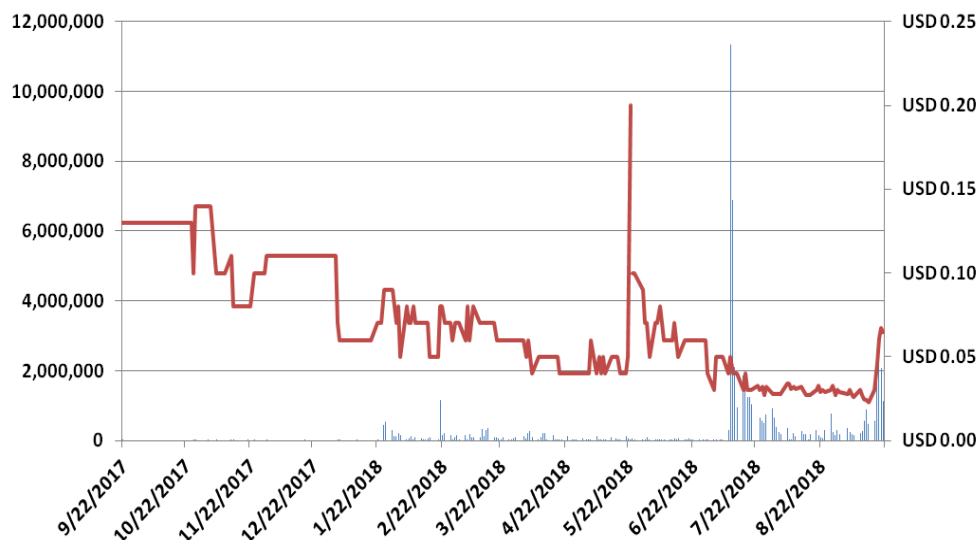
We have had high hopes for PreveCeutical Medical in 2018, and so far we have not been disappointed. The Company's research and development partner, UniQuest based in Australia, has reported progress in every project in their joint pipeline.

Importantly, the Company was successful in raising capital to support its R&D program. A private placement of common stock and warrants raised CN\$6.4 million (US\$5.0 million) at the end of June 2018. CN\$480,000 (US\$371,000) was used to pay off certain debt, and the balance of proceeds is available to support operations.

Trading volume has increased in recent months and liquidity could improve even more with an increase in the constructive float following a stock split. Indeed, in the most recent trading sessions before publication of this report, volume spiked sharply higher, triggering an inquiry from the Canadian securities agency. The Company issued a statement that no unusual developments had unfolded, suggesting the incremental volume was a matter of new interest in the stock.

We continue to view PRVCF shares as speculative and suitable for investors with a high tolerance for risk. There is a potential for immediate loss of capital due to wide bid-ask spread.

STOCK CHART



Source: Yahoo! Finance

PRODUCTS

Commercial

- *CELLB9* - Caribbean Blue Scorpion Venom



Licensed

- *Blissful Sleep* - herbal sleep aid based on hops and valerian root
- *Blissful Sleep Ex* - herbal sleep aid based on hops and valerian root
- *Skullcap Serenity* - herbal sleep aid and anxiety relief based on skullcap leaves



BUSINESS DESCRIPTION

PreveCeutical Medical is biomedical company focused on preventative and curative health sciences using organic and nature-identical compounds. The Company already markets *CELLB9*, an oral solution of blue scorpion venom for use without prescription. The solution has been found instrumental in treating inflammation, but has also been used for bacterial infections, pain and tumors, among other applications.

Additionally, PreveCeutical recently licensed a clutch of natural sleep aids from Asterion Cannabis, Inc., an early stage company under the control of PreveCeutical's chief executive officer. The worldwide license to manufacture and distribute give PreveCeutical three additional products based on various herbal ingredients that meet requirements of the European Pharmacopoeia and Health Canada regulatory agencies.

Commercial sales are expected to help cover the costs associated with an ambitious research and development program. The Company has a portfolio of five therapy targets aimed at significant markets, including obesity, diabetes and pain. PreveCeutical has entered into a development and license agreement with UniQuest Pty. Ltd., the commercial arm of the University of Queensland in Australia. The agreement gives the Company exclusive license of resulting technologies and provides for royalties to UniQuest from eventual revenue streams. A senior researcher with the University's Pharmacy Australia Centre of Excellence, Dr. Harry Parekh, also serves as PreveCeutical's Chief Research Officer.

PIPELINE

Development Stage

- Concussion Therapy based on peptides in blue scorpion venom

Research Projects

- Sol-Gel Drug Delivery System
- Dual Gene Therapy targeting obesity and diabetes
- Non-addictive Analgesics
- Nature Identical Protein and Peptide Identification



MARKET OPPORTUNITY

The rapid adoption of preventative or proactive healthcare rather than reactive or prophylactic care provides investors with a gauge of the opportunity before PreveCeutical.

The global preventative healthcare market composed of both technologies and services is estimated by iHealthcare Analyst, a healthcare market research and consulting firm, at US\$200 billion by 2023. Annual growth is estimated at 9.5% during the forecast period, driven in part by government initiatives and growing awareness among consumers of the merits in preventing disease. This is a somewhat lower estimate than advanced by Grand View Research, another healthcare industry research firm. Grand View estimates the preventative healthcare industry could reach US\$432 billion by 2024, with an annual growth rate of 15%. While advanced technologies in medical screening and monitoring are a large part of either of these market estimates, therapies for illness aversion are also a significant portion of the preventative healthcare market.

Data from the National Health Interview Survey is also informative for investors. Completed in 2007, the survey found that four out of ten adults use some kind of complementary or alternative treatment to conventional medical care. Such therapies include a variety of botanicals, nutritional and organically derived compounds. They can be used along with standard medicines or as substitutes.

VENOM APPLICATIONS

Venom from *Rhopalurus junceus*, a rare blue scorpion species found only in Cuba, has been a target for alternative medicine for several decades. Escozul is a commercial product made by the Cuban company Labiofam from the venom. There is no data from controlled clinical studies for Escozul, but the homeopathic formula was tested on more than 10,000 cancer patients with 'positive results.'

Scorpion venoms have been found clinically important in dermatology, cancer diagnosis and as antimicrobials. According to Memorial Sloan Kettering Cancer Center, preliminary assessments indicate the venoms of the *Tityus discrepans*, *Androctonus crasicauda* and *Odontobuthus doriae* scorpion species can inhibit proliferation of human leukemia cells.



Additional venom applications:

- Analgesic
- Anti-inflammatory
- Cancer treatment
- Chemotherapy side-effects
- Immuno-stimulation

VENOM PEPTIDE PROJECT

Blue scorpion venom is the active ingredient in PreveCeutical Medical's only commercial product, *CellB9* oral solution. Recognizing the limitations of harvesting venom from live scorpions, the Company has initiated research and development program to synthesize the relevant peptides and proteins in the venom. The end goal is to generate nature identical peptide therapeutics to prevent and treat glioblastoma, an aggressive form of brain cancer. The R&D project has been undertaken in cooperation with the University of Queensland and its commercial arm, UniQuest Pty. Ltd. UniQuest has accumulated a significant collection of animal venoms and has extensive experience in identifying novel bio-active peptides from venoms.

Researchers at UniQuest have successfully completed the first of three phases in the scorpion venom peptide project. Eight peptides have been identified that can be synthesized into a therapeutic compound. The second phase has been started wherein the eight peptides will be redesigned for greater biostability. This step also involves the use of proprietary peptide linker technology licensed from UniQuest. Finally, the peptides will be purified and fully characterized.

We expect the Company and its research partners to continue over the next twelve to eighteen months on this second phase of the peptide project. Upon completion researchers will move on to screen the peptides in cell-based glioblastoma models.

We note that UniQuest is also collaborating with Zealand Pharma, AS (ZEAL) to identify novel peptides in venoms from unspecified species for gastrointestinal disease therapy. It is part of Zealand's pipeline focused on gastrointestinal and metabolic diseases. Zealand has disclosed UniQuest was chosen for its venom-discovery expertise.

GLIOBLASTOMA

Glioblastoma is the most common malignant brain tumor in adults, representing about 16% of all brain and central nervous system tumors. Current treatment involves surgery, radiation and chemotherapy. Despite these aggressive treatments, most tumors recur. Even with advances in surgical techniques, the prognosis for patients with these tumors is poor. Median survival rates are only fifteen months.

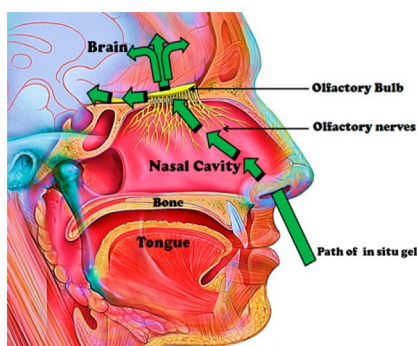
There has been progress in identifying alternative therapies such as immunotherapy and drugs to target molecular receptors. Manipulation of the blood-brain barrier to enhance targeted delivery of drugs is also being studied.

Glioma cells have also been found to have a type of ion channel in the cell membrane that is not found in normal glial cells. The malignancy of glioma cells is directly proportional to the number of ion channels in their membranes. Particular proteins in scorpion venom have been found to bind and inhibit these ion channels, suggesting venom peptides are a worthwhile research target.

NASAL DRUG DELIVERY

The nose-to-brain pathway is lined with olfactory mucosa that are in direct contact with the brain and cerebrospinal fluid. Medications absorbed across the olfactory mucosa can directly and rapidly enter the brain.

Unlike oral medications, intranasal delivery bypasses the gastrointestinal tract and directly enters the bloodstream, avoiding digestive side effects and upset. Nasal delivery also provides a predictable absorption timeline not dependent upon gastric processes, offers enhanced targeting, and reduced systemic side effects.



ANXIETY DISORDER

Anxiety disorder is a umbrella group of mental illnesses that prevent normal life routines. This includes a variety of panic disorders, phobias, social fears and general anxiety. Large population-based surveys have found that at least one-third of the population is affected by an anxiety disorder during their lifetime. Grand View Research estimates the global market for anxiety disorder and depression treatment will be valued at \$18 billion by 2025.

SOL-GEL SYSTEM

A nose-to-brain drug delivery technology is one of the development projects for which PreveCeutical has teamed up with UniQuest Pty. Ltd., the development arm of the University of Queensland. The *Sol-Gel* system consists of a solution in liquid state that is administered to the nasal passage where it turns rapidly to a gel state upon contact with mucosal tissue. The gel stays in the nasal passage, slowly releasing the compound that has been loaded into the solution. The solution can remain active for up to seven days.

The first planned therapy to be delivered with *Sol-Gel* is a cannabinoid formulation for treatment of anxiety disorders. Management appears confident that other therapies could be good candidates for sustained release, nasal delivery such as pain relief medication.



In July 2018, PreveCeutical Medical established a medical cannabis division to spearhead commercialization of medicinal cannabis-based products. The division is also responsible for the *Sol-Gel* research program and formulations using the drug delivery system, including the first formulation based on cannabis.

UniQuest took delivery of cannabis samples in second quarter 2018, and began immediately on the initial 'fingerprinting' steps of a planned study period. A proprietary protocol was created to build a library of chemically 'fingerprinted' cannabinoid extracts. Each unique extract will be incorporated into the *Sol-Gel* system for a range of cannabinoid-based products to address different anxiety disorders.

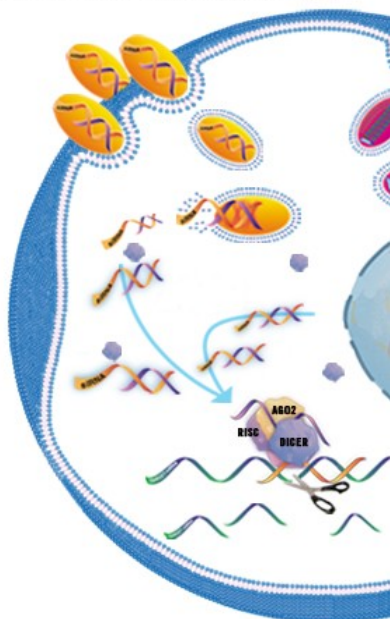
Following a review of alternative nasal delivery devices an applicator has been chosen. Several prototypes have been received by UniQuest from the chosen manufacturer and will be evaluated for the cannabinoid-based anxiety formulation.

CANNABIDIOL

Cannabidiol or CBD is the first compound under study by PreveCeutical with its research partner UniQuest for delivery with the proprietary *Sol-Gel* drug delivery system. CBD is one of over a hundred different cannabinoids in the cannabis plant. When consumed, cannabinoids bind to special cell receptor sites throughout brain and body. CBD may have a range of medicinal uses because it appears capable of mediating communications between cells. Importantly, CBD is effective in improving the endocannabinoids already produced naturally by the human body. Yet CBD lacks the psychoactive properties of the other well-known cannabinoid, tetrahydrocannabinol or THC.

Coherent Market Insights, an industry research firm, estimates that the global medical cannabis market was valued at \$3.5 billion in 2017. The group projects the market could mushroom at a compound annual rate of 24.4% through 2025, driven by new clinical trials, approvals of cannabis formations for pain, and relaxation of government prohibitions.

siRNA Mediated Pathway



MARKET OPPORTUNITY

The industry research firm Research and Markets estimates the global diabetes care and therapeutics market could reach \$85.5 billion by 2022. This represents a compound annual growth rate of 5.2% over the five years beginning 2017.

Insulin products dominate the market due as selling prices continue to rise and Type 1 patient populations increase. Nonetheless, drugs developed to improve glycemic control while reducing body weight in Type 2 diabetics are gaining share in the overall diabetes care market.

Unfortunately, many of these drugs fail in the longer term because of a gradual progression in the disease as more pancreatic beta cells lose function. Thus the search continues for alternatives to prevent and treat obesity and diabetes.

GENE THERAPY PROJECT

In partnership with the University of Queensland's commercial arm UniQuest, PreveCeutical Medical has begun a project to develop an effective gene therapy for obesity and Type 1 diabetes. The partners intend to find an effective small interfering ribonucleic acid or silencing RNA (siRNA) to target genes implicated in diabetes and obesity.

Small interfering ribonucleic acid or silencing RNA (siRNA) is a class of double stranded RNA molecules. SiRNA interferes with the expression of specific genes with complementary nucleotide sequences by degrading another RNA type called micro RNA that in-turn prevents translation, a critical step in cell replication. The ability to specifically silence genes using siRNA has wide therapeutic application.

The drug therapy begins with the design of siRNAs which can target and silence the mRNA of the protein that causes the disease. Then the siRNA is included in a vector or vehicle that can deliver it to the diseased tissue site. The PreveCeutical team has already put five different genes implicated in obesity and diabetes on a target short-list. The next step involves protein sequencing and peptide synthesis.

The group also believes it has overcome a key shortfall in gene silencing research through the use of a non-viral delivery vehicle. The research team plans to use vectors that are chemically derived from a naturally occurring substance. PreveCeutical's Director of Research, Dr. Harry Parekh, believes the novel carrier system shows particular promise for loading adequate amounts of siRNA and then achieving an easy release of its cargo at the right point.

GENETICS OF OBESITY AND DIABETES

Gene therapy involves the substitution of defective genes in a cell with genetically altered genes. Defective genes can trigger malfunctions of metabolic pathways that are important for body functions. These malfunctions lead to diseases such as cancer or diabetes. The gene therapy approach has beguiled the scientific and medical communities, because it could help many patients suffering from diseases that so far can only be managed by medicines that only alleviate symptoms.



After over two decades of research, 9 genes are now associated with monogenic obesity and 58 genes are associated with polygenic obesity. The body of evidence suggests that obesity predisposing genes interact with the environment and influence the response to treatment. The obesity genes are relevant because adverse metabolic effects caused by obesity may result in increased risk of Type 2 diabetes.

Similar genetic research determined that Type 1 diabetes is increased by certain variants of the HLA-DQA1, HLA-DQB1, and HLA-DRB1 genes. These genes provide instructions for making proteins that play a critical role in the immune system.

BALANCES**Canadian Dollars** 12/31/17 3/31/18

Cash	\$ 0.10	\$ 2.86
Current assets	\$ 1.37	\$ 6.54
Long-term assets	\$ 1.20	\$ 0.96
Intangible assets	\$ 0.30	\$ 0.03
Total assets	\$ 2.60	\$ 7.53
Accts. Payable	\$ 0.20	\$ 0.45
Current Liabilities	\$ 0.30	\$ 1.69
Conv. Debt	\$ 2.64	\$ 2.55
Deficit	(\$10.48)	(\$14.04)
Total Equity	(\$ 0.34)	\$ 3.29
Shares Outstanding	245.5	385.6
Warrants/Options	74.7	214.9

Dollars, shares and derivatives in millions

Source: Company Reports and Crystal Equity Research Estimates

BALANCES AND CASH USAGE

At the end of June 2018, PreveCeutical Medical had CN\$2.9 million (US\$2.2 million) in cash on its balance sheet. Current assets total CN\$6.5 million (US\$5.1 million), including CN\$3.4 million (US\$2.6 million) in prepaid expenses and deposits. This asset category includes advances and deposits related to research and development activities as well as prepaid consulting contracts for marketing, investor relations and other services.

Current liabilities were CN\$1.7 million (US\$1.3 million) at the end of June 2018. Excluding current portions of short-term debt and leaving only payables related to operations, current liabilities were CN\$449,294 (US\$347,250), implying CN\$6.1 million (US\$4.7 million) in working capital for operations.

Debt totaled CN\$3.8 million (US\$2.9 million) at the end of June 2018, including CN\$1.2 million (US\$955,478) in debt due within the next twelve months. Debt is composed of both convertible and callable debt.

The Company used CN\$3.9 million (US\$3.1 million) in cash during the quarter ending June 2018, bringing total cash usage to CN\$4.8 million (US\$3.7 million) for the first six months of the year. The most significant cash payments in the quarter was for prepayment of operation expenses and deposits.

OPERATING COMPARISONS**Canadian Dollars****As Reported**

	<u>6 Mo 2017</u>	<u>6 Mo 2018</u>
Sales	\$0.021	\$0.014
Oper. Loss	(\$1.028)	(\$3.402)
Net Loss	(\$3.448)	(\$3.559)
CFO	(\$1.094)	(\$2.688)
LPS	(\$0.014)	(\$0.014)

As Adjusted for Non-cash Charges*

	<u>6 Mo 2017</u>	<u>6 Mo 2018</u>
Sales	\$0.021	\$0.014
Oper. Loss	\$1.326	(\$2.589)
Net Loss	(\$1.094)	(\$2.746)
CFO	(\$1.094)	(\$2.688)
LPS	(\$0.004)	(\$0.011)

Dollars in millions; Fiscal year ends December

**Crystal Equity Research Estimates*

OPERATIONS

The Company's first commercial product, *CELLB9* scorpion venom oral solution, continued to provide nominal sales revenue in the most recently reported quarter ending June 2018. Sleep aids, including *Blissful Sleep*, *Blissful Sleep Ex* and *Skull-cap Serenity* licensed in August 2018 from Asterion Cannabis, are not expected to contribute to revenue until later quarters. We expect sales from those products to be reported net of a 20% royalty to the licensor. Revenue totaled CN\$11,231 (US\$8,680) in the June 2018 quarter, bringing total sales to CN\$13,627 (US\$10,532) for the first six months of the year.

Expenses increased CN\$2.1 million (US\$1.6 million) in the recent quarter compared to CN\$672,674 (US\$519,896) in the year-ago quarter. The 212% year-over-year increase was largely due to added spending in research and development expenses as the Company pushed forward with its various projects in partnership with UniQuest at the University of Queensland. The Company also increased marketing and promotion activities and engaged professional advisors for more work in the near quarter. Reported expenses were also impacted by share based compensation expenses that were not recorded in the year-ago period. The resulting net loss increased 212% to CN\$2.1 million (US\$1.6 million) in the recent quarter.

BALANCES

US Dollars	<u>12/31/17</u>	<u>6/30/18</u>
Cash	\$0.08	\$2.21
Current assets	\$1.11	\$5.06
Long-term assets	\$0.97	\$0.74
Intangible assets	\$0.24	\$0.02
Total assets	\$2.11	\$5.82
Accts. Payable	\$0.16	\$0.35
Current Liabilities	\$0.24	\$1.31
Conv. Debt	\$2.14	\$1.97
Deficit	(\$8.50)	(\$10.86)
Total Equity	(\$0.28)	\$2.54
Shares Outstanding	245.5	385.6
Warrants/Options	74.7	214.9

Dollars, shares and derivatives in millions

Source: Company Reports and Crystal Equity Research Estimates

EARNINGS COMPARISONS**US Dollars****As Reported**

	<u>6 Mo 2017</u>	<u>6 Mo 2018</u>
Sales	\$0.02	\$0.01
Oper. Loss	(\$0.83)	(\$2.63)
Net Loss	(\$2.80)	(\$2.75)
CFO	(\$0.89)	(\$2.08)
LPS	(\$0.011)	(\$0.011)

As Adjusted for Non-cash Charges*

	<u>6 Mo 2017</u>	<u>6 Mo 2018</u>
Sales	\$0.02	\$0.01
Oper. Loss	(\$0.89)	(\$2.00)
Net Loss	(\$0.89)	(\$2.12)
CFO	(\$0.89)	(\$2.08)
LPS	(\$0.003)	(\$0.009)

Dollars in millions; Fiscal year ends December

**Crystal Equity Research Estimates*

CAPITALIZATION

PreveCeutical Medical raised capital during the quarter ending June 2018, shifting the capitalization mix toward equity. A total of 129.0 million common shares and an equal number of warrants were issued for gross proceeds of CN\$6.4 million (US\$5.0 million). The warrants are exercisable at CN\$0.10 (US\$0.077).

Since the close of the quarter ending June 2018, PreveCeutical used proceeds from the private placement of common stock to repay certain debt and loans, including

- Convertible debt totaling CN\$280,000 (US\$216,406) that had been advanced to the Company by the former president in June 2018
- Convertible debt totaling CN\$200,000 (US\$154,576) that had been advanced to the Company by the former president in March 2018, leaving a balance of CN\$390,000 (US\$301,423)

We estimate that subsequent to the close of the quarter and these debt retirement actions that total debt outstanding is now CN\$3.3 million (US\$2.6 million) compared to CN\$3.8 million (US\$2.9 million) at the end of June 2018. It is also estimated that following these payments, cash balances were sufficient to support operations at recent cash usage rates through the end of the September 2018 quarter.

It is also noteworthy that the Company also recorded conversions of certain debt to equity during the quarter ending June 2018. Debt totaling CN\$280,752 (US\$216,988) in principal was converted at CN\$0.06 per share (US\$0.05). The conversion was already included in reported debt and equity figures on the balance sheet at the end of June 2018.

On a *pro forma* basis, the debt payoff and conversions left the Company with a debt to equity ratio of 1:1. We expect the Company to favor equity over debt in future capital raising activity in order to avoid cash outflows for interest payments.

The capital raise and debt conversion actions increased shares outstanding to 387.2 million at end of June 2018. The figure represents a 5:1 stock split effected in May 2018. Additionally, the Company had 37.2 million options with an average exercise price of CN\$0.09 (US\$0.07) and 179.7 million warrants with an average exercise price of CN\$0.11 (US\$0.085) per share. If exercised, the options and warrants would represent 36% dilution in share ownership. Potential capital from a 100% exercise could total CN\$23.1 million (US\$17.9 million), resulting in a *pro forma* asset value of CN\$0.051 (US\$0.039) per share compared to CN\$0.019 (US\$0.15) at end of June 2018.

RELATIONSHIPS

- **Asterion Cannabis, Inc.** - licensor of natural health products, including three natural sleep aids that meet requirements of European Pharmacopoeia and Health Canada
- **Samson Pharmaceutical** - manufacturer of *CELLB9* immune system booster based on blue scorpion venom
- **UniQuest Pty. Ltd., University of Queensland** - research agreement and technology license encompassing selected therapeutic targets for pain, obesity and diabetes
- **Aurora Cannabis** - licensed supplier of medical cannabis for pharmaceutical research
- **Sports1 Marketing** - joint venture partner in developing therapy for concussion
- **Stadnyk & Partners** - publicity representative
- **Monster Media, LLC** - investor relations representative



LEADERSHIP

PreveCeutical Medical is led by **Stephen Van Deventer** as Chief Executive Officer. He is an experienced executive with over twenty-five years work in early stage operations of public and private companies. He recently assumed the position of President following the resignation of Kimberly Van Deventer in April 2018. Ms. Van Deventer has indicated continued interest in the success of the Company.

Shabira Rajan is the Chief Financial Officer. She has over twenty years experienced in corporate finance for both public and private companies. She was previously the Director of Finance at Canada Line Rapid Transit, Inc.

The Chief Science Officer is **Dr. Mak Jawadekar**, who is responsible for coordinating the Company's research and development effort. He was most recently the Director of Portfolio Management at Pfizer, where he was involved with drug delivery technology assessment. He has a Doctorate in Pharmaceuticals from the University of Minnesota.

Dr. Harry Parekh is the Chief Research Officer. He is based at the University of Queensland Pharmacy Australia Centre of Excellence (PACE) where he leads the Drug/Gene Delivery Group. He is responsible for execution of the Company's research and development program.

The most recent addition to the Company's team is **Dr. Maher Khaled** as Director of International Operations. He brings to PreveCeutical vital experience in the commercialization of therapeutic and diagnostic technologies. Khaled also is knowledgeable in financing for early stage companies. He holds a doctorate in biotechnology and bachelor degrees law and biomedical science from the University of Queensland.

CAPITALIZATION

Recent Price:	\$0.07
Shares Out:	387.2 M
Market Capital:	\$27.10 M
+ Preferred Stock	-0- M
+ Debt	2.92 M
- Cash	<u>2.21 M</u>
Enterprise Value:	\$27.81 M
Book Value:	\$ 2.54 M
Working Capital:	\$ 3.75 M

Balances as of 6/30/18

Includes impact of recent convertible note issuances and private placement in First Half 2018.

All figures in US Dollars

Source: Company Reports and Crystal Equity Research Estimates

OWNERSHIP

Common Stock
(in Millions)

Insiders:

S. Van Deventer, CEO	86.5*
S. Rajan, CFO	-0-
M. Jawadekar, CSO	-0-
H. Parekh, CRD	-0-
G. Reid, Dir.	-0-
N. Coltura, Dir.	<u>-0-</u>
Total Insiders**	86.5
As % of Shares Outstanding	22.4%

**Includes 45.7 million shares held by Cornerstone Global Partners, of which S. Van Deventer is a principal*

***Insiders hold warrants and options for an additional 9.1 million shares*

Source: Company Reports and Crystal Equity Research estimates



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Illuminating investment opportunities in small capitalization companies....

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