



Ecovatec Solutions – Corporate Update Nov 4th, 2019

In the July 2019 corporate update we announced that Ecovatec (ESI) and Applied Food Sciences (AFS) had signed a distribution agreement. This agreement included an investment in the form of a share purchase as well as a commitment to complete clinical studies for our HDL ingredient. We believe that the novel HDL ingredient provides our fastest route to significant revenue. The clinical study has begun, and results are expected by early May 2020.

In our update of last November, we spoke about raising \$2.5 million in capital which would allow us to commercialize the novel and exciting products that were completed during the product development phase of operations. That raise was intended to allow Ecovatec to move swiftly ahead with plans to increase corporate value and position the company for potential acquisition and provide liquidity for investors. Beyond what we have previously shared regarding the AFS investment, we have not yet closed any new capital investment including any additional investment through the existing shareholder base since the November 2018 update.

To help communicate the investment opportunity, in January 2019 we engaged Optimize Capital Markets out of Toronto to leverage their extensive investor network in the health sciences and nutraceutical space and list our investment opportunity on their OCMX site. To date, we've had several companies express various levels of interest. However, as of today we have been unable to close any other these opportunities. The exact fit of our company with their mandate, timing of investment cycles and the maturity of our business have been the main obstacles in securing investment. It's worth noting that our product portfolio and market potential have not been raised as a concern regarding the investment opportunity.

As a current financial update, we have no debt, with the exception of long term Director debt and we have available cash to fund the business into January 2020. Over the summer, we received our long outstanding 2017 SR&ED claim and additionally filed and received our SR&ED claim for 2018. Funding from those two sources in addition to the investment by AFS have provided our current operational runway. We expect only a minimal SR&ED claim filing for fiscal year 2019 due to greatly reduced spending on product R&D associated with completion of our product development activities.

We have generated revenue associated with several contract manufacturing trials with outside companies looking to utilize our idle equipment and unused space. Through those relationships we have looked to leverage these into sales through concurrent trials utilizing our ingredients in their formulations. These efforts continue although these companies continue to move slowly in their own product development cycles. The agreement to contract manufacture for Leanlife Health Inc. is also progressing more slowly than anticipated as they work to ramp up sales, but we expect that production could commence before the end of the year.



As for ongoing business activity, we have minimized spending to the bare minimum, while protecting our intellectual property, in order to maximize our runway. This includes limited spending on sales and marketing, or any travel or tradeshow. We have minimized headcount to only that which enable our commercialization efforts while retaining the knowledge to allow for an expedient production ramp up once sales orders are received.

We urgently need a minimum of \$300,000 CAD in new investment, triggering additional funding from AFS, in order to fund the business through to HDL clinical results and HDL commercialization. With results in hand, we believe we will be able to either secure additional investment with higher valuation and/or leverage offtake agreements to fund the business until we become revenue positive.

In the following pages we have provided an update on the status of product commercialization activities associated with the various products in our portfolio.

Please contact Drew Perrin or Chris Nichols for details on the current investment terms or if you have any further questions regarding this update or our current activities.



Product commercialization updates:

HDL

Sales on this product to date have been solely to our subsidiary Vitellus Health Inc for their HDLevate™ product. In addition to the placebo controlled, double blind clinical study being conducted by Applied Food Sciences Inc (AFS) which we expect results in March or April of 2020, we have obtained some more observational type results which have demonstrated great results on blood cholesterol and blood lipid levels in as little as 2 months. More information on this can be seen on the Vitellus website. Vitellus has just started a digital marketing campaign on Facebook which we anticipate seeing some results on shortly.

We have also received interest for HDL in China and have signed an LOI with a Chinese sales and marketing operation looking for novel health ingredients for their portfolio. They are currently funding a hospital supervised observational study of HDL in China which we expect will start in the next couple of months.

Interest by other potential customers has been limited as they are all waiting on the clinical trial results which they can leverage for marketing efforts to launch products containing our HDL.

Emulsova™ and MyCellePro™ (Formerly PL20 and PL20H)

We have for some time been working with a company in the Netherlands in the livestock artificial insemination market who have now developed a product utilizing our PL20. This product is unlike anything that is on the market today in terms of performance and convenience due in large part to our ingredient. They expect to launch their product in early 2020 and have forecasted gradual sales growth through the year. Although volumes from this product are not expected to be high, the success of this product opens a much larger potential market for us worldwide and there has already been subsequent interest by a large manufacturer in the US for use of our technology and are currently testing our product.

AFS is also actively investing in commercialization efforts by dedicating resources to prove our products effectiveness versus competitive products in the industry as well as develop potential end use formulations for potential customers in areas of encapsulation of curcumin, ginger and other poorly absorbed bioactive ingredients.

We continue to complete trials emulsifying and drying oil based ingredients such as flax seed oil, fish oil, CBD and also other novel ingredients such as astaxanthin and a novel oil based anti-microbial product for a potential customer to show the value of our ingredient in creating novel value added end products. We are currently following up with potential customers who are showing interest in the encapsulated fish oil product we have developed.



The University of British Columbia has also accepted a project we submitted to have them investigate means to increase concentration and encapsulate curcumin in MyCellePro™. This highly cost-effective project will help us demonstrate the effectiveness of a new product to the market which we could make ourselves or sell our ingredients for others to make the combined final product. This should also demonstrate the value that MyCellePro™ may have with other ingredient suppliers.

Our next breakthrough in this market will likely come when we have resources to support a clinical to prove the bioavailability increases associated with these products beyond just the benefits of creating water miscible, powdered ingredients.

Egg Oil

We are well progressed in developing an economical means of producing egg oil while subsequently creating a unique high value egg yolk lecithin product which will provide us with a strong product to compete against manufacturers in the existing lecithin market. Once we have finalized the process to create economical volumes of this product, we will aggressively start to market this product. Vitellus continues to see repeat purchasers and have received great reviews from individuals who have seen terrific results in treating skin conditions such as eczema and psoriasis. Product development in-house utilizing only limited resources has expanded this skin care products lineup to include face, hair and foot oils as well as skin care products developed using Emulsova™ and phosvitin which have also demonstrated exceptional results.

Phosvitin and phosvitin products

Other than the in-house skin care formulations using phosvitin and phosvitin peptides, there has been little progress here as development of this market will only be possible with significant capital which we have not yet secured.