

# Independent Investment Research

## Investment Snapshot (mid September, 2003)

Symbol: TSX.V – WXI

Recent Price Cdn. \$2.30

52 Week High \$2.50  
52 Week Low \$1.60

Shares Outstanding (f. diluted) 22.7 Million  
27.0 Million

Market Cap Cdn. \$44.6 Million

Fiscal Year End March 31

12 Month Target Price Cdn. \$5-\$6

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## Biotechnology

Analyst: Marc Davis

### Investment Opinion and Corporate Assessment

International Wex Technologies Inc. represents a good balance of risk and reward. This is especially the case with the imminent announcement of anticipated favorable pivotal Phase IIa Canadian clinical trial results for its inaugural drug, Tectin™. Accordingly, the commencement of a sustained uptrend in Wex's share price is anticipated following this crucial milestone accomplishment.

Indeed, favorable Phase IIa clinical trial results will go a long way towards legitimizing Wex's "breakthrough" platform biotechnology, particularly in terms of accelerating the regulatory approval process in both Canada and the US.

Upon careful consideration, Davis & Associates Capital Corp. is of the opinion that Wex is a strong candidate for the approval of its most commercially prospective pain treatment drug, Tectin™, by early 2006. Investors should also note that this medical breakthrough clearly has what is known in the pharmaceutical industry as "blockbuster drug" potential.

Wex has also developed a highly potent detoxification product that is also derived from the same organic compound. Known as Tetrodin™, this drug is also nearing a commercial launch in China.

Also of note, Wex has no long-term debt and has recently diversified into the manufacturing and marketing of generic pharmaceuticals in China. This venture is already proving economically viable as demonstrated by an emerging track record of exponential sales figures that may soon have a meaningful impact on Wex's bottom line.

On a technical note, Wex has an unusually tight share structure for a small biotechnology company (approximately 22.7 million shares outstanding). Such a situation, matched with positive news, often acts as a catalyst to higher share price valuations. And though it has been "treading water" in a \$1.60 to \$3 price band for the last three years, the share price is now finally poised for a significant breakout. This will likely be triggered by an anticipated flow of positive news releases relating to the successful implementation of the company's near-term business strategy (see page 5). Accordingly, Davis & Associates Capital Corp. believes that this scenario will likely see Wex trend upwards into the \$5 to \$6 range within the next 12 months.



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## Corporate Structure

**VANCOUVER – International Wex Technologies Inc.** Federally incorporated in Canada, this is the parent company and the nucleus of all of Wex's global corporate affairs. This includes overseeing of all of Wex's worldwide research, clinical development and licensing activities.

**HONG KONG - Wex Medical Limited, Hong Kong.** This wholly-owned subsidiary of International Wex serves as the company liaison between Asian operations and head office.

**BEIJING - NMLP - Beijing.** This regional office oversees all of Wex's clinical trials in China, as well as dealing directly with the State and Food Drug Administration (SFDA).

**NANNING, CHINA - Nanning Maple Leaf Pharmaceutical Co., Ltd. (NMLP)\*** This majority owned subsidiary of the Canadian parent company manages Wex's strategically important R&D/manufacturing facility. NMLP has a GMP (Good Manufacturing Practice) approved certification from the SFDA for China for injectable pharmaceutical products. This operation provides access to low-cost, highly skilled labour, thereby providing significant cost-effective advantages for the company's markets in China and elsewhere.

Moreover, NMLP holds a National Pharmaceutical Manufacturing License in China which allows the company to produce and package its in-development drugs for a worldwide market, including China's own expansive domestic market. Additionally, this facility is already generating sales from the manufacturing of generic drugs for the Chinese market.

Furthermore, due to the innovative, ground-breaking status of Wex's heroin withdrawal treatment drug, Tetrodin™, NMLP is guaranteed favorable taxation credits in China, as well as other business incentives.

\*The government-owned GuangXi Science, Technology and Economic Centre has a three per cent ownership of this subsidiary, in accordance with Chinese law which prohibits the outright ownership of Chinese pharmaceutical companies by foreign companies

## Corporate Overview

### Company Description and Developmental Focus

International Wex Technologies Inc. (Wex) is a low capitalized publicly-listed neuro bio-science company. For nearly a decade, its focus has been the development of an extraordinarily powerful organic, multi-application compound for the global analgesic (pain management), anesthetic and detoxification markets. Subject to regulatory approval, the launch of Wex's most anxiously awaited pain-treatment product, Tectin™, is expected to be as early as Q1 of 2006. As a virtual panacea for most forms of serious debilitating pain, Tectin™ has so far proved so safe and effective that it clearly exhibits "blockbuster drug" potential. One other related pain suppression product is also nearing commercial viability in China, while a third is showing considerable promise in pre-clinical trials.

### Company History

Wex has been headquartered in Vancouver, Canada since 1992 though the company was initially incorporated in Hong Kong in 1986. While operating as a privately-owned business, Wex generated sales of approximately Cdn. \$3 million for its patented heart monitoring equipment. In 1992, the company was listed on the Alberta Stock Exchange (which was later absorbed by the TSX Venture Exchange). The company trades under the symbol **WXI**.

Since 1994, Wex's corporate mandate has been the development of a super-strength pain management drug that may soon revolutionize the treatment of many of the worst kinds of chronic and acute pain. The tetrodotoxin-based pain-killing compound is being developed in three patented forms. They address cancer pain relief, heroin addiction withdrawal symptoms and the growing use of topical and local anesthetics, particularly in eye surgery, dentistry and cosmetic surgery.

The inspiration for Wex's decision to develop this exciting new biotechnology was the preliminary success that the University of Beijing experienced in the early 1990s in experimenting with tetrodotoxin to treat the painful symptoms of heroin withdrawal.

Wex has established its research & development operations in China for strategically significant reasons such as minimizing R&D costs while also developing key business infrastructure in China. Notably, for the past three years, the company has also established a modest but fast-growing revenue stream from the manufacturing and sale of generic drugs in China. This business venture is synergistic with the company's mission to launch its two most-advanced pain management drugs in China within the next couple of years.

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***Since 1994, Wex's corporate mandate has been the development of a super strength pain management drug that may soon revolutionize the treatment of many of the worst kinds of chronic and acute pain***

***Notably, for the past three years, the company has also established a modest but fast-growing revenue stream in China from the manufacturing and sale of generic drugs***

***This strategic joint venture agreement is worth up to approximately Cdn. \$60 million in milestone payments and European clinical trial and registration costs***

***The company has a near-term target of Cdn. \$12 million by 2006 with sales expected to continue to grow exponentially thereafter. Simply stated, this ancillary business model, alone, offers considerable earnings leverage potential***

## **Strategic Partnerships**

In late 2002, WEX signed licensing, distribution, development and supply agreements for Europe with Laboratories del Dr. Esteve S.A. of Barcelona, Spain. This strategic licensing agreement is worth up to approximately Cdn. \$60 million in milestone payments and European clinical trials and registration costs.

Additionally, Wex has also signed a contract with the Chinese government for the treatment of recovering heroin addicts with its patented drug, Tetrodin™. The contract with the Beijing Drug Dependence and Prevention Servicing Centre calls for the minimum purchase of Cdn. \$21 million of Tetrodin™ per year with a 5% escalation clause for a minimum of 10 years. This product launch is expected to become a reality as early as Q1 of 2005.

## **Emerging Record of Cash Flow Through Diversification**

During the last three years, Wex has also established an ancillary venture for the sale of generic pharmaceutical drugs in China. Though sales figures to date remain modest, they are nonetheless growing and are expected to represent a meaningful source of cash flow within the next 12 to 24 months. Revenues for fiscal 2004 are expected to be Cdn. \$2.2 million and Cdn. \$6.25 million for fiscal 2005. The company also has a sales target of Cdn. \$12 million by 2006 with revenues expected to continue to grow exponentially thereafter. Simply stated, this ancillary business model, alone, offers considerable earnings leverage potential.

## **Intellectual Property**

The company currently has 12 patents either granted or applied for. Four of them govern its product process, six more are for Wex's patent applications and two address its product formulation. Patents have been granted and applied for in 63 countries. Also, Wex has registered its pharmaceutical grade tetrodotoxin compound (TTX) with Canada and the United States through the Drug Master File.

## Wex's Official Business Strategy

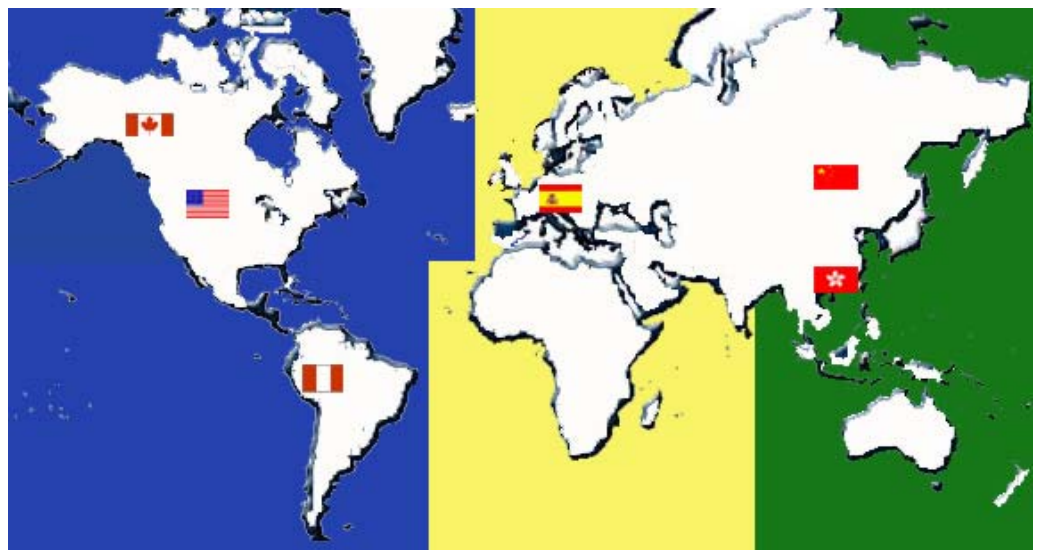
Wex is focused on establishing three "inter-independent" global marketing zones for its three key tetrodotoxin-based products. They consist of America, Asia and Europe. By focusing on the closest-to-market product, Tectin™, Wex has announced the following milestone goals:

- Achieve close to simultaneous stage of development approvals in the US (FDA), Canada (TPD), Europe (EMEA) and China for Tectin™ with an estimated time frame of 2006/2007
- Continue to operate on a highly cost-effective basis by: (a) utilizing the company's existing government-certified R&D manufacturing facility in China and (b) outsourcing specialized R&D needs as required
- Ensure all studies and trials are International Conference on Harmonization (ICH) compliant with global standards
- Develop strategic alliances with established pharmaceutical companies world-wide with significant sales and distribution channels. These partners, such as Europe's Laboratorios Del Dr. Esteve S.A., will share the cost of late-stage drug development and will market Wex's products in their respective global marketing zones. With respect to Laboratorios Del Dr. Esteve S.A., an existing licensing and collaboration agreement is worth up to Cdn. \$60 million to Wex towards the cost of launching Tectin™ in Europe. Accordingly, Wex will pursue a strategy of receiving upfront payments and milestone payments before the products obtain final regulatory approval. Upon market launch, these strategic alliances will allow Wex to earn handsome royalties

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### INTER-INDEPENDENT GLOBAL MARKETING ZONES



***The contract with the Beijing Drug Dependence and Prevention Servicing Centre calls for the minimum purchase of Cdn. \$21 million per year for a minimum of 10 years with a 5% escalation clause***

## **Wex's Official Business Strategy cont...**

- The company will also pursue a senior stock exchange listing in North America for greater market exposure and liquidity along with the likelihood of gaining access to major financings to help expedite product development. The Toronto Stock Exchange or the US NASDAQ market are the two most obvious prospects
- Select product launch timelines based on the regulatory dimate, market potential and competitive criteria. Tectin™ has been chosen as Wex's initial product to market due to the fact that an unmet medical need exists for a non-addictive drug that addresses uncontrolled cancer pain. Tectin™ is believed to meet that need. Accordingly, both the US Food & Drug Administration and Health Canada are expected to streamline the regulatory process, thereby shortening the time to market launch for Tectin™. (A drug may qualify for fast track review if it is designed to treat a life-threatening disease for which there are few or no alternative therapies). Concurrently, Wex will continue the global clinical development for its other two major commercial applications of the tetrodotoxin compound
- Complete Chinese clinical trials for Tetrodin™ to a stage where a distribution contract in China is triggered and provides cash flow. The contract with the Beijing Drug Dependence and Prevention Servicing Centre calls for the minimum purchase of Cdn. \$21 million of Tetrodin™ per year with a 5% escalation clause for a minimum of 10 years.

## **Multi Billion Dollar Target Market**

Globally there exists a compelling and unmet need for a powerful and non-addictive pain reliever, particularly for the seriously ill. Worldwide this market is worth an estimated \$38 billion annually, approximately one-third of which is for the cancer market, alone. This thriving business includes the 45-million-plus North Americans who suffer from chronic unremitting and debilitating pain. They include arthritis-afflicted senior citizens, burn victims and over three million cancer patients, many of whom do not respond well to pain-relieving opiate derivatives such as morphine and codeine. In fact, some patients can even become tolerant to these drugs' pain relieving properties.

However, the therapeutic application originally targeted by Wex for the tetrodotoxin compound was the relief of pain associated with heroin withdrawal. The drug's efficacy has been clearly demonstrated in clinical testing in China, thereby paving the way for the treatment of up to 10 million Chinese heroin addicts once final regulatory approval is granted, likely in early 2005. An existing contract with the Chinese government guarantees Wex payments of Cdn. \$21 million per year with a 5% escalation clause for a minimum of 10 years.

Meanwhile, the threat of addiction to medicinal drugs such as morphine means that their use is often only temporary, leaving many chronic pain sufferers with inadequate long-term pain relief. Moreover, it is estimated that 70 per cent of those receiving pain medications are dissatisfied and would welcome a safe, yet highly potent new pain killer. In spite of the inadequacy of most existing pain suppressants, the demand for analgesic drugs is expected to burgeon in the coming years. Approximately one in three North Americans will be diagnosed with cancer during their lifetime, of which half are expected to die from the illness, according to the palliative care information web site [www.palliative.org](http://www.palliative.org). During this decade alone, a 42 per

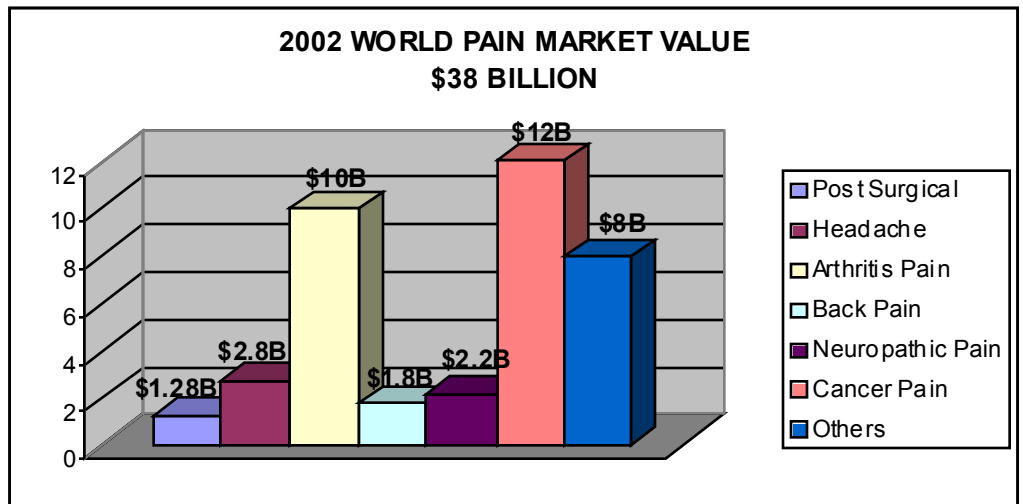
***However, globally there exists a much more compelling and unmet need for a powerful and non-addictive pain reliever, particularly for the seriously ill. Worldwide this market is worth an estimated \$38 billion annually, approximately one-third of which is for the cancer market, alone***

## Multi Billion Dollar Target Market cont..

cent increase in cancer mortality is expected, along with an increase in deaths from other chronic incurable illnesses.

What is therefore particularly exciting to the medical community, pain sufferers and Wex investors, alike, is the prospect of ending such needless suffering with the anticipated near-term launch of Tectin™ – Wex’s revolutionary pain management drug.

*“As we approach the final stages of clinical trials, we may be witnessing the achievement of a major milestone in medical science, one that may forever change the quality of our lives,” Dr. Law-Yone comments*



Among those in the medical community who believe in the profound impact Tectin™ will likely have on acute and chronic pain sufferers is Dr. Byron Law-Yone. A member of Wex’s Scientific Advisory Board, he is the Medical Director of Addiction Medicine at the Dallas-area Baylor Richard Medical Center.

“As we approach the final stages of clinical trials, we may be witnessing the achievement of a major milestone in medical science, one that may forever change the quality of our lives,” Dr. Law-Yone comments.

And Tetrodin™ has its advocates, too. They include Dr. Franz-Josef Braun, a German medical doctor who was invited by Wex to witness the treatment of 12 heroin addicts in China in early 1999. He documents witnessing first-hand how pain relief arrived within minutes of the administering of each injection of Tetrodin™. He goes on to note that, upon the completion of a three-day regime of injections, most patients were free of the most typical and debilitating of withdrawal symptoms.

“Watching these addicts at the beginning and from day 2 until day 5 of treatment with Tetrodin™ was impressive and astonishing,” he remarks.

“This treatment with Tetrodin™ seems to me a successful medication for detoxification,” he adds. “In comparison to other treatments, the costs of using Tetrodin™ are much lower and the withdrawal therapy more effective...Tetrodin™ probably can help reduce the global problem for heroin addiction.”

## Medicinal Applications for Tetrodotoxin

Wex's proprietary platform technology constitutes an important medical breakthrough. It is significant in that tetrodotoxin is non-opioid (non-addictive) with a quick onset time and has negligible side effects. Of equal importance is the fact that it is up to 3,200 times more potent than morphine. Pre-clinical testing and a limited "compassionate use" study undertaken in 1999 on 11 Chinese patients suffering from chronic malignant pain due to metastatic cancer proved highly successful. Tiny doses of the drug that were administered by injection over several days provided almost total pain relief for about three to four weeks. This panacea for pain has multiple potential applications but the company is concentrating on its three vertically integrated lead products which are described as follows:

### **Analgesia – TECTIN™**

For inadequately controlled cancer pain, Wex has now completed Phase IIa clinical trials in Canada and is about to make application to enter Pivotal Phase IIa/Phase III trials. Due to the "ground-breaking new class of analgesic" status of this drug, its approval process is expected to be expedited by the Canadian government, allowing the company to make application for a product license by the end of 2004 or early 2005. Wex is confident that Health Canada will move quickly to approve its preliminary use as an end-of-life care product for patients for whom the possibility of long term side effects are not an issue. Preliminary results from Phase IIa clinical trials are expected to be available as early as September of this year. The main aim of these trials that involved around 30 patients in six cities was to assess the optimal effective dosage. Tectin™ is also in clinical trials in China and should be starting its Phase II analgesic trials in late 2003.

### **Detoxification – TETRODIN™**

This opioid withdrawal treatment primarily targets heroin users. Heroin abuse is a worldwide epidemic, thus presaging the global need for a cost effective and safe withdrawal treatment solution. Currently, the main withdrawal treatment, methadone, is very controversial in that it is potentially very addictive and is statistically not very effective. Methadone treatment is also a hazardous, lengthy and expensive process. Alternatively, Tetrodin™ represents an ideal solution in that it is safe, relatively inexpensive, non-addictive and produces only minor side effects.

In early-stage but large-scale Chinese compassionate trials involving about 2,500 patients, Tetrodin™ has proven to be effective in reducing or eliminating the pain and or other symptoms of withdrawal. Notably, it is also much safer than morphine in that it can relieve painful withdrawal symptoms in tiny doses that are well below the toxic threshold. The results of these studies also reinforced and corroborated the earlier Chinese results. Commercialization of Tetrodin™ in China is expected in early 2005.

***Of equal importance is the fact that tetrodotoxin is up to 3,200 times more potent than morphine***

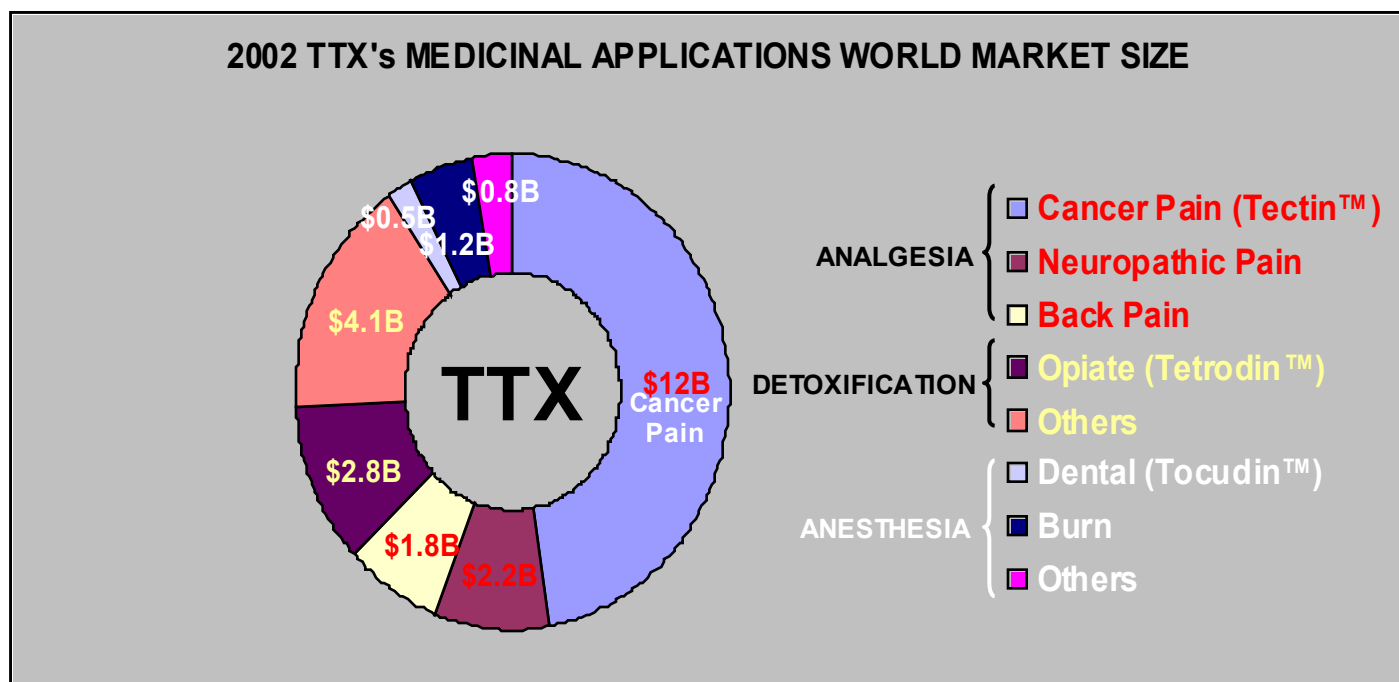
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### Anesthesia – TOCUDIN™

Primarily targeting the dental care, eye, cosmetic and orthopedic surgery markets, Tocudin™ is in pre-clinical studies to explore its effectiveness in local and topical anesthesia applications. These studies are being conducted at various clinical research facilities in China.



Drug Candidates	Disease Focus	Stage of Development in Canada
Tectin™	Moderate to severe pain	Phase IIa results expected imminently
Tetrodin™	Opiate addiction withdrawal	Phase IIa
Tocudin™	Anesthesia	Pre-clinical development

## Key Stages of Approval Process Explained

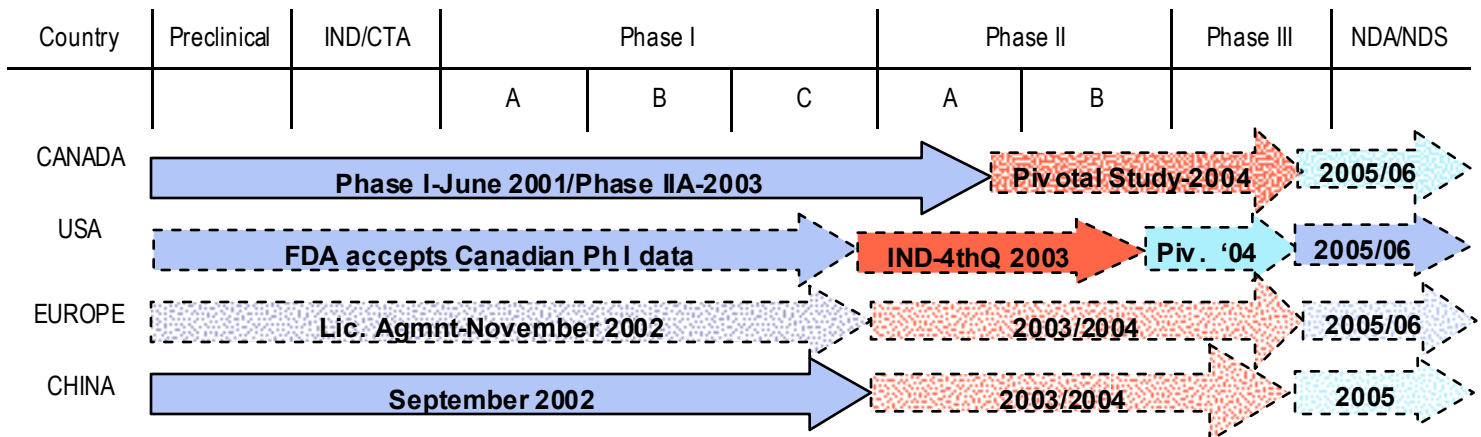
***A drug's approval timeline may sometimes be expedited to as little as six months. A prospective "fast track" candidate like Tectin must be designed to treat a life-threatening disease for which there are few or no alternative therapies***

Phase I clinical trials involve testing the safety of a drug among a healthy trial group of volunteers. Only one out of five drugs make it past this key developmental threshold.

Phase IIa clinical trials are conducted to determine the optimal dosage and dosage frequency of a new drug. Then Phase IIb double blind trials are subsequently conducted to clearly determine the efficacy of the drug. Phase III clinical trials are typically much the same as Phase IIb but are conducted on a much larger scale. Following the completion of Phase III clinical trials, a company analyzes all of its findings to see if they successfully demonstrate both safety and effectiveness in the trial drug. If so, the company files a new drug application (NDA) in each country or jurisdiction (such as the European Union) where it wants permission to market the drug. The NDA contains all the scientific information that the company has gathered.

Approval for a new drug typically takes about 12–18 months. The authorities will review research data running to many thousands of pages. They will also weigh up the need for a new drug to treat the particular medical application.

A drug's approval timeline may sometimes be expedited to as little as six months. A prospective "fast track" candidate like Tectin™ must be designed to treat a life-threatening disease for which there are few or no alternative therapies. Once the authorities approve the NDA, the new medicine becomes available for physicians to prescribe. Approximately two out of every three drugs that enter Phase III clinical trials receive approval for commercialization.



## The Origins of Wex's Platform Biotechnology

***Wex is the world leader in the development, purification, and manufacturing of tetrodotoxin (TTX), a sodium blocking compound that inhibits pain sensors***

***This groundbreaking drug is derived from the venomous puffer fish (or blow fish) which is plentiful in tropical waters like the Caribbean and the South China Seas***

***One fish, alone, can produce about 600 doses of the drug which is administered by way of intramuscular injections***

Wex is the world leader in the development, purification, and manufacturing of tetrodotoxin (TTX), a sodium blocking compound that inhibits pain sensors.

This groundbreaking drug is derived from the puffer fish (or blow fish) which is plentiful in tropical waters like the Caribbean and the South China Seas. Its proliferation is aided by its ability to ward off potential predators by inflating its body into a prickly spherical form. In tiny doses, its poison produces pronounced pain-killing effects. Extracted from the internal organs of the puffer fish, the toxin, known as tetrodotoxin, was originally developed and tested to help heroin addicts with withdrawal symptoms. Researchers soon rediscovered its remarkable pain-killing qualities. (Medical use of tetrodotoxin dates back as far as the 1930s when Japanese researchers used a crude puffer fish extract to treat migraines and even menstrual cramps).

The poison comes from a plentiful supply of wild puffer fish or from fish farms. The meat is considered a delicacy in Japan but its poisonous internal organs must be carefully discarded. Failure to do so results in the death each year of a few unfortunate Asian gourmands. Wex, however, aims to take this restaurant waste product, remove its toxicity for further processing and neutralize the poison into a safe medicinal product. One fish, alone, can produce about 600 doses of the drug which is administered by way of intramuscular injections. And how does it work? Simply stated, this toxin can stop nerves from sending pain signals to the human brain. It achieves this by targeting only the nerve fibers that conduct pain.



a puffer or blow fish and vials of its purified pain relieving toxin, tetrodotoxin. *Photo courtesy of the Vancouver Courier*

## Strategic Alliances

### Europe

***This strategic joint venture agreement is worth up to approximately Cdn. \$60 million in milestone payments and European clinical trial and registration costs. Esteve is also expected to arrange sub license agreements providing additional revenues for Wex***

In late 2002, WEX signed licensing, distribution, development and supply agreements for Europe with Laboratorios del Dr. Esteve S.A. of Barcelona, Spain. Most importantly, this milestone agreement means that Esteve is committed to footing the cost of European clinical trials and bringing Tectin™ to market.

This private family-held mid-sized pharmaceutical company, which was founded in 1929, has sales of over \$600 million Euros (Cdn. \$1 billion) and over 2200 employees including 225 in R&D. The agreements provide Wex with Cdn. \$3 million in up-front payments. This involves a \$1.5 million cash payment and an equal sum by way of an equity financing. This strategic joint venture agreement is worth up to approximately Cdn. \$60 million in milestone payments and European clinical trials and registration costs. Esteve is also expected to arrange sub license agreements providing additional revenues for Wex.

European trials are expected to commence later this year at which time further milestone payments may be made to Wex. Such key payments will likely be triggered by the following near-term developments:

- The announcement of positive Phase IIa clinical trials in Canada (expected this fall)
- Acceptance of the Phase IIa results by the European Union's regulatory agencies (anticipated in late 2003 or Q1 of 2004)
- Approval by the European Union of pending patents (ones which have already been approved in North America)
- Completion of Phase III clinical trials (as early as Q4 of 2004 or Q1 or 2005) and subsequent marketing acceptance in Europe (expected in early to mid 2005)

### China

Wex has also signed a marketing contract with Chinese authorities for Tetrodin™ in the major marketing territory of China. Targeting the treatment of many of China's ten-million heroin addicts, regulatory approval for Wex's patented Tetrodin™ pain suppressant is expected in early 2005. This would subsequently provide Wex with guaranteed sales revenues of approximately Cdn. \$21 million per year (with a 5% escalation clause) for a minimum of 10 years. Due to the innovative nature of this new drug, Wex has been guaranteed by the Chinese government favorable corporate tax status and other major business incentives.

### North America

The likelihood of Wex signing a North American licensing and distribution agreement with a recognized name in the pharmaceutical industry depends largely on the outcome of Canadian clinical trials. Wex's management says it is already in preliminary discussions with potential partners. However, the company believes that it is in the best interests of its shareholders to "hold out" for the best offer – which is unlikely to present itself until the anticipated announcement of positive Phase III results in late 2004 or early 2005.

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## Competitive Advantages

### Financial Status

***The company is free of any long-term debt... Indeed, since much of the company's initial research was conducted in China, Wex has likely saved tens of millions of dollars in expenditures to date***

Unlike most small biotechnology companies, Wex is not awash in debt. On the contrary, the company is free of any long-term debt and has a manageable burn rate of approximately Cdn. \$250,000 per month. Indeed, since much of the company's initial research was conducted in China, Wex has likely saved tens of millions of dollars in expenditures to date. This has allowed Wex to finance all of its activities by way of a number of small equity financings totaling about Cdn. \$32 million (which includes increasing its ownership interest in Nanning Maple Leaf Pharmaceutical Co. to 97%). The company predicts that a further Cdn. \$20 million will more than adequately fund its flagship product, Tectin™ through to final regulatory approval in both the US and Canada. By comparison, most North American pharmaceutical companies spend over US \$500 million to take a new product to market.

***The company predicts that a further Cdn. \$20 million will more than adequately fund its flagship product, Tectin™, through to final regulatory approval in both the U.S. and Canada***

The signing of a territorial licensing agreement for Europe is worth up to \$60 million to Wex within the next several years in terms of milestone developmental payments and European developmental costs. In short, Wex's Spanish licensing partner has agreed to undertake the cost of bringing Tectin™ to market in Europe. Accordingly, Wex is expected to generate generous subsequent royalty payments from Tectin™, and later from other related products such as Tetrodin™ and Tocudin™.

Wex is also in a favorably anomalous position among small biotechnology companies in that it is already generating modest but fast accelerating revenues through its generic pharmaceutical manufacturing and sales business in China. This ancillary business venture, named Nanning Maple Leaf Pharmaceutical Co., Ltd., represents a meaningful diversification for the company's business model. Sales are expected to generate approximately Cdn. \$2.25 million for fiscal 2004, Cdn. \$6 million for fiscal 2005 and Cdn. \$12 million in 2006. Sales are expected to continue to grow exponentially beyond this point in time.

Wex's ability to manufacture its own products brings the advantages of controlling the cost of production and providing an additional stream of substantial revenue. Also, the establishment of its modern manufacturing plant will also provide the infrastructure required for the near-term launch of Wex's heroin treatment drug in China which is expected to be used in up to 500 detoxification centers.

Additionally, Q4 of 2002 saw the company's first ever profitable quarter with a Cdn. \$1.5 million cash infusion as part of its first round of licensing fees from its new European developmental, licensing and marketing partner.

### Tetrodotoxin Compared to Morphine and Methadone

A multi billion dollar global market already exists for such opiate-derived drugs as morphine and methadone. For instance, morphine has proven so potent that it is now used universally around the world to treat every kind of sufferer of severe pain, from terminal cancer victims to post operative patients and burn victims. Meanwhile, methadone has for several decades established itself as the most effective treatment for recovering heroin addicts. However, both drugs come at a steep cost, not just in dollar terms but also in terms of their dangers as discussed below.

***Wex is also in a favorably anomalous position among small biotechnology companies in that it is already generating modest but fast accelerating revenues through its generic pharmaceutical manufacturing and sales business in China***

### **Tetrodotoxin Compared to Morphine and Methadone cont...**

***Other key competitive advantages include the fact that tetrodotoxin is up to 3,200 times more potent than morphine***

With regards to morphine, it can be highly addictive in some instances and even short-term exposure can induce addiction. And in some other cases, morphine doesn't even work at all, such as with nerve-related pain. When it does, it is often accompanied by debilitating side effects. They include vomiting, dizziness, drowsiness, respiratory depression and constipation, among others. Patients can also develop a tolerance to morphine, along with other potent pain killers, thereby making them far less effective.

As for methadone, it is especially addictive because it replicates the euphoria of heroin. Thus, it is not truly a "cure" and it is expensive to administer, while also involving lengthy treatments of up to a year. By comparison, Wex's tetrodotoxin-derived drug, Tetrodin™, is non-addictive, non-mind altering, and may prove effective in as little as two weeks, according to the findings of Wex's initial pilot trials.

Other key competitive advantages include the fact that tetrodotoxin is up to 3,200 times more potent than morphine. It has a very short onset time of only 20 to 30 minutes and a three-day course can be effective for up to three to four weeks. Moreover, unlike morphine and methadone, which can produce an array of side effects, tetrodotoxin is only known to produce mild reversible symptoms of tingling in the fingers and numbness around the mouth that disappear within hours.

All told, tetrodotoxin appears to be a safe, fast-acting, long-lasting and incredibly powerful pain killer that has the ability to become a dominant global market force in the pharmaceutical business within the next ten years.

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## Risk Factors

***The company still needs a significant cash infusion of approximately US \$5 million to enter into and complete Stage III clinical trials for Tectin™ in Canada and a further US \$10 million in the US (though these costs could be shared with a North American joint development partner)***

***The company's future success in North America and the legitimacy of its patented platform technology will also depend to a large degree on Wex's ability to secure a major U.S. licensing joint venture partner***

The success of all three of Wex's leading vertically integrated product channels depends entirely on the following issues being suitably addressed:

### **Lack of Biotechnological Diversification**

Wex's core business model relies upon the efficacy of just one natural chemical compound or platform biotechnology. If it fails in the clinical trials process, Wex has no other core biotechnology to fall back on

### **Dependence on Significant Future Financings**

The company still needs a significant cash infusion of approximately US \$5 million to enter into and complete Stage III clinical trials for Tectin™ in Canada and a further US \$10 million in the US (though these costs could be shared with a North American joint development partner)

### **Reliance on Securing a North American Licensing Partner**

The company's future success in North America and the legitimacy of its patented platform technology will also depend to a large degree on Wex's ability to secure a major U.S. licensing joint venture partner

### **Regulatory Environment**

- There can be no assurance that clinical trials will be completed within the anticipated time frame. Furthermore, such trials may be delayed or suspended at any time by regulatory agencies if unforeseen health risks become an issue with the participants of clinical trials
- In the event of regulatory approval being granted for tetrodotoxin, it may involve limitations on the indicated uses for which the drug may be marketed
- A failure to achieve regulatory approval in North America would almost certainly reduce the net tangible value of the company to its cash position, which would likely be negligible

### **Competition**

- Unforeseen competition from other biotechnology companies in the pain management field is a key risk factor (assuming that Wex's products reach the marketplace). In a rapidly changing field, this competition is most likely to come from established pharmaceuticals with deep pockets and a proven track record for successful product development and commercialization. There can therefore be no assurance that such potential rivals will not develop more effective and more affordable pain management products

- At this time, Wex's management knows of only two other non-narcotic, natural analgesic compounds that are in advanced development and may constitute potential competition. They are briefly described as follows:

Ziconotide – a highly invasive, expensively-to-administer compound that is being developed by the NYSE-listed pharmaceutical company, **Elan Corporation**

Epibatidine – a far less potent compound with many purported side effects that is being developed by another major pharmaceutical, **Abbott Laboratories**

#### **Proprietary Technology**

The company's success will largely depend on its ability to maintain trade secret protection, particularly with regards to avoiding patent infringement by other parties. The company must also ensure that Wex also operates without infringing on the proprietary rights of others

***The company's success will largely depend on its ability to maintain trade secret protection***

#### **Reliance on Key Management**

The success of the company is very much dependent on the talents and commitment of a core management team. The loss of the services of any key management figure such as Wex founder and CEO Frank Shum could adversely impact the fortunes of the company

#### **Potential Product Liability**

Human therapeutic products involve an inherent risk of product liability and associated adverse publicity. A product liability claim or a product withdrawal could have a material adverse effect on the company

#### **Foreign Country Risks**

The value of the company's assets and business ventures in China could be adversely impacted by any reversal of China's longstanding policy of economic reforms. For instance, a change in leadership or social disruption could jeopardize Wex's business endeavours in this non-capitalist political regime

## Key Management Figures and Directors

**Frank (Hay Kong) Shum, Chairman of the Board, President and Chief Executive Officer**, is the company's founder. He holds degrees in Radio Electronics and Solid Physics from the University of Southern China Polytechnic, Beijing Radio Institute and Zhong Shan University, respectively. During the 1980s, Mr. Shum worked in senior management in the computer industry. However, he also carried on research and development into cardiac monitoring devices and filed a patent application in the United States and China for an innovation that improved heart monitors. Simultaneously, he formed Wex-HK in Hong Kong to which he assigned the patent.

In 1994, Mr. Shum negotiated a joint venture to form Nanning Maple Leaf Pharmaceutical Co., Ltd. (NMLP) in China (see page 2 for a description of this strategic subsidiary). Since then, he has headed a core team of scientists involved in R&D at NMLP and has overseen the patent applications related to TTX-based research and clinical tests.

**Anh Ho Ngoc, PhD, MSc, BSc, Chief Scientific Officer**, consults to pharmaceutical companies on strategies for expediting the global regulatory approval process for advanced stage biotechnologies. Formerly the head of regulatory affairs for a multinational pharmaceutical company and previously with Health Canada, she now works with International Wex as her principal client. She is also a lecturer at the University of Montreal and is widely regarded as a leading expert in the field of pharmaceutical sciences.

**Donna Shum, Chief Operating Officer**, was educated in both Hong Kong and Canada and obtained a Bachelor of Business Administration degree in Finance from Simon Fraser University in 1996. Ms. Shum is bilingual in English and Chinese. She joined the company at its Vancouver office as Controller and Corporate Secretary in 1996. Since then, she has assumed the responsibilities of Chief Financial Officer, company director and more recently, as Chief Operating Officer. In these roles, she has proved very adept and has been instrumental in the raising of approximately Cdn. \$12.5 million in private placements for the company.

**Pierre Lapalme, Director**, has enjoyed a distinguished career in senior management in biotechnology in Canada and internationally since 1979. It includes President of Rhône-Poulenc Pharma Canada and Senior Vice President and International Manager of Rhône-Poulenc Pharmaceuticals North America. His experience in the successful development, launching and marketing of new drugs, as well as his expertise in licensing and business development, and his thorough understanding of governmental regulatory procedures will significantly enhance Wex's ability to compete and prosper in this field.

**Phil Gold CC, OQ, MD, PhD, FRS©, FRCP©, MACP, Director**, is a distinguished professor in the three disciplines of physiology, oncology and medicine at Canada's prestigious McGill University in Montreal. He has served as Chairman of the Department of Medicine at McGill and Physician-in-Chief at the Montreal General Hospital. He is presently the Executive Director of the Clinical Research Centre of the McGill University Health Centre. Dr. Gold's early research led to the discovery and definition of the Carcinoembryonic Antigen (CEA), the blood test most frequently used in the diagnosis and management of patients with cancer. The clinical significance and utility of CEA is well established and is a routine test in the diagnosis and management of patients with a number of types of cancer. CEA has also served as the prototype for the discovery of many other human tumor markers. Dr. Gold is a leading figure in the modern era of oncology, developmental biology and the use of defined human tumor markers in clinical medicine.

**Bruce S. Hay, C.A., Director & External Chairman-Audit Committee**, is CFO of Arc Pharmaceuticals Inc. Mr. Hay graduated with a B. Comm. degree from the University of British Columbia and subsequently qualified as a Chartered Accountant. In 1978, he founded Hay & Co., Chartered Accountants, in Vancouver, BC, which became Hay & Watson in 1983. Mr. Hay has been active in the pharmaceutical industry in various capacities, including being a director of QLT Inc. from 1984-1988. In 1993, he co-founded ImmGenics Pharmaceuticals Inc. and functioned in various senior management capacities until the sale of the Company in 2000. He is currently Chief Financial Officer of Arc Pharmaceuticals Inc.

**John Olthoff, Director**, is General Manager of the company joining as a Director and General Manager on January 1, 2000. He and Donna Shum were designated as a team with the responsibility of advancing the platform drug into the North American regulatory system and conduct the various clinical phase development. After initially working for several years for a major Canadian chartered bank, he studied at Waterloo Lutheran University obtaining a B.A. (Hons.) degree in 1969. Mr. Olthoff formed his own international trading company, which he operated for over 30 years until 1999.

**Peter Stafford, QC, Director & Chairman-Governance Committee**, is a Partner of Fasken Martineau DuMoulin LLP. Mr. Stafford joined one of the predecessor firms of Fasken Martineau DuMoulin LLP in 1966 and is a senior partner and former chair of the Business Law Department at the firm's Vancouver office. During 1985-86 Mr. Stafford was Vice-President and General Counsel to the Bank of British Columbia, and from 1987-89 was Vice-President and Chief Counsel of Kaiser Resources Ltd., a finance and investment company. He rejoined Fasken Martineau DuMoulin LLP in 1989. Mr. Stafford's experience is in the areas of corporate and securities law, including mergers and acquisitions, and he has lectured and presented papers on corporate, banking and securities law for a number of professional education organizations.

**Xiaosu Su, MBA, Director & General Manager of NMLP**, is experienced in Total Quality Management (TQM), human resources, production management, and overall corporate operations in large businesses. He held such positions as TQM director, HR director, branch manager, production manager and vice president of a group of companies. He was responsible for acquiring and restructuring another firm and successfully established a trading market with an annual turnover of 80 million RMB. He benefits from 30 years of experience with large businesses.

## Advisory Board

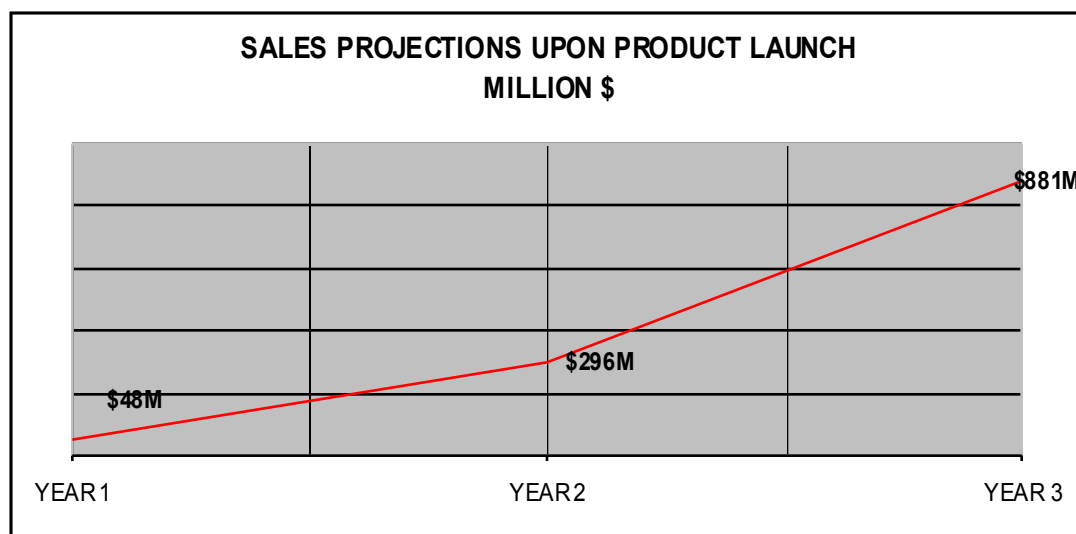
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## Financial Projections

**EPS of Cdn. \$12.34  
 within 5 years should  
 provide substantial  
 dividends to share-  
 holders**

The company projects revenues of Cdn. \$881 million and earnings Cdn. \$543 million in the third year of commercialization. This could be achieved as early as 2008. Assuming the company issues additional shares to continue to fund the development of its drugs, the company could have 44 million outstanding shares by 2008, Earnings per Share (EPS) of Cdn. \$12.34 and Return on Equity (ROE) of 382%. This should provide substantial dividends to the shareholders within 5 years.

A license agreement being established in the US would cover much of the clinical development costs and provide the company with valuable licensing fees. This would enable the company to issue fewer shares and increase the EPS and ROE.



## Fast Facts

- Wex's initial pain management drug, Tectin™, is expected to receive regulatory approval for a 2006 commercial launch. Significantly, it is based on proprietary platform technology
- The company has a track record of major developmental cost savings that promise to continue to commercial launch
- Tectin™ clearly has "blockbuster drug" potential in the global US \$12 billion a year cancer pain management market that includes approximately US \$3 billion in pharmaceuticals. Wex anticipates achieving 25% global market penetration for Tectin™ within three years of its launch, translating into sales of approximately US \$750 million
- Tectin™ is proven to be up to 3,200 times more potent than morphine
- Wex has signed a Cdn. \$60-million-plus international strategic development, licensing and marketing agreement with a mid-sized pharmaceutical company for the lucrative European market
- Phase IIa clinical trial results for Tectin™ are expected in the fall of 2003. Formal announcement of the positive results from Chinese Phase I clinical trials are also expected in the fall
- Phase IIb and Phase III clinical trials are expected to be completed by early 2005. (Tectin™ may be eligible for an expedited Phase III approval process)
- Cost efficient development of Tectin™ (one gram alone can provide 30,000 doses) with a plentiful, natural supply
- The company has a low capitalization of less than Cdn. \$45 million and an undervalued share price
- Wex has signed a marketing and distribution agreement with the Chinese government that is worth at least Cdn \$21 million per year for 10 years for heroin withdrawal treatment. It is expected to go into effect as early as Q1 of 2005 upon approval of Tetrodin™ in China
- The company has no long-term debt and a proven record for adequately financing its product development pipeline
- The company has a strong, proven management team
- Wex is already generating revenues from the manufacture and sale of generic drugs in China. Sales figures are growing exponentially
- The signing of a licensing agreement with a household name in the North American pharmaceutical business should add considerable credibility to Wex's biotechnology, as well as significant value to the company's share price

### Disclosure Statement

This document contains forward-looking statements reflecting Wex's current plans and objectives for future results which are based on various factors and assumptions. This publication is intended for information purposes only. No statement or expression of opinion directly or indirectly, is an offer, solicitation or recommendation to buy or sell any of the securities mentioned. Davis & Associates Capital Corp. does not assume any liability. Also, Davis & Associates Capital Corp. strongly urges you to consult a professional investment advisor prior to making any investment decisions. In this regard, it must be noted that Davis & Associates Capital Corp. is not an investment dealer or investment banker. It is therefore the responsibility of the readers to evaluate for themselves the accuracy, completeness and usefulness of any opinion, advice or other content presented in this publication. Accordingly, neither Davis & Associates Capital Corp. nor any of its principals accept any responsibility for any direct or indirect loss resulting from any use of the company's research or the information contained therein. It should also be noted that Davis & Associates Capital Corp. does accept payment from the companies that it researches. Additionally, the principals of Davis & Associates Capital Corp. may from time to time hold positions in one or more of the securities mentioned.