

Independent Investment Research

Investment Snapshot (early August, 2004)

Biotechnology

Analyst: Marc Davis

Symbol: TSE- WXI

Recent Price Cdn. \$3.70

52 Week High \$8.00
52 Week Low \$1.80

Shares Outstanding (f. diluted) 32.5 Million
43.0 Million

Market Cap Cdn. \$120.25 Million

Fiscal Year End March 31

Target Market Pain Management

Corporate Headquarters Vancouver, Canada

Telephone 604.683.8880
Toll Free 1.800.722.7549

Website www.wextech.ca
E-Mail wex@wextech.ca

Investment Opinion and Corporate Assessment

Since we last covered International Wex Technologies Inc. in the fall of 2003, the company has made significant strides towards the commercialization of its inaugural pain management drug, Tectin™. Developed for the multi-billion dollar global cancer pain market, Tectin™ clearly has the potential to make Wex a rising star in the biopharmaceutical sector within a few short years.

In recent developments, the company announced very encouraging Canadian Phase IIa clinical trial results for Tectin™ in the fall of 2003. Nearly three quarters of all the patients involved received clinically meaningful cancer pain relief. Accordingly, pivotal Phase IIb/Phase III clinical trials (the final trial stages) were initiated in May of this year.



Other key developments since our last report include the raising of a combined Cdn. \$17.5 million in two equity financings, as well as a U.S. \$5.1 million convertible debenture financing (an unsecured bond that can be converted into stock equity). Additionally, Q1 of 2004 saw the graduation of Wex from the TSX Venture Exchange to Canada's 'blue chip' Toronto Stock Exchange.

In Q1 of this year, Wex also received the long-awaited authorization from the Chinese federal government to begin Phase II clinical trials for Tectin™ in China.

Meanwhile, the near-term realization of at least half a dozen other milestone/benchmark developments should build further intrinsic value into Wex's share price in the coming months. However, in terms of the 'big picture', Davis & Associates Capital Corp. maintains the view that Wex will likely receive final approval for commercialization of its potential 'blockbuster drug', Tectin™, by early to mid 2006. This event will almost assuredly create very lucrative marketing opportunities while also acting as a catalyst to significantly higher share price valuations.

In the interim, we are confident of the company's ability to raise its profile in the investment community, as well as its market capitalization. One landmark event that is guaranteed to generate considerable excitement among investors is the signing of a licensing/marketing agreement with a household name in the U.S. biopharmaceutical industry.

Davis & Associates
Capital Corp.
Suite 2833
Three Bentall Centre
595 Burrard Street
P.O. Box 49057
Vancouver, B.C.
Canada, V7X 1C4
Phone: 604.689.1799
Fax: 604.689-8199

Company Description and Developmental Focus

Subject to regulatory approval, the launch of Wex's most anxiously awaited pain-treatment product, Tectin™, is expected to be as early as 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.

Unlike most small biotechnology companies, Wex is not awash in debt. On the contrary, the company is free of any long-term debt (excluding a U.S. \$5.1 million convertible debenture).

International Wex Technologies Inc. (Wex) is a vertically integrated, publicly-listed neuro bio-science company that is headquartered in Vancouver, Canada. For the last 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. Simply stated, this sodium blocking compound, known as tetrodotoxin (TTX), inhibits pain sensors.

Indeed, this super-strength pain management drug may soon revolutionize the treatment of many of the worst kinds of chronic and acute pain. It is being developed in three patented forms. Specifically, they address cancer pain relief, heroin addiction withdrawal symptoms and the growing need for topical and local anesthetics, particularly in eye surgery and dentistry.

All of these products are very cost-efficient to develop in that tetrodotoxin is derived from the puffer fish (or blow fish), which are plentiful in tropical waters like the Caribbean and the South China Seas. Significantly, one fish, alone, can produce up to 600 doses of this new drug by way of intramuscular injections.

Subject to regulatory approval, the launch of Wex's most anxiously awaited pain-treatment product, Tectin™, is expected to be as early as 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, Tetrodin™ (targeting recovering heroin addicts), is also nearing commercial viability in China, while a third (a 'local' anesthetic for dental care) is showing considerable promise in pre-clinical trials.

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. The company has approximately 92 employees and has Cdn. \$25 million cash on hand (Cdn. \$32 million if all the company's warrants are exercised by October, 2004). These funds are sufficient to finance all of the company's product developmental programs, with the exception of clinical trials in the United States (likely to be waived through to Phase III). A future U.S. licensing/marketing partner would be expected to finance this major expenditure.

Unlike most small biotechnology companies, Wex is not awash in debt. On the contrary, the company is free of any long-term debt (excluding a U.S. \$5.1 million convertible debenture) and has a manageable burn rate of approximately Cdn. \$300,000 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 R&D expenditures to date. This has allowed Wex to finance all of its activities by way of a number of equity and debenture financings totaling about Cdn. \$49.5 million. Wex has also benefited over the past several years from its diversification in China into the manufacturing and sale of generic drugs. Though this represents a modest revenue channel, sales are nonetheless growing exponentially.

Wex predicts that a further Cdn. \$20 million will more than adequately fund its flagship products, Tectin™ and Tetrodin™, through to final regulatory approval in Canada and China, respectively. By comparison, most North American pharmaceutical companies spend over U.S. \$500 million to take each new product to market.

Tetrodin™ is expected to receive approval for commercialization in China in Q3 or Q4 of 2005, where it will target many of China's estimated ten-million heroin addicts. Wex has already signed a 10-year marketing contract with the Chinese federal government that is worth a minimum of Cdn. \$21 million annually in sales to treat recovering addicts.

The company currently has 16 patent applications that have been granted or filed for. Also, Wex has registered its pharmaceutical grade tetrodotoxin compound (TTX) with Canada and the United States through the Drug Master File.

Additional Recent Benchmark/Milestone Developments

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

Further to the most significant developments of late that are outlined in the **Investment Opinion and Corporate Assessment**, Wex has implemented a number of other strategic initiatives. For instance, the company received approval in late 2003 to operate a facility in Quebec that will serve as both an R&D centre and manufacturing plant. Such an initiative will allow North American and European regulatory agencies to certify quality control in the production process, particularly for the company lead compound, Tectin™. Indeed, by clearly ensuring that the company meets the exacting standards of efficacy and safety of the US Food and Drug Administration, Wex is likely to experience fewer regulatory hurdles in the build-up to a product launch in Canada and the U.S.

In other news, Wex has also capitalized on a near-term, cash flow generating opportunity by way of recently acquiring global manufacturing, licensing and marketing rights to a new topical pain management treatment. Known as Capsaicin, this chilli pepper derived over-the-counter product is for nerve-related pain, as well as arthritis. Wex is already approved for the sale of this product in Canada but is expected to focus on achieving meaningful near-term market penetration in China and the U.S.

Furthermore, Wex received conditional approval for sale in Peru of the company's opioid withdrawal treatment drug, Tetrodin™, in Q1 of this year. Commercial rollout is subject to the completion of Peruvian clinical trials, which are expected to be completed within 12 months. Meanwhile, clinical trials for this cocaine and heroin withdrawal treatment compound are in advanced stages in Canada and China.

Of equally significance, Wex was granted approval in December of 2003 for the initiation of clinical trials for the use of Tectin™ in treating other non-cancer-related forms of severe pain that do not respond to conventional pain management therapies. This development is expected to pave the way for the use of Tectin™ in the treatment of a diverse range of chronically painful medical conditions.

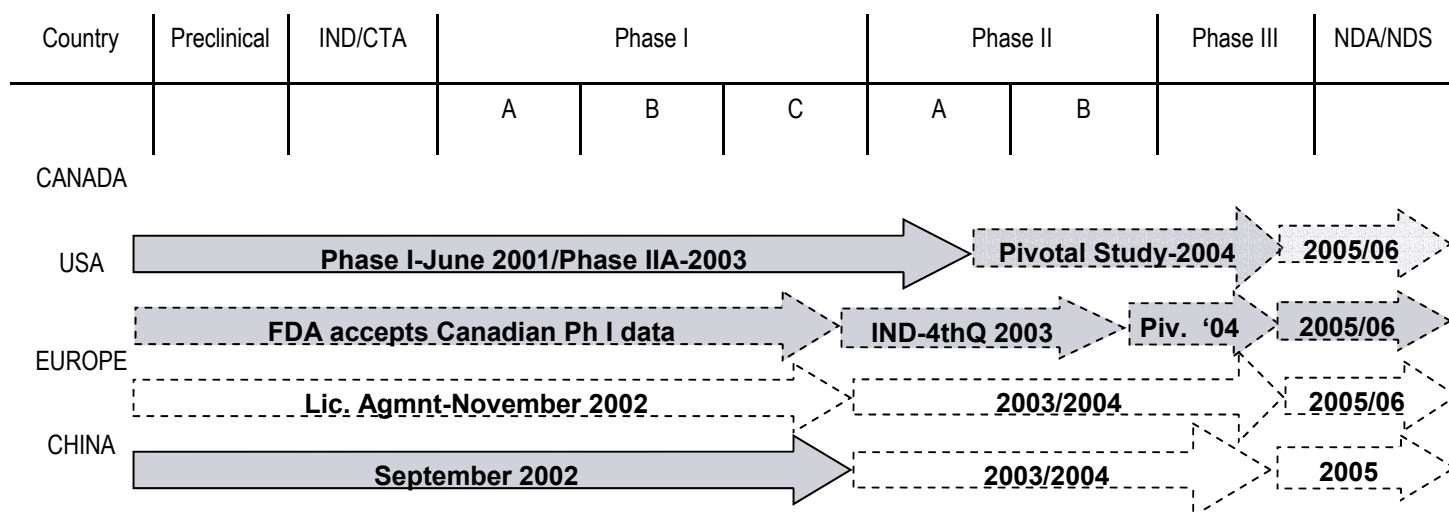
Future Near-Term Strategic Initiatives

Listed below are the key anticipated value drivers for Wex's share price in the next 12 months. Wex's management believes that these timelines are realistic but note that they can be subject to change for a variety of different possible reasons (many of which are beyond the company's control):

- Filing of Phase IIa Tectin™ clinical trial results with Canadian federal government – Q3, 2004.
- Initiation of Chinese Phase II clinical trials for Tectin™ -- Q3, 2004.
- Filing of IND (Investigational New Drug) application with Phase I and Phase IIa clinical trials results to demonstrate to the U.S. Food & Drug Administration that Tectin™ is a worth candidate for the commencement of expedited U.S. clinical trials (likely to be waived through the earlier stages to the pivotal Phase IIb/Phase III stages).
- Commencement of Tectin™ clinical trials for nerve damage and arthritis related forms of pain – Q3, 2004.
- Receipt of a Cdn. \$3 million milestone payment from the company's European licensing/marketing partner, Laboratorios del Dr. Esteve – Q3 or Q4, 2004

Future Near-Term Strategic Initiatives (cont.)

- Initiation of clinical trials for Tetrodin™ in Peru to treat cocaine withdrawal pain symptoms – Q3, 2004.
- Start of European clinical trials for Tectin™ (likely waived through to Phase III) – Q1, 2005.
- Canadian Phase II Tetrodin™ trials begin – Q4, 2004.
- Tectin™ Phase IIa trials (Phase I is waived) for arthritis and nerve damage types of pain to be initiated in Canada – Q4, 2004.
- Signing of licensing/marketing agreement for Tectin™ with multinational pharmaceutical company for the Asian marketplace – Q3 or Q4, 2004.
- Completion of Phase III clinical trials (final phase of trial testing) in Canada for Tectin™ – Q1, 2005.
- Completion of Phase IIa arthritis and nerve damage pain (non-cancer) clinical trials for Tectin™ in Canada – Q1, 2005.
- Finalization of Peruvian Tetrodin™ trials – Q1, 2005.
- Filing of Phase III Tectin™ trial results in Canada – Q2, 2005.
- Canadian Phase IIa non-cancer Tectin™ trial results to be announced – Q2, 2005.
- Peruvian Tetrodin™ trial results released – Q2, 2005.
- Licensing/marketing agreement for Tectin™ with high-profile North American biopharmaceutical partner anticipated – Q3 or Q4, 2005.



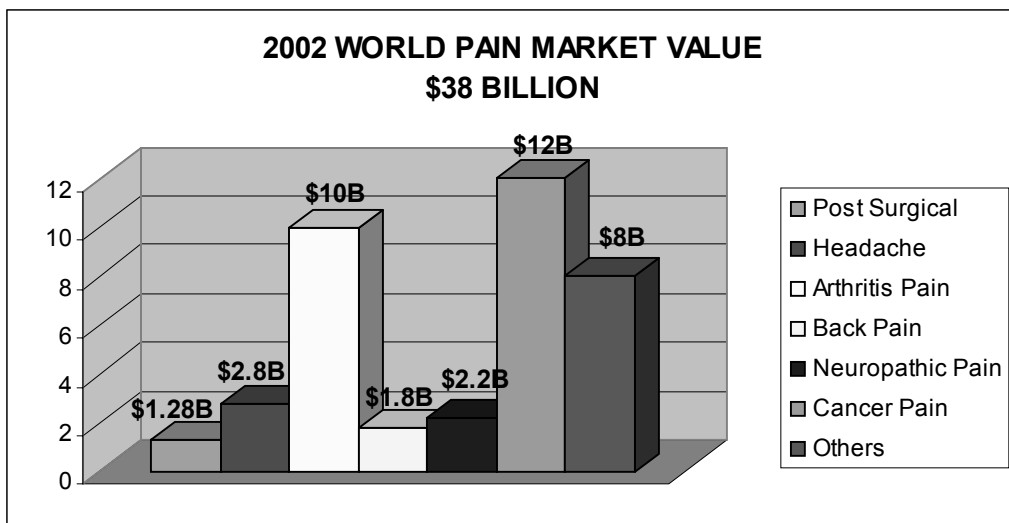
Multi Billion Dollar Target Market

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.

However, the therapeutic application originally targeted by Wex...was heroin withdrawal. The drug's efficacy has clearly been demonstrated in clinical testing in China, thereby paving the way for the treatment of up to 10 million heroin addicts.

An existing contract with the Chinese government guarantees Wex payments of Cdn. \$21 million per year...for a minimum of 10 years.

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 U.S. \$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 reliev-



ing properties or even addicted to drugs like morphine and methadone.

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 late 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% 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. During this decade alone, a 42% 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.

Medicinal Applications for Tetrodotoxin

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

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. Wex had made a major breakthrough. This panacea for pain has multiple potential applications but the company is concentrating on the following two vertically integrated products:

Analgesia – TECTIN™

For inadequately controlled cancer pain, Wex has now successfully completed Phase IIa clinical trials in Canada. Nearly three quarters of all the patients involved received clinically meaningful and long-lasting pain relief. Pivotal Phase IIb/Phase III clinical trials began in May of this year. Due to the 'ground-breaking' new class of analgesic status of this drug, its approval process is expected to be expedited, allowing the company to make application for a product license perhaps as early as mid 2006. 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. The unequivocal success of Phase IIa clinical trials in Canada (which involved around 30 patients in six cities to assess optimal effective dosages) suggest the likelihood that the U.S. Food & Drug Administration will fast-track Tectin™ to the Phase IIb/Phase III stage once U.S. trials likely get underway in early 2005. Phase II clinical trials in China are also now underway.

Detoxification – TETRODIN™

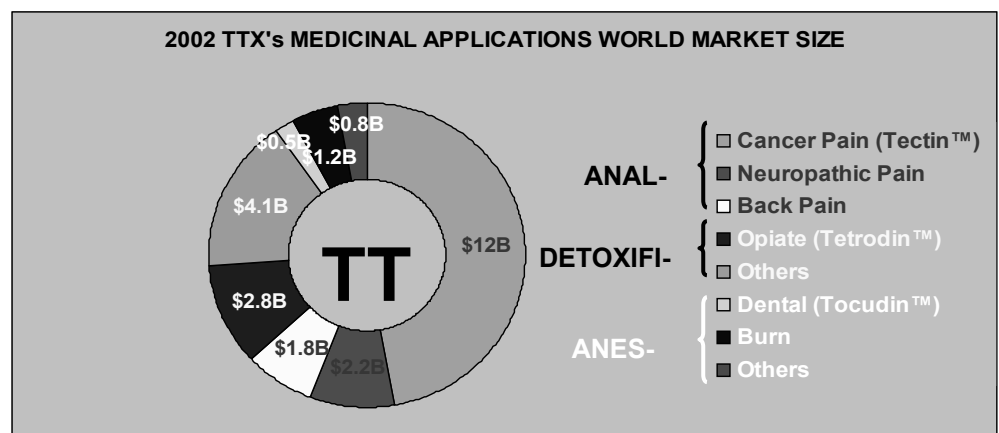
This opioid withdrawal treatment primarily targets heroin users. Heroin abuse is a worldwide epidemic, thus presaging the global need for a cost effective and safe withdrawal treatment solution. Currently, the main withdrawal treatment, methadone, is very controversial in that it is potentially very 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 late 2005.

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Strategic Alliances

Europe

...this milestone agreement means that Esteve is committed to footing the cost of European clinical trials and bringing Tectin to market.

This involves up to Cdn. \$60 million in European clinical trials and registration costs, as well as a series of milestone payments.

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 involves up to approximately Cdn. \$60 million in European clinical trials and registration costs, as well as a series of milestone payments. Esteve is also expected to arrange sub license agreements providing additional revenues for Wex.

To date, this strategic partnership has provided Wex with Cdn. \$3 million in up-front payments. This involved a \$1.5 million cash payment and an equal sum by way of an equity financing. A further Cdn. \$3 million developmental benchmark payment is expected in Q3 or Q4 of this year subsequent to publication of the audited report for Phase IIa clinical trials. Other key payments will likely be triggered by the following near-term developments:

- Acceptance of the audited report for Phase IIa trials by the European Union
- Commencement of European trials for Tectin™ (likely at the Phase IIb/Phase III stage)
- 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 Q1 or Q2 of 2006) and subsequent marketing acceptance in Europe (expected in late 2006 or early 2007)

China

This would subsequently provide Wex with guaranteed sales revenues of approximately Cdn. \$21 million (with a 5% escalation clause) per year for a minimum of 10 years.

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 Q3 or Q4 of 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

Wex's management says it is already in preliminary discussions with potential U.S. partners.

The likelihood of Wex signing a North American licensing and distribution agreement with a well-recognized name in the pharmaceutical industry depends largely on the outcome of Canadian clinical trials for Tectin™. Wex's management says it is already in preliminary discussions with potential U.S. 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 Q1 or Q2 of 2006.

Meanwhile, Wex recently diversified its pain management product portfolio by way of acquiring the global licensing/marketing rights to a topical cream, called Capsaicin, that treats nerve damage and arthritis related forms of pain. Commercial rollout of this product in Canada is expected to take place in 2005 followed by the penetration of major global markets in 2006, with a focus on China.



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 technology and is about 3,200 times more potent than morphine.
- Tectin™ clearly has 'blockbuster drug' potential in the global U.S. \$12 billion a year cancer pain management market that includes U.S. \$3 billion in pharmaceuticals. Wex anticipates achieving 25% global market penetration for Tectin™ within three years of its launch, translating into sales of approximately U.S. \$750 million.
- Filing of an IND application to initiate Phase IIb/Phase III clinical trials in the U.S. is expected in early Q4 of 2004.
- 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™ proved highly successful. Publication of an audited report of these trial results (scheduled for August, 2004) is expected to trigger a second Cdn. \$3 million benchmark payment from the company's European partner, Esteve, in Q3 of 2004.
- Phase IIb/Phase III clinical trials in Canada are expected to be completed by Q1 of 2006. (Tectin™ may be eligible for an expedited approval process in Europe and the U.S.). Chinese Phase II trials are also now underway.
- Development of Tectin™ is cost-efficient (one gram can provide 30,000 doses) with a plentiful, natural supply.
- The company recently graduated to Canada's 'blue chip' Toronto Stock Exchange. Wex still has a low capitalization of about Cdn. \$120.25 million, translating into an undervalued share price.
- Wex has signed a marketing and distribution agreement for heroin withdrawal treatment with the Chinese government that is worth at least Cdn. \$21 million per year for 10 years. It is expected to go into effect in late 2005 or early 2006, following approval of Tetrodin™ in China.
- The company has a strong management team with a proven track record for funding product pipelines. Recent financings total Cdn. \$17.5 million. The company has Cdn. \$25 million in cash-on-hand (\$32 million if all warrants are exercised in Q4, 2004).
- The anticipated signing of a licensing/marketing agreement in 2005 or 2006 with a household name in the North American pharmaceutical business should add considerable credibility to Wex's biotechnology, as well as significant intrinsic value to the company's share price.
- The company now has impressive R&D and production infrastructure in place in both Canada and China. At its state-of-the-art Chinese plant, Wex is also already generating revenues from the manufacture and sale of generic drugs. Sales figures for China are growing exponentially. This highly cost-efficient plant also gives Wex huge R&D savings, compared to Western companies. It is also already certified for the production of injectable pain management products, paving the way for the market launch of Tectin™ and Tetrodin™.

Disclosure Statement

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