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April 2, 2019

**To the Shareholders of Premier Diversified Holdings Inc. ("Premier" or the "Company"):**

This letter, which I write annually to you, will provide an update of what has happened at the Company in the past year.

Many of you may wonder how best to understand how things are changing at Premier. We cannot give you any short-term advice in this matter, nor do we comment on the stock price. Every company has a basic underlying intrinsic value.

In my view, a business' long-term stock price ultimately follows the changes in the intrinsic value, which I believe is simply the amount of cash that can be taken out of a business during its life-time, discounted back to the present day at a single-point in time. As the business changes and grows during its lifetime, the intrinsic value will also change. I believe that in the short-term, stock price will move on market sentiment, but over the long-term it will be based on changes in intrinsic value per share.

In Premier's case, as we focus on increasing our profitability, we anticipate that those earnings or cash will be retained in shareholder equity over time. The changes in Premier's shareholder equity per share will give you a simple benchmark for how things are improving or declining at the Company over time. 2018 continued the decline in shareholder equity, but about on par with what our burn rate is as a public company.

Here is a partial list of activities at Premier during 2018:

- Our Premier Diagnostic Center PET/CT Clinic, ("PDC"), saw its gross revenues grow by 23% to \$1.56M, even as we faced headwinds of reduced oncology scans and the completion of a number of clinical trials in the fourth quarter.
- The clinic completed an in-depth market study and will relaunch as Initio Medical Group to coincide with its expansion plans, as well as its exciting new focus on PET/CT for neurology indications.
- Shenan Dhanani was appointed as our new Clinic Director, and we saw the departure of long-term employee, Geoff Waters. Shenan has extensive experience in the nuclear medicine sector.
- We reached an agreement for our former General Manager in China to purchase some of our assets over there...the process is ongoing.
- MyCare MedTech Inc. continued its growth and expansion with the development of its SmartExam platform, and the launch of a new entity called ZED Therapeutics Inc.
- The sale of the Bentley project by Kingswood Real Estate to developers garnered us \$497,073 on an initial investment of \$375,000.
- We received our final distribution from Russell Breweries Inc. of \$533,960 in January 2018, and we disposed of the remaining shares in the shell company for \$104,679.
- Purposely Platform Inc., an online volunteer platform, finished development and launched in early 2019.
- We raised over \$0.3 million in a private placement with little cost to the Company, and without payment of any commissions or finder's fees.
- We received approval to list on the TSX-V and July 19, 2018 was our first day of trading.

As we've stated repeatedly, there are built-in costs at the corporate level that are inherent as a public company. Until we acquire additional businesses with good operating cash flows, or our existing businesses continue to mature and grow their cash flows, we do not anticipate being profitable on a net basis. I encourage all shareholders to read the 2018 financial statements in their entirety, together with the explanatory "Notes" and the corresponding "Management Discussion and Analysis." There is a great deal of operational and financial information that this letter cannot encompass in as much detail.

The key sections of the financial statements that I would like to highlight are:

- Gross revenues (essentially Initio) were up 23.2% in 2018.
- Gross margins increased from 69% in 2017 to 73% in 2018.
- Financial liabilities at the holding company level are now minimal...we have no debt at the parent company level.

Some expectations in terms of operating costs for 2019:

- Salary and consulting costs are expected to decrease now that China, Sequant Re, the TSX-V listing and the rebranding around Initio are essentially complete.
- Financing costs for MyCare/Goevisit.com/ZED Therapeutics will continue to be zero.
- Net operating revenues at Initio are expected to stay stable or decrease slightly as clinic trials runoff and new ones are brought on.
- Financing costs at Purposely will decrease as we are in the process of hiring a CTO to handle day to day programming, and will be bringing in investment partners for future financings.

## **Operations**

Premier operates in a decentralized fashion, where we have vice-presidents or general managers in place, and we do not micromanage at the subsidiary or associate level. These vice-presidents and managers report to me, but I do not tell them how to spend their day or how to build their business. They are generally as passionate about what they do, as I am about what I do. As such, staffing at Premier's corporate office is kept to a minimum, with only three full-time employees including myself!

## **Initio Medical Group ("Formerly PDC")**

Initio is the only functioning private PET/CT clinic in Western Canada...we have no direct competition other than the government. In 2017, with PDC moving to the next stage of development as Initio, the board appointed Company Chairman, Dr. Simon Sutcliffe, as PDC's interim CEO. Marta Davidson and Alnesh Mohan were added to the Initio board of directors.

Some highlights:

- Shenan Dhanani was appointed Clinical Director and Geoff Waters departed the company after many years. We wish Geoff well!
- A revamp of Initio began in 2018 to match the rebranding advice.
- Clinical trial numbers increased significantly through 2018.
- Non-clinical trial related neurology scans were increased.
- Gross revenues increased 23.2% in 2018.
- Gross margins increased to 73.1% in 2018 from 69.2% in 2017 and 63.9% in 2016.
- Initio attracted interest, recognition and collaborators from across North America, as well as Europe and Australia.

## **MyCare MedTech Inc. / Goevisit.com**

In 2016, we invested in MyCare, which owns Goevisit.com, a telemedicine business which facilitates 24/7 online calls between patients and physicians/nurse-practitioners across Canada. MyCare is run by Jim Viccars and Liz Bryant. In 2017, our investment had reached a little over 30% of the company. After learning our lesson with Sequant Re, we told MyCare earlier in 2017 that they will have to find outside funding going forward, or be self-financing, as we had completed our financing commitment. Jim and Liz went out and signed a \$2.5M outside financing, at an \$8M valuation for MyCare. The financing came with some tight targets and deadlines for MyCare, including a liquidity event in 2019. Here are some of the highlights from MyCare and Goevisit.com:

- Implemented the new SmartExam platform – AI technology that enables a virtual physician’s assistant to do a preliminary interview examination of the patient before the actual consult...it reduced wait times from 12 minutes to 2 minutes.
- Implemented a new corporate pricing model for group benefit and employee benefit programs.
- Started testing of the platform in some Save-On Foods pharmacies...could lead to a roll-out across Western Canada in 2019.
- Goevist.com Travel Clinic has launched and is actively serving select partners.
- Planned launch of Goevisit.com for Canada/U.S. snowbirds.
- Platform will be launched in U.S. in 2019.

Jim and Liz seemed to have their hands full running MyCare and goevisit.com, but then they approached us in late 2017 with an idea called ZED Therapeutics. Under MyCare, they wanted to launch another company that would focus on medical hemp and the production of CBD oil for medicinal therapeutic use. With the upcoming legalization of cannabis in Canada, and the eventual passing of the U.S. Farm Bill removing hemp from the list of federally controlled substances, we said we liked the idea but had no way of valuing it and wouldn’t be able to put much money in. Sometimes it’s much better to be lucky than smart, and we had the good fortune of partnering with Jim & Liz when we did!

Because we had funded MyCare before its capital raise when it was in dire straits, Jim and Liz felt that PDH should be issued ZED shares at a nominal cost based on our percentage ownership of MyCare. We accepted and will receive nearly 5.2M shares pending review and approval by the TSXV. Jim then went out, assembled a team of experts in the field, and raised capital for ZED. He raised the capital at a \$17M valuation, while turning significant money away as he didn’t want undue dilution!

As of writing, Jim and Liz have purchased a very significant genetic catalogue of assets (325 strains of some of the highest tested CBD oil concentration hemp), as well as a 112 acre R&D property in Eugene, Oregon. I don’t want to steal Jim’s thunder, but you will hear about ZED’s developments throughout 2019, including a liquidity event in the 2<sup>nd</sup> half. We could not have wished for better partners!

## **Kingswood Asset Management (“Kingswood”)**

We invested in two real estate projects with Kingswood back in 2015 and 2016...Bentley and Arcola respectively. With the implementation of foreign buyers and speculation taxes, Vancouver real estate is now finally seeing a drop in prices. We have observed that the bulk of the drop in prices is in the higher end above \$1.5M and a smaller drop below that threshold. Here are the comments on Kingswood:

- Bentley was sold to developers in early 2018, and we received \$497,073 on a \$375,000 investment.
- Arcola began presales last October and has pre-sold 13 of 22 units at a higher per square foot rate than the most optimistic projections...then the slowdown hit in January.
- We expect Arcola to continue selling units slowly as the build completes towards the end of the year.
- We have no other real estate investments presently.

## **Russell Breweries Inc. (“Russell”)**

In late 2016, Russell closed the sales of its Fort Garry brewery in Winnipeg and its Russell brewery in Surrey, B.C. The sale resulted in cash distributions made to shareholders of Russell in 2017 and 2018. The first distribution of \$0.05 per share was paid out in April of 2017, and the second distribution of \$0.035 per share was scheduled for late January 2018. We disposed of the remaining shell company shares for \$104,679. Overall, our investment in Russell proved fruitful with an annualized return of 17.5%.

## **Purposely.ca**

Purposely is a volunteer and event management tool created for non-profits and other organizations by Eric Franzo. I’ve known Eric for nearly five years, and always found him to be a helpful, polite young man. He came to Toronto with us a couple of times and spent his time running around helping us organize our annual dinner that we hold to raise money for Crohn’s & Colitis Canada.

Over time and several lunches, we began a discussion about problems that non-profits face, as we both volunteer a fair amount of time and know a number of people who run non-profits. One of the biggest problems, which you would imagine would be simple to solve, is volunteer management. Non-profits have ongoing struggles with coordinating and informing volunteers, with updating their volunteer lists and procuring volunteers for their events, and with integrating volunteer lists and information into administrative software.

Surprisingly, there are only a handful of solutions to this problem, and we heard feedback from non-profits that the existing platforms are expensive, hard to use or rarely updated. So began the creation of Purposely, after extensive discussions with non-profits, their leaders, volunteer coordinators, volunteers and non-profit focus groups.

Eric ran with the project from start to launch. He ran it efficiently, was relentless in making it better, and coordinated everything from the original business plan, to creation of the digital platform, to testing, focus groups, beta platform and the launch.

While Purposely is built for non-profits, we built it with the aim of being profitable over time through subscriptions, fees from donations through Paypal Giving, postings, and a number of other future revenue generation streams. We also expect to return profits back to the community at some point.

## **Long-Term View**

When I first became involved with the Company in 2014, Premier was essentially a bankrupt, cash-starved operation. Initio was essentially worth only the accounting value of its PET/CT equipment and furniture...minus liabilities!

Today, five years later, Premier is healthy with little in liabilities, and without giving any specific valuation, PDC’s intrinsic value far exceeds the accounting value of its continuing assets.

We’ve had some successes...we’ve had some abject failures...and we learn every day. We continue to seek small businesses to acquire, and we are carefully allocating capital into ideas where the end goal is the business standing on its own two feet. We also continue to look to partner with people like Jim, Liz and Eric, who are literally one in a million!

We also want to convey the message to our shareholders that Premier is an investment for shareholders with a long-term horizon. We’ve planted some seeds with our acquisitions and investments that I discussed above, and we look forward to seeing growth in these projects. But it will take more seeds, more watering and more care to get us to where we want to be in the long-term. We expect to add more businesses to our portfolio in the ensuing months and years, all the while doing our best to increase shareholder value.

## **Annual General Meeting**

The Premier Annual General Meeting is on Wednesday, April 3, 2019 in the Blue Moon Theatre at the Shangri-La Hotel in Vancouver. We will have a light breakfast and reception for attendees starting at 9:30 am, followed by the AGM, presentation and Q&A at 10:30 am. The Premier Board of Directors and management team will be attending to meet shareholders. Please RSVP to Nicole Chin at [nchin@pdh-inc.com](mailto:nchin@pdh-inc.com).

## **Our Thanks**

I would like to thank our Board of Directors and employees for their enormous efforts! I would also like to thank our many service providers, suppliers and partners who work with us.

I cannot begin to explain how we feel about the fiduciary responsibility we've been entrusted with. I have an enormous vested interest in Premier's long-term future. For most of you, the capital invested in Premier is due to a lifetime of effort, and all the challenges that you faced to get here. As such, our interests are in alignment and I will *never* take that responsibility lightly!

We thank you for your trust, friendship and confidence. We wish you and your families well!

Sincerely,

*"Sanjeev Parsad"*

Sanjeev Parsad  
President & CEO