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April 5, 2017

**To the Shareholders of Premier Diversified Holdings Inc.:**

While 2014 was a year to ensure survival and 2015 was a year of transition, 2016 was a year spent fighting for growth for Premier Diversified Holdings Inc. (“Premier” or the “Company”). This letter, which I will write annually to you, will provide a simple explanation 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.

**Shareholder equity increased from negative \$1 million in 2014 to \$6.5 million in 2015, and was at \$5.9 million in 2016** (on a per share basis using the weighted average number of common shares outstanding was at (\$0.02) in 2014 to \$0.0504 in 2015, and \$0.0424 in 2016). To get a more accurate picture:

- We did a significant capital raise at the end of 2014 and beginning of 2015, which naturally boosts shareholder equity, and shareholder equity per share, based on the price we issued stock at.
- It doesn’t indicate progress or efforts made at our subsidiary businesses or changes in underlying value of those assets, including our non-controlling investment assets.
- Our proportionate share of operating cash flows from non-controlling interest investments are not reflected, such as our shareholding in Russell Breweries Inc.
- We are early in the game...imagine this as the third batter, in the first inning, getting on base in a nine-inning baseball game.

Here is a partial list of activities at Premier during 2016:

- The Burnaby PET/CT Clinic was approved for two more clinical trial studies, and the clinic secured a local supplier of FDG (the radioactive isotope needed for PET/CT scans).
- The asset sale of Russell Breweries Inc. was completed, and Russell has announced that the net sale proceeds will be distributed to shareholders this year.
- We raised over \$1 million in a private placement with little cost to the Company, and without payment of any commissions or finder's fees.
- We acquired additional equity in Sequant Re reinsurance company in Bermuda, which continues to promote and build a network for its ILS portfolio.
- We invested and acquired an approximate 15% stake in MyCare Medtech, and its telemedicine business, GOeVisit.com.

The 2016 financial statements show that 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 2016 financial statements in their entirety, together with the explanatory “Notes” and the corresponding “Management Discussion and Analysis.”

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

- Gross revenues were down significantly, primarily due to losses by the China MRI business
- There was a significant amount of realized and unrealized gains from the Company’s holdings in publicly traded securities.
- Liabilities were almost cut in half, including repayment of all our convertible debt.

We expect some of these factors mentioned above to be addressed in 2017 and 2018:

- Salary costs are expected to decrease due to our General Manager in China moving to an hourly contract.
- We expect Sequant Re to begin generating ILS portfolio fees.
- Net operating revenues are expected to increase substantially at our Burnaby PET/CT Clinic with increased clinical scans, increased patient scans, and higher margins due to local FDG supply.

## **Operations**

PDH operates in a decentralized fashion, where we have vice-presidents or general managers in place, and we do not micromanage at the subsidiary or investment 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 PDH's head corporate office is kept to a minimum, with only 3.5 employees presently!

## **China MRI Business**

As many of you may have noticed from our quarterly reports, the China MRI business has reported declining revenue numbers through 2016 and into 2017. Throughout 2016, the Chinese government has been re-examining all state-run military hospitals, which impacted Premier since our joint venture in China is with such a hospital. We expect that the Chinese government may close some hospitals and consolidate others. Third-party joint ventures may be terminated as a result. As these decisions were being implemented in 2016 and slowly handed down to hospital administrators, marketing and referral budgets were eliminated, which lead to decreasing revenues.

Operating in China is very challenging, especially so for a small management team such as Premier. Our management team has determined there are more opportunities closer to home in North America, which are not hindered by some of the operational challenges we faced in China, including difficulty in enforcing property rights and legal contracts, and currency risk.

For now, our management team will shut down operations in China!

## **Burnaby PET/CT Business**

We continue to be very excited by the short and long-term prospects of our Burnaby PET/CT business, Premier Diagnostic Center (Vancouver) Inc. (“PDC”). PDC is the only private PET/CT clinic in Western Canada...we

have no direct competition in Western Canada other than the provincial government. Clinic Director, Geoff Waters, and Chairman, Dr. Simon Sutcliffe achieved several things in the last year. Some highlights:

- Reduced our FDG cost significantly.
- Implemented DAP (Decision Analytic Protocols) within the clinic.
- Procured more clinical trial agreements.
- Attracted the interest of potential partners from across Canada, the United States and now Europe.

### **Sequant Re**

Over the last year and a half, Guy Cloutier and his team have presented Sequant Re's ILS portfolio offering to a multitude of institutions from hedge funds, pension plans, banks, insurers, family offices and even sovereign funds. They managed to get meetings with people whose doors they had no business getting through...a remarkable effort!

They formed a few partnerships with smaller players, who wanted to convert existing catastrophe bond funds or set up a co-marketed fund. The issue that the Sequant team has encountered is that these players do not want to be the first large investors. Sequant Re and Premier are making a joint effort to find a large institutional partner for Sequant Re. We anticipate that forming this type of partnership will allow Sequant Re to:

- Fund operations for the next two years.
- Close ILS portfolio assets with institutional investors who have expressed interest in investing with Sequant Re over the next 12-18 months.
- Bring a credible reputation on board that gives comfort to the large institutional investors.

Simply put, institutional investors want an institutional face involved!

### **GOeVisit.com**

In 2016, we invested in MyCare Medtech Inc., which owns GOeVisit.com, a telemedicine business which facilitates 24/7 online calls between patients and physicians/nurse-practitioners across Canada. The service is free to the user and Premier bought just over 14% of the business. We recently announced that we are increasing our investment to nearly 30% of the company.

Jim Viccars and Liz Bryant run GOeVisit.com, and they have set up a call-centre in downtown Vancouver. The online portal's protocols were designed by the Mayo Clinic, and can treat and diagnose well over 40 conditions, including common ailments such as rashes, flu, etc. The physicians and nurse practitioners can also provide prescriptions to the patient, who also has the option of using our online pharmacy to receive their medication by courier the next day.

Jim, Liz and their team have been meeting with some of the most prominent insurers/administrators of health insurance in Canada and are rapidly forming agreements to sign on the procured client user base. The list is expansive and they are making excellent progress. They are beginning provincial billing for all provinces, and are adding several other revenue generating services alongside their online pharmacy. We look forward to telling you more about GOeVisit.com as they progress.

### **Kingswood Asset Management ("Kingswood")**

Kingswood has real estate development experience across Canada, and after many meetings, we were comfortable pursuing a long-term relationship with the Kingswood team. While we continue to believe that real estate, like

many asset classes, may be overvalued due to low interest rates, supply is at a 25+ year low in Vancouver while projects coming on line are also relatively low. We will take a very cautious approach to real estate, and as with all of our holdings, anticipate seeing our best opportunities in a distressed environment. We have invested in two Kingswood projects to date, BHLP and Arcola.

### **Bentley Homes LP (“BHLP”)**

BHLP is developing a bi-duplex property in a popular area of East Vancouver, about 10 minutes drive from downtown Vancouver. The project has gone through several revisions from the City of Vancouver and is in its final reading now. Kingswood expects to break ground in summer 2016, with completion 10 months out. Original estimates for the price per square footage selling price were around \$655-705. In the present environment, that number is around \$750-850, with a neighbouring, higher-end project selling at over \$1,000 per square foot!

### **Arcola Developments Inc.**

Arcola is the second Kingswood project we are involved in. This is a 22-unit townhouse project in South Burnaby, about 25-30 minutes from downtown Vancouver by car and 20 minutes by Skytrain transit. Arcola is expected to begin construction in August 2016 with completion in summer 2018. Price per square footage on the original sale price estimates was between \$535-565, and that estimate is now between \$625-700 per square foot!

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

Following Premier’s takeover bid for Russell in 2015, two directors nominated by Premier joined Russell’s board. Russell had two breweries: Russell Brewery in Surrey, British Columbia and Fort Garry Brewery in Winnipeg, Manitoba. The board of Russell determined to sell its assets. Several offers appeared after an extensive search, and the board settled on the ones that made the best offers. After an exhaustive due diligence and agreement process, Russell’s board closed the asset sales of Fort Garry and Russell Brewery in December 2016. The distributions of the sale will be paid out in installments...the first in April 2017.

### **Marketable Securities**

In accordance with the Company's “Investment Policy”, a portion of the Company’s assets are in a portfolio of marketable securities. In late 2015 and early 2016, I allocated approximately \$1.9 million into several public equity positions. By the end of 2016, we had sold a good portion of the marketable securities and maintain only \$452,000 at September 30, 2016. Fortunately, the deployment of capital was fruitful and during 2016 we realized \$64,000 of gains and had another \$300,000 in unrealized gains, for a return of about 19% on the invested capital.

### **Long-Term View**

When I first became involved in 2014, Premier was essentially a bankrupt, cash-starved company. Premier Diagnostic Center was essentially worth only the accounting value of its equipment and furniture...minus liabilities!

Today, just under three years later, Premier is healthy with relatively little in liabilities, and without giving any specific valuation, Premier Diagnostic Center’s intrinsic value far exceeds the accounting value of its furniture and equipment.

We want to convey the message to our shareholders that Premier is an investment for shareholders with a long-term horizon! The best companies grow at 15-20% per year, and we aim for steady and controlled growth like

this. While not impossible for us to get there faster, many factors influence growth and share price. We've planted some seeds with our acquisitions 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.

### **Annual General Meeting**

The Premier Annual General Meeting is at 10:00am on Thursday, April 13<sup>th</sup>, 2017 in the Princess Louisa Room at the Fairmont Waterfront Hotel in Vancouver. We will have a hot breakfast and presentation for attendees. The Premier management team will be attending to meet shareholders.

### **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, creditors, and partners who have worked with us over the last couple of years.

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 aligned and I will *never* take that responsibility lightly!

We will continue to work very hard to increase shareholder value over time. We thank you for your trust, friendship and confidence. We wish you and your families well!

Sincerely,

*"Sanjeev Parsad"*

Sanjeev Parsad  
President & CEO