

Eastgate Biotech Corp. (OTC: ETBI), A Larger Play Unfolding

If there are any shorts in this market, that would force a cover as they would have to cover their shares because they would be unable to pay the dividend owed.

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EmergingGrowth.com NewsWire –
EmergingGrowth.com, a leading independent small cap media portal with an extensive history of providing unparalleled content for the Emerging Growth markets and companies, reports on Eastgate Biotech Corp. (OTC: ETBI)

- Message Board Activity Increasing
- Solid Looking Technical Chart
- Game Plan Well Telegraphed in Shareholder Letter
- Gunpowder Capital's Dual Listing

EastGate Biotech Corp. (OTC: ETBI) seems to be in full turnaround mode.

The company has developed a cost effective [insulin](#) mouth rinse that can treat the [diabetes](#) epidemic in the emerging markets starting in the Philippines. Large drug manufactures like Novo Nordisk (NYSE: NVO) with its complete line of diabetes drugs doesn't have anything like it. Most of the other big drug makers like Eli Lilly (NYSE: LLY), AstraZeneca (NYSE: AZN), and Sanofi Adventis (NYSE: SNY) have injection type drugs that take a sick pancreas and try to squeeze as much insulin output as they can so that the diabetes patient only has to take one shot a week.

Emerging markets can't afford these drugs and common sense dictates a better approach is to supplement the pancreas with insulin preserving the pancreas as long as possible. ETBI in the month of March had 4 press releases and a number of tweets, and when combined equal a major turnaround. The first major news was the 10-K filing containing nuggets of corporate structure, and immediately following was a shareholder letter that was bold and outlines what their plans were. The next two press releases contained MOU's that demonstrated execution on the plan that they laid out. The only thing missing at this stage is the definitive agreement and cash in hand.

Activity Increasing

The old adage where there is smoke there is fire might be applying to ETBI. The spark dates back to



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the press release in December 2017 when Gunpowder Capital announced “The Corporation has been advised by EastGate that they will have their 2016 10-K report finalized and all subsequent 10-Q reports for the 2017 fiscal year finalized and filed onto EDGAR sometime in 2018.” The next press release over a month later announced the opening of a representative office in the Philippines. This seemed somewhat random unless you really read the press release where they stated “The office will also support and coordinate all regulatory activities and serve as a hub from which EastGate management and personnel will engage its partnership strategies and new business development.” In retrospect this press release was setting the stage again for the next release to follow which was the 10K and Corporate Update in successive fashion. On their Investors Hub Message board there was an explosion of activity on February 27th and it has sustained its long term position of 34 on the Breakout boards.

Solid Chart Pattern

There was very little activity in 2017 and then the chart volume woke up from its hibernation. Last year the chart experience a lot of technical damage due to a 3(a)(10) financing. This year the chart is in a strong uptrend with lots of trading volume and has traded 333 million shares since February 21, 2018 which approximately represents the entire float. This likely means a completely set of new investors is in the stock and they must like the story because there is continued buying of every pullback. If you eyeball the price weighted average it's sitting at about .005. The short term 12 day and 26 day moving averages are acting as a solid support line.

Link to Chart: <http://emerginggrowth.com/wp-content/uploads/2018/03/etbi-Picture1.png>

Corporate Update

Many ideas came out in the corporate update but it's essentially a road map of its business plan. They telegraphed their entire development plans with astonishing accuracy and conservativeness. The biggest item that they telegraphed was non-dilutive financing which was mentioned 3 times in the update.

The 10-K filing had the details in the subsequent events section of an above market financing at \$.01 when the stock was trading at \$.001 for \$75,000. With those funds in hand we clearly saw ETBI advance the business by establishing the Manilla office and signing 2 MOU's.

This same non-dilutive verbiage followed in 2 news releases about MOU's ETBI has struck with JV partners in the same country. It almost appears like they have a bidding war going on between two competing JV partners for a slice of this market. This is equivalent to 2 shots on goal to get financing with hints in the last MOU that more may be coming as CEO Gluskin is quoted “Our corporate ambassador William Abajian has returned to the Philippines ahead of expectations to finish the finer points of the definitive agreements and develop new relationships.” The tweets from Abajian seem to have a little braggadocio but if history serves as our guide they seem to have substance, and a licensing deal must be near and much nearer than the company led us to believe. Keep in mind that the company said on March 6, 2018 just over a week ago that “Negotiations during this phase are well underway with respect to the details of the partnership and we expect to have a final version within 90 days submitted via an 8-K filing.” The formal JV is looking like a classic case of under promising and over delivering.

Link to Social Media Posts: <http://emerginggrowth.com/wp-content/uploads/2018/03/etbi-Picture2.png>

Surgical Center Plans

The company released some metrics of business activity and indicated a possible franchise model was in the works. The update mentioned that they had an “eye on the emerging markets for this endeavor.” There could be some developments and clarity that come out of this trip with respect to the franchise model. If they get any sort of JV with funding, Omni Surgery Clinic might be an ideal spin off for a new roll-up strategy company. The significance of this is that if there are any short actors in this market. That news would send them packing as they would have to cover their shares because they would be unable to pay the dividend owed.

Gun Powder Capital

In April last year ETBI engaged Gunpowder Capital Corporation to do a co-listing on the Canadian Exchange. They gave gunpowder 1.0 million warrants at \$.05/share to do the listing. In December Gunpowder gave an update that they were “optimistic” that they could get a listing on the Canadian Stock Exchange and were just waiting for filings to be completed. Most investors don’t understand how these listings work but the essence is that a company like Gunpowder would setup a Canadian company; EastGate then buy stock from the US entity then complete the listing while doing a money raise. In the process of raising money Gunpowder creates awareness, increases liquidity, and expands the shareholder base to Canadian’s. ETBI would issue a block of stock to Gunpowder and they would issue Canadian depository receipts for trading in ETBI that would eventually closely mirror trading on the US exchange. Gunpowder would raise money through a Canadian offering and the proceeds would flow into ETBI for general purposes after the listing was approved.

The primary function of a Canadian listing is to expand the investor base but in this case there is clearly an ulterior motivation to open up the Canadian market to the insulin mouth rinse once the clinical trials are done overseas. Insulin is considered an over the counter drug in Canada. This also creates a platform for a roll up strategy of additional Omni Clinic’s in Canada.

Summary

A lot of indicators are pointing toward a very large non-dilutive financing inflow into ETBI to fund its clinical development of the Insulin Mouth Rinse. It appears they have 2 potential partners at the table and investors should consider that as a very strong indication that something is going to transpire. According to Statista the projected type 2 global diabetes market could reach \$67.7 billion. With an insulin mouth rinse that avoids the costs and hazards of injectable it’s not hard to imagine a \$100 million dollar market cap for this company which equates to \$.10. According to their business plan \$5.0 million is needed for a clinical trial. If they get the financing then investors need to look at how long it will take to get approval and discount the next milestone of having a ready to market insulin mouth rinse with distribution partners in place. According to OTC Markets the market capitalization is \$2.4 million and that seems grossly undervalued given the probability of financing and the probability of reaching their endpoint of regulatory approval in the Philippines.

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