

FORM 7

MONTHLY PROGRESS REPORT – December 2013

Name of CNSX Issuer: Pivotal Therapeutics Inc. (the "Issuer").

Trading Symbol: PVO

Number of Outstanding Listed Securities: 91,916,277 common shares

Date: January 13, 2014

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the CNSX.ca website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the CNSX Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

- 1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.**

Over the previous month, the Issuer's business activities have been focused on continuing the commercializing of its lead product **VASCAZEN**[®]. It is a prescription only medical food for the dietary management of an Omega-3 deficiency in patients with cardiovascular disease. The product is readily available for sale through a prescription in all major pharmacies across the U.S. and is receiving reimbursement from a growing number of the nations largest private insurers.

- 2. Provide a general overview and discussion of the activities of management.**

Management is continuing to work and deliver on the objectives laid out in the business plan to grow sales of its lead product **VASCAZEN**[®] and increase shareholder value. To support these efforts management entered into a CDN \$5,000,000 Convertible Promissory Note led by Crossover Healthcare Fund LLC, a U.S. institutional fund, as a continuation of its non-brokered private placement. To date the Company has completed the sale of 1,916 units at a price of CDN \$1,000 for gross proceeds of \$1,915,980. The proceeds are being used as working capital to build the sales of the company's lead product **VASCAZEN**[®]. Additionally, management continues to build relationships in the business community in which it operates.

- 3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.**

This item is not applicable to the Issuer for the month of December 2013.

- 4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.**

This item is not applicable to the Issuer for the month of December 2013.

5. **Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of.**

This item is not applicable to the Issuer for the month of December 2013.

6. **Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.**

This item is not applicable to the Issuer for the month of December 2013.

7. **Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.**

This item is not applicable to the Issuer for the month of December 2013.

8. **Describe the acquisition of new customers or loss of customers.**

This item is not applicable to the Issuer for the month of December 2013.

9. **Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks.**

This item is not applicable to the Issuer for the month of December 2013.

10. **Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.**

This item is not applicable to the Issuer for the month of December 2013.

11. **Report on any labour disputes and resolutions of those disputes if applicable.**

This item is not applicable to the Issuer.

- 12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.**

This item is not applicable to the Issuer.

- 13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.**

The Company has entered into an agreement with institutional investors to raise CDN \$5,000,000 through Convertible Promissory Notes and warrants led by Crossover Healthcare Fund, LLC. The funds raised will be used to expand sales and marketing, advance on going clinical trials, and for general working capital, including business development.

Under the terms of the debt agreement, the investors will purchase units consisting of CDN \$1,000 of Convertible Promissory Notes (the "Note" or "Notes") and warrants to purchase 1,200 shares of common stock of the Company (the "Warrants"). The maturity of the Notes is two (2) years from the date of issuance. Investors may convert their Notes into common shares for CDN \$0.25 per share at anytime prior to maturity. The Notes will accrue interest at a rate of 8% per annum, due and payable quarterly with the first payment due three months from the date of issuance. The Company may, at its discretion, pay the interest in either cash or common shares of the Company; valued at the greater of CDN \$0.25 per share and such price as may be allowed under Canadian National Stock Exchange (CNSX) Policy. Each Warrant will represent the right to purchase shares of common stock of the Company at a price of CDN \$0.30 per share. The Warrants shall be exercisable after the date of issuance and shall expire five (5) years after the date of issuance.

Under this debt agreement the Company has completed the sale of 1,916 units at a price of CDN \$1,000 for gross periods of \$1,915,980. As of the date of this report the financing still remains open.

- 14. Provide details of any securities issued and options or warrants granted.**

This item is not applicable to the Issuer for the month of December 2013.

- 15. Provide details of any loans to or by Related Persons.**

This item is not applicable to the Issuer for the month of December 2013.

- 16. Provide details of any changes in directors, officers or committee members.**

This item is not applicable to the Issuer for the month of December 2013.

- 17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.**

None.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1)
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: January 13, 2014

Rachelle MacSweeney
Name of Director or Senior
Officer

“Rachelle MacSweeney”
Signature

President, Chief Operating
Officer and Director
Official Capacity

<i>Issuer Details</i> <u>Name of Issuer</u> Pivotal Therapeutics Inc.	<u>For Month End</u> December 31, 2013	<u>Date of Report</u> (YY/MM/D) 14/01/13
<u>Issuer Address</u> 81 Zenway Blvd., Unit 10		
<u>City/Province/Postal Code</u> Woodbridge, Ontario L4H 0S5	<u>Issuer Fax No.</u> (905) 856-2177	<u>Issuer Telephone No.</u> (905) 856-9797
<u>Contact Name</u> Rachelle MacSweeney	<u>Contact Position</u> President, Chief Operating Officer & Director	<u>Contact Telephone No.</u> (905) 856-9797
<u>Contact Email Address</u> rmacsweeney@pivotaltherapeutics.us	<u>Web Site Address</u> www.pivotaltherapeutics.us	