

Due Diligence Report: False Accusations Cause Mayhem; Share Price Ready to Bounce

Summary

Cellceutix Corporation, incorporated on August 1, 2005, is a clinical-stage pharmaceutical company. The Company is focused on developing and/or acquiring small molecule therapies to treat diseases with significant medical need. The Company's clinical programs include Kevetrin, Prurisol, Brilacidin and Brilacidin-OM. The Company is evaluating investigational drugs Kevetrin (thioureidobutyronitrile) for the treatment of cancers, Prurisol (KM-133) for the treatment of psoriasis, and Brilacidin for the treatment of skin infections and prevention of oral mucositis complicating chemoradiation treatment for cancer. The Company has also planned to conduct a Phase II clinical trial of topical host-defense peptides (HDP) mimic for the treatment of hidradenitis suppurativa (HS). The Company is also formulating and conducting pre-clinical experiments on topical Brilacidin for use in topical applications, such as diabetic foot ulcer infections, and for ear-related infections, such as otitis externa or draining otitis media. The other compounds owned by the Company are KM 391 for autism, KM 277 for arthritis, KM 278 for arthritis/asthma, KM 362 for multiple sclerosis (MS)/amyotrophic lateral sclerosis (ALS)/Parkinsons, KM-3174 for cancer and KM-732 for hypertensive emergency. Kevetrin an anti-cancer compound indicated for the treatment of solid tumors. The product is undergoing Phase I clinical trials. Prurisol (KM-133) is the Company's anti-psoriasis drug candidate. It is a small molecule with a molecular weight of less than 500 molecular weight (MW). Prurisol acts through immune modulation and psoriasis associated ribonucleic acid (RNA) induced by stress (PRINS) reduction. KM-133 is a small molecule compound acting on the principles of folate mechanism. The Company has started the Phase II trial of Prurisol. Brilacidin is indicated for treatment of acute bacterial skin and skin structure infection (ABSSSI). The intravenous formulation of Brilacidin treats variety of infections, including ABSSSI caused by drug-sensitive or drug-resistant strains of Staphylococcus aureus, including Methicillin-Resistant Staphylococcus aureus (MRSA), and by other Gram-positive bacteria. The Company has also identified inflammatory gastrointestinal (GI) disease as an indication for treatment with Brilacidin. The Company has completed Phase II clinical trials of Brilacidin for treatment of ABSSSI. Brilacidin-OM is indicated for treatment of oral mucositis. Brilacidin-OM is undergoing Phase II clinical trials.

Cellceutix Corp. has a current market capitalization of \$130.58 M with 118.17 M outstanding shares. Its daily average volume traded is 295,463 shares.

Key Indicators (Q2 2015)

Shares Outstanding	118.17 M
Revenue (FY 2014)	Nil
Gross Profit	Nil
Net Loss (basic/diluted)	-3.10 M
Cash and Short-term Inv	8.41 M
Total Debt	2.02 M

Performance (6 months)



Recent News and Analysis:

The company recently that it continues to progress towards starting a phase 3 study for Brilacidin intravenous (IV) in the treatment of Acute Bacterial Skin and Skin Structure Infections (ABSSSI). In September, Cellceutix submitted its initial Pediatric Study Plan (PSP) to the Food and Drug Administration (FDA) for the use of Brilacidin IV in the treatment of ABSSSI in children. Cellceutix agreed to submit the PSP during its end-of-phase 2 meeting with FDA in mid-July. The submission of the PSP is the first of many requirements in expanding the use of Brilacidin to children. Cellceutix is engaged in other phase 3 start-up activities. For example, the Company recently received the Brilacidin active pharmaceutical (API) from its contracted manufacturer. The API which has already passed all quality control tests at the manufacturer is now undergoing additional rigorous laboratory testing by our vendors to make certain it's up to the standards we require for the drug. We will test it head-to-head with the product used in earlier studies. Thereafter, we will begin the process of preparing the formulation for the phase 3 clinical study by using lyophilization. Lyophilization is a freeze-drying process that makes the drug more stable at room temperature, which has benefits for storage, transportation and administration. In addition, the Company is continuing its interviews of leading sites and Contract Research Organizations (CROs) that have experience conducting global ABSSSI studies.

In other news, the company has recently been under scrutiny by legal charges stating the company was involved with stock manipulation. Most recently the company responded to Rosen Law Firm, the firm that has filed a class action lawsuit against the firm, stating:

"You have conceded in both your complaint and amended complaint that the factual allegations are based solely upon a "report" posted on the internet. What you fail to disclose in the complaint is that the "report" was authored by an anonymous third party who was a short seller of the stock. As we discuss below, you lacked a legitimate basis in law or fact to rely upon the content of the "report" to file

your lawsuit. Indeed, even a modest due diligence on your part would have revealed that the claims in that "report" -- which you relied upon and subsequently reproduced as factual allegations of your own -- were demonstrably false. Not surprisingly, our client has suffered significant damages (including a substantial diminution in its stock price) as a result of the initial posting of the false "report" referenced above. Those losses, however, have been overshadowed by the catastrophic damages that have come as a direct result of your improper decision to issue a so-called "Equity Alert" and file a class action lawsuit. Your actions also have jeopardized the profound public interest in the development of life-saving drugs."

The company has agreed that the stock was subject to manipulation but that it was by an anonymous short seller creating mayhem for CTIX and that the company has been falsely accused of these actions.

This type of publicity has certainly tainted the image of CTIX, a company that prior to these accusations, was performing quite well on the market. The 100 day moving average was at approximately \$3.00 and appeared to be following a flat or slightly increasing trend. Comparatively, the company has a solid pipeline of candidate drugs and several drugs well into clinical trials. Aside from this negative publicity, the company has been praised by analysts. Following the announcement of a class action lawsuit against the company, the share price fell to Friday's close of \$1.11; down 65% in the last 3 months. The near future can certainly bring heavy swings in this stocks share price. Keep a close watch on it.

Conclusions:

CTIX is one of those legendary stories that is exciting to report on; from pennies a share back in 2011 to recent highs near \$5 CTIX has transformed itself as the top most traded stock on the entire OTC market. It all comes back to Cellceutix chief scientific officer, Dr. Krishna Menon; he played key roles in developing two blockbuster cancer drugs; Gemzar and Alimta for Eli Lilly & Co.(NYSE:LLY) back in the late 90's. For CTIX he developed Kevetrin which just received Orphan Drug Designation for the treatment of ovarian cancer. Kevetrin is successful in regulating the p53 pathway that has long been the holy grail of cancer research and big pharma. Industry leaders spent hundreds of millions of dollars trying to achieve what Dr. Krishna Menon has achieved with Kevetrin. With continued support from the FDA and Dr. Krishna Menon, the stock is almost certain to rebound from the current lows and once again become an investor favorite.

Sources:

1. <http://cellceutix.com/#sthash.p8fpHRle.dpbs>
2. <http://stockcharts.com/h-sc/ui?s=CTIX&p=D&b=5&g=0&id=p11083063292>
3. <http://www.reuters.com/finance/stocks/companyProfile?rpc=66&symbol=CTIX.PK>
4. <http://www.google.ca/finance?q=OTCMKTS%3ACTIX&fstype=ii&hl=en&gl=ca&ei=RIkrVqn7GNiYjAHjhr74Aw>
5. <https://ca.finance.yahoo.com/q?s=CTIX&ql=1>
6. <http://www.microcapdaily.com/comeback-time-for-cellceutix-corp-otcmktsctix/112381/>

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Disclosure: I, Robert Borowski, research analyst have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions and I have no business relationship with any company whose stock is mentioned in the article.

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