

PREDICTIVE TECHNOLOGY GROUP, INC.
QUARTERLY REVIEW
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

PREDICTIVE TECHNOLOGY GROUP, INC.

CONSOLIDATED BALANCE SHEETS

September 30, 2018 and June 30, 2018

| | September 30, 2018 | June 30, 2018 |
|--|-----------------------|----------------------|
| | <i>Unaudited</i> | <i>Audited</i> |
| Assets | | |
| Current assets | | |
| Cash | \$ 1,056,780 | \$ 1,206,139 |
| Accounts receivable | 1,553,835 | 719,068 |
| Inventory | 3,383,654 | 3,791,374 |
| Other current assets | 97,752 | 17,551 |
| Total current assets | <u>6,092,021</u> | <u>5,734,132</u> |
| Fixed assets, net of depreciation | 1,918,234 | 773,870 |
| License agreements, net of amortization | 20,448,953 | 20,962,620 |
| Patents, net of amortization | 7,710,687 | 7,761,187 |
| Trade secrets, net of amortization | 34,692,259 | 8,096,311 |
| Equity method investments | 45,690,062 | 45,564,845 |
| Other long-term assets | 24,500 | 12,000 |
| Total assets | <u>\$116,576,716</u> | <u>\$ 88,904,964</u> |
| Liabilities and stockholder's equity | | |
| Current liabilities | | |
| Accounts payable | \$ 2,495,670 | \$ 1,322,149 |
| Accrued liabilities | 707,518 | 1,034,905 |
| Subscription payable | 3,444,947 | 4,409,390 |
| Total current liabilities | <u>6,648,135</u> | <u>6,766,444</u> |
| Long-term subscription payable | 10,694,310 | 10,965,610 |
| Total liabilities | <u>17,342,445</u> | <u>17,732,054</u> |
| Stockholder's equity | | |
| Common stock, par value \$0.001, 238,846,403, and 224,496,093 shares issued and out- standing at September 30, 2018 and June 30, 2018; | | |
| 900,000,000 shares authorized | 238,846 | 224,496 |
| Additional paid-in capital | 138,175,710 | 108,072,428 |
| Common stock subscriptions receivable | (700,000) | (1,025,000) |
| Accumulated deficit | (38,332,464) | (35,978,862) |
| Total controlling interest | <u>99,382,092</u> | <u>71,293,062</u> |
| Non-controlling interest | (147,821) | (120,152) |
| Total stockholder's equity | <u>99,234,271</u> | <u>71,172,910</u> |
| Total liabilities and stockholder's equity | <u>\$116,576,716</u> | <u>\$ 88,904,964</u> |

See accompanying notes to consolidated financial statements

PREDICTIVE TECHNOLOGY GROUP, INC.

CONSOLIDATED STATEMENT OF INCOME

3 Months Ended September 30, 2018 and 2017

| | 3 months ended, | |
|---|-----------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 |
| | <i>Unaudited</i> | <i>Unaudited</i> |
| Revenue from operations (net) | \$ 8,063,800 | \$ 2,005,171 |
| Cost of goods sold | 2,866,734 | 899,079 |
| Gross profit from operations | <u>5,197,066</u> | <u>1,106,092</u> |
| Operating expenses | | |
| Sales and marketing expense | 2,422,718 | 549,549 |
| General and administrative | 2,563,440 | 359,394 |
| Research and development | 605,390 | 12,500 |
| Amortization and depreciation expense | 1,672,430 | 748,653 |
| Total operating expense | <u>7,263,978</u> | <u>1,670,096</u> |
| Loss from operations | <u>(2,066,912)</u> | <u>(564,004)</u> |
| Other income (expense) | | |
| Interest income | 423 | 93,224 |
| Equity method investment gain / (loss) | (314,782) | - |
| Other income (expense) | - | - |
| Net income / (loss) | <u>\$ (2,381,271)</u> | <u>\$ (470,780)</u> |
| Net loss non-controlling interest | <u>(27,669)</u> | <u>(8,124)</u> |
| Net loss controlling interest | <u>\$ (2,353,602)</u> | <u>\$ (462,656)</u> |
| Loss per common share | | |
| Basic and diluted | (0.011) | (0.002) |
| Average common shares (in thousands) | | |
| Basic and diluted | 223,254 | 201,978 |

See accompanying notes to consolidated financial statements

PREDICTIVE TECHNOLOGY GROUP, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

3 Months Ended September 30, 2018 and Year Ended June 30, 2018

| | Common Stock | | Additional Paid-in Capital | Common Stock Subscriptions | Non- Controlling Interest | Accumulated Deficit | Total Stockholder's Equity |
|---|---------------------------|-------------------------|----------------------------------|----------------------------------|---------------------------------|-------------------------------|----------------------------------|
| | Shares | Amount | | | | | |
| Balance June 30, 2018 | <u>224,496,403</u> | <u>\$224,496</u> | <u>\$ 108,072,428</u> | <u>\$ (1,025,000)</u> | <u>\$ (120,152)</u> | <u>\$ (35,978,862)</u> | <u>\$ 71,172,910</u> |
| Common stock issued for investment | 15,500,000 | 15,500 | \$ 14,244,500 | | | | \$ 14,260,000 |
| Common stock issued for services | 50,000 | 50 | \$ 43,450 | | | | 43,500 |
| Common stock cancelled | (1,200,000) | (1,200) | \$ - | | | | (1,200) |
| Warrants issued for trade secrets | | | 15,160,385 | | | | 15,160,385 |
| Warrants and options issued for services | | - | 654,948 | | | | 654,948 |
| Cash received from common stock subscriptions | | - | | 325,000 | | | 325,000 |
| Net income | | - | | | (27,669) | (2,353,602) | (2,381,271) |
| Balance September 30, 2018 | <u>238,846,403</u> | <u>\$238,846</u> | <u>\$ 138,175,710</u> | <u>\$ (700,000)</u> | <u>\$ (147,821)</u> | <u>\$ (38,332,464)</u> | <u>\$ 99,234,271</u> |

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
3 Months Ended September 30, 2018 and 2017

| | 3 months ended, | |
|--|-----------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 |
| | <u>Unaudited</u> | <u>Unaudited</u> |
| Cash flows from operating activities | | |
| Net earnings (loss) | \$ (2,389,580) | \$ (462,656) |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,671,438 | 748,653 |
| Stock, options and/or warrants exchanged for service: | 528,344 | - |
| Accrued interest income | - | (93,000) |
| Non cash compensation to employees | 170,104 | - |
| Change in equity method investment | 314,782 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (834,767) | (75,797) |
| Inventory | 407,719 | (428,962) |
| Prepaid expenses | (80,200) | (94,890) |
| Other assets | (24,500) | - |
| Accounts payable | 1,176,451 | 327,824 |
| Accrued liabilities | (330,315) | (372,635) |
| Net cash provided (used) by operating activities | <u>609,477</u> | <u>(451,463)</u> |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (1,226,507) | (142,779) |
| Capitalization of license agreement costs | - | (1,955,472) |
| Common stock issued for acquisition | 14,260,000 | - |
| Acquisition of minority interests | (440,000) | - |
| Acquisition of Incpetion Dx | (12,320,020) | - |
| Capitalization of patent application costs | (140,675) | - |
| Net cash provided (used) by investing activities | <u>132,798</u> | <u>(2,098,251)</u> |
| Cash flows from financing activities | | |
| Cash paid for subscription payable | (1,216,634) | - |
| Common stock and warrants issued for cash | 325,000 | 2,695,000 |
| Net cash provided (used) by financing activities | <u>(891,634)</u> | <u>2,695,000</u> |
| Net increase (decrease) in cash | (149,359) | 145,286 |
| Cash at beginning of period | <u>\$ 1,206,139</u> | <u>\$ 968,202</u> |
| Cash at end of period | <u>\$ 1,056,780</u> | <u>\$ 1,113,488</u> |
| Non-cash financing and investing activities: | | |
| Warrants issued for trade secrets | 15,160,385 | - |

See accompanying notes to consolidated financial statements

Notes to consolidated financial statements

NOTE 1 BUSINESS DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

BUSINESS DESCRIPTION:

Predictive Technology Group, Inc. together with its subsidiaries (collectively, “PTG” or the “Company”) develops and commercializes discoveries and technologies involved in novel molecular diagnostic and pharmaceutical therapeutic/Human Cells, Tissues and Human Cellular and Tissue-Based Products (“HCT/Ps”). The Company uses this information as the cornerstone in the development of new diagnostics that assess a person’s risk of disease and pharmaceutical therapeutics and HCT/Ps designed to effectively prevent and treat the disease. The Company’s corporate headquarters are located in Salt Lake City, Utah.

SEGMENT INFORMATION:

In accordance with ASC 280-10-50, Segment Reporting, operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. The Company operates in two reportable segments: HCT/Ps and diagnostics and therapeutics. Predictive Biotech’s HCT/Ps are processed in our FDA registered lab. Our minimally manipulated tissue products are prepared utilizing proprietary extraction methods that reduce the loss of important scaffolding, growth factor and general cytokines and are intended for homologous use. Predictive Technology’s diagnostics and therapeutics uses data analytics for disease identification and subsequent therapeutic intervention through unique novel gene-based diagnostics, biotechnology treatments and companion therapeutics.

| | 3 months ended September 31, 2018 | Year ended June 30, 2018 |
|---|---|--------------------------------|
| Segment revenues | | |
| Regenerative medicine products and HCT/Ps | \$ 8,063,800 | \$ 16,624,336 |
| Diagnostics and therapeutics | - | - |
| Total consolidated revenues | <u>\$ 8,063,800</u> | <u>\$ 16,624,336</u> |
| Segment operating income (loss) | | |
| Regenerative medicine products and HCT/Ps | \$ 673,003 | \$ (5,821,549) |
| Diagnostics and therapeutics | (2,739,916) | (6,503,628) |
| Total consolidated operating income (loss) | <u>\$ (2,066,913)</u> | <u>\$ (12,325,177)</u> |
| Reconciliation of segment operating income to income before income taxes | | |
| Segment operating income | \$ (2,066,913) | \$ (12,325,177) |
| Equity method gain/(loss) | (314,782) | (899,950) |
| Impairment charges | - | - |
| Interest income / (expense) | 424 | 199,953 |
| Segment income before income taxes | <u>\$ (2,381,271)</u> | <u>\$ (13,025,174)</u> |

| | 3 months ended September 31, 2018 | Year ended June 30, 2018 |
|--|---|--------------------------------|
| Capital assets, net | | |
| Regenerative medicine products and HCT/Ps | \$ 892,584 | \$ 438,277 |
| Diagnostics and therapeutics | 1,025,650 | 335,592 |
| Total capital assets, net | \$ 1,918,234 | \$ 773,869 |
| Depreciation expense | | |
| Regenerative medicine products and HCT/Ps | \$ 37,021 | \$ 82,306 |
| Diagnostics and therapeutics | 45,120 | 68,339 |
| Total depreciation expense | \$ 82,141 | \$ 150,645 |
| Intangible and equity method investment assets, net | | |
| Regenerative medicine products and HCT/Ps | \$ 7,643,543 | \$ 8,096,311 |
| Diagnostics and therapeutics | 101,078,430 | 74,288,652 |
| Total intangible and equity method investment assets, net | \$ 108,721,973 | \$ 82,384,963 |
| Amortization expense | | |
| Regenerative medicine products and HCT/Ps | \$ 704,445 | \$ 2,817,786 |
| Diagnostics and therapeutics | 884,851 | 1,605,103 |
| Total amortization expense | \$ 1,589,296 | \$ 4,422,889 |
| Warrants and options expense (non-cash) | | |
| Regenerative medicine products and HCT/Ps | \$ 55,749 | \$ 8,216,888 |
| Diagnostics and therapeutics | 599,199 | 2,310,539 |
| Total warrants and options expense (non-cash) | \$ 654,948 | \$ 10,527,427 |

BASIS OF PRESENTATION:

This summary of significant accounting policies of the Company is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity.

Fiscal Year End

The Company operates on a fiscal year basis with the fiscal year ending on June 30.

Consolidation

These consolidated financial statements include the financial statements of Predictive Technology Group, Inc. and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash Equivalents

The Company considers all highly-liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. The Company places its temporary cash investments with high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At September 30, 2018 and June 30, 2018, the Company had

\$548,530 and \$956,139 in excess of the FDIC insured limit.

Going Concern

These financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Predictive Biotech, Inc. ("Predictive Biotech"), a subsidiary of PTG, began operations during the fiscal year ended June 30, 2017. Since inception of operations, revenues have exceeded cash expenses and such excess contributes to the overall operations of PTG.

In addition, PTG has raised sufficient capital through stock subscriptions to fund its obligations under its licenses and other agreements for the development of molecular diagnostics products under license in Predictive Therapeutics, LLC ("Predictive Therapeutics"), a subsidiary of PTG. It is anticipated that the initial sale of such products will take place in the second half of calendar year 2018 and accelerating through the first half of calendar 2019.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount. At the present time most sales are through credit cards, however from time to time, credit is granted to customers on a short-term basis without requiring collateral, and as such, these accounts receivable, do not bear interest, although a finance charge may be applied to such receivables that are past due. The Company has in place credit policies and procedures and approval process for sales returns and credit memos.

Inventories

Inventories consist primarily of HCT/Ps produced by Predictive Biotech. We value inventory at the lower of cost or net realizable value. We determine the cost of inventory using the standard-cost method, which approximates actual cost based on a first-in, first-out method. All other costs, including administrative costs are expensed as incurred.

We analyze our inventory levels annually and write down inventory that has a cost basis in excess of its expected net realizable value, or that is considered in excess of normal operating levels, as determined by management. The related costs are recognized as cost of goods sold in the Consolidated Statements of Operations.

Stock Subscriptions Receivable

Stock subscriptions are recorded as contra-equity on the day the subscription agreement is signed and accepted by the Company. All stock subscribed as of the date of these financial statements has been collected. The stock is not issued until subscriptions are collected.

Prepaid Expenses

Amounts paid in advance for expenses are accounted for as prepaid expenses and classified as current assets if such amounts are to be recognized as expense with the current period.

Property, Plant and Equipment

Lab equipment, furniture and computer equipment are stated at cost less accumulated depreciation. Depreciation and amortization are computed using the straight-line method based on the lesser of estimated useful lives of the related assets or lease terms. Lab equipment items have depreciable lives of 5 years, furniture items have depreciable lives of 5 to 7 years, and computer equipment items have

depreciable lives of 3 years. Repairs and maintenance costs are charged to expense as incurred.

Intangible Assets and Other Long-Lived Assets

Intangible and other long-lived assets are comprised of acquired patents, licenses, trade secrets and other intellectual property. Acquired intangible assets are recorded at fair value and amortized over the shorter of the contractual life or the estimated useful life.

Impairment of Long-Lived Assets

Long-lived assets, such as property, equipment, and definite-lived intangibles subject to depreciation and amortization, as well as acquisition costs of subsidiaries, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated future undiscounted net cash flows of the related asset or group of assets over their remaining lives.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued the converged standard on revenue recognition with the objective of providing a single, comprehensive model for all contracts with customers to improve comparability in the financial statements of companies reporting using International Financial Reporting Standards and U.S. GAAP. The standard contains principles that an entity must apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity must recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. An entity can apply the revenue standard retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings (modified retrospective method).

The standard was effective for the Company beginning July 1, 2018. The Company elected to adopt the standard using the modified retrospective approach. This approach was adopted because the Company believes the new Standard has very little impact on revenue recognition for the current products sold.

The Company generates revenue by selling Human Cell and Tissue Products (HC/TP's) to clinics and doctors. Revenue from these sales are recorded at the invoiced amount net of any discounts or contractual allowances. The Company has determined that the shipment of the product indicates transfer of control for revenue recognition purposes.

We have evaluated each of the five steps in Topic 606, which are as follows:

- 1) Identify the contract with the customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations; and
- 5) Recognize revenue when (or as) performance obligations are satisfied.

Our conclusion is that we have identified similar performance obligations under ASC Topic 606 as compared with deliverables and separate units of account previously identified under the old standard. As a result, the timing of our revenue appears to remain the same in comparison to the prior revenue recognition guidance.

We sell our products through a direct sales force and through distribution in the U.S. Revenues from these customers are recognized when all the following steps identified above have occurred. These criteria are generally satisfied at the time of shipment when risk of loss and title passes to the customer. We reserve for sales returns, including returns related to defective products, as a reduction in net sales, based on our historical experience. These reserves are recorded as a reduction in net sales and are not considered material to our consolidated statements of income for 3 months ended September 30, 2018 and for the year ended June 30, 2018.

The Company also has significant experience with historical discount patterns and uses this experience to finalize transaction prices. In accordance with ASU 2016-12, the Company would elect to exclude from the measurement of transaction price, all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer for e.g. sales tax, value added tax etc. However, as our business is thus far not with the end consumer, the collection of taxes is unnecessary.

The Company has also elected to apply the practical expedient for not adjusting revenue recognized for the effects of the time value of money. This practical expedient has been elected because the Company collects cash directly from customers immediately adjacent to shipment.

There are also certain considerations related to internal control over financial reporting that are associated with implementing Topic 606. We are currently evaluating our control framework for revenue recognition and identifying any changes that may need to be made in response to the new guidance. Disclosure requirements under the new guidance in Topic 606 have been significantly expanded in comparison to the disclosure requirements under the current guidance. Designing and implementing the appropriate controls over gathering and reporting the information required under Topic 606 is currently in process.

Shipping and Handling

We bill our customers for shipping and handling charges, which are included in net sales for the applicable period, and the corresponding shipping and handling expense is reported in cost of sales.

Research and Product Development Costs

The Company expenses research and product development costs as incurred.

Product Liability and Warranty Costs

The Company maintains product liability insurance and has not experienced any related claims from its products offerings. The Company also offers a warranty to customers providing that its products will be delivered free of any materials defects. There have been no material costs incurred since inception based on estimated return rates. The Company reviews the adequacy of its recorded accrual on a quarterly basis.

Income Taxes

Deferred tax assets and liabilities are recorded to reflect the future tax consequences attributable to the effects of differences between the carrying amounts of existing assets and liabilities for financial reporting and for income tax purposes. Deferred taxes are calculated by applying enacted statutory tax rates and tax laws to future years in which temporary differences are expected to reverse. The impact on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the rate change is enacted.

Measurement of Fair Value

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined in the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting periods. Key estimates in the accompanying consolidated financial statements include, among others, revenue recognition, allowances for doubtful accounts and product returns, provisions for obsolete inventory, valuation of long-lived assets, and deferred income tax asset valuation allowances. Actual results could differ materially from these estimates.

Recently Issued Financial Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which modified lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and disclosing key information about leasing arrangements. ASU 2016-02 will be effective for the Company beginning July 1, 2019 and early adoption is permitted. We are currently evaluating the timing of its adoption and the impact of adopting the new lease standard on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which provides guidance to entities to assist with evaluating when a set of transferred assets and activities is a business and provides a screen to determine when a set is not a business. Under the new guidance, when substantially all of the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset, or group of similar assets, the assets acquired would not represent a business. Also, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to produce outputs. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and should be applied on a prospective basis to any transactions occurring within the period of adoption. Early adoption is permitted for interim or annual periods in which the financial statements have not been issued. We do not presently anticipate that the adoption of ASU 2017-01 will have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*, which requires the recognition of the income tax consequences of an intra-

entity transfer of an asset, other than inventory, when the transfer occurs. ASU 2016-16 will be effective for us beginning on July 1, 2018. We are currently evaluating the impact of adopting ASU 2016-16 on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for us beginning on July 1, 2018 with early adoption permitted. We do not presently anticipate that the adoption of ASU 2016-15 will have a material impact on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance regarding the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, ASU 2016-01 clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 will be effective for us beginning on July 1, 2018. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. Upon adoption of ASU 2016-01, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. We do not presently anticipate that the adoption of ASU 2016-01 will have a material impact on our financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which will require all deferred tax assets and deferred tax liabilities to be presented as noncurrent within a classified balance sheet. ASU 2015-17 was effective for us as of July 1, 2017. ASU 2015-17 may be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. We have elected not to early adopt ASU 2015-17. We do not anticipate that the adoption of ASU 2015-17 will have a material impact on our financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update the financial reporting requirements for revenue recognition. Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. This guidance is effective for us beginning on July 1, 2018, and entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. We have evaluated the adoption of this standard on a retrospective basis and believe it will have no material impact to what has been reported. Therefore, the Company will adopt this standard on a modified retrospective basis.

NOTE 2 BUSINESS COMBINATIONS AND EQUITY METHOD INVESTMENTS

Predictive Therapeutics, LLC

On April 15, 2015, Global Enterprises Group, Inc. (“GLHO”) acquired 100% of Predictive Therapeutics, LLC. After the acquisition, GLHO changed its name to Predictive Technology Group, Inc. On October 31, 2015, the initial agreement was modified to make certain technical corrections and adjustments for contingencies which were not met at that date. The Company issued a total of 131,058,458 shares of common stock in this transaction. Under this merger agreement, there was a change in control which has been treated for accounting purposes as a reverse recapitalization.

LifeCode Genetics, Inc.,

On November 6, 2015, the Company announced the acquisition of LifeCode Genetics, Inc. (“LifeCode”) as its wholly owned subsidiary. LifeCode holds a strategic equity investment of 10.169% in Juneau Biosciences, LLC (“Juneau”). In addition to the development of an assay and related services for the prognosis and monitoring of endometriosis in the infertility market which the Company has licensed, Juneau is developing technologies for the diagnosis of other women’s health issues.

The Company issued 6,561,870 common shares to acquire LifeCode and has recorded the acquisition as a Portfolio Investment with a valuation set at \$16,404,675.

A share exchange agreement was entered into on September 22, 2015 that required the Company to issue to LifeCode former shareholders to meet the terms of the exchange agreement an additional 5,718,372 shares. Using the OTC value (defined as the share price listed on the date of the transaction in the over-the-counter dealer markets and networks) for the additional shares issued results in an increase of value to \$30,700,605, an increase of \$14,295,930. A valuation performed by an external outside valuation expert supports a September 22, 2015 value of \$16,520,150 resulting in a day one impairment of \$14,180,455.

The fair value of the purchase consideration issued to the sellers of LifeCode was allocated to the units of equity acquired.

Juneau reports to its members on a calendar year basis and LifeCode records its distributable share of such reported income using the equity method.

SEC Rule 4-08(g) of Regulation S-X requires a registrant to disclose, in the notes to its financial statements, summarized balance sheet and income statement information of all investees on an aggregate basis, if deemed significant. See such summaries below. The numbers presented in the schedules below related to Juneau are audited.

Juneau Biosciences, LLC
BALANCE SHEET

| | December 31, | |
|---|---------------------|---------------------|
| | 2017 | 2016 |
| Assets | | |
| Current Assets | | |
| Cash | \$ 40,077 | \$ 69,718 |
| Total Current Assets | <u>40,077</u> | <u>69,718</u> |
| Other Assets | | |
| Patents | 168,476 | 163,426 |
| Accumulated Amortization | (64,385) | (54,673) |
| Security Deposits | 39,022 | 34,922 |
| Total Other Assets | <u>143,113</u> | <u>143,675</u> |
| Total Assets | <u>\$ 183,190</u> | <u>\$ 213,393</u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 13,321 | \$ 1,049,529 |
| Credit Card Payable | - | 18,308 |
| Salary Payable | 898,669 | 843,727 |
| Accrued Payroll Liabilities | 416 | 32,853 |
| Accrued Interest | 266,320 | 860,042 |
| Notes Payable | 1,051,968 | 3,325,072 |
| Due to related parties | 417,000 | 768,968 |
| Total Current Liabilities | <u>2,647,694</u> | <u>6,898,499</u> |
| Total Liabilities | <u>2,647,694</u> | <u>6,898,499</u> |
| Members' equity | | |
| 34,117,913 and 28,138,878 units issued and outstanding as of December 31, 2017 and December 31, 2016, respectively | - | - |
| Additional paid-in capital, investor capital of \$26,367,947 and vested unit options of \$1,998,980 on December 31, 2017, and investor capital of \$21,036,988, vested warrants at \$4,200, and vested unit options of \$1,303,074 on December 31, 2016 | 28,366,927 | 22,344,262 |
| Retained Deficit | <u>(30,831,431)</u> | <u>(29,029,368)</u> |
| Total Members' Deficit | <u>(2,464,504)</u> | <u>(6,685,106)</u> |
| Total Liabilities and Members' Deficit | <u>\$ 183,190</u> | <u>\$ 213,393</u> |

Juneau Biosciences, LLC
STATEMENTS OF OPERATIONS

| | For the Years Ended | |
|---|-----------------------|-----------------------|
| | December 31, | |
| | 2017 | 2016 |
| License Income (Related Party) | \$ 1,005,830 | \$ 877,560 |
| Research & Development (Related Party) | 1,350,000 | - |
| Consulting (Related Party) | 88,237 | - |
| | <u>2,444,067</u> | <u>877,560</u> |
| Operating Expenses | | |
| General and administrative expenses | 1,855,485 | 596,011 |
| General and administrative expenses (Related Party) | 671,178 | 990,021 |
| Stock-based Compensation | 695,907 | 71,851 |
| Travel and entertainment | 9,064 | 4,654 |
| Interest expense | 1,004,791 | 463,558 |
| Depreciation expense | - | 3,377 |
| Amortization expense | 9,711 | 9,575 |
| Total Operating Expenses | <u>4,246,136</u> | <u>2,139,047</u> |
| Loss from operations | <u>(1,802,069)</u> | <u>(1,261,487)</u> |
| Other Income (Expenses) | | |
| Other Income | 6 | - |
| Total Other Expenses | <u>6</u> | <u>-</u> |
| Net Loss before Income Taxes | <u>(1,802,063)</u> | <u>(1,261,487)</u> |
| Income Tax Benefit | - | - |
| Net Loss | <u>\$ (1,802,063)</u> | <u>\$ (1,261,487)</u> |
| Net Loss per Common Unit | <u>\$ (0.06)</u> | <u>\$ (0.05)</u> |
| Weighted Average Number of Common Units Outstanding | <u>29,341,866</u> | <u>27,782,968</u> |

ReNovo Biotech, Inc.

On March 28, 2016, the Company announced the acquisition of ReNovo Biotech, Inc. as its wholly owned subsidiary. The acquisition provides the Company access to ReNovo Biotech’s cellular, tissue, biomaterial and regenerative medicine products and product candidates. This subsidiary is operated under the name Predictive Biotech, Inc. The Company issued 9,500,000 common shares to effect the acquisition which is recorded at a cost of \$14,087,000.

The purchase price was allocated to “trade secrets” including protocols to develop an amniotic allografts and umbilical cord allograft line of products in accordance with the provisions of ASC 805, *Business Combinations*. Such trade secrets were determined to be recognizable apart from any form of goodwill and are “technology-based”.

Aggregate amortization expense for the 3 months ended September 30, 2018 and September 30, 2017, was approximately and \$704,446, and \$850,116 respectively.

Estimated amortization expense for the developed technology consists of the following as of September 30, 2018:

| | <u>Year Ending June 30</u> |
|------|----------------------------|
| 2019 | 2,817,786 |
| 2020 | 2,817,786 |
| 2021 | 2,460,739 |

Inception DX, LLC

On August 22, 2018, the Company entered into an agreement captioned “Securities Purchase Agreement” with the members of Inception DX, LLC (“Inception”), a Utah limited liability company. Under the terms of the agreement, the Company acquired Inception for 15,500,000 shares of common stock. Inception owns laboratory equipment, partial interest in database records for over 31,900,000 individuals for use in genetics research, 400,000 units in Juneau Biosciences, LLC, initial CLIA registration, CLIA lab protocols, and other assets. Once the CLIA registration is completed, Inception will be used as a CLIA laboratory by Predictive Technology Group, Inc. and its affiliates.

The stock issued was for cash, laboratory equipment, Juneau Biosciences, LLC units “Juneau units”, and trade secrets related to the DNA database and protocols related to a future laboratory use as a CLIA lab. The cash was valued at face value. The Juneau units was based on the valued assigned when the Company entered into a subscription to purchase units of Juneau (\$1.10 per unit). The laboratory equipment was valued at market value as it had not been used and the Company is aware of the approximate market purchase price. It will be classified as equipment with a 5-year life. The proprietary data, DNA library, protocols, research and methods are classified as a trade secret in our industry. Therefore, the Company determined to allocate the remaining value of the assets purchased as a trade secret with a 15-year life.

The stock price on 8/22/2018 was \$0.92/share. Indicating a purchase price of \$14,260,000 requiring allocation:

| | |
|-----------------------------------|-------------------|
| • Cash | \$799,980 |
| • Lab equipment | 700,000 |
| • Investment in minority interest | 440,000 |
| • Trade secrets | <u>12,320,020</u> |
| Total purchase price: | \$14,260,000 |

The financial statements presented above reflect the increase of this minority interest investment. The 400,000 units acquired in this acquisition increased our ownership less than 1%, and as such, the Company has not acquired more than 50% of Juneau, in total, as of September 30, 2018. The \$440,000 allocated to Investment in Minority Interest is offset by our estimated share of the loss in Juneau’s operations for the quarter ended September 30, 2018.

Taueret Laboratories, LLC

On August 22, 2018, the Company entered into an agreement captioned “Asset Purchase Agreement” (the “Purchase Agreement”) with Taueret Laboratories, LLC and its members. Under the terms of the

Purchase Agreement, the Company issued warrants exercisable for 16,500,000 shares of the Company's common stock. The warrants were exercisable at fair market value of the Company's common stock on the closing date. In consideration for the warrants, the Company acquired (i) approximately 1,000 degenerative disc disease related DNA samples, related family records, relevant clinical records (including approximately 600 affected probands) and 800 ancestry matched control samples, (ii) whole exome sequencing data on approximately 300 degenerative disc disease samples, over 800 local controls, and published reference populations, together with initial analysis of the markers, (iii) project plan, study paperwork, promotional study and materials used in the research study, (iv) exclusive use of a DNA biobank that has collection over 300,000 samples for multiple diseases that the Company may target, (v) the remaining interest in database records for over 31,900,000 individuals for use in genetics research, and (vi) other assets.

The warrants issued are for proprietary data and methods that are otherwise a trade secret in our industry. Therefore, the Company determined to classify the assets purchased as trade secrets with a 15-year life. The Company ran a Black Scholes calculation to determine valuation of the warrants to determine the purchase price of \$15,160,385.

NOTE 3 INVENTORIES

| | Period ended September 30, 2018 | Year ended June 30, 2018 |
|-------------------------|---------------------------------------|--------------------------------|
| Finished goods | \$ 2,308,082 | \$ 1,621,745 |
| Work-in-process | 1,059,063 | 2,148,989 |
| Shipping supplies | 16,510 | 20,640 |
| Total inventory on hand | \$ 3,383,655 | \$ 3,791,374 |

NOTE 4 PROPERTY, PLANT AND EQUIPMENT, NET

| | Period ended September 30, 2018 | Year ended June 30, 2018 |
|------------------------------------|---------------------------------------|--------------------------------|
| Computer equipment | \$ 254,464 | \$ 154,132 |
| Furniture | 36,942 | 36,942 |
| Lab equipment | 1,341,907 | 504,203 |
| Other fixed assets in progress | 523,920 | 234,460 |
| | \$ 2,157,233 | \$ 929,737 |
| Less accumulated depreciation | (238,999) | (155,867) |
| Property, plant and equipment, net | \$ 1,918,234 | \$ 773,870 |

NOTE 5 INTANGIBLE ASSETS

Predictive Technology Group, Inc. through its subsidiary Predictive Therapeutics, LLC has a number of patents and license agreements categorized under “Intellectual Property” and “Licenses Agreements.”

License Agreements with Juneau

Subsequently, on December 28, 2016, Predictive Therapeutics and Juneau amended and restated the license agreement dated July 9, 2015. The amended license fees associated with this agreement required minimum monthly payments of \$100,000 through April 2017. Beginning in May 2017, minimum monthly payments of \$120,000 were required through August 2017, and subsequent payments of \$500,000 for the next four consecutive months. The term of the license is for a term ending at the last expired claim of the licensed patents. In the event of a default, either party may terminate the agreement (i) thirty days after the party who is in material breach receives notice of the breach from the non-breaching party where (ii) the breaching party fails to cure the breach during said thirty-day period. Additionally, the Company issued additional warrants and stock for the license (see Note 7) in order to finalize a subscription agreement. This amounted to \$18,159,211, in total value, issued in March of 2018.

An additional license fee of \$2,000,000 is due and payable once the Company has received profits of \$25,000,000 under the agreement.

Upon first commercial sale of the licensed assay, the Company will issue Juneau common shares with a market value of \$2,500,000. Net sales, once commercially available, are split evenly by the Company and Juneau after deducting the cost of the lab test fees, subject to certain minimums.

In addition to the license for the commercialization of assays and related services for the prognosis and monitoring of endometriosis in the infertility market, the Company has entered into a license agreement with Juneau to use the assay as a companion diagnostic test as the rationale for on-label endometriosis therapeutic patents. This license agreement was amended and restated on December 28, 2016.

The agreement initially required a \$250,000 license fee which was paid during 2013 and 2014. A subsequent milestone payment of 250,000 shares of Company stock was due to Juneau on October 19, 2016 and was previously issued. Once FDA approval is granted on any companion diagnostic test, a final milestone payment of \$250,000 is due.

The agreement requires a 2% royalty for the sale of patented therapeutic products specifically covered by the agreement.

The Company has elected to capitalize the periodic payments when paid, through the development stage, and amortizes the licenses using the expected life of the underlying patents.

Amortization expense for 3 months ended September 30, 2018 and September 30, 2017, was approximately \$513,667, and \$65,966 respectively. We did not record any impairment charges during the 3 months ended September 30, 2018 and September 30, 2017.

Estimated amortization expense for the developed technology consists of the following as of September 30, 2018:

| <u>Year Ending June 30</u> | |
|----------------------------|---------------|
| 2019 | \$ 2,165,560 |
| 2020 | 2,165,560 |
| 2021 | 2,165,560 |
| 2022 | 2,165,560 |
| Thereafter | \$ 13,074,058 |

Other Patents and Technologies

Patents were acquired by Predictive Therapeutics, LLC on September 22, 2015 by issuing 541,325 Class A Units of Predictive Therapeutics and have no contingencies or royalty obligations. These patents were recorded on Predictive Therapeutics, LLC’s books at a purchase price of \$9,750,000.

Amortization expense for the 3 months ended September 30, 2018 and September 30, 2017 was approximately \$191,174, and \$158,723, respectively. We did not record any impairment charges during these periods.

Estimated amortization expense for the developed technology consists of the following as of September 30, 2018:

| <u>Year Ending June 30</u> | |
|----------------------------|-------------|
| 2019 | \$764,696 |
| 2020 | 764,696 |
| 2021 | 794,696 |
| 2022 | 794,696 |
| Thereafter | \$7,615,137 |

NOTE 6 VARIABLE INTEREST ENTITIES

ASC Topic 810 requires the primary beneficiary of a Variable Interest Entity (“VIE”) to consolidate the entity and also requires majority and significant variable interest investors to provide certain disclosures. A VIE is an entity in which the equity investors do not have a controlling interest or in which the equity investment at risk is insufficient to finance the entity’s activities without receiving financial support from the other parties.

In evaluating whether the Company has the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity’s economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity’s future performance and the exercise of professional

judgment in deciding which decision-making rights are most important.

In determining whether the Company has the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity's design, including: the entity's capital structure, contractual rights to earnings (losses), subordination of our interests relative to those of other investors, contingent payments, as well as other contractual arrangements that have the potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.

Juneau Biosciences, LLC

The Company has license agreements with Juneau as described in note 3. The Company owns approximately 39% ownership of Juneau. Additionally, the Company owns an interest of approximately 10% in Juneau through its wholly owned subsidiary, LifeCode.

On August 3, 2017, the Company entered into an unsecured loan agreement where it lent Juneau the principal amount of \$300,000. The loan is convertible into Class A Units of Juneau at the rate of \$1.00 per unit. On August 8, 2017, an additional loan was made to Juneau to renegotiate a debt Juneau owed to a third party. On December 31, 2017, principal and accrued interest in the aggregate amount of \$3,685,308 was owed on the notes referenced above. Effective December 31, 2017, the Company exercised its right to convert the amounts owed on the notes into Class A Units and Juneau issued 3,685,308 Class A Units to the Company upon conversion of all amounts owed on said notes.

In December 2017, the Company and Juneau reached verbal agreement on many of the terms described below. In early 2018, the terms were finalized and memorialized in a subscription agreement executed by the Company and Juneau. The subscription agreement was subsequently amended and restated on two occasions. The latest amendment occurred on August 22, 2018. The subscription agreement, as amended, provides:

- For a subscription in the total amount of 15,681,818 Class A Units at a price of \$1.10 per unit.
- The investment to be made in tranches:
 - The first tranche was \$1,875,000 and was paid in full;
 - The second tranche was \$400,000 and was paid subsequent to year end; and
 - The third tranche is \$15,000,000 and will be paid in monthly installments totaling \$4,409,390 in fiscal 2019, installments of \$7,200,000 in fiscal 2020 and installments of \$3,390,610 in fiscal 2021.
- The Company has the right to stop funding at any time.
- If the Company stops funding the investment, any securities that are not paid for will be returned to Juneau for cancellation.
- There is a use of proceeds associated with the funding as well as oversight of operating budgets and expenditures.
- The Juneau board was expanded by three members and the vacancies were filled by nominees of the Company.
- The Company's licenses with Juneau were amended to reduce the royalty rate and expand the scope of the licenses to include the entire field of endometriosis and pelvic pain in consideration for the issuance of 1,000,000 shares of the Company's common stock and warrants exercisable for 14 million shares of common stock at \$.80 per share.

- The Company granted Juneau piggy-back registration rights with respect to the common stock issued to Juneau and issuable to Juneau upon exercise of the warrant.
- The shares issued or issuable to Juneau are subject to a one-year lock-up.
- The subscription contemplates the possible acquisition of Juneau by the Company on terms to be subsequently agreed.
- If the Company does not fund the entire subscription, then the ongoing obligations of Juneau that do not relate to the license agreements will terminate.

Juneau regularly seeks, and has received, investments from private investors and holds debt from other creditors. Juneau's management and a majority of the Juneau board of managers are independent of the Company. The Company owns less than 50% of the outstanding equity of Juneau. Accordingly, Management has concluded that the Company is not the primary beneficiary of Juneau and accordingly, does not hold a significant variable interest in Juneau sufficient to require consolidation.

The Company continues to reevaluate this business relationship to determine whether it may be subject to the VIE model.

NOTE 7 ACCRUED LIABILITIES

| | Period ended September 30, 2018 | Year ended June 30, 2018 |
|------------------------------------|---------------------------------------|--------------------------------|
| Employee compensation and benefits | \$ 503,191 | \$ 281,768 |
| Other | 203,126 | 1,037,833 |
| Total accrued liabilities | \$ 706,317 | \$ 1,319,601 |

NOTE 8 INCOME TAXES

The components of the provision for income taxes for the quarter ended September 30, 2018 and the year ended June 30, 2018, consisted of the following:

| | Sept 30 2018 | June 30 2018 |
|-----------------------------------|-----------------|-----------------|
| Deferred tax assets: | | |
| Net operating loss carry-forwards | \$ 47,659 | \$ 28,831 |
| Depreciation and Amortization | (19,140) | (63,551) |
| Other | 18,683 | 11,374 |
| R&D Credit | 18,391 | 276,012 |
| Valuation Allowance | (65,594) | (252,666) |
| Net Deferred Taxes | \$ - | \$ - |

At September 30, 2018 and June 30, 2018, the Company had net operating loss carry-forwards of approximately \$50,280 and \$718,557 which will expire in the years 2035-2037.

We are subject to income taxes in the United States. Significant judgment is required in determining our provision for income taxes and recording the related assets and liabilities. In the ordinary course of our

business, there are many transactions and calculations where the ultimate tax determination is uncertain. In our opinion, we have made adequate provisions for income taxes for all years subject to audit.

Although we believe our estimates are reasonable, the final outcomes of these matters may be different from those which we have reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and operating results in the period in which we make such determination.

NOTE 9 SHAREHOLDER'S EQUITY

As of September 30, 2018, and June 30, 2018, the Company had 238,846,403 and 224,496,403 shares issued and outstanding or pending issuance under contractual obligation.

The company issued 15,500,000 shares of its common stock on July 22, 2018 to acquire Inception Dx Laboratories, see note 2.

On August 7, 2018 the Company issued 50,000 shares of common stock for services related to the HCT/P business.

On August 30, 2018, the Company entered into an agreement captioned Consulting Agreement with Avira Financial, LLC whereby Avira will be performing various business development, marketing and consulting services for the Company. In consideration for these services, the Company granted warrants to Avira exercisable for 5,250,000 shares of the Company's common stock with a strike price equal to the closing price of the Company's common stock on the date of grant. Warrants to acquire 250,000 shares vested upon issuance and the remainder of the warrants vest over a three year period, subject to accelerated vesting upon the occurrence of certain events. The warrants expire on the earlier of (i) the five year anniversary of the date of issuance or (ii) the date the Consulting Agreement is terminated.

The following is a summary of warrant activity from July 2016 through September 2018:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life |
|---------------------------------------|-------------------------------|--|--|
| Warrants: | | | |
| Outstanding June 30, 2016 | 620,000 | | |
| Granted | 13,266,920 | \$ 0.50 | 4.5 |
| Exercised | - | - | - |
| Forfeited/Cancelled | - | - | - |
| Outstanding June 30, 2017 | 13,886,920 | 0.50 | 4.5 |
| Granted | 28,381,600 | 0.50 | 4.0 |
| Exercised | - | - | - |
| Forfeited/Cancelled | - | - | - |
| Outstanding June 30, 2018 | 42,268,520 | \$ 0.50 | 3.9 |
| Granted | 21,750,000 | 0.92 | 5.0 |
| Exercised | - | - | - |
| Forfeited/Cancelled | - | - | - |
| Outstanding September 30, 2018 | 64,018,520 | \$ 0.64 | 4.3 |

NOTE 10 EARNINGS PER COMMON SHARE (EPS)

The computation of weighted average shares outstanding and the basic and diluted earnings per common share for the following periods consisted of the following:

| Period ended September 30, 2018 | | | |
|--|-------------|-------------|---------|
| Basic EPS and diluted | (6,405,425) | 223,253,751 | (0.029) |

As the Company is in a loss position, any calculation with dilutive effects would reduce the loss per share amount, and, as such, the Company will not perform the calculation.

NOTE 11 STOCK OPTION PLAN

In 2015 a Stock Option Plan was adopted to advance the interests of the Company and its shareholders by helping the Company obtain and retain the services of employees, officers, consultants, independent contractors and directors, upon whose judgment, initiative and efforts the Company is substantially dependent, and to provide those persons with further incentives to advance the interests of the Company.

Eligible participants include employees, officers, certain consultants, or directors of the Company or its subsidiaries. The Board may designate any Option granted hereunder either as an Incentive Stock Option (ISO) or as a Non-statutory Stock Option (NSO). The Board may grant ISOs only to persons who are employees of the Company and/or its subsidiaries.

The aggregate number of shares of Option Stock that may be issued pursuant to the exercise of Options granted under this Plan will not exceed fifteen percent (15%) of the total outstanding shares of the Company's common stock, par value \$.001 per share.

A summary of option activity is as follows for the fiscal period ended September 30, 2018 and the fiscal year ended June 30, 2018:

| | <u>September 30, 2018</u> | | <u>June 30, 2018</u> | |
|--|---------------------------|---------------------------------|----------------------|---------------------------------|
| | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| Options outstanding at beginning of period | 4,938,500 | \$ 0.68 | 300,000 | \$ 1.00 |
| Options granted | 50,000 | 1.23 | 4,638,500 | 0.77 |
| Less: | | | | |
| Options exercised | - | - | - | - |
| Options canceled or expired | - | - | - | - |
| Options outstanding at end of period | <u>4,988,500</u> | \$ 0.79 | <u>4,938,500</u> | \$ 0.78 |
| Options exercisable at end of period | - | - | - | - |
| Options vested and expected to vest | 2,511,917 | \$ 0.71 | 2,495,250 | 0.70 |
| Weighted average fair value of options granted during the period | \$ 60,719 | | 3,436,010 | |

The following table summarizes information about stock options outstanding at September 30, 2018:

| Range of Exercise prices | Options outstanding | | | Options exercisable | |
|--------------------------|--|---|---------------------------------|--|---------------------------------|
| | Number outstanding at September 30, 2018 | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable at September 30, 2018 | Weighted average exercise price |
| 0.50 - 0.80 | 2,850,000 | 5.88 | 0.64 | - | - |
| 0.88 - 1.23 | 2,138,500 | 5.61 | 0.95 | - | - |

As of September 30, 2018 there was no unrecognized share-based compensation expense related to stock options.

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Company has commitments under license agreements which are described in note 4.

We lease office and research space under month-to-month leasing arrangements. Therefore, we do not believe we have any material leasing commitments.

Rent expense under operating leases was \$50,877 and \$116,912 for the 3 months ended September 30, 2018 and the year ended June 30, 2018, respectively.

In September 2018, the parties in the Alpha Modus lawsuit entered into a Settlement Agreement and Mutual Release whereby all claims were released and discharged in consideration for Alpha Modus Corp. being able to retain 200,000 shares of Predictive Technology Group, Inc. common stock that it previously held and Predictive Technology Group, Inc. cooperating with Alpha Modus Corp. in its efforts to clear restrictions on said shares.

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2018, the date on which the financial statements were available to be issued.

In July 2018, Predictive Technology Group, Inc. (the "Company"), Predictive Acquisitions, Inc. ("PAI"), a wholly owned subsidiary of the Company and Regenerative Medical Technologies, Inc. ("RMT") entered into an agreement captioned "Agreement and Plan of Merger" (the "Acquisition Agreement"). RMT holds various assets including (i) models, methods and protocols for collection birthing tissue and DNA samples, (ii) patient registry models, methods and protocols to collect clinical outcomes and electronic medical records, and (iii) designs and methodologies relating to bone marrow aspirate kits, large joint injection kits, degenerative disc disease post-microdiscectomy injection kits, an allogenic stem cell products for degenerative disc disease, autism, facet joint, IV treatment of opioid addiction, and (iv) other assets. Under the terms of the Acquisition Agreement, PAI will merge with RMT, the surviving corporation will become a wholly owned subsidiary of the Company and the shareholders of RMT will receive 10,000,000 shares of the Company's common stock. The closing of this transaction is subject to shareholder approval of the merging entities and other contingencies that may or may not occur. If the closing occurs, it is anticipated to close on or before December 31, 2018. As of September 30, 2018, the transaction has not closed.

On August 30, 2018, the Company authorized the grant of stock options exercisable for 15,840,000 shares of common stock to employees. All options are exercisable at the closing price of the Company's common stock on the date of grant. As of September 30, 2018, no options had been granted from this authorization.