

Bioasis Technologies Inc.

(BIOAF - OTC)

New Funds and Collaborators

Based on our DCF model and a 15% discount rate, Bioasis is valued at approximately \$0.60 per share. Our model applies a weighted 8% probability of ultimate approval and commercialization for xB³-001 and xB³-007 and partnered compounds in a variety of indications including HER2+ metastatic breast cancer and Gaucher Disease. The model includes contributions from global sources.

Current Price (6/30/2021) **\$0.28**
 Valuation (\$USD) **\$0.60**

OUTLOOK

Bioasis is developing a platform that enables therapeutics to cross the BBB designated xB³. The most advanced preclinical programs underway target HER2+ breast cancer metastases and treatment of Gaucher Disease. The first, xB³-001, combines the xB³ platform with trastuzumab and may be awarded accelerated approval. The second, xB³-007, is in combination with Cerezyme and is undergoing proof of concept studies. Other candidates are also in development internally and with partners.

Bioasis' technology transports molecules using receptor-mediated endocytosis via the LRP1 receptor. The transport molecule is the xB³ peptide, which is derived from the iron-binding human protein melanotransferrin found in the blood. LRP1 is widely expressed in critical brain regions and is over-expressed in many disease states. We expect clinical trials to begin in 2021 for both candidates.

The company has forged several partnerships with the Chiesi Group, Prothena and other pharmaceutical companies. The partners provide external validation of the platform, upfront funding, candidate development and the opportunity for future royalty revenues.

Our valuation assumes a 2030 approval and launch of xB³-001, xB³-007 and later for other candidates globally through collaborator efforts.

SUMMARY DATA

52-Week High **0.54**
 52-Week Low **0.16**
 One-Year Return (%) **22.8**
 Beta **0.26**
 Average Daily Volume (sh) **34,473**

Shares Outstanding (mil) **72.1**
 Market Capitalization (\$mil) **20.1**
 Short Interest Ratio (days) **0.7**
 Institutional Ownership (%) **0.00**
 Insider Ownership (%) **2.26**

Annual Cash Dividend **\$0.00**
 Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
 Sales (%) **N/A**
 Earnings Per Share (%) **N/A**
 Dividend (%) **N/A**

P/E using TTM EPS **N/A**
 P/E using 2021 Estimate **N/A**
 P/E using 2022 Estimate **N/A**

Zacks Rank **N/A**

Risk Level **Above Average**
 Type of Stock **Small-Growth**
 Industry **Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of CAD)

	Q1	Q2	Q3	Q4	Year
	(May)	(Aug)	(Nov)	(Feb)	(Feb)
2019	\$0.2 A	\$0.2 A	\$0.2 A	\$0.0 A	\$0.6 A
2020	\$0.0 A	\$4.1 A	\$0.0 A	\$0.0 A	\$4.1 A
2021					\$1.6 E
2022					\$1.8 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
2019	-\$0.02 A	-\$0.02 A	-\$0.01 A	-\$0.02 A	-\$0.07 A
2020	-\$0.02 A	\$0.03 A	\$0.01 A	-\$0.02 A	\$0.01 E
2021					-\$0.04 E
2022					-\$0.04 E

WHAT'S NEW

Fiscal Year 2021 Operational & Financial Results

Bioasis Technologies Inc. (OTC: BIOAF) [filed](#) fiscal year 2021 operational and financial results on June 25, 2021 for the twelve month period ending February 28, 2021. During the reporting period, Bioasis [secured](#) a licensing and collaboration agreement with Chiesi Group, was granted a number of new patents, sold a royalty stake in partnered assets, and announced its annual general meeting (AGM) results. Since our previous [report](#) on February 9th, the company has published multiple journal articles, signed research collaborations with Aposense and Oxyrane and raised additional capital.

\$4.1 million in revenues were reported in fiscal year 2021 related to upfront amounts from the Chiesi agreement. This compares to revenues of \$606,000¹ in FY:20. General and administrative expense was \$2.6 million, down 19% on lower salaries, consulting fees, share-based compensation and investor relations marketing and travel. These reductions were partially offset by increases in legal, other professional and regulatory fees, and office, insurance and amortization expenses. Research and development expenses were \$1.2 million, falling 39% over prior year levels. Lower salaries, consulting fees and benefits and a reduction in staff and decreased research and medical advisory fees were the primary drivers. Other income was \$428,000, arising from a \$1.6 million gain on the sale of Chiesi program royalty rights to Xoma offset by loss on capital assets, loss on settlement, loss of extinguishment of debentures, foreign exchange loss, interest expense and change in fair value of derivative warrants. Net income was \$698,000 or \$0.01 per share reversing the prior year net loss of (\$4.1) million or (\$0.07) per share.

Cash generated from operations (free cash flow) in FY:21 was \$1.8 million compared with cash used of (\$3.3) million in FY:20. The difference in cash generation was attributable to the Chiesi license arrangement and the XOMA gain on sale of royalty rights combined with a decrease in expenses and reduction in accounts payable balances. Cash and equivalents were \$2.7 million on February 28, 2021, near flat with the prior quarter and up from fiscal year end 2020 levels of \$576,000. Contributions from operating cash flows, XOMA contributions, warrant exercises, issuance of common shares and funds from the payment protection program (PPP) added to the cash balance. Following the end of the period, Bioasis closed a \$3 million convertible security deal with Lind Partners.

Research Collaboration With Oxyrane

On June 30, 2021, Bioasis [announced](#) a research collaboration with [Oxyrane UK Ltd](#). Oxyrane is a UK-based developer of enhanced enzyme replacement therapies (ERT) for the treatment of lysosomal storage diseases, with a focus on the diseases of the central nervous system. The company is targeting Gaucher Disease, Parkinson's Disease and Pompe Disease with plans to use the xB³ platform to deliver an undisclosed enhanced ERT into the brain.

Research Collaboration With Aposense

[Aposense Limited](#) joined forces with Bioasis as disclosed in a March 31st [press release](#). The collaborator is an Israeli biopharmaceutical company specializing in development of novel drugs utilizing membrane electrical forces. Bioasis and Aposense entered into a research collaboration that will focus on delivering siRNA into the brain. Neurological diseases affect a significant population worldwide; however, delivering therapies across the blood-brain barrier into the brain has created a significant hurdle to otherwise effective therapies. News of the collaboration followed the recent [publication](#) of research demonstrating xB³'s ability to not only cross the blood-brain barrier, but to facilitate the transcytosis of siRNA across the BBB. This ability supports the use of siRNA, which works by intercepting proteins before they are expressed in the cell.

In the Financial Sphere

Bioasis has conducted a number of financial transactions in the last quarters, entering into a convertible security funding agreement with Lind, executing a \$200,000 private placement with a family office, resolving a contractual dispute through the issuance of equity and extending and repricing warrants.

Most recently, on June 22, 2021, the company [entered](#) into a convertible security funding agreement with Lind Global Macro Fund where the fund will issue up to \$10 million in convertible securities. The initial investment of \$3 million was [closed](#) on June 29 which included a closing fee of \$90,000 and the issuance of 4.8 million 30-month

¹ Financial statement items are denominated in \$CAD in contrast to our target price which is in \$USD.

warrants exercisable at \$0.41 per share. 180 days after closing, Bioasis will begin repaying the note in \$125,000 installments. Prepaid interest will accrue at \$20,000 per month and every 90 days Lind retains the option to convert accrued interest into common shares at 90% of the market closing price on the day prior to the conversion. Converted shares will be locked up for four months + 1 day and short selling by Lind is prohibited. Principal value may also be converted to shares at a value of \$0.31 per share.

Announced March 22, 2021, Bioasis applied to the TSX Venture Exchange to extend the expiry date and amend pricing of 5,797,795 common share purchase warrants issued in a private placement closed in April 2017. The extension requested to push the expiry date of these warrants from April 11, 2021 to the same date a year later. Two days later, Bioasis **informed** that the TSXV approved the proposed amendment and extension, and the exercise price was reduced from \$1.00 to \$0.85.

On February 10, 2021, Bioasis announced that it had entered into an agreement with an arms-length third party pursuant to which Bioasis agreed to issue 300,000 common shares at \$0.3975 per share in order to resolve a contractual dispute.

A \$200,000 non-brokered private placement was **announced** January 29, 2021, issuing 400,000 common shares to a Canadian family office at a price of \$0.50 per share. On January 29, BIOAF shares traded at \$0.33. The raise, albeit limited, was at a >50% premium.

Publications

Over the previous several months Bioasis has published both proof of concept of xB³ delivery of siRNA across the blood-brain barrier and the ability for the xB³ peptide chain to enter organelles within neurons, glia and microglia in the brain.

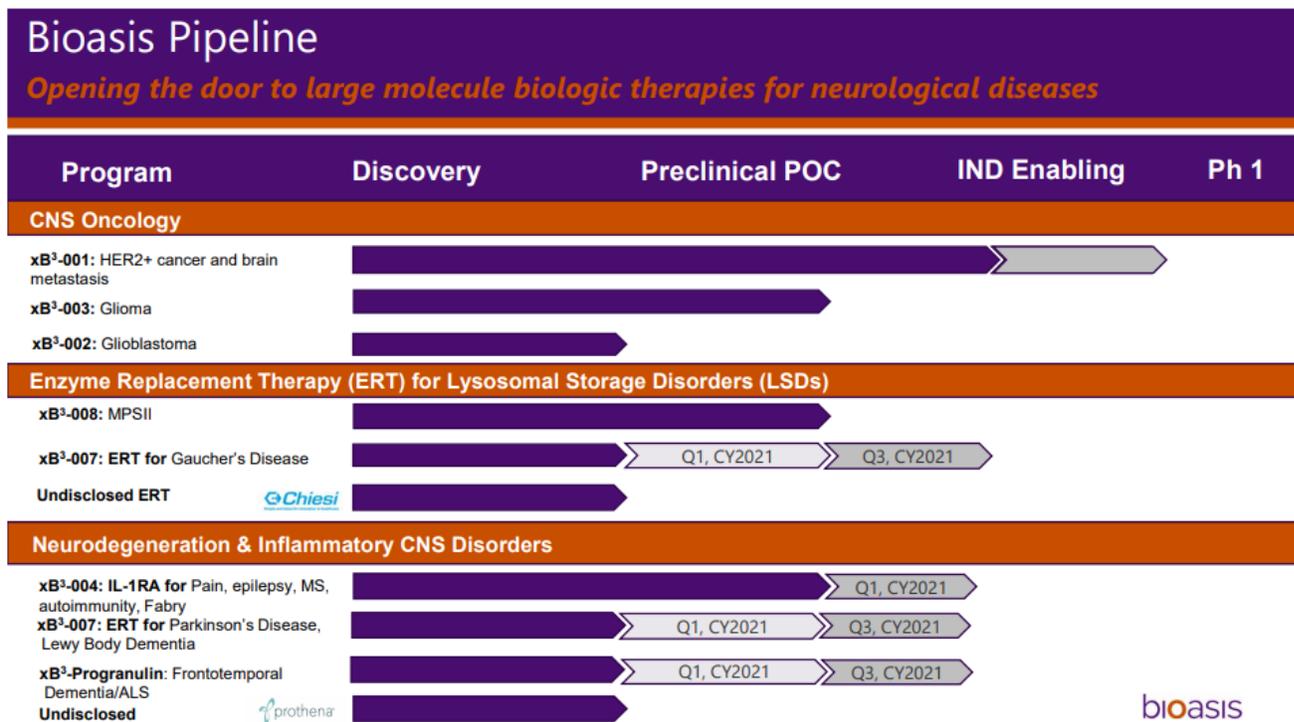
Announced on March 29, 2021, a document was published validating the ability of Bioasis' xB³ platform to deliver an siRNA payload across the blood-brain barrier to the CNS in therapeutically relevant doses. Dr. Wilfred A. Jefferies joined Bioasis scientists to evaluate xB³ in siRNA applications to ischemic stroke. The results showed that the platform can translocate a siRNA payload across the blood-brain barrier and the siRNA can execute knockdown therapy, as evidenced by reduced stroke damage in the brain and improved neurological function. The paper, entitled "**A Nanomule Peptide Carrier Delivers siRNA Across the Intact Blood-Brain Barrier to Attenuate Ischemic Stroke**," was published in the *Frontiers in Molecular Biosciences*.

Months later, Bioasis **announced** a publication in *Frontiers in Neuroscience*, "**Discovery of a Highly Conserved Peptide in the Iron Transporter Melanotransferrin that Traverses an Intact Blood Brain Barrier and Localized in Neural Cells**," on June 3, 2021. Again, Dr. Wilfred Jefferies worked with Bioasis scientists, this time demonstrating that xB³ could not only cross the blood-brain barrier but also enter organelles, including endosomes and lysosomes, within many cell types in the CNS including neurons, glia and microglia in the brain.

Upcoming Milestones

Below we have provided the anticipated timeline for events related to portfolio candidates (calendar quarters).

- Royalty purchase agreement with XOMA for Chiesi assets – November 2020
- Biotech Showcase – January 2021
- LSX World Congress – February 2021
- BIO CEO & Investor – February 2021
- Aposense research collaboration – March 2021
- Oxyrane research collaboration – June 2021
- xB³-004 IL-1RA EAE Multiple Sclerosis model read out – 3Q:21
- xB³-007 glucocerebrosidase enzyme replacement therapy (ERT), BBB data – 3Q:21
- xB³-Progranulin BBB data – 3Q:21
- xB³-007 disease model read out – 4Q:21
- xB³-Progranulin FTD disease model read out – 4Q:21



Key Reasons to Own Bioasis Shares

- **Best in class xB³ blood brain barrier penetrating technology**
 - **Non-transferrin based transcytotic pathway**
- **Addresses a major hurdle to CNS therapy**
- **High selectivity for BBB and CNS parenchyma**
- **Preserves payload function and pharmacodynamics**
- **Can deliver antibodies, enzymes, siRNA and small molecules**
- **Lead indications in HER2+ metastatic breast cancer and Gaucher Disease**
- **Licensing and funding opportunities with numerous partners**
- **Diversified preclinical portfolio able to address multiple CNS disorders**
- **120+ patents and pending applications across 10+ patent families**

Company and Platform

Bioasis has developed an important carrier platform, designated xB³, able to ferry a comprehensive set of therapeutic payloads across the blood brain barrier where they can treat diseases of the brain. It consists of a twelve amino acid peptide based on the iron-binding human protein melanotransferrin. The carrier binds to the LRP1 receptor, which enables transcytosis of the peptide and linked therapy carrying them across the BBB and into the brain parenchyma. xB³ can be linked to antibodies, enzymes, siRNA and small molecules and may serve an important unmet need to deliver in-development and existing medicines into the brain, which otherwise could not cross.

Substantial preclinical research has been conducted demonstrating xB³'s superiority relative to transferrin and other competing platforms in both the quantity of dose and types of drugs that can be transported into the brain. Additional *in vivo* work has shown xB³'s ability to shuttle Herceptin into the brains of mice with HER2+ breast cancer brain metastases and significantly reduce both the tumor number and size in the organ. Similar work has been conducted transporting enzymes across the BBB, also in mice, as indicated above in an MPS-II disease model.

² Source: March 2021 Corporate Slide Deck

Bioasis offers several candidates that are being developed in house and by partners. The two leading internal compounds are xB³-001 and xB³-007. xB³-001 is a fusion protein containing Herceptin and is indicated for HER2+ cancer and HER2+ brain metastases while xB³-007 is combined with Cerezyme and intended to treat neuropathic forms of Gaucher Disease, as well as GBA-associated Parkinson's Disease and Lewy Body Dementia. These two candidates are expected to enter the clinic in fiscal year 2022. Bioasis' partnerships are with the rare diseases division of Chiesi Group, Prothena Corporation and an unidentified leading pharmaceutical company. These partnerships are focused on lysosomal storage disorders and neurodegenerative diseases. The company is also internally developing its xB³ Progranulin program targeting neuronal ceroid lipofusinos, frontotemporal dementia (FTD) and amyotrophic lateral sclerosis (ALS). We expect multiple readouts on the Progranulin program in the current quarter and later this year.

Summary

Bioasis offers a broad portfolio built on its xB³ technology platform that can be developed both internally and with partners for many therapies demonstrating brain activity. Bioasis has continued its efforts to expand its stable of partners, adding thoroughbreds Aposense and Oxyrane to its string. Continued publications continue to show evidence of xB³'s ability to ferry multiple compounds across the BBB and localize in neural cells. We anticipate parallel development of several xB³ compounds that will enter the clinic over the next several years. Our valuation work assumes median drug revenue for each of the programs underway and applies a discount related to the anticipated 8% weighted probability of success. We maintain our valuation of \$0.60 per share. Please refer to our initiation [here](#) for detail on the company and fuller discussion of our thesis.

PROJECTED FINANCIALS

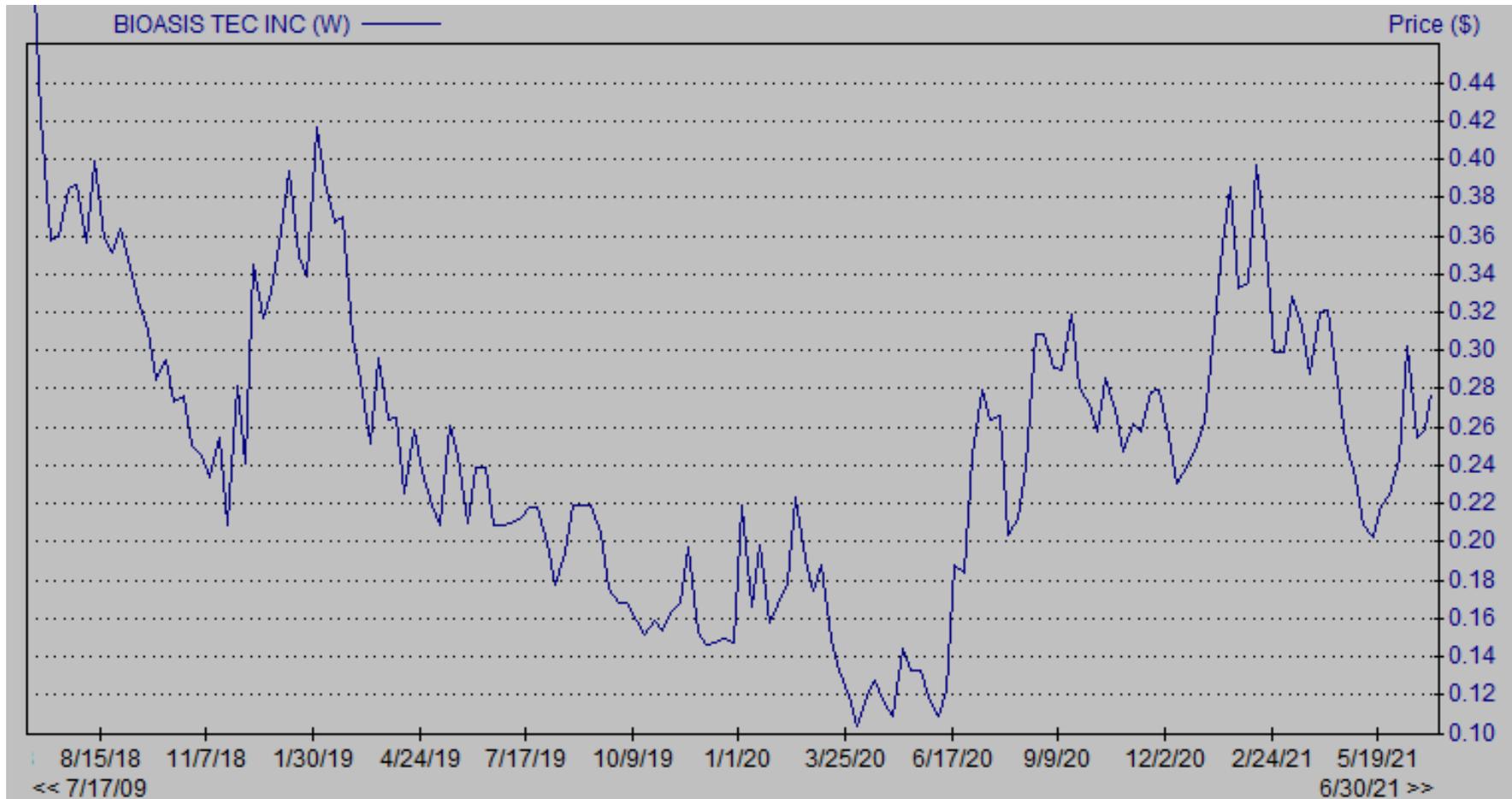
Bioasis Technologies Inc. - Income Statement

Bioasis Technologies Inc.	2020 A	Q1 A	Q2 A	Q3 A	Q4 A	2021 A	2022 E	2023 E
Total Revenues (\$CAD)	\$606	\$0	\$4,078	\$0	\$0	\$4,078	\$1,600	\$1,750
General & Administrative	\$3,174	\$579	\$904	\$537	\$550	\$2,569	\$2,341	\$2,420
Research & Development	\$2,034	\$445	\$115	\$292	\$386	\$1,238	\$2,055	\$2,568
Income from operations	(\$4,602)	(\$1,024)	\$3,060	(\$829)	(\$937)	\$271	(\$2,796)	(\$3,238)
Other Income	\$592	(\$7)	(\$1,103)	\$1,728	(\$154)	\$463	\$0	\$0
Interest Income	(\$47)	(\$25)	(\$10)	(\$2)	\$0	(\$36)	\$0	\$0
Pre-Tax Income	(\$4,056)	(\$1,055)	\$1,947	\$898	(\$1,091)	\$698	(\$2,796)	(\$3,238)
Provision for Income Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income	(\$4,056)	(\$1,055)	\$1,947	\$898	(\$1,091)	\$698	(\$2,796)	(\$3,238)
Net Margin	-669%							
Reported EPS	(\$0.07)	(\$0.02)	\$0.03	\$0.01	(\$0.02)	\$0.01	(\$0.04)	(\$0.04)
YOY Growth								
Basic Shares Outstanding	62,271	64,824	64,937	64,892	71,800	68,115	72,200	88,125

Source: Company Filing // Zacks Investment Research, Inc. Estimates

HISTORICAL STOCK PRICE

Bioasis Technologies Inc. – Share Price Chart



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