Zacks Small-Cap Research
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# Bioasis Technologies Inc. (BIOAF: OTCQB)

***Merger with Midatech Pharma***

We withdraw our valuation pending the completion of financing and the merger of Bioasis with Midatech Pharma plc.

| | |
|---|---|
| Current Price (12/30/2022) | $0.05 |
| **Valuation ($USD)** | **N/A** |

## OUTLOOK

Bioasis' most advanced program comes from the June 2022 acquisition of Cresence's Phase II ready assets with targets in several neurological disorders. Bioasis' legacy $xB^3$ platform enables therapeutics to cross the BBB. These preclinical programs target treatment of Gaucher & other brain disease. $xB^3$-007 is in combination with Cerezyme and is undergoing proof of concept studies. Other candidates are also in development internally & with partners.

Bioasis' $xB^3$ technology transports molecules using receptor-mediated endocytosis via the LRP1 receptor. The transport molecule is the $xB^3$ 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.

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

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **0.25** |
| **52-Week Low** | **0.03** |
| **One-Year Return (%)** | **-80.8** |
| **Beta** | **0.24** |
| **Average Daily Volume (sh)** | **26,538** |
| **Shares Outstanding (mil)** | **79.4** |
| **Market Capitalization ($mil)** | **3.6** |
| **Short Interest Ratio (days)** | **0.1** |
| **Institutional Ownership (%)** | **0.0** |
| **Insider Ownership (%)** | **2.1** |
| **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 2022 Estimate** | **N/A** |
| **P/E using 2023 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 (May) | Q2 (Aug) | Q3 (Nov) | Q4 (Feb) | Year (Feb) |
|---|---|---|---|---|---|
| 2022 | $0.0 A | $0.0 A | $0.0 A | $0.0 A | $0.0 A |
| 2023 | $0.0 A | $0.1 A | $0.0 E | $0.0 E | $0.1 E |
| 2024 | | | | | $0.0 E |
| 2025 | | | | | $0.0 E |

### Earnings per Share

| | Q1 | Q2 | Q3 | Q4 | Year |
|---|---|---|---|---|---|
| 2022 | -$0.01 A | -$0.01 A | -$0.02 A | -$0.01 A | -$0.04 A |
| 2023 | -$0.00 A | -$0.01 A | -$0.01 E | -$0.01 E | -$0.04 E |
| 2024 | | | | | -$0.07 E |
| 2025 | | | | | -$0.07 E |

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## WHAT'S NEW

**Bioasis Acquisition by Midatech Pharma plc.**

On December 13th, 2022, Bioasis Technologies Inc. (OTC: BIOAF) announced that it will merge with Midatech Pharma plc (NASDAQ: MTP). Midatech is a drug delivery technology company with three platforms and eight programs advancing six different compounds. Its lead candidate, MTX110, generically known as panobinostat, is in Phase I trials for multiple brain cancers and enrolled its first patient in mid-November 2022.

After the merger is complete between Midatech and Bioasis, the company will change its name to Biodexa Pharmaceuticals plc (NASDAQ: BDRX). The new company will focus on therapeutics for rare and orphan drug diseases in oncology and neurodegenerative disorders. Midatech has entered into a financing agreement that is expected to contribute $10 million that will be completed in parallel with the Bioasis acquisition.

**Exhibit I – Merger of Midatech and Bioasis[1]**




*(NASDAQ:MTP | AIM:MTPH)* *(TSXV:BTI)* *(pending NASDAQ:BDRX)*

| Structure | Timing |
|---|---|
| Stock-for-Stock | Anticipated closing Q1 2023[1] |

The new company's emphasis on rare and orphan disease will center on two assets, MTX110 in brain cancer and CRES101 (to be renamed BDX101) in optic neuritis. Other assets in the go-forward pipeline will include two other Cresence assets for Guillain-Barré and chronic inflammatory demyelinating polyneuropathy (CIDP). Assets that do not fall under the scope of the new strategy will be available for partner licensing.

Midatech will acquire all of Bioasis' outstanding common shares in exchange for Midatech American Depository Shares (ADS). The ratio of exchange will be 0.0382 ADSs for each Bioasis share which values the acquisition at $5.0 million based on Midatech's closing price on December 12, 2022 and Bioasis share balance as of August 31, 2022. Following the merger and anticipated follow-on financing, ownership of the new entity on a diluted basis will be 15% Bioasis shareholders, 11% Midatech shareholders and 74% new investors.

**Exhibit II - Pro-Forma Capitalization[2]**

| (MM) | Issued Ordinary Shares | Undiluted | Pre-funded Warrants | Existing Warrants | A Warrants and B Warrants | Cresence Deferred Consideration | Options | Fully Diluted | |
|---|---|---|---|---|---|---|---|---|---|
| Pre-Announcement 31 December 2022 | 98.5 | 39% | | 17.2 | | | 3.0 | 118.7 | 10% |
| Offering | 9.8 | 4% | | | | | | 9.8 | 1% |
| Currently in issue | 108.3 | 43% | | 17.2 | | | 3.0 | 129 | 11% |
| Bioasis | 75.9 | 30% | | 21.3 | | 5.7 | 8.5 | 111.4 | 9% |
| Lind | 22.9 | 9% | | | 45.8 | | | 68.8 | 6% |
| Placee | 14.8 | 6% | 252.0 | | 553.4 | | | 820.2 | 67% |
| Ladenburg | 27.9 | 11% | | | 66.4 | | | 94.3 | 8% |
| TOTAL | 249.9 | 100% | 252.0 | 38.5 | 665.6 | 5.7 | 11.5 | 1,223.2 | 100% |

[1] Source: Bioasis Corporate Presentation, December 20, 2022
[2] Source: Bioasis Corporate Presentation, December 20, 2022

As a condition of the merger, Bioasis will receive a bridge loan from Midatech which will be repaid after the close of the deal. The $750,000 bridge loan will be advanced in three equal tranches of $250,000 made available on December 19, 2022, January 3, 2023 and February 6, 2023. In contrast to details provided in the initial release, Midatech will not be required to seek delisting from the Alternative Investment Market (AIM), a sub market of the London Stock Exchange (LSE).

The completion of the merger is reliant on shareholder approval, closure of the $10 million financing arrangement and approval of the arrangement by the Supreme Court of British Columbia. Neither of the parties to the merger will solicit another acquisition proposal and a termination fee of $330,000 will be paid by the offending party if the agreement is terminated under certain circumstances.

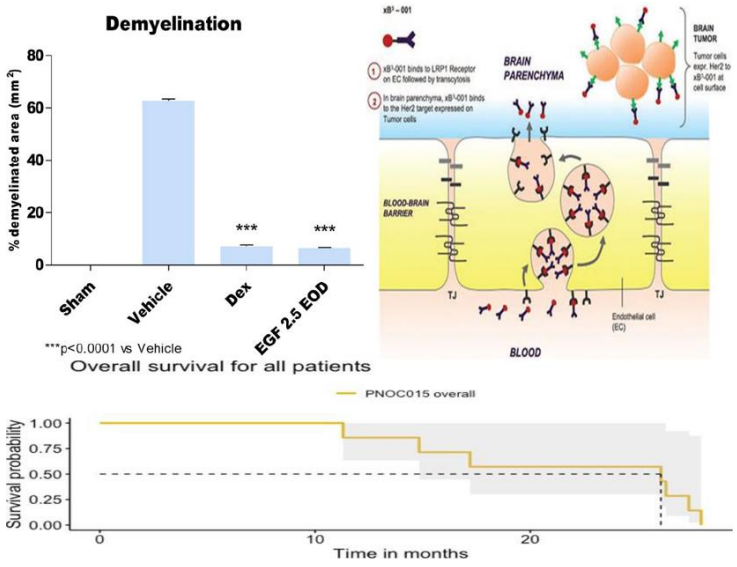
Following the completion of the merger, which is expected in 1Q:23, Midatech will immediately change its name to Biodexa Pharmaceuticals plc and restructure its board of directors. It will hold a NASDAQ listing and trade under new ticker BDRX. The successor company will file semiannually under UK rules and file Forms 6-K and 20-F with the SEC for US reporting requirements. Stephen Parker will serve as non-executive chairman and Deborah Rathjen, Mario Saltarelli and Simon Turton will serve as non-executive directors and Stephen Stamp will be Chief Executive Officer and director.

The security holder meeting date for the vote on the merger agreement has been set for February 3, 2023. The meeting will be virtual and all materials will be available online.

Merger benefits include the enhanced scientific, technical and operational expertise that comes from combining the research teams and cost reductions from the elimination of duplicative salaries, administrative, regulatory and other public company expenses. Some of the primary benefits of the merger include:

- Synergies from xB$^3$ platform for use in Midatech's lead program in DIPG
  - Improved delivery via the SynchroMed II Pump
  - Opportunity for new chemical entity and additional IP protection when employing xB$^3$
- Reduction in duplicative general and administrative expenses
- Improved capital raising abilities with NASDAQ listing
- Elimination of Lind debt from Bioasis' balance sheet
- Corporatewide focus on rare disease
  - Enables small, cost-effective clinical trials
  - Eligible for fast-track designation and early approval
- Expanded experience and breadth of research and development team

**Exhibit III – Synergies Among Merged Assets[3]**




[3] Source: Bioasis Corporate Presentation, December 20, 2022. Includes EGF Platform, xB$^3$ Platform and panobinostat.

**Fiscal 2023 Second Quarter Operational & Financial Results**

Bioasis filed second quarter 2022 operational and financial reports with SEDAR on October 28, 2022 for the three-month period ending August 31, 2022.

In the financial realm, Bioasis reported FY:22 second quarter revenues of CAD$120,000 and total operating expenses of CAD$1.0 million[4] resulting in net loss of ($1.1) million or ($0.01) per share.

For the fiscal second quarter ending August 31, 2022 and versus the same ending August 31, 2021:

- Research revenue totaled $120,000 versus nil, representing research revenue from the research collaborations with Neuramedy and Janssen Biotech;
- General and administrative expenses totaled $0.8 million, as lower share-based compensation was offset by higher legal, other professional and regulatory fees increased;
- Research and development expenses totaled $0.2 million vs. $0.4 million on substantially lower preclinical expenses;
- Total other income was $40,000 vs, $0.8 million;
- Interest expense was ($230,000) vs. ($155,000) increasing due to the amortization of discount and issuance expense on the convertible debentures;
- Net loss was ($1.1) million, or ($0.01) per share, compared to ($0.6) million or ($0.01) per share.

As of August 31, 2022, cash and equivalents on the balance sheet totaled $0.6 million. Cash burn for 1H:23 was approximately ($0.8) million, while cash flows from financing were ($0.4) million from payment of convertible debentures.

As of mid-year, the combined entity of Bioasis and Midatech held cash of approximately USD$8.2 million.[5] We estimate cash burn of approximately $1 million monthly by the combined company. Add to this the expected $10 million in financing, and pro forma cash at year-end should be approximately $12.2 million. Management anticipates that this is sufficient to advance the combined company's programs into 2024. Following the anticipated financing, allocation of resources will be 30% towards legacy Bioasis programs and 25% to legacy Midatech programs. The remainder will be spent on overhead and general and administrative expenses.

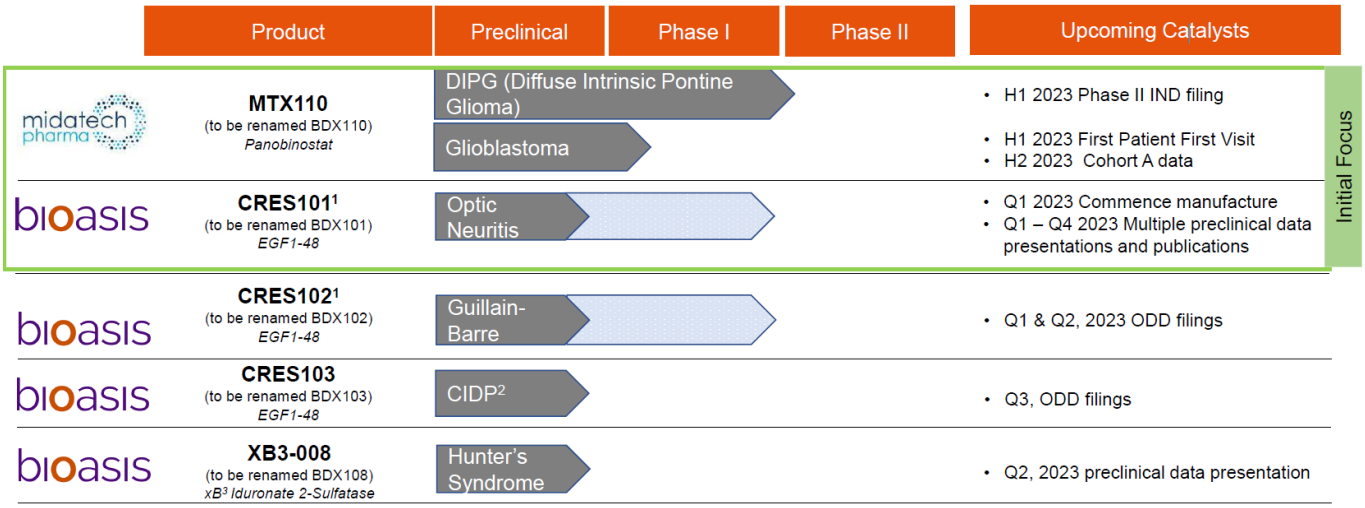
**Targeted Indications**

The priorities of the combined company that will become Biodexa Pharmaceuticals include one program from Midatech and one from Bioasis. Secondary assets will include other important programs from the Cresence acquisition and the xB$^3$ program.

- Priority programs
  - MTX110 in DIPG and glioblastoma
  - CRES101 to be renamed BDX101 in optic neuritis
- Secondary programs
  - CRES102 to be renamed BDX102 in Guillain-Barre
  - CRES103 to be renamed BDX103 in chronic inflammatory demyelinating polyneuropathy
  - xB$^3$-008 to be renamed BDX108 in Hunter's Syndrome

[4] Subsequent financial results and comparison in Canadian Dollars (CAD$)
[5] Using year end 2022 USD/GBP and USD CAD exchange rates

**Exhibit IV – Biodexa Clinical Pipeline[6]**




**Midatech Panobinostat Programs**

*BDX110*
Midatech is using the already FDA approved panobinostat for diffuse intrinsic pontine glioma (DIPG) along with its MidaSolve technology for delivery. Panobinostat is indicated for multiple myeloma, approved by another sponsor, and demonstrated efficacy in screening for DIPG. While it worked well in the target indication, the drug is not soluble and does not easily cross the blood brain barrier. To address these shortcomings, Midatech uses Medtronic's Synchromed II Pump to deliver panobinostat directly to the tumor achieving concentrations 100,000x what oral delivery would allow. The first patient treated, under compassionate use protocol, survived for three years while on the drug until she was taken off the medication. This compares to average survival of about 10 months.

The company is also pursuing recurrent glioblastoma using panobinostat and has enrolled its first patient. As the program matures, Biodexa may employ $xB^3$ to transport the payload across the blood brain barrier, highlighting one of the synergies expected from the arrangement.

**Former Cresence Asset Programs**

*BDX101*
As a result of the merger, the lead candidate for legacy Bioasis assets will be shifted to BDX101 in multiple sclerosis (MS) related optic neuritis. After further consideration and in alignment with the new company's strategic objectives and financial constraints the optic neuritis program presents a better opportunity. The product is being developed to reduce demyelinating inflammation of the optic nerve.

A year-long, double blind, Phase II proof of concept trial is being planned which will enroll 40 subjects to be evenly divided into active and placebo arms. The primary endpoint will be change in retinal nerve fiber layer (RNFL) thickness after 16 weeks. Secondary endpoints will include optic nerve atrophy assessed by MRI, changes in visual acuity, visual field, visual evoked potentials (VEPs).

*BDX102 & BDX103*
BDX102 has been relegated to secondary status and is intended for Guillain-Barré Syndrome, which we discuss in an earlier report that can be accessed here. It is joined by BDX103 for chronic inflammatory demyelinating polyneuropathy (CIDP), which will also await additional funding to support its entry into the clinic.

**$xB^3$ Platform**

Bioasis will continue to develop its $xB^3$ platform along with partners Chiesi, Prothena, Neuramedy and Janssen. The relationships with these partners are very lucrative if the programs are successful; however, progress has been slow. The Prothena program for an undisclosed neurodegenerative disease includes periodic meetings by representatives from both companies that trace the progress of the program and communication with Chiesi has been

[6] Source: Bioasis Corporate Presentation, December 20, 2022

transparent according to management commentary. Programs that are being developed internally include Hunter's Syndrome, progranulin and Gaucher disease.

**Exhibit V – Summary of Partnerships[7]**

| Partner Overview | Platform(s) | Indication(s) | Proceeds Received | Potential Future Proceeds |
|---|---|---|---|---|
| Chiesi<br>2020 revenue of USD$2.3B | bioasis xB³ | • Four undisclosed lysosomal disorders | • USD$3.0M | • Up to USD$138M<br>• Royalty on net sales |
| prothena<br>NASDAQ:PRTA | bioasis xB³ | • Undisclosed neurodegenerative disease | • USD$1.0M | • Up to USD$33M<br>• Royalty on net sales |
| Neuramedy<br>South Korean based biotech | bioasis xB³ | • Parkinson's<br>• Multiple System Atrophy | • USD$0.3M | • Up to USD$72M<br>• Royalty on net sales |
| janssen \| Johnson & Johnson | bioasis xB³<br>midatech pharma<br>Q-Sphera | • R&D for future products<br>• Formulation feasibility on two large molecules | • USD$1.2M | • USD$0.8M (plus license potential) |

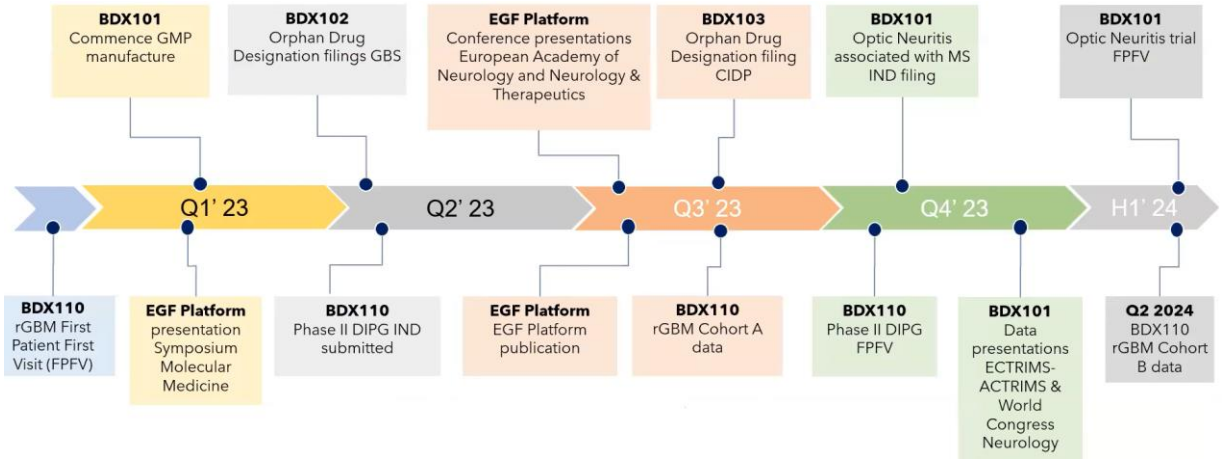
## Updating Our Valuation

Since our previous valuation update, Bioasis has agreed to be the subject of a merger with Midatech and will reprioritize its candidates as it evolves into Biodexa Pharmaceuticals. The value of the new entity is predominantly reliant on the success of Midatech's brain cancer program and the recently acquired Cresence optic neuritis program. We expect to update our valuation following the merger to reflect the new priorities. In the meantime, we withhold our valuation pending the successful financing and combination of Bioasis and Midatech.

## Upcoming Milestones

Below are the anticipated milestones for the combined company. We highlight the progress of legacy Bioasis programs listed above the timeline below for

**Exhibit VI – Biodexa Combined Timeline[8]**




[7] Source: Bioasis Corporate Presentation, December 20, 2022
[8] Source: Bioasis Investor Presentation December 20, 2022

**Summary**

Bioasis has entered into a merger arrangement with Midatech Pharma, a UK-based oncology company with several delivery platforms. The new company offers many synergies that include the use of the $xB^3$ platform to enhance Midatech's lead candidate, combination of the scientific teams, access the the NASDAQ along with enhanced financing opportunities and the reduction of duplicative costs. The new entity is focused on two programs, a brain cancer program that uses panobinostat and Bioasis recently acquired Crescence asset for MS-related optic neuritis which will be designated BDX-101.

$xB^3$ programs will continue with partners and new partners will be sought for this effective platform for crossing the blood brain barrier. The new company will also allocate preclinical resources to advancing $xB^3$ work in Hunter's Syndrome, progranulin and other areas of interest.

The merger is reliant on the close of a $10 million financing that is expected to take place shortly after shareholder approval in early February. Following the close of the deal, Midatech will change its corporate name to Biodexa Pharmaceutical and execute the new strategy. As we wait for the deal to close, we suspend our valuation, which will be driven predominantly by the opportunities for the glioblastoma and optic neuritis programs.

## PROJECTED FINANCIALS

**Bioasis Technologies Inc. - Income Statement**

| Bioasis Technologies Inc. | 2021 A | 2022 A | Q1 A | Q2 A | Q3 E | Q4 E | 2023 E | 2024 E |
|---|---|---|---|---|---|---|---|---|
| **Total Revenues ('000 $CAD)** | **$4,078** | **$38** | **$0** | **$120** | **$0** | **$0** | **$120** | **$0** |
| General & Administrative | $2,569 | $2,408 | $449 | $774 | $490 | $450 | $2,163 | $2,550 |
| Research & Development | $1,238 | $1,226 | $181 | $246 | $210 | $185 | $822 | $4,640 |
| Income from operations | $271 | ($3,597) | ($630) | ($900) | ($700) | ($635) | ($2,864) | ($7,190) |
| Other Income | $463 | $1,291 | $643 | $40 | $0 | $0 | $683 | $0 |
| Interest Income | ($36) | ($654) | ($247) | ($230) | ($375) | ($375) | ($1,227) | $0 |
| Pre-Tax Income | $698 | ($2,960) | ($233) | ($1,090) | ($1,075) | ($1,010) | ($3,408) | ($7,190) |
| 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%* | *100.0%* |
| **Net Income** | **$698** | **($2,960)** | **($233)** | **($1,090)** | **($1,075)** | **($1,010)** | **($3,408)** | **($7,190)** |
| *Net Margin* | | | | | | | | |
| **Reported EPS** | **$0.01** | **($0.04)** | **($0.00)** | **($0.01)** | **($0.01)** | **($0.01)** | **($0.04)** | **($0.07)** |
| *YOY Growth* | | | | | | | | |
| Basic Shares Outstanding | 68,115 | 72,167 | 72,914 | 78,213 | 91,000 | 91,500 | 83,407 | 102,000 |

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

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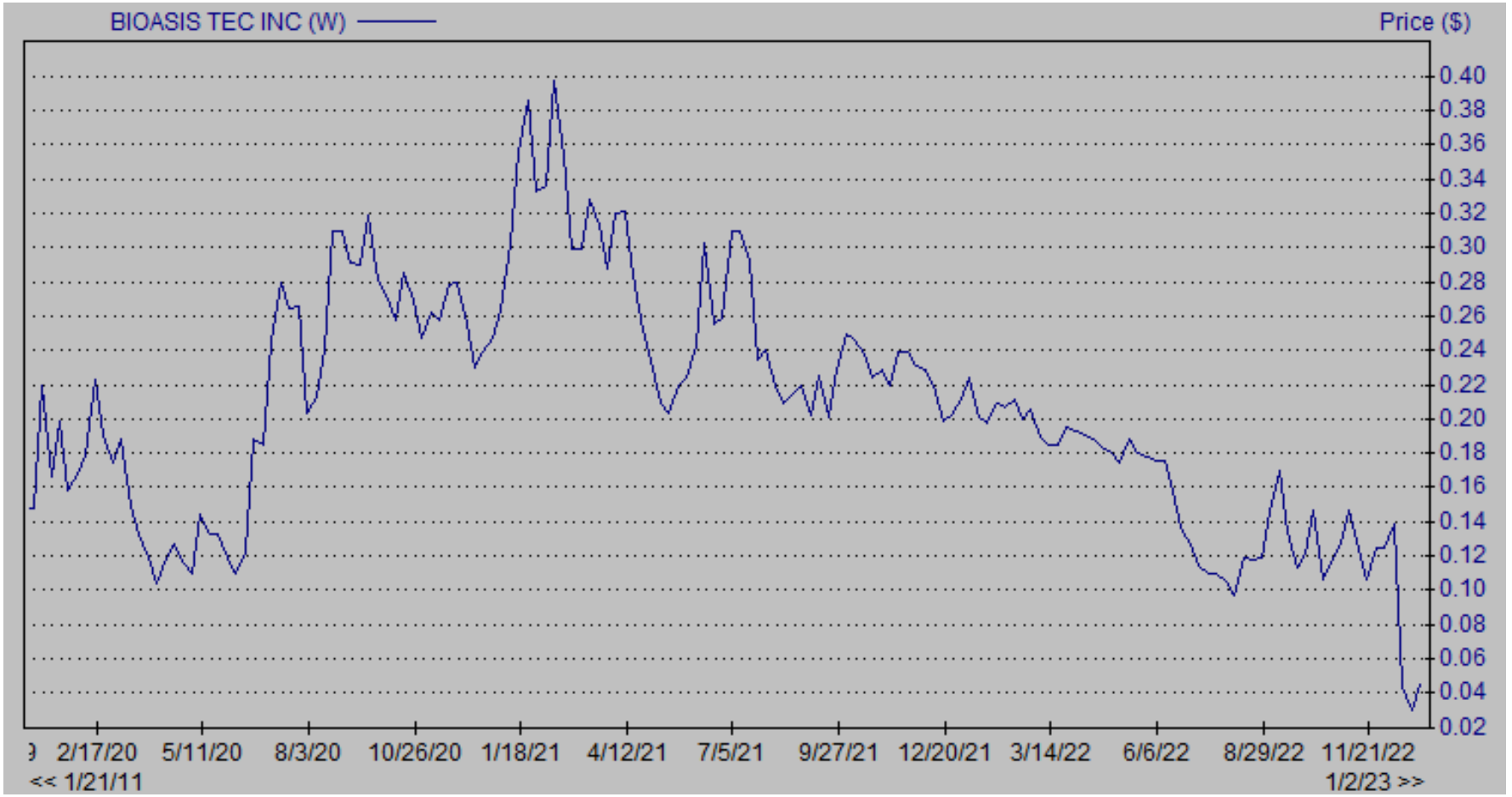
## HISTORICAL STOCK PRICE

**Bioasis Technologies Inc. – Share Price Chart**



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