OXFORD CANNABINOID TECH. (LON:OCTP)

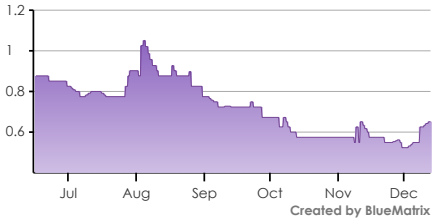
14 December 2022

proactive research

Pharmaceuticals, Biotechnology & Life Sciences

52-WEEK HIGH	**£2.85**
52-WEEK LOW	**£0.40**
PRICE	**£0.63**
MARKET CAP MLN	£6.00

Share Price



Major Shareholders

Kingsley Capital Partners 17.2%	
Imperial Brands Ventures 9.0%	
GHS Capital 6.8%	
(% fully diluted)	
Shares in issue	960,415,644
Avg Three-month trading volume	7,355,041
Primary Index	MAIN
Next Key Announcement	FY22 results before 31 Aug 2022

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Oxford Cannabinoid Technologies: Clinical objectives confirmed for 2023

Pharmaceuticals derived from cannabinoids

Oxford Cannabinoid Technologies (OCT) develops non-opioid pain pharmaceuticals. The lead product, OCT461201 ("201"), is an oral product to relieve peripheral nerve pain caused by cancer chemotherapy (CIPN). In a trading update (12 December 2022), management indicates that 201 will enter the clinical phase from January 2023. The scientific work on this is being done by Aptuit (Verona), a subsidiary of Evotec, so we expect this to be high quality. Once Aptuit has supplied the full report (including manufacturing information) by the end of December, OTC will be able to submit an application to the UK regulator, the Medicines and Healthcare products Regulatory Agency (MHRA), to gain approval for clinical studies, a Clinical Trial Authorisation (CTA). OTC's management expects this to complete during January. Aptuit will also deliver formulated oral 201 for clinical use around mid Q1. The Phase 1 volunteer study, run by a CRO, might then start by late March 2023. The Phase 1 should be fast to run and initial data might be available from mid-2023. It will involve 4 cohorts of 8 volunteers to assess dose and safety. A Phase 2 patient programme could then be run from Q4 2023, if funds allow, to evaluate efficacy.

The second project, OCT130401 ("401"), a fast relief inhaled therapy for a sudden onset, facial-pain condition (trigeminal neuralgia, or TN), will be suspended to save cash once the current preclinical work is completed in early 2023.

Two research stage projects (Projects 3 and 4) might respectively enter preclinical testing and lead identification in Q2 2023. This indicates possible clinical stages from 2024 and 2025.

Investment conclusion

The H1 FY23 cash balance (31 October 2022) was about £5mln, down from £9.3mln on 30 April 2022. A large part of the £3.1mln R&D H1 expenditure was the £2.6mln Aptuit contract; this appears to conclude during Q1 2023. As the 401 project will be suspended, this will reduce cash use. Management now estimates that OCT has cash till Q4 2023 (FY22 operating cash outflow was £5.4mln). Hence, further funding will be needed ideally by mid-2023. OCT is now a virtual company with no offices or labs.

The market capitalisation of about £6mln reflects the weak market for earlier-stage biotechnology stocks and the need for further funding. In our view, OCT remains an interesting opportunity since the major lead project, 201, should enter the clinical development phase from January 2023. The indication, CIPN, has no effective current treatment. With clinical data, this novel product aiming for an underserved and accessible market could be an attractive partnering opportunity.

OCT has seen recent management changes with Clarissa Sowemimo-Coker stepping up in December from COO to become interim CEO and a new CFO in Paul Smalley from October.

Year end Apr 30	2020	2021
Operating profit (£,000s)	(3,346)	(5,503)
Net Cash	14,630.0	9,266.0

Clarissa Sowemimo-Coker (interim CEO) joined the group's executive team in December 2018 as General Counsel and Company Secretary, She was appointed to the board in February 2021 as chief operating officer. In December 2022 Clarissa was appointed as chief executive on an interim basis. She was formerly a solicitor and commercial consultant to companies in the retail, telecoms, and pharmaceutical sectors. She is also a management coach. Clarissa holds a BA in philosophy and literature from Warwick University and PGDL and LPC from BPP Law School in London.

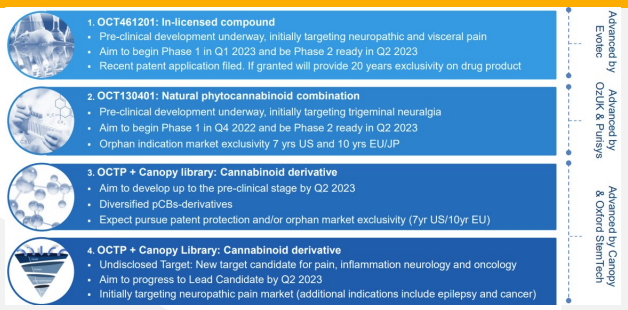
Julie Pomeroy (non-exec chair) is an experienced finance director. She has an honours degree in physics from Birmingham University, is a chartered accountant and chartered director. She also holds tax and treasury qualifications.

Paul Smalley (finance director) joined OCT in October 2022 from Panthera Biopartners Ltd, a clinical trials management company, where he was the finance director and company secretary. He is a CIMA qualified accountant with over 25 years' experience. He has worked in a variety of organisations, from SMEs to quoted companies. Paul holds a BA in Accounting & Finance from Lancaster University and is also a chartered global management accountant.

Lead project now 201

Exhibit 1 shows the pain pipeline with 201 entering the clinical phase from January 2023. The 201 Phase 1 (*first-in-human, randomised, double-blind, placebo-controlled, single ascending oral dose safety, tolerability and pharmacokinetics study of OCT461201 in Healthy Volunteers*) will assess dose, safety and behaviour of 201 in the body. The 401 project will be put on hold as a clinic-ready project from Q1 2023.

Exhibit 1 - OCT Pipeline July 2022



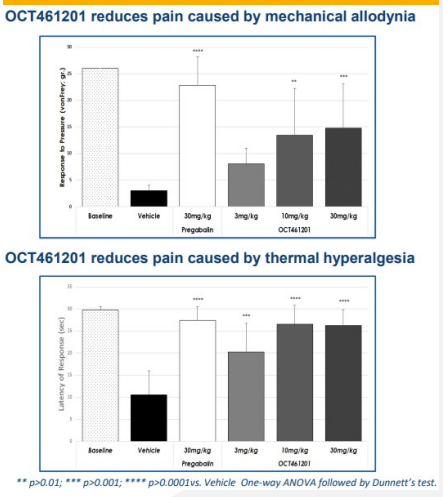
Source: OCT

OCT461201

201 was originally developed by Pfizer and licensed by OCT from AskAt. It activates the Cannabinoid Receptor 2 (CB2). CB2 is mainly found outside the brain. 201 has no psychoactive effects. Independent literature evidence (Lin *et al* 2022) indicates that CB2 activation can overcome the peripheral nerve sensitisation and lower pain toxic effects of chemotherapy.

Exhibit 2 shows rat data and indicates a possible human dose of 3mg/kg according to OCT. The baseline is the untreated rat. The vehicle means the rats had paclitaxel chemotherapy, so had a fast pain response.

Exhibit 2 - 201 preclinical



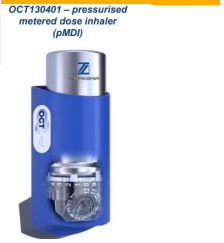
Source: OCT

Pregabalin (Lyrica) is an anti-epileptic drug also indicated for peripheral and central neuropathic pain. In this experiment it is given at a very high dose.

OCT 401

This is a mix of synthetic cannabis molecules: THC (psychoactive) and CBD (non-psychoactive) in a 1:1 ratio. 401 will be delivered to the deep lung by an off-the-shelf, metered-dose, pressurised inhaler to give fast absorption. This aims to give fast pain relief from the sudden onset, stabbing pain of TN. The project will be put on hold once the current preclinical work concludes in early 2023. Current TN therapy is 60-80% effective but requires chronic dosing of carbamazepine, an old epilepsy drug with side effects.

Exhibit 3 - 401



Source: OCT

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