

Cuspis Capital III Ltd. and Cytophage Technologies Inc. Enter into Letter of Intent for Qualifying Transaction



Toronto, Ontario – TheNewswire - June 1, 2023 – Cuspis Capital III Ltd. (TSXV:CIII.P) (“**Cuspis**” or the “**Corporation**”), a capital pool company as defined under TSX Venture Exchange (“**TSXV**” or the “**Exchange**”) Policy 2.4 – *Capital Pool Companies* (“**Policy 2.4**”), is pleased to announce it has entered into a letter of intent dated May 31, 2023 (the “**LOI**”) with Cytophage Technologies Inc. (“**Cytophage**”), a private company continued under the laws of the Province of Manitoba, whereby Cuspis and Cytophage will complete an arrangement, amalgamation, share exchange, or similar transaction to ultimately form the resulting issuer (the “**Resulting Issuer**”) that will continue on the business of Cytophage (the “**Transaction**”), subject to the terms and conditions outlined below. Cuspis intends that the Transaction will constitute its Qualifying Transaction, as such term is defined in the policies of the Exchange. Following completion of the Transaction, the Resulting Issuer intends to list as a Tier 2 Industrial Issuer on the Exchange.

Cuspis completed its initial public offering in December, 2021. The common shares of Cuspis (the “**Cuspis Shares**”) are listed for trading on the TSXV under the stock symbol “CIII.P”. Cuspis has not commenced commercial operations and has no assets other than cash. Cuspis was incorporated under the laws of the Province of Ontario.

Cytophage's products and scientific platform represent a new tool to reverse the trend of increasing use of antibiotics and the consequential global increase in antimicrobial resistance to these antibiotics.

Cytophage is based in Winnipeg, Manitoba and was formed on February 5, 2015. Cytophage Technologies Inc. develops bacteriophage ("phage") products as an alternative to antibiotics and vaccines, to prevent and treat bacterial and viral infections that affect human health, animal health and food safety. Bacteriophages are viruses that have evolved to specifically target and destroy strictly bacterial cells and are safe for humans, plants and animals. To combat dangerous bacteria, Cytophage generates customized phages to address specific bacterial infections, including strains resistant to antibiotics. Cytophage has also recently developed a 'phage-display' methodology to develop vaccine-like products using bacteriophages for a number of potential applications in human and animal health.

Given the majority of antibiotics produced are used in animal agriculture, Cytophage's first products focus on the animal health market, addressing common bacterial infections in livestock, beginning with poultry. Commercialization is expected before the end of 2023, with regulatory applications for several jurisdictions currently being prepared for Cytophage's first commercial product – an *E. coli* and salmonella phage product to control *E. coli* and salmonella in chickens, with subsequent poultry products, that are already developed, being tested for *C. perfringens*. Cytophage is also evaluating further opportunities in animal health such as mastitis in dairy cattle and *E. Coli* in suckling pigs. Potential antiviral applications in animal health using 'phage-display' that are being investigated include Swine Fever and Bovine Respiratory Syndrome. The total global market for animal antibiotics and antimicrobials is estimated to be more than US\$ 4 billion per annum¹.

On the human health side, Cytophage is available to support Canada's Special Access Program (SAP) that allows patients with life-threatening illnesses to access therapies that have not yet been approved by Health Canada, as well as similar programs in place around the world. Cytophage is currently testing its 'phage-display' platform by developing an antiviral for COVID-19 using a filamentous phage, focused on preventing transmission of the virus. This work is intended to inform the development of new products for respiratory viruses including the potential for a broad strain flu-vaccine.

Cuspis's management believes Cytophage's research and platform represent a compelling opportunity in the face of rising bacterial resistance to antibiotics globally. A recent Economist podcast² (and BBC article³) highlights the situation, and notes that in 2019 more than a million deaths worldwide were attributed to infections caused by bacteria resistant to antibiotics, with that figure expected to rise to over 10 million by 2050. The UN has said, "Antimicrobial resistance is one of the greatest threats we face as a global community"⁴.

For its year ended December 31, 2022, Cytophage had total assets of \$2.240 million and total liabilities of \$153 thousand, for net tangible assets of \$2.09 million. Cytophage had \$Nil revenues in its fiscal 2022, and a net income (loss) of (\$3.72million). All such numbers are unaudited.

The LOI was negotiated at arm's length and is effective as of May 31, 2023. William Ollerhead, the CEO and a director of Cuspis, holds (directly and indirectly) 832,500 common shares of Cytophage. Grant McCutcheon, the CFO and a director of Cuspis, holds 74,000 common shares of Cytophage. Fraser Elliott, a director of Cuspis, holds 254,000 common shares of Cytophage. Jack Schoenmakers, a director of Cuspis, holds 30,000 common shares of Cytophage. These directors and officers of Cuspis collectively own 2.82% of the total issued and outstanding Cytophage shares. None of the current directors or officers of Cuspis hold any director or management position with Cytophage. The Transaction does not constitute a Non-Arm's Length Qualifying Transaction, and the approval of the shareholders of Cuspis will not be required. In the event that approval from the shareholders of Cytophage is required, such approval will be sought as a condition to the closing of the Transaction.

The material terms and conditions outlined in the LOI are non-binding on the parties and the LOI is, among other things, conditional on the execution of a definitive agreement (the "**Definitive Agreement**") to be negotiated between the parties. It is currently anticipated that, immediately prior to the completion of the Transaction, Cuspis will effect a share consolidation (the "**Consolidation**") on a basis to be determined, where the number of shares to be consolidated for each share (the "Consolidation Divisor") is anticipated to be between 2 and 5.

The LOI contemplates that as a condition of closing, Cytophage will complete a private placement of equity securities for gross proceeds of a minimum of \$3,000,000 and a maximum of \$5,000,000 (the "**Concurrent Financing**"). Pursuant to the Transaction, 4.1534 divided by the Consolidation Divisor Post-Consolidation Cuspis Shares, will be issued in exchange for outstanding common

shares of Cytophage (such ratio being the “**Exchange Ratio**”). The Value of Cytophage is established at \$40,172,034, or \$0.95 per share. The value of Cuspis has been established at \$8.050 million, or \$0.23 per (pre-Consolidation) share. Cuspis shareholders will own between 15.1% of the resulting issuer (if the maximum Concurrent Financing is raised), and 15.7% of the resulting issuer (if the minimum Concurrent Financing is raised). If agreed between Cuspis and Cytophage, Cuspis shareholders may also receive share purchase warrants of the resulting issuer, in such number and upon such terms as may be agreed upon.

There can be no assurance that a Definitive Agreement will be successfully negotiated or entered into, or that the Concurrent Financing or the Transaction will be completed.

Upon completion of the Transaction, the parties intend for the following individuals to comprise the board of directors and management of the Resulting Issuer, while Cuspis will, at its option, nominate a 6th director, acceptable to Cytophage.

Director, CEO/CSO Dr. Steven Theriault

Winnipeg, Manitoba

Dr. Steven Theriault, the founder of Cytophage, is a synthetic biologist with 20 years research and commercial experience in generating biological solutions for biological problems. His research on the Ebola virus contributed to the development of the Canadian Ebola vaccine that was a critical tool in curtailing the 2016 outbreak. As the Chief of the Applied Research Program at the Canadian Science Centre for Human and Animal Health, Dr. Theriault worked extensively at the global level on issues related to the efficacy of microbicides in containment laboratories and outbreak areas, genetic systems to evaluate pathogenesis in viral infectious agents, and advances in decontamination. As a professor at the University of Manitoba, he has taught numerous courses in microbiology, cell biology, immunology and virology. Through his private laboratory, Dr. Theriault has commercialized his discoveries related to bioremediation and pathogen reduction processes. Dr. Theriault’s interests have turned to addressing antimicrobial resistance through the use of synthetic bacteriophages. His template technology creates bacteriophages that are tailored to kill specific bacteria as opposed to the lengthy discover-in-nature process that currently exists. To commercialize his invention, Dr. Theriault established Cytophage Technologies Inc. and is currently the CEO and CSO of the Corporation

Director: Harold Wolkin

Toronto, Ontario

Harold Wolkin has over 30 years of experience as an investment banker and financial analyst. He has extensive experience in advising CEO's and Boards of Directors of both public and private companies. Harold has successfully assisted 50+ companies in going public and acquiring investment growth capital. Harold has taken leadership roles on numerous boards including his current roles as Chair of the Audit Committee of Baylin Technologies and Lead Director of Cipher Pharmaceuticals.

Director: Robert Gabor

Winnipeg, Manitoba

Mr. Robert Gabor left the practice of law after 36 years to accept the position as chair of the Public Utilities Board of Manitoba. As a partner at Aikins, MacAulay and Thorvaldson LLP, Mr. Gabor was the Head of the Commercialization Unit. His practice covered the areas of administrative law to corporate-commercial and technology law, including intellectual property, cyber security and privacy law. Mr. Gabor was appointed as a commissioner on the Royal Commission on Electoral Reform and Party Financing from 1990-92. Mr. Gabor is a Past Member of the International Board of Governors of The Hebrew University of Jerusalem. Mr. Gabor received the Queen's Diamond Jubilee Medal for community services in 2012.

Director: Dr. Shantha Kodihalli

Winnipeg, Manitoba

Dr. Kodihalli is an accomplished R&D executive with 20 years of experience in leading preclinical programs including the development and characterization of animal models, advancement of vaccine and therapeutic against infectious agents, and progressing medical countermeasures for licensure by the FDA. She has an extensive track record of therapeutic drug development against infectious disease targets from the pipeline, preclinical, clinical to licensure. Dr. Kodihalli is accomplished in FDA Animal Rule; Good Laboratory Practices; animal models of infectious

disease and acute radiation syndromes; medical countermeasure development for licensure under the Animal rule; pre-IND and IND briefing packages; BLA preparations for submission for both Animal rule and traditional licensure pathways for biologicals; government contracting; and contract research organization oversight.

Director: Andy Hurley

Boston, Massachusetts

Andy Hurley is an executive leader with over 30 years of experience in successfully building and leading commercial and medical teams. His experience ranges from launching 21 different drugs across global markets, to building first-in-company commercial teams and launch strategies within (2) previous R&D companies as a CCO, to rebuilding a clinical operations department following leadership departures and clinical setbacks, and leading a large commercial consulting division within the top CCO organization in the industry. Recently, Andy joined Shield Therapeutics' Executive Team as Chief Commercial Officer with responsibility for US sales, marketing, operations, managed markets and patient services. Before joining Shield, Andy was Chief Commercial and Medical/Clinical Officer at Agenus Inc. where he was responsible for leading the commercial, medical affairs and clinical operations functions. Prior to Agenus, Andy was Senior Vice President of a commercial division at Syneos Health where he led a global team that launched nine products across several therapeutic areas during his tenure at the company. Andy has also held senior leadership roles across commercialization, marketing, sales, and operations functions at Ocular Therapeutix, Sunovion, Dyax, NitroMed and Forest Pharmaceuticals. Andy has a Bachelor of Science in Consumer Studies from the University of Vermont and did post-graduate work in Finance and Marketing at Bentley University's McCallum Graduate School of Business.

Cytophage's current management team includes:

CEO/CSO: Steven Theriault

Winnipeg, Manitoba

CFO: Michael Graham**Toronto, Ontario**

Mr. Graham has been the CFO of Cytophage since 2017 helping the Company raise almost \$17M to support its growth and development. Immediately prior to joining Cytophage Mr. Graham was a Director and the CFO of RHC Capital, a Canadian listed public issuer, aiding to restructure and execute a qualifying transaction. Mr. Graham was also the CFO of the resultant issuer, Royal Helium (TSXV: RHC). Before moving to work on the issuer side, Mr. Graham, spent over 10 years in capital markets supporting growth companies in the public and private domain as an investment banker and institutional equity broker.

President: Heather Medwick**Winnipeg, Manitoba**

Ms. Medwick has acted as President of Cytophage since 2018. As the former President and CEO for the International Centre for Infectious Diseases, Ms. Medwick brings over 20 years of management experience in the administration, development, evaluation and dissemination of evidence-based knowledge for decision-making by industry and government.

Conditions to the Transaction

Completion of the Transaction will be subject to a number of conditions, including but not limited to, acceptance by the TSXV, approval of certain matters by the holders of the Cuspis Shares and other customary conditions including:

- completion of the Concurrent Financing;
- execution by Cytophage of one or more commercial sales and/or distribution agreement(s), licensing agreement(s), royalty agreement(s) or receipt of royalty payment(s) or other upfront payment, satisfactory to Cuspis;
- receipt of all director, shareholder and requisite regulatory approvals (including Cytophage shareholder approval) relating to the negotiation and execution of a Definitive Agreement in respect of the Transaction and as may be contemplated by the Definitive Agreement; preparation and filing of a disclosure document, as required by the TSXV, (the **Disclosure Document**) outlining the definitive terms of the Transaction and describing the business to be conducted by Cuspis following completion of the Transaction, in accordance with the policies of the TSXV; and

- completion of the Consolidation.

There can be no assurance that the Transaction will be completed as proposed or at all.

Sponsorship

Cuspis intends to make an application for exemption from the sponsorship requirements of the TSXV in connection with the Transaction, however there is no assurance that the TSXV will exempt Cuspis from all or part of applicable sponsorship requirements.

Further Information

Cuspis will provide further details in respect of the Transaction and the Concurrent Financing in by way of updating press releases as this information becomes available.

All information contained in this press release with respect to Cytophage and Cuspis (but excluding the terms of the Transaction) was supplied by the parties respectively, for inclusion herein, without independent review by the other party, and each party and its directors and officers have relied on the other party for any information concerning the other party.

Completion of the Transaction is subject to a number of conditions, including but not limited to, TSXV acceptance and if applicable pursuant to TSXV requirements, majority of the minority shareholder approval. Where applicable, the Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the Disclosure Document to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The TSXV has in no way passed upon the merits of the Transaction and has neither approved nor disapproved the contents of this press release.

Trading in the listed securities of the Corporation will remain halted pursuant to Policy 5.2 Section 2.5 and Policy 2.4 Section 2.3(b).

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Forward-Looking Information

This press release contains “forward-looking information” and “forward-looking statements” (collectively, “**forward-looking statements**”) within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this press release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected” “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”. “estimates”, “believes” or intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this press release, forward-looking statements relate, among other things, to: the Transaction and certain terms and conditions thereof; the business of Cytophage, the Concurrent Financing; the Consolidation of Cuspis Shares; the Exchange Ratio, TSXV sponsorship requirements and intended application for exemption therefrom; shareholder, director and regulatory approvals; and future press releases and disclosure. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; and the delay or failure to receive shareholder, director or regulatory approvals. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly,

readers should not place undue reliance on the forward-looking statements and information contained in this press release. Except as required by law, Cuspis assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any state securities laws and may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws, unless an exemption from such registration is available.

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¹ Itd R and M. Animal Antibiotics and Antimicrobials - Global Market Trajectory & Analytics. www.researchandmarkets.com.

<https://www.researchandmarkets.com/reports/5301887/animal-antibiotics-and-antimicrobials-global>

² <https://www.economist.com/phage-pod>

³ Roxby, P. (2022, January 20). Millions are dying from drug-resistant infections, global report says. BBC News. From <https://www.bbc.com/news/health-60058120>

⁴ United Nations. (n.d.). UN, Global Health Agencies Sound Alarm on drug-resistant infections; new recommendations to reduce 'staggering number' of future deaths | | UN news. United Nations. From <https://news.un.org/en/story/2019/04/1037471>