

Cuspis Capital III Ltd. and Cytophage Technologies Inc. Announce Execution of Business Combination Agreement and Concurrent Financing



Toronto – November 6, 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**”), and Cytophage Technologies Inc. (“**Cytophage**”) are pleased to announce that, further to Cuspis’ news release dated June 1, 2023 (the “**Prior Press Release**”), Cuspis, Cytophage and 10179321 Manitoba Ltd. (“**Subco**”), a wholly-owned subsidiary of Cuspis, have entered into a business combination agreement dated November 6, 2023 (the “**Definitive Agreement**”) in connection with the proposed business combination of Cuspis and Cytophage to ultimately form the resulting issuer (the “**Resulting Issuer**”) that will continue on the business of Cytophage, subject to the terms and conditions outlined below and in the Prior Press Release. Cuspis and Cytophage intend that the transactions contemplated by the Definitive Agreement (the “**Transaction**”) will constitute Cuspis’ 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 Biotechnology Issuer on the Exchange. Unless otherwise indicated herein, the terms of the Transaction are as set forth in the Prior Press Release.

Under the terms of the Definitive Agreement, the Transaction will be completed by way of a three-cornered amalgamation under the laws of the Province of Manitoba, whereby Subco and Cytophage will amalgamate (the “**Amalgamation**”), and the resulting amalgamated entity will survive as a wholly-owned subsidiary of Cuspis. Each issued and outstanding Class A common share of Cytophage (each a “**Cytophage Share**”) will be exchanged for common shares (the “**Resulting Issuer Shares**”) of the Resulting Issuer on the basis of one (1) Resulting Issuer Share for one (1) Cytophage Share (the “**Exchange Ratio**”). In addition, it is contemplated that all securities convertible, exercisable or exchangeable into Cytophage Shares outstanding at the effective time will be exchanged for similar securities of the Resulting Issuer on the basis of the Exchange Ratio. Immediately prior to or concurrently with closing of the Transaction (the “**Closing**”), Cuspis is expected: (i) to consolidate (the “**Consolidation**”) all of its issued and outstanding common shares (each, a “**Cuspis Share**”) on the basis of one (1) post-Consolidation Cuspis Share for approximately 4.1448 (the “**Consolidation Ratio**”) pre-Consolidation Cuspis Shares; (ii) change

its name to “Cytophage Technologies Inc.” (the “**Name Change**”) or such other name as is acceptable to Cytophage, the TSXV and the Director appointed under the *Business Corporations Act* (Ontario); and (iii) complete the Offering (as described below). It is also contemplated that all securities convertible, exercisable or exchangeable into Cuspis Shares will be consolidated at the Consolidation Ratio.

Cuspis expects to hold an annual and special meeting of its shareholders on or about December 1, 2023, to approve certain related matters in connection with the Transaction, including an amendment to the articles of the Corporation to effect the previously announced Consolidation, the Name Change, and the election of directors, among other matters and as will be set forth in the information circular that Cuspis will shortly be mailing out to shareholders in connection with this meeting.

Subscription Receipt Equity Financing

In connection with the Transaction, Cytophage will be conducting a non-brokered private placement offering (the “**Offering**”), for a minimum of \$2,500,000 in aggregate gross proceeds of subscription receipts of Cytophage (each, a “**Subscription Receipt**” and collectively, the “**Subscription Receipts**”) at \$1.00 per Subscription Receipt (the “**Offering Price**”). Completion of the Offering for minimum gross proceeds of \$2,500,000, along with the proceeds of a non-brokered private placement of units of Cytophage completed following the Prior Press Release for aggregate gross proceeds of approximately \$523,000, is expected satisfy the concurrent financing condition as required by the Definitive Agreement.

Immediately prior to Closing and provided the Escrow Release Conditions (as defined below) are satisfied or waived (to the extent waiver is permitted), each one Subscription Receipt shall be exchanged automatically, for no additional consideration and with no further action on the part of the holder thereof, into one unit of Cytophage (a “**Unit**”). Each Unit will consist of one Cytophage Share (each an “**Underlying Share**”) and one-half of one common share purchase warrant (each whole warrant, an “**Underlying Warrant**”). Each Underlying Warrant will entitle the holder to purchase one Cytophage Share (a “**Warrant Share**”, and together with the Underlying Shares and the Underlying Warrants, the “**Underlying Securities**”) at an exercise price equal to \$1.40 until the date that is 24 months following the date of the Closing (the “**Closing Date**”), subject to acceleration by Cytophage, in its sole discretion, if the volume weighted average trading price of the Cytophage Shares on the Exchange equals or exceeds \$1.75 for a period of 10 consecutive trading days.

In connection with the Transaction, it is intended that, among other things: (i) the Subscription Receipts will be automatically converted, without payment of additional consideration or further action on the part of the holder thereof into Units; (ii) all of the outstanding Cytophage Shares (including the Underlying Shares) will be exchanged for Resulting Issuer Shares based on the Exchange Ratio; and (iii) the Underlying Warrants and Finder’s Warrants (as defined below) will be exchanged for warrants and finder’s warrants, respectively, of the Resulting Issuer with the number and the exercise price adjusted based on the Exchange Ratio, on economically equivalent terms.

The net proceeds from the Offering will be used to complete the Transaction, fund regulatory approval(s) for existing Cytophage products, the development of new Cytophage products and for working capital and general corporate purposes.

Upon closing of the Offering, the gross proceeds (the “**Escrowed Funds**”) will be delivered to and held by an escrow agent (currently expected to be the TSX Trust Company) (the “**Escrow Agent**”) pursuant to the terms of a subscription receipt agreement (the “**Subscription Receipt Agreement**”) to be entered into on the closing date of the Offering among Cytophage, Cuspis and the Escrow Agent. The Escrowed Funds will be released (together with the interest thereon) to Cytophage upon satisfaction of the following escrow release conditions and the Escrow Agent receiving a certificate from Cytophage and Cuspis prior to the Termination Time (defined below) to the effect that:

- (A) all conditions precedent to the Transaction in accordance with the Definitive Agreement, have been completed, satisfied, or waived;
- (B) Cytophage and Cuspis, as applicable, not being in breach or default of any of their material covenants or obligations under the Definitive Agreement or the Subscription Receipt Agreement;
- (C) all required shareholder and regulatory approvals, including, without limitation, the conditional approval of the TSXV for the listing of the Resulting Issuer Shares on the TSXV and the Transaction, have been received;
- (D) the Resulting Issuer securities issued in exchange for the Underlying Securities are not subject to any statutory or other hold period in Canada, other than as may be required by the TSXV;
- (E) the satisfaction of such other customary escrow release conditions requested by Cytophage or Cuspis, acting reasonably, to be set out in the Subscription Receipt Agreement;
- (F) Cytophage and the Cuspis have delivered a joint notice and direction to the Escrow Agent, confirming that the conditions set forth in (A) to (D) above have been met or waived (together from (A) to (F), the “**Escrow Release Conditions**”).

If (i) the satisfaction of the Escrow Release Conditions does not occur on or prior to the date that is 180 days following the closing date of the Offering, or such other date as may be mutually agreed to in writing among Cytophage and Cuspis, or (ii) Cytophage and Cuspis has advised the public that either of them does not intend to proceed with the Transaction (in each case, the earliest of such times being the “**Termination Time**”), then all of the issued and outstanding Subscription Receipts shall be cancelled and the Escrowed Funds shall be used to pay holders of Subscription Receipts an amount equal to the Offering Price of the Subscription Receipts held by them (plus an amount equal to a pro rata share of any interest or other income earned thereon (less applicable withholding tax, if any)). If the Escrowed Funds are not sufficient to satisfy the aggregate Offering Price paid for the then issued and outstanding Subscription Receipts (plus an amount equal to a pro rata share of the interest earned thereon), it shall be Cytophage’s sole responsibility and liability to contribute such amounts as are necessary to satisfy any such shortfall.

The securities to be issued under the Offering will be offered by way of private placement in each of the provinces of Canada and such other jurisdictions as may be determined by Cytophage and Cuspis, in each case, pursuant to applicable exemptions from the prospectus requirements under applicable securities laws.

The Offering is expected to close on or about November 24, 2023, or such other date as determined by Cytophage, acting reasonably. In connection with, and as a condition to, the completion of the Transaction, the Resulting Issuer Shares (including those issued in exchange for the Underlying Shares and issuable pursuant to the warrants and options of the Resulting Issuer) will be listed on the TSXV.

In connection with the Offering, Cytophage may (on a case by case basis) pay certain duly registered and eligible finders (the “**Finders**”) a cash fee equal to up to 7.0% of the aggregate gross proceeds raised from subscribers introduced by them. The Finders may also receive such number of finder’s warrants (“**Finder’s Warrants**”) as is equivalent to up to 7.0% of the number of Subscription Receipts issued to subscribers introduced by them. Each Finder’s Warrant will be exercisable at an exercise price of \$1.00 to acquire one Unit at any time during the twenty-four (24) months following the Closing Date. Upon the completion of the Transaction, the Finder’s Warrants will be exchanged for finder’s warrants of the Resulting Issuer on economically equivalent terms.

The securities described herein 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 accordingly, may not be offered or sold within the United States except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities requirements or pursuant to exemptions therefrom. This press release does not constitute an offer to sell or a solicitation to buy any securities in any jurisdiction.

Engagement of PI Financial Corp.

In connection with the Transaction, Cytophage has engaged PI Financial Corp. as an independent financial advisor.

About Cuspis and 10179321 Manitoba Ltd.

Cuspis completed its initial public offering on February 1, 2022. The common shares of Cuspis are listed for trading on the TSXV under the 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.

Subco is a private company incorporated under the *Corporations Act* (Manitoba) on October 25, 2023, for the purpose of completing the Transaction.

About Cytophage

Cytophage is a leading-edge Canadian biotechnology company that uses advanced molecular genetic techniques and synthetic biology to create highly effective bacteriophages to address bacterial challenges affecting animal health, human health, and food security. Bacteriophages are viruses that have evolved to specifically target and destroy strictly bacterial cells and are safe for humans, animals, and plants. 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.

On August 15, 2023, Cytophage announced it has entered into a distribution agreement with a leading animal health company in South Asia. This collaboration aims to expand Cytophage’s

market reach and accelerate growth in the thriving South Asian market. The distribution company is one of the leading pharmaceutical and animal health companies in its home region in South Asia. Their extensive market knowledge, consumer network and commitment to excellence align well with Cytophage's vision and goals.

Cytophage Chief Financial Officer and Chief Commercial Officer

Julius Kalcevich has joined Cytophage as its Chief Financial Officer. Michal Graham, the previous CFO, is now the Chief Commercial Officer of Cytophage. Both individuals will assume the same roles with the Resulting Issuer upon Closing. The other proposed directors and officers of the Resulting Issuer are as set forth in the Prior Press Release

Mr. Kalcevich is an experienced finance and investment banking professional with an extensive background in corporate finance, strategy development and financial management. Most recently, Mr. Kalcevich held the position of CFO of iAnthus Capital Holdings, Inc., which owns and operates licensed cannabis cultivation, processing, and dispensary facilities throughout the United States. As a founding team member of iAnthus, Mr. Kalcevich helped grow the company from a staff of 10 people to an organization with over 1000 personnel and revenue of \$200 million. Previously, Mr. Kalcevich was a partner with BG Partners Corp., a Toronto based merchant bank focused on early stage and venture financings. Prior to this, he was a director in the investment banking groups of CIBC World Markets and Dundee Capital Markets where he assisted in the completion of over 40 transactions representing over \$5 billion of transaction volume. Mr. Kalcevich earned a B.A. in Economics at McGill University and an MBA at Columbia University.

Conditions to the Transaction

Completion of the Transaction remains subject to a number of conditions, including but not limited to:

- completion of the Offering;
- completion of the Consolidation (including the consolidation of all issued outstanding securities of Cuspis) and the Name Change;
- 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;
- receipt of all shareholder, third party and requisite regulatory approvals (including Cytophage shareholder approval) relating to the Amalgamation and the Transaction; and
- acceptance by the TSXV.

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

Sponsorship

Cuspis and Cytophage are in the process of identifying several appropriate sponsors to prepare a detailed Sponsor Report in the form prescribed under Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

Further Information

The full details of the Transaction are as set forth in the Prior Press Release, updated by this press release.

All information contained in this press release with respect to Cuspis and Cytophage (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.

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 Section 2.5 of Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers* and Section 2.3(b) of Policy 2.4.

For more information regarding Cuspis, please contact William Ollerhead, the Chief Executive Officer of the Corporation.

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

CAUTIONARY STATEMENT REGARDING 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 Offering; the Distribution Agreement and regulatory approval of Cytophage’s products; plans or expectations with respect to the selling and distribution of Cytophage’s products; the TSXV sponsorship requirements; 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.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any state in the United States in which such offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.