Unaudited condensed interim financial statements of

CUSPIS CAPITAL III LTD.

A Capital Pool Corporation

For the three and six months ended June 30, 2023 and 2022

NOTICE OF NO AUDIT OR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of Cuspis Capital III Ltd. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity’s auditor.

CUSPIS CAPITAL III LTD.

A Capital Pool Corporation

Condensed Interim Statements of Financial Position

(In Canadian dollars)

(Unaudited)

As at

	Note	**June 30, 2023**	December 31, 2022
Assets			
Current assets			
Cash		**$ 46,491**	$ 69,502
Short-term investments	5	**5,449,707**	5,343,692
Prepaid expenses and deposits	6	**3,261**	517
Total assets		**$ 5,499,459**	$ 5,413,711
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	7	**$ 25,387**	$ 24,301
Total current liabilities		**25,387**	24,301
Shareholders' equity			
Share capital	3	**4,996,615**	4,996,615
Share option reserve	3	**732,604**	732,604
Warrant reserve	3	**413,785**	413,785
Deficit		**(668,932)**	(753,594)
Total shareholders’ equity		**5,474,072**	5,389,410
Total liabilities and shareholders’ equity		**$ 5,499,459**	$ 5,413,711
Nature of operations	1		

Approved by the Board of Directors:

(Signed) *“William Ollerhead”*

William Ollerhead - Director and Chief Executive Officer

(Signed) *“Grant McCutcheon”*

Grant McCutcheon - Director and Chief Financial Officer

CUSPIS CAPITAL III LTD.

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Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(In Canadian dollars)

(Unaudited)

For the

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	**2023**	2022
Expenses					
Share-based compensation	3	**$ -**	$ -	**$ -**	$ 666,297
Donations	3	-	-	**-**	66,307
Filing costs		**3,826**	4,148	**11,037**	15,871
Professional fees		**2,452**	3,249	**5,277**	21,618
Qualifying transaction	1	**4,983**	-	**4,983**	-
Office and general		**38**	45	**56**	184
		11,299	7,442	**21,353**	770,277
Loss for the period before the undernoted		**(11,299)**	(7,442)	**(21,353)**	(770,277)
Interest income	5	**55,265**	13,453	**106,015**	18,096
Net income (loss) and comprehensive income (loss) for the period		**$ 43,966**	$ 6,011	**$ 84,662**	$ (752,181)
Income (loss) per share					
Basic and diluted	3, 8	**0.00**	0.00	**0.00**	(0.03)
Weighted average number of shares outstanding					
Basic and diluted	3, 8	**25,000,000**	25,000,000	**25,000,000**	22,348,066

CUSPIS CAPITAL III LTD.

A Capital Pool Corporation

Statements of Changes in Shareholders' Equity

(In Canadian dollars)

	Shares issued #	**Share Capital $**	**Share-based Payment Reserve $**	**Warrant Reserve $**	**Deficit $**	**Total Shareholders' Equity $**
Balance as at December 31, 2021	**10,000,000**	**998,831**	**-**	**-**	**(47,388)**	**951,443**
Common shares issued for cash	25,000,000	5,000,000	-	-	-	5,000,000
Share issuance costs	-	(1,002,216)	-	413,785	-	(588,431)
Share-based compensation	-	-	732,604	-	-	732,604
Net loss for the period	-	-	-	-	(752,181)	(752,181)
Balance as at June 30, 2022	35,000,000	4,996,615	732,604	413,785	(799,569)	5,343,435
Balance as at December 31, 2022	**35,000,000**	**4,996,615**	**732,604**	**413,785**	**(753,594)**	**5,389,410**
Net income for the period	-	-	-	-	84,662	84,662
Balance as at June 30, 2023	**35,000,000**	**4,996,615**	**732,604**	**413,785**	**(668,392)**	**5,474,072**

CUSPIS CAPITAL III LTD.

A Capital Pool Corporation

Condensed Interim Statements of Cash Flows

(In Canadian dollars)

(Unaudited)

For the six months ended June 30,

	2023	2022
Cash flows from operating activities		
Net income (loss) for the period	**$ 84,662**	$ (752,181)
Share-based compensation	-	666,297
Donations	-	66,307
Change in non-cash operating assets and liabilities		
Prepaid expenses and deposits	**(2,744)**	19,145
Accounts payable and accrued liabilities	**1,086**	(11,383)
Earned interest	**(106,015)**	(13,803)
Cash used in operating activities	**(23,011)**	(25,618)
Investing activities		
GIC purchase	-	(4,474,355)
Interest received on maturity of investment	-	(3,936)
Cash used in investing activities	-	(4,478,291)
Financing activities		
Share capital	-	5,000,000
Share issuance costs	-	(588,431)
Cash provided by financing activities	-	4,411,569
Decrease in cash	**(23,011)**	(92,340)
Cash, beginning of period	**69,502**	187,110
Cash, end of period	**$ 46,491**	$ 94,770
Supplemental information:		
Change in deferred financing costs	**$ -**	$ 46,693
Broker's warrants	-	413,785

1. Nature of operations

Cuspis Capital III Ltd. (the "Company" or "Cuspis III") was incorporated September 3, 2019 pursuant to the provisions of the Business Corporations Act (Ontario). The Company's registered head office is located at 77 King Street West, Suite 700, Toronto, Ontario, Canada M5K 1G8. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "CIII.P". The Company is carrying on business as a Capital Pool Corporation ("CPC"), as such term is defined in the TSX Venture Exchange Inc. (the "Exchange") Policy 2.4 – Capital Pool Companies ("CPC Policy 2.4").

As at June 30, 2023, the Company had no business operations. The Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange, in its efforts to complete a "Qualifying Transaction", as such term is defined in the Exchange CPC Policy 2.4.

On June 1, 2023, the Company entered into a Letter of Intent ("LOI") with Cytophage Technologies Inc. ("Cytophage"), a private company continued under the laws of the Province of Manitoba, whereby Cuspis III and Cytophage intend to 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 certain terms and conditions outlined in the LOI. Cuspis III 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. Full details of the LOI are available under the Company's profile at www.SEDARplus.ca ("SEDAR+"). Trading in the common shares of the Company was halted pursuant to the policies of the Exchange.

Where a Qualifying Transaction warrants, additional funding may be required. The ability of the Company to fund its potential future operations and commitments may be dependent upon the ability of the Company to obtain additional financing and complete its proposed Qualifying Transaction.

2. Basis of presentation

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Accounting policies and methods of their application followed in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual audited financial statements for the year ended December 31, 2022, which are available under the Company's profile on SEDAR+.

Basis of measurement

The financial statements have been prepared on an historical cost basis and on an accrual basis except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

These financial statements were authorized for issue by the Board of Directors on August 28, 2023.

(In Canadian dollars)

3. Share capital

Authorized

Unlimited common shares with no par value

Issued

	Number of Common Shares	Amount
Balance as at December 31, 2021	**10,000,000**	**$ 998,831**
Common share issuance	25,000,000	5,000,000
Share issuance costs	-	(1,002,216)
Balance as at December 31, 2022 and June 30, 2023	**35,000,000**	**$ 4,996,615**

Seed shares

As at June 30, 2023 and December 31, 2022, the Company had issued an aggregate of 10,000,000 seed common shares at a price of $0.10 per share for gross proceeds of $1,000,000.

Initial public offering

On February 1, 2022, the Company completed its Initial Public Offering (the "Offering") pursuant to which it issued 25,000,000 common shares at $0.20 per share, for aggregate proceeds of $5,000,000.

Stock option plan ("Option Plan")

The Company has an Option Plan which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten years from the date of grant.

The Option Plan was approved by the Board of Directors and adopted by the Company on December 23, 2021.

Stock options issued

On February 1, 2022, the directors and officers of the Company were granted options pursuant to the Company's incentive stock option plan to purchase an aggregate of up to 1,000,000 common shares at $0.10 and 2,500,000 at $0.20 per common share for a period of ten years from the date of grant. Eligible Charitable Organizations ("Charities") were also granted options pursuant to the Company's incentive stock option plan to purchase an aggregate of up to 350,000 common shares at an exercise price of $0.20 per share.

These options vested immediately upon grant and were valued upon issuance at $732,604 ($666,297 for options issued to directors and officers and $66,307 for options issued to Charities) using the Black-Scholes option pricing model with the following assumptions: expected volatility of 120% based on the average volatility of comparable companies, expected life of ten years, expected dividend yield of 0%, a risk free rate of 1.81% and a share price of $0.20.

(In Canadian dollars)

3. Share capital (continued)

Stock options issued (continued)

	Number of stock options issued #	Weighted average exercise price $	Weighted average remaining life (Years)
Balance as at December 31, 2021	-	-	-
Granted – directors and officers	3,500,000	0.17	8.60
Granted – charitable organizations	350,000	0.20	8.60
Balance as at December 31, 2022 and June 30, 2023	**3,850,000**	**0.17**	**8.60**

Shares subject to escrow

Upon completion of the Offering on February 1, 2022, all issued and outstanding seed shares became subject to a uniform 18-month escrow release schedule, following the completion of a Qualifying Transaction, and will be released as to 25% on the date of the final Qualifying Transaction Exchange bulletin and an additional 25% on each of the dates that are 6, 12 and 18 months thereafter, pursuant to the terms of an Escrow Agreement dated as of December 23, 2021 between the Company, TSX Trust Company, and the shareholders of the Company.

Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

All common shares acquired on exercise of stock options granted to directors and officers prior to completion of a Qualifying Transaction must also be deposited and held in escrow pursuant to the requirements of the Exchange.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited and held in escrow.

The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction and, accordingly, they are not considered to be outstanding shares for purposes of loss per share calculations.

Compensation warrants issued

The Offering was made on behalf of the Company by a syndicate of agents (collectively referred to as the "Agents"). Upon closing of the Offering on February 1, 2022 the Agents received a cash commission of $500,000, a corporate finance fee of $10,000 plus reimbursement for expenses incurred in connection with the Offering.

In addition, on February 1, 2022, the Agents received an aggregate of 2,500,000 compensation warrants. Each such compensation warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.20 for a period of five years. The compensation warrants were valued upon issuance at $413,785 using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 120% based on the average volatility of comparable companies, expected life of five years, expected dividend yield of 0%, risk free rate of 1.65% and a share price of $0.20.

(In Canadian dollars)

3. Share capital (continued)

Compensation warrants issued (continued)

	Number of warrants issued #	Weighted average exercise price $	Weighted average remaining life (Years)
Balance as at December 31, 2021	**-**	**-**	**-**
Granted – Agents	2,500,000	0.20	3.59
Balance as at December 31, 2022 and June 30, 2023	**2,500,000**	**0.20**	**3.59**

Pursuant to CPC Policy 2.4, where the Agents receive an option or the right to subscribe for a certain number of shares as consideration for acting as Agents, 50% of the options exercised or 50% of the shares held pursuant to that right may be sold prior to completion of a Qualifying Transaction. The remaining 50% may only be sold after completion of a Qualifying Transaction.

4. Cash restriction

There is a restriction on the use of proceeds realized from the sale of all securities issued by the Company as a CPC. The gross proceeds raised from the Offering may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed Qualifying Transaction, with the exception that general and administrative expenses are capped at $3,000 per month, including for professional accounting, advisory, and legal services expenses, and are not time limited.

5. Cash and short-term investments

Cash

As at June 30, 2023, the Company had $46,491 in cash held at a Canadian financial institution (December 31, 2022 - $69,502).

Short-term investments

The Company invests its cash in one-year fully cashable guaranteed investment certificates (“GIC”).

As at June 30, 2023, the Company held GIC investments totaling $5,300,000 with earned interest of $149,707 (December 31, 2022 – $5,300,000 and $43,692 respectively) and a current effective annual interest rate of 4.35% (December 31, 2022 – 3.85%). The GIC is set to mature on September 29, 2023.

Interested earned on investments for the three and six months ended June 30, 2023 totaled $55,265 and $106,015 respectively (June 30, 2022 - $13,453 and $18,096).

Interest received on GIC rollovers during the six months ended June 30, 2023 totaled $Nil (year ended December 31, 2022 - $42,295).

6. Prepaid expenses and deposits

The Company’s prepaid expenses and deposits as at June 30, 2023 totaled $3,261 (December 31, 2022 - $517) and included mainly annual contracts for news release issuance and corporate filings on SEDAR+.

(In Canadian dollars)

7. Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities consisted of the following:

	June 30, 2023	December 31, 2022
Accounts payable	**$ 20,386**	$ 2,825
Accrued liabilities	**5,001**	21,476
Total	**$ 25,387**	$ 24,301

8. Net income (loss) per share

The net income (loss) per common share was based on the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding. The income (loss) per share calculation does not include escrowed shares as they are contingently returnable.

Diluted income (loss) per share does not include the effect of any share options or compensation warrants outstanding as they are anti-dilutive.

9. Related party transactions

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Refer to Note 3 for details on seed shares issued and stock options granted to related parties.

10. Income taxes

As at December 31, 2022, the Company had approximately $222,000 of non-capital losses in Canada, which, under certain circumstances, can be used to reduce the taxable income of future years. These losses expire between 2040 and 2042.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

11. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to ensure sufficient liquidity in order to remain a CPC and complete its proposed Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity. The Company is not subject to any externally imposed capital requirements other than the cash restriction disclosed in Note 4. There were no significant changes in the Company's approach to capital management during the periods ended June 30, 2023 and December 31, 2022.

12. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: fair values, credit risk, liquidity risk and market risk (including interest rate risk). The Board of Directors provides regular guidance for overall risk management.

Fair values
As at June 30, 2023 and December 31, 2022, the Company's financial instruments consist of cash, short-term investments, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the limitation of exposure to credit and market risks, and the Company's completion of its proposed Qualifying Transaction.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is exposed to credit risk through its cash and short-term investment balances which, as at June 30, 2023, are held in Canadian financial institutions. The Company believes its exposure to credit risk is not significant.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management believes the Company had no significant exposure to interest rate risk through its financial instruments as at June 30, 2023 and December 31, 2022.

A 1% increase (decrease) in the interest rate on the short-term investments as at June 30, 2023 would result in an estimated increase (decrease) in net income (loss) of approximately $54,000 (December 31, 2022 - $53,000).

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 11, in normal circumstances. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and have normal trade terms.