XPhyto Signs Transformative Acquisition Agreement With 3a-Diagnostics, to Enter Hi-Tech Biosensor Market and Expand Its Diagnostic Product Portfolio

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- ***The acquisition creates significant commercial development and manufacturing opportunities for XPhyto as well as cost synergies and improved margins on its diagnostic products.***
- ***The acquisition secures XPhyto an experienced research and development team with a pipeline of ready-to-launch biosensor products.***
- ***The acquisition facilitates XPhyto's aggressive expansion into the point-of-care biosensor market which is growing at 8% per annum and expected to reach a market size of $42 billion by 2028 according to a new report by Grand View Research, Inc.***
- ***XPhyto will pay 3a-diagnostics a total of EUR 3.9 million to acquire 100% of 3a-diagnostics.***

XPhyto Therapeutics Corp. (CSE:XPHY / OTCQB:XPHYF / FSE:4XT) ("XPhyto" or the "Company") is pleased to announce that it has signed a definitive agreement for the acquisition of 3a-diagnostics GmbH, Frickenhausen, Germany ("3a"), XPhyto's exclusive diagnostics development partner. Pursuant to the definitive agreement, XPhyto will acquire all of the outstanding

shares of 3a for EUR 400,000, to be paid immediately, and EUR 3.5 million, to be paid on closing, planned for on or around October 31, 2021.

Hugh Rogers, CEO of XPhyto said, “We have collaborated closely with the 3a-diagnostics team on several diagnostics products and have found them to be a highly innovative and focused partner. The successful development and recent launch of the 25-minute PCR test COVID-ID Lab is a great example of our fruitful collaboration. We strongly believe that this acquisition will result in powerful synergies and further feed XPhyto’s diagnostic pipeline, supporting our long-term commercial growth plans.”

In April 2020, XPhyto and 3a signed a definitive development, technology purchase and license agreement for the development and commercialization of real-time, low-cost and easy-to-use biosensor screening tests and related development platform for the rapid detection of infectious diseases. This agreement was amended in July 2020 to include 3a’s proprietary enhanced RNA screening system, related intellectual property (IP) and exclusive commercialization rights for its rapid COVID-19 tests. In March 2021, XPhyto and 3a received European commercial approval for their 25-minute PCR test.

The planned acquisition of 3a is expected to result in significant synergies in research and development and manufacturing; significantly improved margins for commercial products, such as the 25-minute COVID-ID Lab test; as well as expedite commercialization of products in 3a’s near-market development pipeline. 3a’s intellectual property, including patents, know-how, expertise and contracts with third parties will be transferred to XPhyto at the time of closing the acquisition. XPhyto plans to maintain, support and further develop 3a’s operations in Southern-Germany.

“This agreement underscores the value of our experienced team and proven track record. We look forward to the completion of the transaction and joining XPhyto and believe that together we will develop and commercialize many great products in both the diagnostic and biosensor markets” noted Dr. Heinrich Jehle, Managing Director of 3a-diagnostics GmbH.

Wolfgang Probst, Director Germany of XPhyto added: “With our activities currently focused on Europe and the Middle East, 3a-diagnostics, with its facilities near Stuttgart, is a valuable addition to our Germany-based operations. 3a-diagnostics has an attractive pipeline, experienced team and is well respected for their work in the development and commercialization of innovative diagnostic products. They perfectly complement our existing capabilities and contribute to XPhyto’s successful corporate development.”

About 3a-diagnostics

3a is a research-based biotechnology company located Southeast of Stuttgart, Germany, specializing in the development, production and marketing of point-of-care test systems. 3a has developed a pipeline of peptide-based biosensor screening tests for bacterial and viral infectious diseases which include stomatitis, periimplantitis, periodontitis, scarlet fever, and influenza. Positive detection of the causative pathogen results in enzymatic release of an extreme (but safe) bitter compound. 3a has also designed a scalable next generation microbial-enzyme screening tool for high-throughput identification of biosensor targets to facilitate rapid development of new tests.

About XPhyto Therapeutics Corp.

XPhyto Therapeutics Corp. is a bioscience accelerator focused on next-generation drug delivery, diagnostic, and new active pharmaceutical ingredient investment opportunities, including:

precision transdermal and oral dissolvable drug formulations; rapid, low-cost infectious disease and oral health screening tests; and standardization of emerging active pharmaceutical ingredients for neurological applications, including psychedelic compounds and cannabinoids. The Company has research and development operations in North America and Europe, with an operational focus in Germany, and is currently focused on regulatory approval and commercialization of medical products for European markets.

An exclusive collaboration agreement between XPhyto and 3a-diagnostics, announced in April 2020 and amended in July 2020, paved the way for the development and commercialization of rapid, point-of-care, low-cost, and easy-to-use infectious disease screening tests which include COVID-19 diagnostics and oral dissolvable biosensors for pandemic threats and dental health applications.

XPhyto Therapeutics Corp.

Hugh Rogers, CEO and Director

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Forward looking statements

This news release includes statements containing forward-looking information within the meaning of applicable Canadian securities law (‘forward-looking statements’). Forward-looking statements are frequently characterized by words such as “develop”, ‘plan’, ‘continue’, ‘expect’, ‘project’, ‘intend’, ‘believe’, ‘anticipate’, ‘estimate’, ‘potential’, ‘propose’ and other similar words, or statements that certain events or conditions ‘may’ or ‘will’ occur, and in this release include the statement regarding the Company’s goal of building a successful diagnostic, drug delivery, and medical cannabis company. Forward-looking statements are only predictions based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements, including: that the Company may not succeed in developing a commercial product; that the sale of products may not be a viable business; that the Company may be unable to scale its business; product liability risks; product regulatory risk; general economic conditions; adverse industry events; future legislative and regulatory developments; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; currency risks; competition; international risks; and other risks beyond the Company’s control. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this news release.

SOURCE: XPhyto Therapeutics Corp.