

Cynapsus Therapeutics Announces Completed Acquisition of Adagio Pharmaceuticals

TORONTO, ONTARIO -- (MARKET WIRE) -- 12/22/11 -- Cynapsus Therapeutics Inc. (TSX VENTURE: CTH) ("Cynapsus") announced today the completion of the acquisition of Adagio Pharmaceuticals Ltd. ("Adagio") as announced on April 26, 2011 and August 17, 2011 (the "Transaction"). The agreement and the issuance of Common shares of Cynapsus ("Common Shares") as consideration pursuant to the agreement was approved by Cynapsus' shareholders at a special shareholder meeting held on November 30, 2011. The Transaction received final approval of the board of directors of Cynapsus (the "Board") on December 15, 2011.

"Cynapsus is focused on advancing our Parkinson's drug candidate, APL-130277, and the original patent rights and know how held by Adagio are critical to the Corporation's long term objectives," said Rochelle Stenzler, Chairman of Cynapsus. "This acquisition ensures ownership of those rights by Cynapsus and also converts the Adagio shareholders to Cynapsus shareholders and aligns everyone's interests."

"This important realignment of interests, paves the way for all of us to focus on developing and delivering on the potential value of APL-130277," said Anthony Giovinazzo, President and Chief Executive Officer of Cynapsus.

The Transaction terminates the License Option Agreement dated July 22, 2010 entered into between Cynapsus and Adagio with respect to the intellectual property owned by Adagio concerning the APL-130277 patent rights and know-how.

Terms of the Transaction

The Transaction was structured as a share exchange with Adagio shareholders receiving newly issued Common Shares in exchange for all of the issued and outstanding shares of Adagio. The Adagio shareholders will be entitled to the following payments pursuant to the Transaction:

- A. the immediate issuance of 26,000,000 Common Shares having a deemed value of \$0.05 per share;
- B. a payment of \$1,500,000 conditional upon the successful completion of the APL-130277 phase 1 bioequivalence studies, to be satisfied by the issuance of Common Shares at a deemed value equal to the 30 day volume weighted average trading price ("VWAP") immediately prior to the first public announcement of the results of such studies; and
- C. a payment of \$2,500,000 conditional upon the successful completion of the APL-130277 final safety study, to be satisfied by the issuance of

Common Shares at a deemed value equal to the 30 day VWAP immediately prior to the first public announcement of the results of such study.

With respect to the payments described in B and C above, the VWAP of the Common Shares may not be less than the "discounted market price" as defined in the policies of the TSX Venture Exchange Inc. (the "Exchange").

Related Party Transaction

The Transaction constituted a "related party transaction" pursuant to Multilateral Instrument 61-101 and the policies of the Exchange. Anthony Giovinazzo, President and Chief Executive Officer of Cynapsus, is also a director, officer and majority shareholder of Adagio. As previously announced, steps were taken by the Board of Cynapsus to address any potential conflicts of interest, including but not limited to, the appointment of a special committee of the Board (the "Special Committee") and obtaining a fairness opinion from an independent US FINRA/SIPC registered financial advisor.

The Corporation received a fairness opinion that, based on the assumptions and limitations set out in the opinion, the consideration to be paid to the shareholders of Adagio pursuant to the Transaction is fair from a financial point of view to the disinterested Cynapsus shareholders. The Special Committee concluded that the Transaction is in the best interests of Cynapsus and recommended approval to the Board. The Board has concluded that the Transaction is in the best interests of Cynapsus.

Escrow Arrangements

Escrow release conditions apply to the 26,000,000 Common Shares that are to be issued to the Adagio shareholders. These conditions defer release of the initial consideration shares until specified capital raising thresholds totalling \$8,000,000 have been achieved.

The initial share consideration consisting of 26,000,000 Common Shares will be released as follows under a corporate escrow agreement:

- a. 3,250,000 Common Shares are to be released upon completion of a capital raise in the amount of \$250,000 to \$1,000,000. Cynapsus has completed capital raises in the aggregate amount of \$816,089, and these shares have been released, but are subject to a 4-month hold period.
- b. a further 3,250,000 Common Shares are to be released upon completion of capital raises, including the amount referred to in a) above, in the aggregate amount of \$2,000,000.
- c. a further 3,250,000 Common Shares are to be released upon completion of subsequent capital raises in the aggregate amount of \$1,000,000 or multiples thereof, in excess of \$2,000,000, until capital raises totalling \$8,000,000 have been achieved.

All Common Shares issued to Mr. Giovinazzo will be subject to a separate and distinct contractual escrow. The escrow arrangement with Mr. Giovinazzo will provide, among other things, that:

- a. 25% of all such Common Shares will be released to Mr. Giovinazzo immediately; and
- b. 75% of all such Common Shares will be placed into escrow provided that 1/3 of the Common Shares will be released on each of the 12 month anniversaries of the closing of the Transaction.

Any of the Common Shares issued to Mr. Giovinazzo that are subject to the initial escrow release shall be released from the contractual escrow as if such shares had been delivered at closing.

Based on the above corporate and contractual escrow agreements, 1,938,381 Common shares will be released upon closing, such that 24,061,619 of the 26,000,000 Common shares remain in escrow. Of the 1,938,381 Common shares to be released, 437,206 Common shares are to be released to Mr. Giovinazzo. All released Common shares are subject to a 4-month hold period.

After the closing of the Transaction, 15,155,094 Common Shares, being 11.57% of the total number of Common Shares of the Corporation then issued and outstanding, will be beneficially owned or controlled by Anthony Giovinazzo.

In the event of a sale of the Corporation, including but not limited to a sale of substantially all of the assets of the Corporation, a merger or acquisition or a plan of arrangement, or whereby a new controlling shareholder is established, all shares then remaining in escrow would be immediately released.

About Cynapsus Therapeutics

Cynapsus is a specialty pharmaceutical company developing an improved dosing formulation of an approved drug used to treat the symptoms of Parkinson's disease. Parkinson's disease is a chronic and progressive neurodegenerative disease that impacts motor activity, and its prevalence is increasing with the aging of the population. It is estimated that between 25 percent and 50 percent of patients experience "off episodes" in which they have impaired movement or speaking capabilities. Current medications only control the disease's symptoms, and most drugs become less effective over time as the disease progresses.

Cynapsus' lead drug candidate, APL-130277, is an easy-to-administer, fast-acting and oral reformulation of an approved drug, apomorphine, used to rescue patients from off episodes. Cynapsus is focused on rapidly maximizing the value of APL-130277 by completing pivotal studies in advance of a New Drug Application expected to be submitted in 2013 or 2014. Cynapsus anticipates out-licensing to an appropriate pharmaceutical partner before such an application is submitted.

More information about Cynapsus (TSX VENTURE: CTH) is available at www.cynapsus.ca and at the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Forward Looking Statements

This press release contains "forward-looking statements" within the meaning of applicable Canadian securities legislation. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Cynapsus to be materially different from those expressed or implied by such forward-looking statements, including but not limited to those risks and uncertainties relating to Cynapsus' business disclosed under the heading "Risk Factors" in Cynapsus' current Annual Information Form and its other filings with the various Canadian securities regulators which are available online at www.sedar.com. Although Cynapsus has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. 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 forward-looking statements. Cynapsus does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

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