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Xtacy Therapeutics Corp

Condensed Consolidated Interim Financial Statements

For the nine months

ended June 30, 2024

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Xtacy Therapeutics Corp. (“the Company”) for the nine months ended June 30, 2024 and June 30, 2023, have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of 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 standards established by CPA Canada for a review of the condensed consolidated interim financial statements by an entity’s auditor.

Xtacy Therapeutics Corp**Condensed Interim Consolidated Statements of Financial Position****(Unaudited – Prepared by management)**

	Note	June 30, 2024 \$	September 30, 2023 \$
Assets			
Current assets			
Prepaid expenses		37,750	18,750
Loan receivable		<u>54,613</u>	<u>83,684</u>
		92,363	102,434
Non-current assets			
Loan receivable		265,001	265,001
Total assets		357,364	367,435
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		683,400	686,442
		683,400	686,442
Non-current liabilities			
Loan payable	8	17,567	16,704
Total liabilities		700,967	703,146
Shareholders' deficit			
Share capital	4	35,414,962	34,967,862
Reserves		6,559,158	6,559,158
Commitment to issue shares			
Deficit	3	(42,818,368)	(42,363,376)
Total shareholders' deficit		(343,603)	(335,711)
Total liabilities and shareholders' deficit		357,364	367,435
Nature of operations and going concern	1		

Approved on behalf of the Board of Directors on August 27, 2024:

"Meris Kott"

Director

"Lindsey Perry Jr."

Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Xtacy Therapeutics Corp**Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit****(Expressed in Canadian Dollars)**

	Number of shares #	Share capital \$	Reserves \$	Subscriptions received in advance \$	Share Subscriptions Receivable \$	Commitment to issue shares \$	Deficit \$	Total shareholders' deficit \$
October 1, 2022	37,567,686	34,186,420	6,559,158	(136,000)	-	785,206	(41,843,440)	(448,656)
Shares issued for debt	2,050,000	205,000	-	-	-	-	-	205,000
Subscriptions received in advance	(555,556)	(100,000)	-	136,000	-	-	-	36,000
Loss and comprehensive loss for the period	-	-	-	-	-	-	(416,725)	(416,725)
June 30, 2023	39,062,130	34,291,420	6,559,158	-	-	785,206	(42,260,165)	(624,381)
October 1, 2023	49,214,971	34,967,862	6,559,158	-	-	500,645	(42,363,376)	(335,711)
Shares for services	8,942,000	447,100	-	-	-	-	-	447,100
Loss and comprehensive loss for the period	-	-	-	-	-	-	(454,992)	(454,992)
June 30, 2024	58,156,971	35,414,962	6,559,158	-	-	500,645	(42,818,368)	(343,603)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Xtacy Therapeutics Corp**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Unaudited – Prepared by management)**

		Three months ended		Nine months ended	
		30-Jun	30-Jun	30-Jun	30-Jun
		2024	2023	2024	2023
	Note	\$	\$	\$	\$
Expenses					
Bank charges		-	-	0	1,132
Interest expense	8	2,677	2,782	7,743	6,630
Consulting	4,6	122,325	357,107	426,675	716,198
Investor relations and marketing		-	-	-	0
Office and rent		-	-	-	0
Professional fees	6	-	12,954	31,000	27,762
Travel		-	-	-	0
Regulatory and filing		10,061	25,451	25,483	61,540
Loss from operating expenses		(135,063)	(398,294)	(490,901)	(813,262)
Interest income	4	11,642	-	35,910	-
Gain on debt recovery		-	35,775	-	35,775
Foreign exchange gain (loss)		-	-	-	(1,757)
Loss and comprehensive loss for the period		(123,421)	(362,519)	(454,991)	(779,244)
Loss per share					
Weighted average number of common shares outstanding					
- Basic #	5	56,465,088	48,300,968	56,465,088	41,552,193
- Diluted #	5	56,465,088	48,300,968	56,465,088	41,552,193
Basic loss per share \$	5	(0.00)	(0.01)	(0.01)	(0.02)
Diluted loss per share \$	5	(0.00)	(0.01)	(0.01)	(0.02)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Xtacy Therapeutics Corp**Condensed Interim Consolidated Statements of Cash Flows****(Unaudited – prepared by management)**

	Note	June 30, 2024 \$	June 30, 2023 \$
Operating activities			
Loss for the period		(454,991)	(779,244)
Adjustments for:			
Shares for debt		179,025	-
Shares issued for services		-	1,033,432
Accrued interest		-	-
Net change in non-cash working capital items	8	(275,966)	(118,188)
		-	136,000
Financing activities			
Proceeds from loan payable		-	-
Subscriptions received in advance		-	(136,000)
		-	-
		-	-
Net change in cash		-	-
Cash, beginning of period		-	-
Cash, end of period		-	-

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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Xtacy Therapeutics Corp

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by management)

For the nine months ended June 30, 2024 and June 30, 2023

1. Nature of operations and going concern

Xtacy Therapeutics Corp (formerly Global Wellness Strategies Inc.) (the “Company”) was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and was continued to British Columbia on January 30, 2006. The Company’s shares are publicly traded on the Frankfurt Exchange, OTCQB and Canadian Stock Exchange (the “CSE”) under the symbol “XTCY”.

On August 2, 2018, the Company completed a change of business and corporate name change to become a merchant bank focused on medical cannabis non-THC, CBD and hemp in both Canada and the United States. The head office, principal address and records office of the Company are located at 1100 - 1111 Melville St Vancouver, British Columbia V6E 3V6.

On September 26, 2023, the Company completed a corporate name change to Xtacy Therapeutics Corp.

These consolidated financial statements (the “financial statements”) have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2024, the Company is not able to finance day-to-day activities through operations and continues to incur losses. The continuing operations of the Company are dependent upon its ability to attain profitable operations and generate funds therefrom. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with equity financings and loans from directors and companies controlled by directors. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its condensed consolidated statement of financial position.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited consolidated financial statements for the year ended September 30, 2023, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts in these financial statements are presented in Canadian dollars, which is the functional currency of the Company. See note 2(b) for functional currency details of the Company’s subsidiaries.

Xtacy Therapeutics Corp**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited – Prepared by management)**

For the nine months ended June 30, 2024 and June 30, 2023

2. Significant accounting policies (continued)**(b) Basis of consolidation**

These financial statements include the accounts of the Company and its subsidiaries. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Entity	Incorporation	Status	Functional Currency	Ownership Percentage
Ultra Invest Canada Inc. ("Ultra Invest")	Canada	Inactive	Canadian	100%
Ona Power Oil & Gas Corp ("Ona")	United States	Inactive	US Dollar	100%
Shanti Therapeutics PTY Ltd. ("Shanti")	Australia	Inactive	Australian	100%
KaleidoMyco, LLC ("KM")	United States	Inactive	US Dollar	100%

(c) Future changes in accounting policies

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after October 1, 2022. The Company has reviewed these updates and determined that none these updates are applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

Xtacy Therapeutics Corp

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by management)

For the nine months ended June 30, 2024 and June 30, 2023

3. Acquisitions and investments

KaleidoMyco, LLC (“KM”)

On April 5, 2021, and as amended on September 24, 2021, the Company entered into a Limited Liability Company Membership Interest Purchase Agreement and an Agreement Amendment (collectively the “Purchase Agreement”) with KM, a private Florida, United States company, whereby the Company would purchase all the membership interest in KM in one tranche representing a 51% membership interest and the second tranche representing a 49% membership interest. There were no specified assets acquired.

In consideration for the purchase of the assets and membership interests, the Company shall pay KM the following:

- A. \$850,000 (“Purchase Price”) in common shares of the Company.
- B. Bonus of \$2,500,000 in common shares of the Company if the assets realize \$2,000,000 in revenues in year two following closing.

The Purchase Price shall be tendered as follows:

- (i) \$437,500 in common shares upon closing, payable in two instalments representing a 51% of membership interest as follows:
 - a. \$87,500 in common shares (350,000 shares issued) with a fair value of \$58,040 upon signing of definitive agreement;
 - b. \$350,000 in common shares (1,400,000 shares issued) with a fair value of \$232,159.
- (ii) \$412,500 in common shares (5,150,000 shares issued) for the remaining 49% of the membership interest with a fair value of \$284,561 (Note 5).

Earn-Out Consideration:

As part of the consideration paid, the Company is required to issue additional common shares to KM upon the satisfaction of provisions applicable to one earn-out consideration (the “Earn-Out”). As follows:

- Earn-Out: The Company is required to issue \$2,500,000 in common shares with a grant date fair value of \$85,955 recorded as a commitment to issue shares, upon KM realizing \$2,000,000 in revenues in year two following closing or if KM is granted a formula products patent.

The Earn-Out is payable if, and only if, the applicable target has been met. The Earn-Out was recognized on the acquisition date as contingent consideration. The measurement of contingent consideration is impacted by estimated probabilities and the likelihood that the target will be met, which is payable in common shares, if such target is met. This estimated probability is subjective and is significantly impacted by various factors as of the acquisition date. As of the acquisition date, September 30, 2021, the Company estimated 5% probability of the Earn-Out being met and estimated fair value is determined to be \$85,955. The Earn-Out is accounted for under IFRS 2 – Share based payments with no remeasurement in the subsequent period.

This acquisition has been accounted for as an asset acquisition as KM does not meet the definition of a business under *IFRS 3, Business Combinations*.

Xtacy Therapeutics Corp

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by management)

For the nine months ended June 30, 2024 and June 30, 2023

3. Acquisitions and investments (continued)

KaleidoMyco, LLC (“KM”) (continued)

In accordance with *IFRS 2 – Share based payments*, the equity consideration on transfer was measured at fair value on the date of acquisition, which is the date control was obtained.

Consideration incurred:	
1,750,000 common shares at \$0.17 per share	\$ 290,199
Commitment to issue shares	284,561
Contingent consideration	85,955
Total consideration	660,715

During the year ended September 30, 2021, the Company recorded the consideration paid as share-based payments in the total amount of \$660,715.

The shares to the shareholders of KM are subject to certain hold periods. The total consideration value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restrictions.

Shanti Therapeutics PTY Ltd. (“Shanti”)

On September 27, 2021, the Company signed a Share Purchase Agreement to acquire 100% interest in Shanti Therapeutics Pty Ltd. (“Shanti”), which is focused on psychedelic MDMA-based drug development research. There were no specified assets acquired.

In consideration for the acquisition, the Company shall pay the following:

- A. \$2,500,000 (“Shanti Purchase Price”) in common shares with a grant date fair value of \$1,890,195; and
- B. Contingent consideration of \$2,500,000 in common shares with a grant date fair value of \$414,690 recorded as commitment to issue shares, based on certain performance measures.

The Shanti Purchase Price shall be tendered as follows:

- (i) \$2,500,000 in common shares upon closing, payable in 4 instalments representing a 100% of interest as follows:
 - a. \$625,000 in common shares (3,472,222 shares issued) upon signing of definitive agreement;
 - b. \$625,000 in common shares on or before February 28, 2022 (2,500,000 shares issued) (Note 5);
 - c. \$625,000 in common shares on or before March 22, 2022(2,500,000 shares) (Note 5); and
 - d. \$625,000 in common shares on or before April 20,2022 (2,083,334 shares issued) (Note 5).

Contingent consideration:

As part of the consideration paid, the Company will issue common shares to Shanti upon the satisfaction of provisions applicable to four earn-out considerations (collectively the “Shanti Earn-Outs”). As follows:

- First Earn-Out: \$625,000 in common shares upon the establishment of a medical advisory board and scientific board;
- Second Earn-Out: \$625,000 in common shares upon the proof of concept trial registered with the trial authority;
- Third Earn-Out: \$625,000 in common shares upon the clinical trial notification granted; and
- Fourth Earn-Out: \$625,000 in common shares upon the ethics approval.

Xtacy Therapeutics Corp

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by management)

For the nine months ended June 30, 2024 and June 30, 2023

3. Acquisitions and investments (continued)

Shanti Therapeutics PTY Ltd. (“Shanti”)

The Shanti Earn-Outs are payable if, and only if, applicable targets have been met. The measurement of the Shanti Earn-Outs is impacted by estimated probabilities and the likelihood that these items will be met, which is payable in common shares, if such targets are met. These estimated probabilities are subjective and are significantly impacted by various factors as of the acquisition date.

As of the acquisition date and September 30, 2021, the Company estimated the fair value of the First Shanti Earn-Out at \$262,292 with a 60% probability of the target being met, the fair value of the Second Shanti Earn-Out at \$87,247 with a 20% probability of the target being met, the fair value of the Third Shanti Earn-Out at \$43,493 with a 10% probability of the target being met, and the fair value of the Fourth Shanti Earn-Out at \$21,658 with a 5% probability of the target being met.

As at September 30, 2021, the estimated fair value of the Shanti Earn-Outs was determined to be \$414,690. The Shanti Earn-Out is accounted for under IFRS 2-Share based payments with no remeasurement in the subsequent period.

This acquisition has been accounted for as an asset acquisition as Shanti does not meet the definition of a business under *IFRS 3, Business Combinations*.

In accordance with *IFRS 2*, the equity consideration on transfer was measured at fair value on the date of acquisition, which is the date control was obtained.

Consideration incurred:	
3,472,222 common shares at \$0.17 per share	\$ 583,333
Commitment to issue shares	1,306,862
Contingent consideration	414,690
Total consideration	\$ 2,304,885

The common shares are subject to certain hold periods. The total consideration value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restrictions.

Xtacy Therapeutics Corp

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by management)

For the nine months ended June 30, 2024 and June 30, 2023

4. Loan Receivable

Biominales Pharma Corp.

In August 2018, the Company previously advanced \$255,000 pursuant to a convertible secured promissory note with Biominales Pharma LLC (“Biopharma”). Advance was secured by the assets of Biopharma and bore interest at 14% per annum, payable monthly. The note was convertible into common shares of Biopharma at a price equal to a 10% discount to the price assigned to the common shares of Biopharma from any financing immediately prior to the date of conversion. In October 2018, a further \$255,000 was loaned to Biopharma under the same terms. During the year ended September 30, 2020, the Company fully impaired the loans receivable of \$505,000 due to uncertainties of collection.

Effective April 1, 2023, Biominales agreed to repay US\$350,000 to the Company over the next 30 months as follows:

- (i) US\$15,000 upon execution of the debt repayment agreement (paid),
- (ii) US\$4,000 per month for the six months from April, 2023 to September, 2023 (paid),
- (iii) US\$6,000 per month for each of the six months from October, 2023 to March, 2024, (paid)
- (iv) US\$10,000 per month for each of the six months from April, 2024 to September, 2024,
- (v) US\$15,000 per month for each of the six months from October, 2024 to March, 2025,
- (vi) US\$21,666.66 for each of the five months from April, 2025 to August, 2025, and
- (vii) US\$16,666.70 on September 1, 2025.

Using a risk-adjusted discount rate of 15%, the fair value of the loan receivable was calculated as US\$280,643 at the effective date, and it was recorded as a recovery of bad debts. As at September 30, 2023, the book value of the loan receivable was \$348,685 (US\$257,903). During the nine months ended June 30, 2024, interest income was \$35,930.

Xtacy Therapeutics Corp

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by management)

For the nine months ended June 30, 2024 and June 30, 2023

5. Share capital

The authorized share capital of the Company consists of unlimited common shares without par value and unlimited preferred shares without par value. No preferred shares have been issued.

Transactions for the issue of share capital during the nine months ended June 30, 2024:

On October 16, 2023, the Company issued an aggregate of 2,361,500 common shares to settle debts of \$118,075.

On November 17, 2023, the Company issued an aggregate of 3,000,000 common shares to settle debts of \$150,000.

On May 13, 2024, the Company issued an aggregate of 3,580,500 common shares to settle debts of \$179,025.

Transactions for the issue of share capital during the nine months ended June 30, 2023:

On January 20, 2023, the Company issued an aggregate of 2,050,000 common shares to settle debts of \$205,000.

On March 17, 2023, 555.556 common shares were returned to Treasury.

Stock options

The Company has adopted a stock option plan (the "Plan") whereby the Company may from time to time grant to directors, Officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

A summary of the status of the Company's stock options and changes is as follows:

	Period ended June 30, 2024		Year ended September 30, 2023	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period/year	650,000	0.35	650,000	0.35
Granted	-	-	-	-
Expired/cancelled	-	-	-	-
Options outstanding, end of period/year	650,000	0.35	650,000	0.35

Xtacy Therapeutics Corp**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited – Prepared by management)**

For the nine months ended June 30, 2024 and June 30, 2023

5. Share capital**Stock options (continued)**

As at June 30, 2024 the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
62,500	62,500	0.68	September 6, 2024
25,000	25,000	0.68	November 19, 2024
275,000	275,000	0.32	May 14, 2025
37,500	37,500	0.32	May 20, 2025
250,000	250,000	0.255	February 24, 2026
650,000	650,000		

The following table summarizes information about the stock options outstanding as at June 30, 2024:

options outstanding #	average remaining life (years)	average exercise price \$
650,000	1.06	0.35

Xtacy Therapeutics Corp**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited – Prepared by management)**

For the nine months ended June 30, 2024 and June 30, 2023

5. Share capital-continued**Warrants**

As an incentive to complete private placements, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at June 30, 2024 and September 30, 2023, and changes during the period/year then ended is as follows:

	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of period/year	2,713,890	-	2,713,890	0.30
Warrants cancelled	-	-	-	-
Private placement warrants expired	-	-	-	-
Warrants outstanding, end of period/year	2,713,890	-	2,713,890	0.30

Restricted Share Unit

In August 2022, the Company adopted a 10% rolling restricted share unit plan ("RSU Plan") which reserves for the grant of RSUs to a maximum of 10% of the issued and outstanding common shares. The RSU Plan is a "rolling plan" and therefore when RSUs are cancelled (whether or not upon payment with respect to vested RSUs) or terminated, Common Shares shall automatically be available for issuance pursuant to the RSU Plan.

No RSUs have been granted as of August 27, 2024.

Xtacy Therapeutics Corp

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by management)

For the nine months ended June 30, 2024 and June 30, 2023

6. Loss per share

The calculation of basic and diluted loss per share for the nine months ended June 30, 2024 was based on the loss attributable to common shareholders of \$454,992 (2023 - \$331,570) and a weighted average number of common shares outstanding of 56,465,088 (2023 – 48,300,968).

All options and warrants were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

7. Related party payables and transactions

A number of key management personnel and directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to management personnel or Directors, or entities over which they have control or significant influence, during the years ended September 30, 2023 or September 30, 2022.

Meris Kott, the Company's President and CEO receives a monthly consulting fee and incentive stock options. All other key management personnel and directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days notice. Key management personnel and directors participate in the Company's stock option plan.

No stock options were granted during the nine months ended June 30, 2024 to Directors and Officers (2023 - Nil).

The Company transacted with the following related parties:

Meris Kott-CEO.

Xtacy Therapeutics Corp**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited – Prepared by management)**

For the nine months ended June 30, 2024 and June 30, 2023

The aggregate value of transactions and outstanding balances were as follows:

	Transactions Nine months ended June 30, 2024 \$	Transactions Nine months ended June 30, 2023 \$	Balances outstanding June 30, 2024 \$	Balances outstanding September 30, 2023 \$
Meris Kott	50,342	(29,745)	127,563	77,221
	50,342	(29,745)	127,563	77,221

All related party balances are unsecured and are due within thirty days without interest.

The transactions with the key management personnel and Directors are included in operating expenses as follows:

- (a) Consulting and travel expenses
- Meris Kott fee related to consulting, administrative and travel related expenses.

8. Supplemental cash flow information

Changes in non-cash operating working capital during the nine months ended June 30, 2024 and June 30, 2023 were comprised of the following:

	June 30, 2024 \$	June 30, 2023 \$
Accounts payable and accrued liabilities	4,131	(101,000)
Net change	4,131	(101,000)

During the nine months ended June 30, 2024 and June 30, 2023 there were no non-cash financing or operating activities, additionally, no amounts paid on account of interest or income taxes.

Xtacy Therapeutics Corp

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by management)

For the nine months ended June 30, 2024 and June 30, 2023

9. Loan Payable

On May 15, 2022, the Company signed an unsecured Balloon Promissory Note (the “Loan”) with an arm's length party. On May 15, 2023, the principal amount of the Loan was amended to be \$15,967. The Loan continues to bear interest at 4% annually and is now due on May 15, 2025 (the “Maturity Date”). Following the Maturity Date, both principal and accrued interest shall bear interest at the rate of 8% annually. The Loan may be repaid at any time in whole or in part without penalty. As at June 30, 2024, the accrued interest on the Loan was \$1,599 and the total loan payable was \$17,567.

10. Financial risk management

Capital management

The Company is a merchant bank and considers items included in shareholders' equity (deficit) as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2024 is comprised of shareholders' deficit of \$343,603 (September 30, 2023 - \$335,711). There were no changes to the Company's management of capital during the nine months ended June 30, 2024.

The Company currently has no source of revenues except for interest received from convertible loans. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to borrow or raise additional financing from equity markets.

Financial instruments - fair value

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, and loan payable.

The carrying value of accounts payable and accrued liabilities and loan payable approximates their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Xtacy Therapeutics Corp

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For the nine months ended June 30, 2024 and June 30, 2023

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, foreign exchange risk, and liquidity risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank account. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments.

b) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

c) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Xtacy Therapeutics Corp

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