



Management's Discussion and Analysis

For the nine months ended June 30, 2024 and 2023

DATE AND SUBJECT OF REPORT

The following management's discussion and analysis (the "MD&A") of the financial condition and results of the operations of Xtacy Therapeutics Corp. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended June 30, 2024 and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended September 30, 2023 and 2022. The financial statements and MD&A of the Company are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. References to "US\$" are to United States dollars. Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.xtacytherapeutics.com. You may also access the Company's disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedarplus.com.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended September 30, 2023 and 2022, are also referred to as "fiscal 2023" and "fiscal 2022".

The effective date of this MD&A is August 27, 2024.

Forward-Looking Statements

This MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are usually preceded by, followed by or include the words 'believes', 'expects', 'anticipates', 'estimates', 'intends', 'plans', 'forecasts', 'may', 'will', or similar expressions, although not all forward-looking statements contain these words. These forward-looking statements are based on management's current expectations and involve numerous risks and uncertainties. Such uncertainties may include general economic, political or market uncertainties in Canada or elsewhere, changes to regulatory or compliance requirements, changes in government policies, the risks inherent in a development stage business, the possible future impact of tax exposures, currency and exchange rate fluctuations, changes in interest rate, all of which are difficult or impossible to predict accurately. While we believe the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. Forward-looking statements are not guarantees of future performance. Actual results may differ materially from those implied by the forward-looking statements. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

Description of Business

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. On August 2, 2018, the Company completed a change of business and corporate name change to Global Wellness Strategies Inc. to become a merchant bank focused on medical cannabis and hemp. The Company's shares are publicly traded on the OTC Markets, Frankfurt Exchange and Canadian Stock Exchange (the "CSE") under the symbol "XTCY".

The Company provides advisory services, debt and equity funding in the mid to late stages of a target company's development, or in technologies that are developed and validated but may be in the early stage of commercialization in the medical cannabis, hemp, CBD and biotechnical markets. 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 25, 2023, the Company completed a corporate name change to Xtacy Therapeutics Corp.

Directors and Officers of the Company

The board of directors of the Company consists of Meris Kott, Ashleigh Vogstad and Lindsey Perry Jr. The management team of the Company is comprised of Meris Kott, CEO, Lindsey Perry Jr, CFO and Monita Faris, Corporate Secretary.

Outlook

Xtacy Therapeutics Inc completed vertically integrated acquisitions in the 2021 fiscal year. The Company will focus in 2024 in developing those acquisitions through additional revenue streams, advancing research initiatives, corporate advisory services, joint venture partnerships, corporate re-organizations, valuation adjustments, corporate development strategy and possible consumer packaged goods products.

Going Concern

The Company incurred a loss and comprehensive loss of \$454,991 for the nine months ended June 30, 2024, has an accumulated deficit of \$42,818,368 and has had recurring losses since inception. The Company does not have sufficient funds to sustain its operations over the next twelve months. Management is considering all possible financing alternatives, including equity and debt financing to finance the future operations.

The ability to continue operating as a going concern is dependent on raising additional funding to develop successful businesses. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These circumstances lead to substantial doubt as to the ability of the Company to meet its obligations as they become due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern.

OVERALL PERFORMANCE

The Company is a prospect generator that provides high growth companies with financial, operational, and management assistance in the fast-growing market for wellness consumer products. The focus of the Company is on global wellness, psychedelics, mycology, hemp and CBD, healthcare-related target companies. The Company made several secured loans to cannabis companies during the year ended September 30, 2019. As at the year ended September 30, 2022, the Company initiated acquisitions in order to diversify into potential consumer packaged goods and psychedelic MDMA-based drug development research in both the United States and Australia.

KaleidoMyco, LLC ("KM")

KaleidoMyco, is a company focused on myco-dosing with functional mushrooms and the production of consumer packaged wellness products. KaleidoMyco, is one of the first companies combining hemp extract and adaptogens. 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 value to \$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) upon signing of definitive agreement;
 - b. \$350,000 in common shares (1,400,000 shares issued).
- ii. \$412,500 in common shares (5,150,000 shares issued) for the remaining 49% of the membership interest.

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 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.

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.

<u>Consideration incurred:</u>	
1,750,000 common shares at \$0.17 per share	\$ 290,199
Commitment to issue shares	284,561
Earn-out	85,955
<u>Total consideration</u>	<u>660,715</u>

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"), and all its assets focused on psychedelic MDMA-based drug development research.

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) ;
 - c. \$625,000 in common shares on or before March 22, 2022(2,500,000 shares issued) ; and
 - d. \$625,000 in common shares on or before April 20,2022 (2,083,334 shares issued) .

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

The 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 \$262,292 with a 60% probability of the target being met, the fair value of the Second Shanti Earn-Out \$87,247 with a 20% probability of the target being met, the fair value of the Third Shanti Earn-Out \$43,493 with a 10% probability of the target being met, and the fair value of the Fourth Shanti Earn-Out \$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 is 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
Earn out consideration	414,690
Total consideration	\$ 2,304,885

The fair value share consideration pertaining to the asset acquisition is \$2,304,885. The consideration paid was recognized as share-based payments in the amount of \$2,304,885 during the year ended September 30, 2021.

The shares to the shareholders of Shanti 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.

Convertible loan receivable

Biominales Pharma Corp.

On August 27, 2018 ("Effective Date"), the Company subscribed for a convertible secured promissory note with Biominales Pharma ("Biopharma"), a private company. The Company has agreed to advance up to USD\$196,184. Advances are secured by the assets of Biopharma and bears interest at 14% annually, payable monthly; and the promissory note is due on October 1, 2020. On the Effective Date, the Company advanced \$255,000 under the note. The note may be converted 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. The Company is not able to exert significant influence over the operations of Biopharma. In addition, Biopharma issued 18,684 warrants, exercisable at a price of \$2.10 per warrant, to acquire one Class A common share in the capital of Biopharma for a period of 24 months. The option to settle the convertible note and the stock warrants in Class A common shares of Biopharma represents an embedded derivative in the form of a call option. Biopharma is a private company and its shares cannot be reliably valued using any market-derived indicators. As at September 30, 2018, the Company had not received repayment of such note and management has assessed the high likelihood of collectability. Thus, the entire balance of convertible note receivable had been impaired. On October 1, 2018, a further \$250,000 was loaned to Biopharma under the same terms as the previously loaned \$255,000. This loan continues to be secured by the borrowers' assets. During the year ended September 30, 2020, Biopharma has made monthly interest payments in accordance with the promissory note totaling \$47,176. Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has not been satisfied through the review of financial information of Biopharma and has assessed the high likelihood of un-collectability in respect to the principal portion of the loan. Thus, the entire balance of convertible note receivable was impaired \$505,000 as at September 30, 2020. On October 1, 2021, the Company extended the loan payable maturity date to October 31, 2022. Biopharma has not made monthly interest payments in accordance with the promissory note as at June 30, 2022.

Effective April 1, 2023, Biopharma agreed to repay US\$350,000 to the Company over the next 18 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 \$35,910.

RESULTS OF OPERATIONS

Selected Annual Information

The following table summarizes selected financial data for the Company for each of the three most recently completed fiscal years. The information set forth below should be read in conjunction with the audited consolidated annual financial statements of the same years.

	Years ended September 30,		
	2023	2022	2021
	\$	\$	\$
Net loss	(519,936)	(1,368,727)	(3,583,927)
Comprehensive loss	(519,936)	(1,368,727)	(3,583,927)
Total assets	367,435	297,830	25,628
Net loss per share (basic and diluted)	0.05	0.05	0.23

Selected Quarterly Information

The following table summarized the results of operations for the eight most recent quarters:

<i>(in thousands of dollars, except per share amounts)</i>	2024		2023		2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net income (loss)	(123)	(65)	(266)	259	(362)	(265)	(152)	(92)
Income (loss) per share	(0.00)	(0.00)	(0.01)	0.01	(0.01)	(0.01)	(0.00)	(0.00)

Weighted averages are consolidated shares. See Disclosure of Outstanding Share Data section.

Results for the nine months ended June 30, 2024 compared to the nine months ended June 30, 2023

During the nine months ended June 30, 2024 the Company incurred a net loss of \$454,991 compared to net loss of \$779,244 in the comparable prior period. The company had a decrease in consulting expenses from the prior year due to slightly lower business activity.

Results for the three months ended June 30, 2024 compared to the three months ended June 30, 2023

During the three months ended June 30, 2024 the Company incurred a net loss of \$123,421 compared to net loss of \$362,519 in the comparable prior period. The company had a decrease in consulting expenses from the prior year due to slightly lower business activity.

Related Party 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 nine months ended June 30, 2024 or June 30, 2023.

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 and June 30, 2023 to Directors and Officers.

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.

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.

Disclosure of Outstanding Share Data

The Company's share structure as at the date of this MD&A are as follows:

Authorized Share Capital: Unlimited number of voting common shares without par value

Issued and outstanding: As at the date of this document, there were 58,156,971 common shares issued and outstanding, 2,713,890 share purchase warrants outstanding at the date of this document, and 650,000 share purchase options.

Liquidity and Capital Resources

At June 30, 2024, the Company had a working capital deficit of \$591,037 (2023 - \$608,413)

	June 30, 2024 \$	September 30, 2023 \$
Current assets	92,363	102,434
Current liabilities	683,400	686,442

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.

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.

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.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

Accounting Policies

The significant accounting policies of the Company are listed in the Note 2 to the Company's audited financial statements for the year ended September 30, 2023.

New Accounting standards

A number of new standards, and amendments to standards and interpretations, are not yet effective for the nine months ended June 30, 2024 and have not been applied in preparing the financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Financial Instruments and Risks Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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.

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.

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.

Capital Management

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the nine months ended June 30, 2024.

Fair Value

The fair value of the Company's financial assets and liabilities approximate the carrying amount wither due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial and Disclosure Controls and Procedures

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52- 109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost-effective basis.