



**(formerly Xtacy Therapeutics Corp  
Management's Discussion and Analysis**

**For the nine months ended June 30, 2025 and 2024**

**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 Pegasus Mercantile Inc. (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, 2025 and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended September 30, 2024 and 2023. 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.globalwellnessstrategies.com](http://www.globalwellnessstrategies.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.sedar.com](http://www.sedar.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, 2024 and 2023, are also referred to as "fiscal 2024" and "fiscal 2023".

The effective date of this MD&A is August 26, 2025.

**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 be 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. On September 25, 2023, the Company completed a corporate name change to Xtacy Therapeutics Corp. On November 5, 2024, the Company completed a corporate name change to Pegasus Mercantile Inc. The Company's shares are publicly traded on the OTC Markets, Frankfurt Exchange and Canadian Stock Exchange (the "CSE") under the symbol "LOAN".

The Company is a prospect generator that provides high growth companies with technology, financial, operational and management assistance in the fast growing market for global wellness products and novel consumer goods and services. The head office, principal address and records office of the Company are located at 1100 - 1111 Melville St Vancouver, British Columbia V6E 3V6.

## **CORPORATE UPDATES**

### **Directors and Officers of the Company**

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

### **Outlook**

Pegasus Mercantile Inc completed vertically integrated acquisitions in the 2021 fiscal year. The Company will focus in 2025 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 \$268,146 for the nine months ended June 30, 2025, has an accumulated deficit of \$42,574,299 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.

## **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.

KM is a company focused on myco-dosing with functional mushrooms and the production of consumer-packaged wellness products. KM is one of the first companies combining hemp extract and adaptogens.

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 (70,000 shares issued) with a fair value of \$58,040 upon signing of definitive agreement;
  - b. \$350,000 in common shares (280,000 shares issued) with a fair value of \$232,159.
- (ii) \$412,500 in common shares (1,030,000 shares issued) for the remaining 49% of the membership interest with a fair value of \$284,561.

#### 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. During the year ended September 30, 2024, management assessed the probability of the applicable target being met as low. As a result, the earn-out recognized on the acquisition date as contingent consideration was reclassified to deficit.

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 – 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:	
350,000 common shares at \$0.85 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 (694,444 shares issued) upon signing of definitive agreement;
  - b. \$625,000 in common shares on or before February 28, 2022 (500,000 shares issued);
  - c. \$625,000 in common shares on or before March 22, 2022 (500,000 shares); and
  - d. \$625,000 in common shares on or before April 20, 2022 (416,667 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 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.

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. During the year ended September 30, 2024, management assessed the probability of the applicable target being met as low. As a result, the earn-out recognized on the acquisition date as contingent consideration was reclassified to deficit.

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:	
694,444 common shares at \$0.85 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.

## 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, 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, (paid)
- (v) US\$15,000 per month for each of the six months from October, 2024 to March, 2025 (paid),
- (vi) US\$21,666.66 for each of the five months from April, 2025 to August, 2025 (US\$12,000 paid, and
- (vii) US\$16,666.70 on September 1, 2025.

During the year ended September 30, 2024, the company received a repayment of USD\$78,000, which was included in the loan receivable as at September 30, 2024, resulting in a shortage of loan receivable payment of \$24,307 (USD\$18,000).

Pursuant to the debt settlement agreement, Biopharma agreed to provide, as part of the undertaking, the company with 15,000 bottles of Gummies free of charge. In exchange for the Gummies, both parties agree that no interest would be charged for the loan receivable. As of September 30, 2024, no gummies have been received. The fair value of the Gummies was estimated to be US\$63,810 based on interest that would be incurred if the loan bears a reasonable interest compared to other similar loans.

Using a risk-adjusted discount rate of 15%, the fair value of the loan receivable (including the fair value of the Gummies) was calculated as \$440,026 (US\$325,150) at the effective date, and it was recorded as a recovery of bad debts (Note 12). As at June 30, 2025, the book value of the loan receivable was \$262,975 (US\$187,839). During the nine months ended June 30, 2025, interest income was \$45,321 (US\$32,372).

## Solo Beverages Company Inc convertible secured promissory note

On January 14, 2025, the Company signed a 2-year, \$2,000,000 convertible secured promissory note with Solo Beverage Company Inc., earning 12% interest and 20% warrant coverage based on Solo's \$3,000,000 valuation, with a right of first refusal on future financings.

On January 14, 2025 ("Effective Date"), the Company entered into a convertible secured promissory note ("Note") with Solo Beverage Company Ltd. ("Borrower"), controlled by a consultant of the Company, for \$2,000,000 to be loaned to Borrower in tranches ("Advances") when the Company raises funds through future private placements. Pursuant to the Note, commencing on the first day of the month following the first tranche, the Borrower shall pay to the Company interest accrued on the outstanding principal balance of the Advances per month at 12% per annum compounded monthly and monthly thereafter on the first day of each month until January 30, 2027 ("Maturity Date"). In the event that the principal amount is not paid in full when the amount becomes due and payable, interest rate will increase by 4% to accrue on the outstanding balance until the balance is paid. As additional consideration, the Borrower shall issue warrants equivalent to 20% of the amount of the Note based upon Borrower's valuation of \$3,000,000 as of the Effective Date. This Note is secured by a Security Interest in Borrower's Assets, defined as a mortgage or other security interest in the Borrowers' real property, leaseholds, equipment, fixtures, furniture, accessories, machinery, intellectual property, inventory, work in process, raw materials, accounts receivable and licensed rights whenever located. The Company has the right to convert this Note, in whole or in part, into shareholding interests of the Borrower representing a 10% discount to the valuation of the Borrower from any financing immediately prior the date of conversion, at any time before the Maturity Date.

## 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,		
	2024	2023	2022
	\$	\$	\$
Net loss	(546,008)	(455,090)	(3,583,927)
Comprehensive loss	(546,008)	(455,090)	(3,583,927)
Total assets	433,912	431,465	25,628
Net loss per share (basic and diluted)	0.01	0.05	0.23

### Selected Quarterly Information

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

(in thousands of dollars, except per share amounts)	2025		2024			2023		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net income (loss)	(92)	(80)	(92)	(123)	(65)	(266)	259	(362)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	0.01	0.01	(0.01)

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

### Results for the nine months ended June 30, 2025 compared to the nine months ended June 30, 2024

During the nine months ended June 30, 2025 the Company incurred a net loss of \$268,146 compared to net loss of \$454,991 in the comparable prior period. The Company had increases in interest income and had decreases in consulting and professional fees as they have decreased their acquisitions and focused costs towards their target investments.

## Results for the three months ended June 30, 2025 compared to the three months ended June 30, 2024

During the three months ended June 30, 2025 the Company incurred a net loss of \$92,446 compared to net loss of \$123,421 in the comparable prior period. The Company had increases in interest income and had decreases in consulting and professional fees as they have decreased their acquisitions and focused costs towards their target investments.

### 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, 2025 or June 30, 2024.

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, 2025 or June 30, 2024 to Directors and Officers.

The Company transacted with the following related parties:

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Transactions 9 months ended June 30 2025 \$	Transactions 9 months ended June 30 2024 \$	Balances outstanding June 30, 2025 2025 \$	Balances outstanding September 30, 2024 \$
Meris Kott	90,000	50,342	141,552	131,808
	-	-	-	-
	90,000	50,342	141,552	131,808

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:

- Consulting and travel expenses
- Includes 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 13,369,567 common shares issued and outstanding, and 30,000 share purchase options.

## Liquidity and Capital Resources

At June 30, 2025, the Company had a working capital deficit of \$368,719 (2024 - \$608,604)

	June 30, 2025 \$	September 30, 2024 \$
Current assets	369,225	433,912
Current liabilities	718,911	864,187

### Transactions for the issue of share capital during the nine months ended June 30, 2025:

On May 13, 2025, the Company issued an aggregate of 1,738,156 restricted common shares to settle debts amounting to \$347,631.

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

On October 16, 2023, the Company issued 472,300 common shares with a fair value of \$106,268 as debt settlements. In connection with the shares issued for debts, the Company recognized a gain of \$11,808.

On November 17, 2023, the Company issued 300,000 common shares with a fair value of \$45,000 as debt settlements. In connection with the shares issued for debts, the Company recognized a gain of \$30,000.

On November 17, 2023, the Company issued 300,000 common shares with a fair value of \$75,000 as Share issue for service. In connection with the shares issued for service, no gains or losses were recognized.

On May 13, 2024, the Company issued 716,100 common shares with a fair value of \$179,025 for services rendered.

## Consolidation of Common Shares

On January 31, 2025, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidated common share for every five pre-consolidated common shares. The share consolidation has been applied retrospectively and as a result shares, options, restricted share units, warrants and per share amounts are stated on an adjusted basis.

## Subsequent Events

## 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, 2024.

## New Accounting Standards

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2025 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 has no cash. The maximum exposure to credit risk is the carrying amount of the Company's loan receivable from Biopharma.

### 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

The Company is a merchant bank and considers items included in shareholders' 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, 2025 is comprised of shareholders' deficit of \$368,719 (2024 - \$343,603). There were no changes to the Company's management of capital during the nine months ended June 30, 2025.

The Company currently has no source of revenues. 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.

### 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.