



**Xebra Brands Ltd.  
1090 Hamilton Street  
Vancouver, B.C.  
V6B 2R9  
Canada**

**Condensed Interim Consolidated Financial Statements  
(Unaudited)**

**For the Six Months Ended  
August 31, 2021**

**(Expressed in Canadian Dollars)**

## **NOTICE OF NO REVIEW BY AUDITOR**

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations* of The Canadian Securities Administrators we hereby give notice that our condensed interim consolidated financial statements for the six months ended August 31, 2021, which follow this notice, have not been reviewed by an auditor.

**Xebra Brands Ltd.**

Condensed Interim Consolidated Statements of Financial Position (Unaudited)  
(Expressed in Canadian Dollars)



	August 31, 2021 (\$)	February 28, 2021 (\$)
<b>Asset</b>		
Current Assets		
Cash	68,557	93,334
Funds held in escrow (note 7b)	2,057,564	-
Receivables (note 3)	120,890	21,330
Prepaid expenses	552,208	219,558
	2,799,219	334,222
Non-current Assets		
Intangible assets (note 4)	3,970,400	2,970,378
Property, plant and equipment (note 5)	577,521	212,709
VAT receivable (note 3)	88,635	79,207
	<b>7,435,775</b>	<b>3,596,516</b>
<b>Liabilities and Shareholder's Equity</b>		
Current Liabilities		
Accounts payable (note 5, 6 and 8)	787,024	511,828
Accrued liabilities	28,000	40,000
Subscriptions received - subscription receipts (note 7b)	2,742,452	-
	3,557,476	551,828
Non-current Liabilities		
Lease liabilities (note 5)	46,664	67,026
	3,604,140	618,854
Shareholder's Equity		
Share capital (note 7)	9,075,447	7,609,829
Subscriptions received – Units (note 7)	34,000	3,750
Reserves (note 7d)	117,249	36,366
Deficit	(5,367,626)	(4,648,236)
Equity attributable to shareholders	3,859,070	3,001,709
Non-controlling interest (note 7)	(27,435)	(24,047)
	3,831,635	2,977,662
	<b>7,435,775</b>	<b>3,596,516</b>

Nature of operations and going concern (note 1)

Subsequent events (note 12)

**Approved by the Board of Directors**

*Robert Giustra*

Robert Giustra – Director

*Jordi Chemonte*

Jordi Chemonte – Director

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

**Xebra Brands Ltd.**

Condensed Interim Consolidated Statement of Comprehensive Loss (Unaudited)  
(Expressed in Canadian Dollars)



	Three Months Ended		Six Months Ended	
	August 31, 2021 (\$)	August 31, 2020 (\$)	August 31, 2021 (\$)	August 31, 2020 (\$)
Operating Expenses				
General and administration (note 8)	88,635	251,762	187,981	684,657
Investor relations	-	1,106	490	5,297
Marketing and business development	-	20,725	1,172	31,795
Professional fees	83,982	65,192	185,494	170,492
Travel	12,207	14	14,564	2,353
Amortization (note 4 and 5)	140,179	131,016	280,560	268,439
Loss before other items	(325,003)	(469,815)	(670,261)	(1,163,033)
Other Items				
Finance income	728	-	728	-
Finance expense (note 5)	(1,019)	(1,918)	(9,125)	(5,422)
Other income	-	6,738	-	6,738
Other expense (note 7)	(40,000)	-	(40,000)	-
Foreign exchange loss	(5,545)	(112,706)	(4,842)	(297,580)
<b>Net loss for the period</b>	<b>(370,839)</b>	<b>(577,701)</b>	<b>(723,500)</b>	<b>(1,459,297)</b>
Items that may subsequently be reclassified to net income or loss:				
Foreign currency translation gain	13,781	175,496	5,977	271,425
<b>Comprehensive loss for the period</b>	<b>(357,058)</b>	<b>(402,205)</b>	<b>(717,523)</b>	<b>(1,187,872)</b>
Net loss attributable to:				
Shareholders	(392,567)	(576,157)	(719,390)	(1,456,606)
Non-controlling interest	21,728	(1,544)	(4,110)	(2,691)
	(370,839)	(577,701)	(723,500)	(1,459,297)
Comprehensive loss attributable to:				
Shareholders	(378,258)	(400,592)	(714,135)	(1,185,022)
Non-controlling interest	21,200	(1,613)	(3,388)	(2,850)
	(357,058)	(402,205)	(717,523)	(1,187,872)
Basic and diluted net loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Basic and diluted weighted average number of shares outstanding	103,900,303	101,050,766	103,654,539	100,339,567

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

**Xebra Brands Ltd.**

## Condensed Interim Consolidated Statement of Cash Flows (Unaudited)

(Expressed in Canadian Dollars)



	Three Months Ended		Six Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
	(\$)	(\$)	(\$)	(\$)
<b>Operating Activities</b>				
Net loss for the period	(370,839)	(577,701)	(723,500)	(1,459,297)
Items not involving cash				
Shares issued for services	-	23,260	3,047	23,260
Other expense (note 7)	40,000	-	40,000	-
Lease forgiveness	-	(6,738)	-	(6,738)
Amortization	140,179	131,016	280,560	268,439
Finance income	(728)	-	(728)	-
Finance expense	1,019	1,918	9,125	5,422
Unrealized foreign exchange loss	15,895	180,423	8,357	243,643
	(174,474)	(247,822)	(383,139)	(925,271)
Changes in non-cash working capital				
Receivables and prepaid expenses	(298,454)	(5,462)	(441,638)	37,123
Accounts payable and accrued liabilities	190,609	25,761	346,461	(44,317)
Cash used in operating activities	(282,319)	(227,523)	(478,316)	(932,465)
<b>Investing Activities</b>				
Intangible assets	(6,038)	(36,414)	(7,248)	(56,160)
Equipment	(352,499)	(14,054)	(407,185)	(66,183)
Cash used in investing activities	(358,537)	(50,468)	(414,433)	(122,343)
<b>Financing Activities</b>				
Share offerings	277,246	(1,692)	280,123	51,437
Subscriptions received - subscription receipts (note 7b)	631,090	163,903	2,742,452	110,202
Funds transferred to escrow (note 7b)	(465,000)	-	(2,056,840)	-
Treasury shares sold	-	-	8,326	35,150
Payment of lease liabilities	(9,339)	(38)	(18,983)	(31,510)
Shareholder loan (note 8)	75,000	-	75,000	-
Loan repayment (note 6)	-	-	(155,000)	-
Interest paid (note 6)	-	-	(7,000)	-
Cash from financing activities	508,997	162,173	868,078	165,279
Effect of foreign exchange on cash	2,475	(22,709)	(106)	8,667
Change in cash	(129,384)	(138,527)	(24,777)	(880,862)
Cash, beginning of period	197,941	213,072	93,334	955,407
<b>Cash, end of period</b>	<b>68,557</b>	<b>74,545</b>	<b>68,557</b>	<b>74,545</b>
<b>Non-cash Transactions:</b>				
Shares issued for services (note 7)	-	23,260	1,875	23,260
Shares issued for debt (note 7)	-	-	9,123	-
Organto's amendment agreement (note 7)	40,000	-	40,000	-
Shares issued for licensing water soluble IP (note 4 and 7)	1,240,000	-	1,240,000	-

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

**Xebra Brands Ltd.**

 Condensed Interim Consolidated Statements of Shareholders' Equity (Unaudited)  
 (Expressed in Canadian Dollars)


	Share Capital				Reserves	Retained Earnings	Non-Controlling Interest	Total
	Class A Shares <sup>1</sup>	Share Capital (\$)	Treasury shares (\$)	Subscriptions received (\$)				
Balance, March 1, 2020	99,980,074	7,292,874	(127,850)	90,001	68,237	(2,788,188)	(2,713)	4,532,361
March 2020 private placement, net of issuance costs	224,937	51,437	-	-	-	-	-	51,437
Private placement finders' fees	291,503	-	-	-	-	-	-	-
Treasury shares (note 7)	502,143	-	35,150	-	-	-	-	35,150
Shares for services (note 7)	465,200	-	23,260	-	-	-	-	23,260
Subscriptions received (note 7)	-	-	-	110,202	-	-	-	110,202
Comprehensive loss	-	-	-	-	203,348	(1,456,606)	(2,850)	(1,256,108)
<b>Balance, August 31, 2020</b>	<b>101,463,857</b>	<b>7,344,311</b>	<b>(69,440)</b>	<b>200,203</b>	<b>271,585</b>	<b>(4,244,794)</b>	<b>(5,563)</b>	<b>3,496,302</b>
<b>Balance, March 1, 2021</b>	<b>103,573,374</b>	<b>7,623,034</b>	<b>(13,205)</b>	<b>3,750</b>	<b>36,366</b>	<b>(4,648,236)</b>	<b>(24,047)</b>	<b>2,977,662</b>
May 2021 private placement, net of issuance cost (note 7)	18,750	(23,080)	375	(3,750)	25,957	-	-	(498)
Shares for debt (note 7)	182,466	-	9,123	-	-	-	-	9,123
Shares for services (note 7)	37,500	-	1,875	-	-	-	-	1,875
Finders' fees (note 7)	42,641	(1,832)	1,832	-	-	-	-	-
Shares issued to amend agreement (note 7)	200,000	40,000	-	-	-	-	-	40,000
Shares issued for licensing water soluble IP (note 4 and 7)	6,200,000	1,240,000	-	-	-	-	-	1,240,000
August 2021 private placement, net of issuance costs (note 7)	1,325,000	197,325	-	-	49,671	-	-	246,996
Subscriptions received – units (note 7)	-	-	-	34,000	-	-	-	34,000
Comprehensive loss	-	-	-	-	5,255	(719,390)	(3,388)	(717,523)
<b>Balance, August 31, 2021</b>	<b>111,579,731</b>	<b>9,075,447</b>	<b>-</b>	<b>34,000</b>	<b>117,249</b>	<b>(5,367,626)</b>	<b>(27,435)</b>	<b>3,831,635</b>

<sup>1</sup> Includes 1 Class B Common Share

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

## **Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the Six Months Ended August 31, 2021  
(Expressed in Canadian Dollars)

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### **1. Nature of Operations and Going Concern**

Xebra Brands Ltd. (the “Company” or “Xebra”) was incorporated on February 21, 2019 under the laws of the Province of British Columbia, Canada. On April 24, 2019, the Company changed its name from 1198365 B.C. LTD to Xebra Brands Ltd. The Company is listed on the Canadian Securities Exchange (“CSE”). The Company’s head office and principal address is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9, Canada.

The Company’s principal business activities are the cultivation, processing, manufacturing, design and delivery of cannabis products in areas ranging from wellness to leisure. Xebra will leverage its Colombian cannabis cultivation and processing licenses to produce cannabis-infused beverages and wellness brands. To date, the Company has not received any revenue from operations and is considered to be in the start-up stage.

These condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing assets and discharging liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to the carrying values of assets and liabilities may be required. As at August 31, 2021, the Company had working capital deficiency of \$758,257 (February 28, 2021 deficiency - \$217,606) and deficit of \$5,367,626 (February 28, 2021 - \$4,648,236). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to raise additional debt or equity to fund ongoing costs of operations. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and has adversely affected global workforces, financial markets, and the general economy. It is not possible for the Company to determine the duration or magnitude of the adverse results of COVID-19 nor its effects on the Company’s business or operations. The timing of the Company’s financing activities have been affected by COVID-19.

### **2. Basis of Presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending February 28, 2021. Certain amounts in the prior period have been reclassified to conform with the presentation in the current period.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on October 22, 2021.

**Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the Six Months Ended August 31, 2021  
(Expressed in Canadian Dollars)


**3. Receivables**

	August 31, 2021 (\$)	February 28, 2021 (\$)
<b>Current</b>		
GST receivable – Canada	23,676	602
VAT receivable – Europe	90,411	17,517
Other	6,803	3,211
	120,890	21,330
<b>Non-Current</b>		
VAT receivable – Mexico	88,635	79,207
	<b>209,525</b>	<b>100,537</b>

**4. Intangible Assets**

	Water Soluble IP (\$)	Colombian Cannabis Licenses (\$)	Product Applications (\$)	Brands and Trademarks (\$)	Product Development (\$)	Total (\$)
Balance, March 1, 2020	-	2,255,209	745,058	285,066	15,000	3,300,333
Additions	-	-	-	142,463	-	142,463
Amortization	-	(451,042)	-	(21,376)	-	(472,418)
Balance, February 28, 2021	-	1,804,167	745,058	406,153	15,000	2,970,378
Additions	1,240,000	-	-	7,248	-	1,247,248
Amortization	-	(225,521)	-	(21,705)	-	(247,226)
<b>Balance, August 31, 2021</b>	<b>1,240,000</b>	<b>1,578,646</b>	<b>745,058</b>	<b>391,696</b>	<b>15,000</b>	<b>3,970,400</b>

**5. Property, Plant and Equipment**

	Office Furniture and Equipment (\$)	Leasehold Improvements (\$)	Right of Use Assets (\$)	Construction In Progress		Total (\$)
				Colombia (\$)	Holland (\$)	
<b>Cost</b>						
Balance, March 1, 2020	1,312	48,618	414,323	13,552	-	477,805
Additions (dispositions)	1,057	94,901	(224,840)	(12,682)	-	(141,564)
Foreign exchange	(140)	(6,539)	(29,540)	(870)	-	(37,089)
<b>Balance, February 28, 2021</b>	<b>2,229</b>	<b>136,980</b>	<b>159,943</b>	<b>-</b>	<b>-</b>	<b>299,152</b>
Additions	1,399	-	-	-	405,786	407,185
Foreign exchange	(90)	(7,031)	(8,209)	-	1,778	(13,552)
<b>Balance, August 31, 2021</b>	<b>3,538</b>	<b>129,949</b>	<b>151,734</b>	<b>-</b>	<b>407,564</b>	<b>692,785</b>
<b>Accumulated Amortization</b>						
Balance, March 1, 2020	(209)	(454)	(9,673)	-	-	(10,336)
Amortization	(272)	(24,599)	(53,019)	-	-	(77,890)
Foreign exchange	25	639	1,119	-	-	1,783
<b>Balance, February 28, 2021</b>	<b>(456)</b>	<b>(24,414)</b>	<b>(61,573)</b>	<b>-</b>	<b>-</b>	<b>(86,443)</b>
Amortization	(352)	(16,282)	(16,700)	-	-	(33,334)
Foreign exchange	22	1,291	3,200	-	-	4,513
<b>Balance, August 31, 2021</b>	<b>(786)</b>	<b>(39,405)</b>	<b>(75,073)</b>	<b>-</b>	<b>-</b>	<b>(115,264)</b>
<b>Net book value, February 28, 2021</b>	<b>1,773</b>	<b>112,566</b>	<b>98,370</b>	<b>-</b>	<b>-</b>	<b>212,709</b>
<b>Net book value, August 31, 2021</b>	<b>2,752</b>	<b>90,544</b>	<b>76,661</b>	<b>-</b>	<b>407,564</b>	<b>577,521</b>



## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the Six Months Ended August 31, 2021  
(Expressed in Canadian Dollars)



### 5. Property, Plant and Equipment – continued

#### Lease liability

The estimated fair value of lease liabilities was based on an incremental borrowing rate of 20%. Leases consist of a property lease located in Colombia.

At the beginning of fiscal 2020, the Company had lease agreements on two properties, one in Guasca for its main facilities, and a second one in Zipaquirá for planned expansion upon receipt of required licenses for operations. Both agreements were affected by the COVID-19 pandemic. The Company applied a practical expedient under IFRS 16 on the Guasca lease as the lessor waived five months of rent as a relief for the pandemic. During the 2021 fiscal year, a total of \$26,956 has been accounted for as a gain on the lease. The Zipaquirá lease was terminated in June 2020.

#### *Maturity Analysis*

	\$
Contractual undiscounted cash flows:	
Less than one year	36,110
Two to three years	47,880
Total undiscounted lease liabilities as at August 31, 2021	83,990
Interest	(3,594)
<b>Total discounted lease liabilities as at August 31, 2021</b>	<b>80,396</b>

#### **Lease liabilities in Consolidated Statements of Financial Position as at August 31, 2021**

Current (included in accounts payable)	33,732
Non-current (included in lease liabilities)	46,664
	<b>80,396</b>

#### *Amounts Recognized in Consolidated Statements of Comprehensive Loss*

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>August 31,</u>	<u>August 31,</u>	<u>August 31,</u>	<u>August 31,</u>
	2021	2020	2021	2020
	(\$)	(\$)	(\$)	(\$)
Interest expense on lease liabilities	783	1,920	1,675	5,381
Expenses relating to short-term leases	2,766	(3,727)	3,326	3,440
	<b>3,549</b>	<b>(1,807)</b>	<b>5,001</b>	<b>8,821</b>

### 6. Accounts Payable

On January 4, 2021, the Company received a loan of \$155,000 from a third party. The loan was repayable on or before March 31, 2021. In consideration, the loan had a fixed interest of \$7,000. If the loan was not repaid by March 31, 2021, the third party could have elected to convert the loan and interest into class A common shares of Xebra at the lesser of \$0.15 per share or 50% of the price per class A common share of the most recent Xebra equity financing at the time. The loan and interest were fully repaid by Xebra on March 30, 2021.

### 7. Share Capital

#### (a) Common Shares

As at August 31, 2021, the Company had 111,579,730 (February 28, 2021 – 103,573,373) class A shares and 1 (February 28, 2021 – 1) class B share issued and outstanding.

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the Six Months Ended August 31, 2021  
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### 7. Share Capital – continued

On August 31, 2021, the Company issued 6,000,000 class A common shares to a third party to license its clinically-backed, patent pending delivery technology for cannabinoids (“Solutech”).

On August 20, 2021, the Company issued 1,325,000 class A common shares in connection with a private placement of units for \$0.20 per share, for gross proceeds of \$265,000. Each unit entitle its holder to receive one common share and one-half of one common share purchase warrant at an exercise price of \$0.35 per warrant, and such warrants expire on August 20, 2022. The Company paid share issuance costs of \$18,004.

On August 4, 2021, the Company issued 200,000 class A common shares with a fair value of \$40,000 as finder’s fees for Solutech.

On June 22, 2021, the Company and Organto Foods Inc. (“Organto”), amended an existing Share Purchase Agreement to eliminate all distribution rights previously granted to Organto in exchange for 200,000 class A common shares of the Company.

On May 3, 2021, the Company issued 11,250 class A common shares in connection with the private placement of its common shares for \$0.30 per share, for gross proceeds of \$3,375. The Company incurred share issuance costs of \$498.

On February 12, 2021, the Company issued 119,067 class A common shares in connection with the private placement of its common shares at \$0.30 per share for gross proceeds of \$35,720. Finders’ fees of 6,333 shares with a fair value of \$1,899 have been incurred in connection with the private placement.

On December 14, 2020, the Company issued 278,100 class A common shares in connection with the private placement of its common shares at \$0.30 per share, for gross proceeds of \$83,430. The Company incurred share issuance costs of \$324.

On September 4, 2020, the Company issued 538,263 class A common shares in connection with a private placement of its common shares for \$0.30 per share, for gross proceeds of \$161,479. Finders’ fees of 43,061 shares with a fair value of \$12,918 and share issuance costs of \$1,582 have been incurred in connection with the private placement.

On March 5, 2020, the Company issued 224,937 class A common shares in connection with a private placement of its common shares at \$0.30 per share, for gross proceeds of \$67,481. Finders’ fees of 13,393 shares with a fair value of \$4,018 and share issuance costs of \$12,027 have been incurred in connection with the private placement.

#### Treasury Shares

As at August 31, 2021, the Company held nil (February 28, 2021 – 270,107) treasury shares with a value of \$nil (February 28, 2021 - \$13,205).

On May 17, 2021, the Company entered into a share purchase agreement with certain shareholders to acquire 2,262,359 Class A common shares of the Company at a price of \$0.02 for a total of \$45,247. Additionally, the Company entered into assignment agreements under which the Company has assigned the right to repurchase up to 2,262,359 Class A common shares to multiple assignees at a price of \$0.02 for a total of \$46,100, an additional 42,641 Class A common shares were issued as finder’s fees, with a value of \$1,832.

On May 7, 2021, the Company transferred 34,031 treasury shares with a value of \$1,701 to a third party, to settle consulting services totalling \$6,806.

On May 7, 2021, the Company transferred 23,435 treasury shares with a value of \$1,172 to a third party, to settle marketing services totalling \$4,687.

On May 7, 2021, the Company transferred 125,000 treasury shares with a value of \$6,250 to a third party, to settle accounting services totalling \$25,000.

On May 3, 2021, the Company sold 7,500 treasury shares for proceeds of \$375.

**7. Share Capital – continued**

On May 1, 2021, the Company entered into a services agreement with a third party to provide accounting services for its Mexican subsidiaries. In addition to a monthly fee, the Company transferred 37,500 treasury shares to the service provider with a value of \$1,875.

On February 12, 2021, the Company sold 37,600 treasury shares for \$1,880. The Company paid an aggregate of 2,000 shares as finders' shares with a fair value of \$100. There was no gain or loss on the sale of these shares.

On September 4, 2020, the Company sold 1,071,134 treasury shares for proceeds of \$53,557. There was no gain or loss on the sale of these shares.

On September 4, 2020, the Company transferred 4,153 treasury shares to a third party and 9,806 treasury shares to another third party, in exchange for consulting fees with a value of \$698.

On June 15, 2020, the Company transferred 125,000 treasury shares to a third party, in exchange for consulting fees with a value of \$6,250.

On June 15, 2020, the Company transferred 300,000 treasury shares to Rodrigo Gallardo, CEO of the Company to settle management fees totaling \$15,000.

On June 15, 2020, the Company transferred 40,200 treasury shares for \$2,010 to Todd Dalotto, Director of the Company, as a partial consideration for management fees charged from June 15, 2020 to September 15, 2020.

On March 4, 2020, the Company sold 502,143 treasury shares for \$35,150.

**(b) Subscription Receipts**

On August 24, 2021, the Company issued 1,000,000 subscription receipts (each a "Subscription Receipt") in connection with a private placement (the "Subscription Receipt Agreement") for \$0.20 per Subscription Receipt, for gross proceeds of \$200,000. Each Subscription Receipt will entitle its holder to receive one common share and one-half of one common share purchase warrant at an exercise price of \$0.35 per warrant upon the satisfaction or waiver of the Escrow Release Conditions on or before October 12, 2021. Seventy five percent (75%) of all proceeds from Subscription Receipts are held in escrow, and will be released to the Company when the Escrow Release Conditions are met on or before October 12, 2021, and if not, then it will be returned to the subscriber. The Escrow Release Conditions are:

- a) The common shares of the Company being conditionally approved for listing on the Canadian Securities Exchange and the completion, satisfaction or waiver of all conditions precedent to such listing, other than the release of escrowed funds; and
- b) The issuance of a final receipt for the non-offering prospectus of the Company

On July 27, 2021, the Company issued 2,100,000 Subscription Receipts for \$0.20 per Subscription Receipt, for gross proceeds of \$420,000.

On May 27, 2021, the Company issued 6,512,262 Subscription Receipts for \$0.20 per subscription receipt, for gross proceeds of \$1,302,452.

On April 12, 2021, the Company issued 4,100,000 Subscription Receipts for \$0.20 per Subscription Receipt, for gross proceeds of \$820,000.

Finders' fees of \$27,340 have been accrued or paid in connection with the Subscription Receipt.

**Xebra Brands Ltd.**

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**7. Share Capital – continued**

## (c) Warrants

On August 20, 2021, the Company issued 662,500 broker to acquire 662,500 units at a price of \$0.20. Each unit is comprised of one common share and one half of one common share purchase warrant. Each full warrant will entitle the holder to acquire one common share of the Company at \$0.35 per share for a period of 12 months from the date of issuance.

On May 27, 2021, the Company issued 113,000 broker warrants to acquire 113,000 units at a price of \$0.20 per unit until May 27, 2023. Each unit is comprised of one common share and one half of one common share purchase warrant. Each full warrant will entitle the holder to acquire one common share of the Company at \$0.35 per share for a period of 12 months from the date of issuance.

On April 12, 2021, the Company issued 23,700 broker warrants. Each broker warrant entitles the holder to acquire one common share of the Company at \$0.20 per share for a period of 24 months.

Warrants issued were as follows:

	Number of Warrants	Fair Value (\$)
May 27, 2021 - to purchase units	113,000	22,600
April 12, 2021 - to purchase common shares	23,700	3,357
August 20, 2021- to purchase common shares	662,500	49,671
	<b>799,200</b>	<b>75,628</b>

The continuity of the Company's warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, March 1, 2020 and February 28, 2021	-	-
Issued	799,200	0.28
<b>Balance, August 31, 2021</b>	<b>799,200</b>	<b>0.28</b>

The fair value of certain warrants is estimated on the date of grant using the Black-Scholes Option Pricing Model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatility of shares of a comparable company, and other factors. The expected term of warrants issued represents the period of time which those warrants are expected to be outstanding.

The risk-free rate of periods within the contractual life of the warrants is based on the Canadian government bond rate. Assumptions used for certain warrants issued during 2021 are as follows:

Issue Date	Number of Warrants	Expected Price Volatility	Risk Free Interest Rate	Expected Life (Years)	Expected Dividend per Warrant Yield	Fair Value (\$)	Total Fair Value (\$)
April 12, 2021	23,700	149%	0.28%	2	-	0.14	3,357
August 20, 2021	662,500	138%	0.40%	1	-	0.07	49,671

The 113,000 broker warrants to acquire 113,000 units at a price of \$0.20 per unit have a fair value of \$22,600.

**Xebra Brands Ltd.**

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**7. Share Capital – continued**

## (d) Reserves

*Accumulated other comprehensive income (loss)*

The accumulated other comprehensive income (loss) reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

**8. Related Party Transactions**

The Company entered into a cost sharing agreement (the "Xebra Cost Sharing Agreement") with Orea Mining Corp. ("Orea"), effective October 1, 2019, whereby certain overhead and administration costs are shared, which Xebra reimburses to Orea on a periodic basis. These amounts are included in general and administration expense. The Xebra Cost Sharing Agreement was terminated August 31, 2020, and replaced with a fixed fee agreement (the "Xebra Services Agreement"), whereby Orea provides certain overhead and administration services in exchange for a fixed fee of \$10,000 per month and a reduction in compensation of \$8,000 per month to a certain officer in common. The Xebra Services Agreement was terminated on November 30, 2020, and replaced with an updated services agreement (the "Updated Services Agreement") effective January 1, 2021, for \$2,000 per month. The Updated Services Agreement was amended effective June 1, 2021 under which the monthly payments are \$30,000. The Company and Orea have a director and certain officers in common.

On August 9, 2021, Columbus Capital Corp., a company controlled by Robert Giustra, a director of the Company, provided a short-term loan for \$75,000 to the Company. The loan is interest free and repayable on demand.

The following is a summary of related party transactions:

	Three Months Ended		Six Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
	(\$)	(\$)	(\$)	(\$)
Fees accrued or paid to Orea for management and administration services	90,000	69,304	96,000	195,304
Management fees paid to Columbus Capital Corporation <sup>1</sup>	-	13,400	-	66,800
Management fees paid to Todd Dalotto, a director of the Company <sup>2</sup>	-	57,658	-	121,756
Management fees paid to Accounting Group ADR and Associates SC., a company controlled by Rodrigo Gallardo, Interim CEO & President of the Company <sup>3</sup>	24,462	24,000	32,541	56,000
	<b>114,462</b>	<b>164,362</b>	<b>128,541</b>	<b>439,860</b>

<sup>1.</sup> Management agreement with Columbus Capital Corporation terminated June 30, 2020.

<sup>2.</sup> Management agreement with Todd Dalotto terminated February 28, 2021.

<sup>3.</sup> Management agreement with ADR may be terminated at any time with 1 month's notice.

The following summarizes amounts that are payable to each related party:

	August 31, 2021	February 28, 2021
	(\$)	(\$)
Fees payable to Orea for management and administration services	(90,000)	(4,000)
Fees payable to Applied Media Dynamics, a company controlled by Jorge Martinez, COO of the Company	(3,000)	(3,000)
Short-term loan owing to Columbus Capital Corporation	(75,000)	-
	<b>(168,000)</b>	<b>(7,000)</b>

## Xebra Brands Ltd.

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### 9. Segmented Information

The Company has one reportable business segment, being the cultivation, processing, manufacturing, design and delivery of cannabis products. Assets by geographical area are as follows:

	August 31, 2021 (\$)	February 28, 2021 (\$)
<b>Current Assets</b>		
Canada	2,649,015	277,416
Colombia	24,651	11,663
Europe	90,411	17,671
Mexico	35,142	27,472
	<b>2,799,219</b>	<b>334,222</b>
<b>Non-Current Assets</b>		
Canada	1,646,696	421,153
Colombia	1,747,393	2,016,876
Europe	407,564	-
Mexico	834,903	824,265
	<b>4,636,556</b>	<b>3,262,294</b>
<b>Total Assets</b>		
Canada	4,295,711	698,569
Colombia	1,772,044	2,028,539
Europe	497,975	17,671
Mexico	870,045	851,737
	<b>7,435,775</b>	<b>3,596,516</b>

### 10. Commitments

The Company has commitments as follows:

	1 year (\$)	2-3 years (\$)	4-5 years (\$)	Total (\$)
Land lease in Colombia (note 5)	36,110	47,880	-	83,990
	<b>36,110</b>	<b>47,880</b>	<b>-</b>	<b>83,990</b>

### 11. Financial Risk and Capital Management

#### Financial risk

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at August 31, 2021 are summarized below. The Board of Directors periodically reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

#### (a) Credit Risk

The credit risk exposure on cash is limited to its carrying amount at the date of the statements of financial position. Cash is held as cash deposits with creditworthy banks or financial institutions. The Company has receivables consisting of goods and services tax due from the Federal Government of Canada, VAT receivable from the Government of Mexico, and other receivables. Management believes that the credit risk with respect to its cash and receivables is low.

**11. Financial Risk and Capital Management – continued****(b) Liquidity Risk**

Liquidity risk arises from the Company's general and capital financing needs. The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at August 31, 2021, the Company had a working capital deficiency of \$758,257. The Company intends to increase working capital through the private placement of common shares. Management believes that liquidity risk is moderate.

**(c) Market Risk****(i) Foreign Currency Risk**

The Company's functional currency is the Canadian dollar. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates in its Mexican, Colombian and European subsidiaries. The Company also has assets and liabilities denominated in US dollars, Mexican Peso, Colombian Peso and the European Euro. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollars, Mexican Peso, Colombian Peso and the European Euro could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

**(ii) Interest Rate Risk**

The Company is not exposed to interest rate risk.

**Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the cultivation, processing, manufacturing, design and delivery of cannabis products and to maintain a flexible capital structure for the benefit of its stakeholders. As the Company is in the start-up stage, its principal source of funds are, and will be, financing through the issuance of equity securities.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and investments. There were no changes to the management of capital from the previous year.

**Fair Value**

The fair value of the Company's financial instruments including cash approximates their carrying value due to the immediate or short-term maturity of these financial instruments.

IFRS 7, Financial Instruments: Disclosure establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At August 31, 2021, there were no financial assets or liabilities measured and recognized in the statement of position that would be categorized as Level 2 or Level 3 in the fair value hierarchy above.

**Xebra Brands Ltd.**

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**11. Financial Risk and Capital Management – continued**

<b>Financial Instrument</b>	<b>Measurement Method</b>	<b>Associated Risks</b>	<b>Fair value at August 31, 2021 (\$)</b>
Cash	FVTPL	Credit and currency	68,557
Receivables	Amortized cost	Credit	120,890
Accounts payable	Amortized cost	Liquidity	(787,024)
Lease liabilities	Amortized cost	Liquidity	(46,664)
			<b>(644,241)</b>

**12. Subsequent Events**

The Escrow Release Conditions were met on October 1, 2021, and the funds held in escrow under the Subscription Receipt Agreement was released to the Company on October 4, 2021.

Upon the escrow release condition satisfaction, the total number of 13,712,262 subscription receipts were converted into common shares, and a total of 6,856,131 warrants were issued on October 4, 2021 in connection with such conversion. All warrants issued in connection with such conversion expire on October 4, 2022.

On October 5, 2021, the Company repaid the short term loan of \$75,000 to Columbus Capital Corporation.

On October 6, 2021 a total of 327,500 units were issued in connection with a units private placement at \$0.20 per unit for gross proceeds of \$65,500 (the “Units Private Placement”). Each unit entitle its holder to receive one common share and one-half of one common share purchase warrant at an exercise price of \$0.35 per warrant and such warrants expire on October 6, 2022.

The common shares of the Company were listed for trading on the CSE on October 18th, 2021.

On October 18, 2021, the Company granted 8,100,000 share purchase options to certain directors, officers, employees and consultants of the Company. Each option allows the optionee to acquire one common share of the Company at an exercise price of \$0.20 for a period of five years from the date of grant.