



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

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

**For the Nine Months Ended
November 30, 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 nine months ended November 30, 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)



	November 30, 2021 (\$)	February 28, 2021 (\$)
Asset		
Current Assets		
Cash	1,903,128	93,334
Receivables (note 3)	175,734	21,330
Prepaid expenses	449,376	219,558
	2,528,238	334,222
Non-current Assets		
Intangible assets (note 4)	3,854,557	2,970,378
Property, plant and equipment (note 5)	806,005	212,709
VAT receivable (note 3)	90,414	79,207
	7,279,214	3,596,516
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable (note 5, 6 and 8)	549,844	511,828
Accrued liabilities	144,234	40,000
	694,078	551,828
Non-current Liabilities		
Lease liabilities (note 5)	36,478	67,026
	730,556	618,854
Shareholder's Equity		
Share capital (note 7)	11,196,725	7,609,829
Subscription received (note 12)	1,340,000	3,750
Reserves (note 7e)	976,464	36,366
Deficit	(6,932,834)	(4,648,236)
Equity attributable to shareholders	6,580,355	3,001,709
Non-controlling interest (note 7)	(31,697)	(24,047)
	6,548,658	2,977,662
	7,279,214	3,596,516

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		Nine Months Ended	
	November 30, 2021 (\$)	November 30, 2020 (\$)	November 30, 2021 (\$)	November 30, 2020 (\$)
Operating Expenses				
General and administration (note 8)	158,388	104,579	313,828	492,790
Investor relations	650,217	1,313	650,707	6,610
Management fees (note 8)	49,660	21,455	82,201	317,888
Marketing and business development	18,100	-	19,272	31,795
Professional fees	223,396	128,887	408,890	299,379
Share-based payments (note 7c)	324,319	-	324,319	-
Travel	2,298	-	16,862	2,353
Amortization (note 4 and 5)	140,252	129,627	420,812	398,066
Loss before other items	(1,566,630)	(385,848)	(2,236,891)	(1,548,881)
Other Items				
Finance income	681	-	1,409	-
Finance expense (note 5 and 6)	(1,080)	(1,069)	(10,205)	(6,491)
Other income	-	9,960	-	16,698
Other expense	-	-	(40,000)	-
Foreign exchange gain (loss)	(3,293)	137,846	(8,135)	(159,734)
Net loss for the period	(1,570,322)	(239,111)	(2,293,822)	(1,698,408)
Items that may subsequently be reclassified to net income or loss:				
Foreign currency translation gain (loss)	(28,296)	(128,263)	(22,319)	143,162
Comprehensive loss for the period	(1,598,618)	(367,374)	(2,316,141)	(1,555,246)
Net loss attributable to:				
Shareholders	(1,565,207)	(236,074)	(2,284,597)	(1,692,680)
Non-controlling interest	(5,115)	(3,037)	(9,225)	(5,728)
	(1,570,322)	(239,111)	(2,293,822)	(1,698,408)
Comprehensive loss attributable to:				
Shareholders	(1,594,356)	(364,302)	(2,308,491)	(1,549,324)
Non-controlling interest	(4,262)	(3,072)	(7,650)	(5,922)
	(1,598,618)	(367,374)	(2,316,141)	(1,555,246)
Basic and diluted loss per share attributable to Shareholders	(0.01)	(0.00)	(0.02)	(0.02)
Basic and diluted weighted average number of shares outstanding	112,388,870	101,692,630	105,180,570	100,727,952

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		Nine Months Ended	
	November 30, 2021 (\$)	November 30, 2020 (\$)	November 30, 2021 (\$)	November 30, 2020 (\$)
Operating Activities				
Net loss for the period	(1,570,322)	(239,111)	(2,293,822)	(1,698,408)
Items not involving cash				
Shares issued for services	15,000	13,616	18,047	124,327
Other expense (note 7)	-	-	40,000	-
Lease forgiveness	-	(9,960)	-	(16,698)
Amortization	140,252	129,627	420,812	398,066
Finance income	(681)	-	(1,409)	-
Finance expense	1,080	1,069	10,205	6,491
Share-based payments (note 7c)	324,319	-	324,319	-
Unrealized foreign exchange loss	(10,661)	(130,994)	(2,304)	112,649
	(1,101,013)	(235,753)	(1,484,152)	(1,073,573)
Changes in non-cash working capital				
Receivables and prepaid expenses	46,209	67,073	(395,429)	104,196
Accounts payable and accrued liabilities	(40,500)	108,011	305,961	63,694
Cash used in operating activities	(1,095,304)	(60,669)	(1,573,620)	(905,683)
Investing Activities				
Intangible assets	(7,993)	(5,845)	(15,241)	(62,005)
Equipment	(265,631)	(11,701)	(672,816)	(77,884)
Cash used in investing activities	(273,624)	(17,546)	(688,057)	(139,889)
Financing Activities				
Share offerings	1,984,710	10,206	2,920,195	117,994
Subscriptions received (note 12)	1,306,000	-	1,336,250	-
Treasury shares sold	-	53,557	8,326	55,107
Payment of lease liabilities	(9,348)	-	(28,331)	(31,510)
Related party loan (note 8)	(75,000)	-	-	-
Loan repayment (note 6)	-	-	(155,000)	-
Interest paid (note 6)	-	-	(7,000)	-
Cash from financing activities	3,206,362	63,763	4,074,440	141,591
Effect of foreign exchange on cash	(2,863)	(4,655)	(2,969)	4,012
Change in cash	1,834,571	(19,107)	1,809,794	(899,969)
Cash, beginning of period	68,557	74,545	93,334	955,407
Cash, end of period	1,903,128	55,438	1,903,128	55,438
Non-cash Transactions:				
Shares issued for services (note 7)	15,000	101,067	16,875	124,327
Shares issued for debt (note 7)	-	-	9,123	-
Organto's amendment agreement (note 7)	-	-	40,000	-
Shares issued for licensing water soluble IP (note 4 and 7)	-	-	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	Share Capital (\$)	Treasury shares (\$)	Subscriptions received (\$)				
Balance, March 1, 2020 ¹	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 cost	224,937	51,437	-	(56,401)	-	-	-	(4,964)
March 2020 private placement finders' fees (note 7)	291,503	-	-	-	-	-	-	-
September 2020 private placement, net of issuance cost	538,263	159,897	-	-	-	-	-	159,897
September 2020 private placement finders' fees (note 7)	43,061	-	-	-	-	-	-	-
Treasury shares (note 7)	1,573,277	-	88,707	(33,600)	-	-	-	55,107
Shares for services (note 7)	479,159	-	23,958	-	-	-	-	23,958
Subscriptions received (note 7)	-	-	-	63,430	-	-	-	63,430
Comprehensive loss	-	-	-	-	75,119	(1,692,680)	(5,922)	(1,623,483)
Balance, November 30, 2020¹	103,130,274	7,504,208	(15,185)	63,430	143,356	(4,480,868)	(8,635)	3,206,306
Balance, March 1, 2021¹	103,573,374	7,623,034	(13,205)	3,750	36,366	(4,648,236)	(24,047)	2,977,662
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)	112,500	15,000	1,875	-	-	-	-	16,875
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
October 2021 private placement, net of issuance costs (note 7)	14,039,762	2,106,277	-	-	564,045	-	-	2,670,322
Class B Common Share canceled (1)	(1)	-	-	-	-	-	-	-
October 2021 private placement finders' fees (note 7)	192,681	-	-	-	-	-	-	-
Subscriptions received (note 12)	-	-	-	1,340,000	-	-	-	1,340,000
Share-based payments (note 7c)	-	-	-	-	324,319	-	-	324,319
Comprehensive loss	-	-	-	-	(23,894)	(2,284,597)	(7,650)	(2,316,141)
Balance, November 30, 2021	125,887,173	11,196,725	-	1,340,000	976,464	(6,932,834)	(31,697)	6,548,658

¹ 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 Nine Months Ended November 30, 2021
(Expressed in Canadian Dollars)



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”) under the ticker symbol “XBRA”, and also traded on the OTC Market under the symbol “XBRAF”. The common shares of the Company are also cross-listed on the Frankfurt Stock Exchange under the symbol “9YC”. 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 November 30, 2021, the Company had working capital of \$1,834,160 (February 28, 2021 deficiency - \$217,606) and deficit of \$6,932,834 (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 January 25, 2022.

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended November 30, 2021

(Expressed in Canadian Dollars)


3. Receivables

	November 30, 2021 (\$)	February 28, 2021 (\$)
Current		
GST receivable – Canada	25,776	602
VAT receivable – Colombia	3,812	-
VAT receivable – Europe	99,644	17,517
Other	46,502	3,211
	175,734	21,330
Non-Current		
VAT receivable – Mexico	90,414	79,207
	266,148	100,537

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	-	-	14,048	1,193	1,255,241
Amortization	-	(338,281)	-	(32,781)	-	(371,062)
Balance, November 30, 2021	1,240,000	1,465,886	745,058	387,420	16,193	3,854,557

5. Property, Plant and Equipment

	Office Furniture and Equipment (\$)	Leasehold Improvements (\$)	Right of Use Assets (\$)	Construction In Progress		Total (\$)
				Colombia (\$)	The Netherlands (\$)	
Cost						
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)
Balance, February 28, 2021	2,229	136,980	159,943	-	-	299,152
Additions	1,397	-	-	-	671,419	672,816
Foreign exchange	(257)	(12,517)	(14,615)	-	(12,254)	(39,643)
Balance, November 30, 2021	3,369	124,463	145,328	-	659,165	932,325
Accumulated Amortization						
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
Balance, February 28, 2021	(456)	(24,414)	(61,573)	-	-	(86,443)
Amortization	(525)	(24,301)	(24,924)	-	-	(49,750)
Foreign exchange	63	3,195	6,615	-	-	9,873
Balance, November 30, 2021	(918)	(45,520)	(79,882)	-	-	(126,320)
Net book value, February 28, 2021	1,773	112,566	98,370	-	-	212,709
Net book value, November 30, 2021	2,451	78,943	65,446	-	659,165	806,005

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Nine Months Ended November 30, 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	34,442
Two to three years	37,260
Total undiscounted lease liabilities as at November 30, 2021	71,702
Interest	(2,759)
Total discounted lease liabilities as at November 30, 2021	68,943

Lease liabilities in Consolidated Statements of Financial Position as at November 30, 2021

Current (included in accounts payable)	32,465
Non-current (included in lease liabilities)	36,478
	68,943

Amounts Recognized in Consolidated Statements of Comprehensive Loss

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>November 30,</u>	<u>November 30,</u>	<u>November 30,</u>	<u>November 30,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(\$)	(\$)	(\$)	(\$)
Interest expense on lease liabilities	703	1,048	2,378	6,429
Expenses relating to short-term leases	9,456	-	12,782	3,439
	10,159	1,048	15,160	9,868

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 November 30, 2021, the Company had 125,887,173 (February 28, 2021 – 103,573,373) class A shares and nil (February 28, 2021 – 1) class B share issued and outstanding.

7. Share Capital – continued

On November 30, 2021, the Company issued 192,681 class A common shares with a fair value of \$38,536 as finder's fees in connection with the Subscription Receipt (note 7b).

On November 29, the Company issued 75,000 shares to a consultant as partial consideration for investor relation services with a fair value of \$15,000.

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 is comprised of 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.

On October 4, 2021, 13,712,262 Subscription Receipts (note 7b) were converted into 13,712,262 common shares, and a total of 6,856,131 warrants were issued in connection with such conversion. The shares had fair value of \$2,742,452. The Company incurred share issuance costs of \$137,630.

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 November 30, 2021, the Company held nil (February 28, 2021 – 270,107) treasury shares with a value of \$nil (February 28, 2021 - \$13,205).

7. Share Capital – continued

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 purchase 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.

On May 1, 2021, the Company entered into a services agreement with a third party to provide accounting services for certain 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 at the time 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 April 12, 2021, the Company issued 4,100,000 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 \$820,000. Each Subscription Receipt entitled 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 were held in escrow, and was to be released to the Company when the Escrow Release Conditions are met on or before October 12, 2021, and if not, then it would 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

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
 For the Nine Months Ended November 30, 2021
 (Expressed in Canadian Dollars)

**7. Share Capital - continued**

b) The issuance of a final receipt for the non-offering prospectus of the Company

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

On August 24, 2021, the Company issued 1,000,000 Subscription Receipts for \$0.20 per subscription receipt, for gross proceeds of \$200,000.

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

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.

(c) Options

The Company has a share option plan to issue share options whereby the total share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant. The Board of Directors may from time to time, grant options to directors, officers, employees or consultants. The exercise price of an option is not less than the closing price on the CSE on the last trading day preceding the grant date.

The continuity of the Company's share options is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, March 1, 2020 and February 28, 2021	-	-
Granted	8,100,000	0.20
Balance, November 30, 2021	8,100,000	0.20

A summary of the Company's options at November 30, 2021 is as follows:

Exercise Price (\$)	Options Outstanding		Options Exercisable	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)
0.20	8,100,000	4.88	8,100,000	4.88

The fair value of vested share options recognized as an expense during the three and nine months ended November 30, 2021 was \$324,319 (2020 - \$nil).

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**7. Share Capital – continued**

The fair value of each share option 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 the Company's shares or an applicable comparable company, and other factors. The expected term of share options granted represents the period of time that share options granted are expected to be outstanding. The risk-free rate of periods within the contractual life of the share option is based on the Canadian government bond rate. Assumptions used for share options granted during fiscal 2022 are as follows:

Grant Date	Number of Share Options	Expected Price Volatility	Risk Free Interest Rate	Expected Life (Years)	Expected Dividend Yield	Fair Value Per Option (\$)	Total Fair Value (\$)
October 18, 2021	8,100,000	122%	0.73%	3.32	-	0.09	712,580

(d) Warrants

On October 6, 2021 a total of 327,500 units were issued in connection with a unit private placement at \$0.20 per unit for gross proceeds of \$65,500 (the "Units Private Placement"). Each unit is comprised of one common share and one-half of one common share purchase warrant at an exercise price of \$0.35 per full warrant and such warrants expire on October 6, 2022. A total of 163,750 warrants were issued in connection with the Units Private Placement.

On October 4, 2021, 13,712,262 subscription receipts were converted into 13,712,262 common shares, and a total of 6,856,131 warrants were issued in connection with such conversion. All warrants issued in connection with such conversion are exercisable immediately and expire on October 4, 2022. Each warrant allows its holder to acquire 1 common share of the Company at an exercise price of \$0.35.

On August 20, 2021, the Company issued 1,325,000 units at a price of \$0.20 per unit. 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. A total of 662,500 warrants were issued.

On May 27, 2021, the Company issued 511,300 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.

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 (\$)
October 6, 2021	163,750	11,674
October 4, 2021	6,856,131	483,152
August 20, 2021	662,500	49,671
May 27, 2021	511,300	69,618
May 27, 2021 - to purchase units	113,000	22,600
April 12, 2021	23,700	2,958
	8,330,381	639,673

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**7. Share Capital – continued**

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	8,330,381	0.28
Balance, November 30, 2021	8,330,381	0.28

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 (\$)
October 6, 2021	163,750	133%	0.52%	1	-	0.07	11,674
October 4, 2021	6,856,131	132%	0.51%	1	-	0.07	483,152
August 20, 2021	662,500	138%	0.40%	1	-	0.07	49,671
May 27, 2021	511,300	141%	0.31%	2	-	0.14	69,618
April 12, 2021	23,700	125%	0.28%	2	-	0.12	2,958

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.

(e) 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. 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 and was fully repaid on October 5, 2021.

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**8. Related Party Transactions - continued**

The following is a summary of related party transactions:

	Three Months Ended		Nine Months Ended	
	November 30, 2021 (\$)	November 30, 2020 (\$)	November 30, 2021 (\$)	November 30, 2020 (\$)
Fees accrued or paid to Orea for management and administration services	90,000	28,146	186,000	223,450
Management fees paid to Columbus Capital Corporation	25,000	-	25,000	66,800
Management fees paid to Todd Dalotto, a director of the Company	689	-	689	121,756
Management fees paid to Accounting Group ADR and Associates SC., a company controlled by Rodrigo Gallardo, Interim CEO & President of the Company	24,660	23,033	57,201	91,733
	140,349	51,179	268,890	503,739

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

	November 30, 2021 (\$)	February 28, 2021 (\$)
Fees payable to Orea for management and administration services	-	(4,000)
Fees payable to Applied Media Dynamics, a company controlled by Jorge Martinez, COO of the Company	-	(3,000)
	-	(7,000)

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:

	November 30, 2021 (\$)	February 28, 2021 (\$)
Current Assets		
Canada	2,302,000	277,416
Colombia	65,075	11,663
Europe	138,247	17,671
Mexico	22,916	27,472
	2,528,238	334,222

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**9. Segmented Information - continued**

	November 30, 2021	February 28, 2021
	(\$)	(\$)
Non-Current Assets		
Canada	1,643,613	421,153
Colombia	1,611,685	2,016,876
Europe	659,165	-
Mexico	836,513	824,265
	4,750,976	3,262,294
Total Assets		
Canada	3,945,613	698,569
Colombia	1,676,760	2,028,539
Europe	797,412	17,671
Mexico	859,429	851,737
	7,279,214	3,596,516

10. Commitments

The Company has commitments as follows:

	1 year (\$)	2-3 years (\$)	4-5 years (\$)	Total (\$)
Land lease in Colombia (note 5)	34,442	37,260	-	71,702
	34,442	37,260	-	71,702

11. Financial Risk and Capital ManagementFinancial 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 November 30, 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 reputable 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, Colombia and the Netherlands, and other receivables. Management believes that the credit risk with respect to its cash and receivables is low.

(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 November 30, 2021, the Company had a working capital of \$1,834,160. Management believes that liquidity risk is moderate.

11. Financial Risk and Capital Management – continued

(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 November 30, 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.

Financial Instrument	Measurement Method	Associated Risks	Fair value at November 30, 2021 (\$)
Cash	FVTPL	Credit and currency	1,903,128
Receivables	Amortized cost	Credit	175,734
Accounts payable	Amortized cost	Liquidity	(549,844)
Lease liabilities	Amortized cost	Liquidity	(36,478)
			1,492,540

Xebra Brands Ltd.

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12. Subsequent Events

On December 1, 2021, the Company's indirect wholly owned subsidiary, Desart MX, SA de CV ("Xebra Mexico") was granted an injunction (the "Injunction") by the Mexican Supreme Court to enable Xebra Mexico to import cannabis seeds, cultivate cannabis, process cannabis, extract cannabinoids, and manufacture cannabis products. Xebra Mexico could also sell cannabis products within Mexico and for export. Xebra Mexico's injunction applies specifically to the industrial cannabis sector, and explicitly to cannabis with low-levels of THC (under 1%). In connection with the Injunction, on January 11, 2022, the Company issued 48,000,000 shares to former shareholders of Xebra Mexico.

On December 2, 2021 the Company closed a non-brokered private placement of 6,700,000 common shares at a price of \$0.20 per common share, for gross proceeds of \$1,340,000.