



**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, 2022**

**(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, 2022, 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, 2022 (\$)	February 28, 2022 (\$)
<b>Asset</b>		
Current Assets		
Cash	559,796	647,244
Receivables (note 3)	228,863	136,536
Prepaid expenses (note 10)	184,729	367,439
Inventory (note 4)	176,417	-
	1,149,805	1,151,219
Non-current Assets		
Intangible assets (note 5)	1,363,459	1,310,409
Property, plant and equipment (note 7)	-	330,023
VAT receivable (note 3)	135,655	110,776
	<b>2,648,919</b>	<b>2,902,427</b>
<b>Liabilities and Shareholder's Equity</b>		
Current Liabilities		
Accounts payable (note 7 and 10)	281,477	341,058
Accrued liabilities	69,840	87,568
	351,317	428,626
Non-current Liabilities		
Lease liabilities (note 7)	13,254	28,794
	364,571	457,420
Shareholder's Equity		
Share capital (note 8)	13,590,151	12,168,621
Reserves (note 8e)	1,654,958	1,204,709
Deficit	(12,738,595)	(10,790,894)
Equity attributable to shareholders	2,506,514	2,582,436
Non-controlling interest (note 9)	(222,166)	(137,429)
	2,284,348	2,445,007
	<b>2,648,919</b>	<b>2,902,427</b>

Nature of operations and going concern (note 1)

**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 Statements of Comprehensive Loss (Unaudited)  
(Expressed in Canadian Dollars)



	Three Months Ended		Six Months Ended	
	August 31, 2022 (\$)	August 31, 2021 (\$)	August 31, 2022 (\$)	August 31, 2021 (\$)
Revenues (note 12)	54,009	-	54,009	-
Cost of sales	(50,429)	-	(50,429)	-
Gross profit	3,580	-	3,580	-
Operating Expenses				
General and administration (note 10)	197,241	88,635	435,421	187,981
Investor relations	111,858	-	338,077	490
Management fees (note 10)	188,587	-	373,516	-
Marketing and business development	6,090	-	13,590	1,172
Professional fees	275,743	83,982	360,656	185,494
Share-based payments (note 8c and 10)	14,789	-	170,019	-
Travel	8,440	12,207	26,335	14,564
Amortization (note 5 and 7)	14,898	140,179	79,497	280,560
Loss before other items	(814,066)	(325,003)	(1,793,531)	(670,261)
Other Items				
Finance income	-	728	-	728
Finance expense (note 7)	(331)	(1,019)	(936)	(9,125)
Other expense	-	(40,000)	-	(40,000)
Impairment of property, plant and equipment (note 7)	-	-	(264,530)	-
Foreign exchange gain (loss)	7,380	(5,545)	13,262	(4,842)
<b>Net loss for the period</b>	<b>(807,017)</b>	<b>(370,839)</b>	<b>(2,045,735)</b>	<b>(723,500)</b>
Items that may subsequently be reclassified to net income or loss:				
Foreign currency translation gain (loss)	(14,377)	13,781	(26,655)	5,977
<b>Comprehensive loss for the period</b>	<b>(821,394)</b>	<b>(357,058)</b>	<b>(2,072,390)</b>	<b>(717,523)</b>
Net loss attributable to:				
Shareholders	(807,332)	(392,567)	(1,947,701)	(719,390)
Non-controlling interest (note 9)	315	21,728	(98,034)	(4,110)
	(807,017)	(370,839)	(2,045,735)	(723,500)
Comprehensive loss attributable to:				
Shareholders	(827,600)	(378,258)	(1,987,653)	(714,135)
Non-controlling interest (note 9)	6,206	21,200	(84,737)	(3,388)
	(821,394)	(357,058)	(2,072,390)	(717,523)
Basic and diluted loss per share attributable to shareholders	(0.00)	(0.00)	(0.01)	(0.01)
Basic and diluted weighted average number of shares outstanding	196,467,528	103,900,303	193,314,866	103,654,539

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

**Xebra Brands Ltd.**

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)  
(Expressed in Canadian Dollars)



	Three Months Ended		Six Months Ended	
	August 31, 2022 (\$)	August 31, 2021 (\$)	August 31, 2022 (\$)	August 31, 2021 (\$)
<b>Operating Activities</b>				
Net loss for the period	(807,017)	(370,839)	(2,045,735)	(723,500)
Items not involving cash				
Shares issued for services (note 8)	7,500	-	7,500	3,047
Other expense	-	40,000	-	40,000
Amortization (note 5 and 7)	14,898	140,179	79,497	280,560
Finance income	-	(728)	-	(728)
Finance expense (note 7)	331	1,019	936	9,125
Share-based payments (note 8c)	14,789	-	170,019	-
Impairment of property, plant and equipment (note 7)	-	-	264,530	-
Unrealized foreign exchange (gain) loss	(13,428)	15,895	(16,336)	8,357
	(782,927)	(174,474)	(1,539,589)	(383,139)
Changes in non-cash working capital				
Receivables and prepaid expenses	(153,534)	(298,454)	(110,913)	(441,638)
Accounts payable and accrued liabilities	20,287	190,609	(77,309)	346,461
Cash used in operating activities	(916,174)	(282,319)	(1,727,811)	(478,316)
<b>Investing Activities</b>				
Intangible assets	(21,321)	(6,038)	(79,304)	(7,248)
Equipment	-	(352,499)	-	(407,185)
Cash used in investing activities	(21,321)	(358,537)	(79,304)	(414,433)
<b>Financing Activities</b>				
Share offerings	-	277,246	1,734,212	288,449
Subscriptions received	-	631,090	-	2,742,452
Funds transferred to escrow	-	(465,000)	-	(2,056,840)
Payment of lease liabilities	(2,823)	(9,339)	(12,889)	(18,983)
Shareholder loan	-	75,000	-	75,000
Loan repayment	-	-	-	(155,000)
Interest paid	-	-	-	(7,000)
Cash from (used in) financing activities	(2,823)	508,997	1,721,323	868,078
Effect of foreign exchange on cash	(5,600)	2,475	(1,656)	(106)
Change in cash	(945,918)	(129,384)	(87,448)	(24,777)
Cash, beginning of period	1,505,714	197,941	647,244	93,334
<b>Cash, end of period</b>	<b>559,796</b>	<b>68,557</b>	<b>559,796</b>	<b>68,557</b>
<b>Non-cash Transactions:</b>				
Shares issued for finders' fees (note 8)	-	-	30,848	-
Shares issued for services (note 8)	7,500	-	7,500	1,875
Shares issued for debt (note 8)	-	-	-	9,123
Amendment agreement with Organto Foods Inc. (note 8)	-	40,000	-	40,000
Shares issued for licensing water soluble IP (note 8)	-	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)



	Common Shares <sup>1</sup>	Share Capital (note 8) (\$)	Reserves (note 8e) (\$)	Deficit (\$)	Non- Controlling Interest (\$)	Total (\$)
Balance, March 1, 2021	103,573,374	7,613,579	36,366	(4,648,236)	(24,047)	2,977,662
May 2021 private placement (note 8)	18,750	(26,455)	25,957	-	-	(498)
Shares for debt (note 8)	182,466	9,123	-	-	-	9,123
Shares for services (note 8)	37,500	1,875	-	-	-	1,875
Finders' fees (note 8)	42,641	-	-	-	-	-
Shares issued to amend agreement (note 8)	200,000	40,000	-	-	-	40,000
Shares issued for licensing water soluble IP (note 8)	6,200,000	1,240,000	-	-	-	1,240,000
August 2021 private placement (note 8)	1,325,000	197,325	49,671	-	-	246,996
Subscriptions received - units	-	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>9,109,447</b>	<b>117,249</b>	<b>(5,367,626)</b>	<b>(27,435)</b>	<b>3,831,635</b>
Balance, March 1, 2022	181,206,971	12,168,621	1,204,709	(10,790,894)	(137,429)	2,445,007
April 2022 private placement (note 8)	15,000,000	1,383,182	320,182	-	-	1,703,364
Finders' fees (note 8)	257,063	30,848	-	-	-	30,848
Shares for services	35,714	7,500	-	-	-	7,500
Share-based payments (note 8c)	-	-	170,019	-	-	170,019
Comprehensive loss	-	-	(39,952)	(1,947,701)	(84,737)	(2,072,390)
<b>Balance, August 31, 2022</b>	<b>196,499,748</b>	<b>13,590,151</b>	<b>1,654,958</b>	<b>(12,738,595)</b>	<b>(222,166)</b>	<b>2,284,348</b>

<sup>1</sup> Consists of 1 class B common share, which was cancelled on October 18, 2021. Remainder are all class A common shares.

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, 2022  
(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”) 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. To date, the Company has not received any significant 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, 2022, the Company had working capital of \$798,488 (February 28, 2022 - \$722,593) and deficit of \$12,735,166 (February 28, 2022 - \$10,790,894). 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. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

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, particularly in Mexico and Colombia. 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.

### **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, 2022. 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 27, 2022.

**Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the Six Months Ended August 31, 2022  
(Expressed in Canadian Dollars)

**3. Receivables**

	August 31, 2022 (\$)	February 28, 2022 (\$)
<b>Current</b>		
Trade receivables	51,146	-
GST receivable – Canada	40,016	17,037
VAT receivable – Europe	73,428	115,307
Related party receivable (note 10)	60,000	-
Other	4,273	4,192
	<b>228,863</b>	<b>136,536</b>
<b>Non-Current</b>		
VAT receivable – Mexico	135,655	110,776
	<b>364,518</b>	<b>247,312</b>

**4. Inventory**

	August 31, 2022 (\$)	February 28, 2022 (\$)
Finished goods	83,978	-
Packaging and supplies	92,439	-
	<b>176,417</b>	<b>-</b>

The cost of inventories recognized as cost of sales during the three and six months ended August 31, 2022, is \$50,429 (2021 - \$nil).

**5. Intangible Assets**

	Colombian Cannabis Licenses (\$)	Product Applications and Authorizations (\$)	Brands and Trademarks (\$)	Product Development (\$)	Total (\$)
<b>Balance, March 1, 2021</b>	<b>1,804,167</b>	<b>745,058</b>	<b>406,153</b>	<b>15,000</b>	<b>2,970,378</b>
Additions	-	-	19,036	914,247 <sup>1</sup>	933,283
Amortization	(451,042)	-	(44,029)	-	(495,071)
Impairment	(1,353,124)	(745,057)	-	-	(2,098,181)
<b>Balance, February 28, 2022</b>	<b>1</b>	<b>1</b>	<b>381,160</b>	<b>929,247</b>	<b>1,310,409</b>
Additions	-	-	6,522	72,782	79,304
Amortization	-	-	(22,819)	(3,435)	(26,254)
<b>Balance, August 31, 2022</b>	<b>1</b>	<b>1</b>	<b>364,863</b>	<b>998,594</b>	<b>1,363,459</b>

<sup>1</sup> See note 8 (a), in connection with Solutech IP license



**Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
 For the Six Months Ended August 31, 2022  
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**5. Intangible Assets – continued***Solutech IP license*

On August 18, 2021, the Company entered into a licensing agreement with a third party to license its clinically-backed, patent pending delivery technology for cannabinoids. Pursuant to the terms of the agreement, on August 31, 2021, Xebra issued 6 million common shares to the third party, which are subject to certain resale restrictions, for the right to produce and use the technology. Xebra’s license is exclusive in Mexico and Colombia, and non-exclusive in Europe and the rest of the Americas, including Canada, but limited to only California in the United States; with no further consideration payable to the third party.

**6. Desart MX SA de CV**

In 2018, Desart MX, SA de CV (“Desart”), identified an opportunity to challenge the constitution of Mexico for an injunction to commercialize hemp derived cannabinoids such as CBD and CBG. The constitutional claim was filed in January 2019, and the injunction (the “Amparo”) requested included the right for the importation of seeds, cultivation, harvesting, processing, and the creation of cannabis products with less than 1% THC, and the right to sell those products domestically or via export.

On January 10, 2020, the Company acquired Desart through a share exchange agreement (the “Desart SEA”). Pursuant to the Desart SEA, the Company received 100% of the outstanding shares of Desart (the “Desart Shares”) in exchange for a combination of 2,000,000 common shares of Xebra (the “Desart Consideration Shares”) and cash payments of US \$125,000 (the “Desart Cash Consideration”), plus 48,000,000 common shares of Xebra to be issued under certain conditions (the “Desart Bonus Shares”). The primary requirement for the issuance of the Desart Bonus Shares is when the Supreme Court of Mexico has granted Desart the Amparo.

On December 1, 2021, Desart was granted the Amparo, and on January 11, 2022, a corresponding 48,000,000 shares were issued to former shareholders of Desart. Official licenses are expected to be granted by the Mexican Health Regulatory Agency (COFEPRIS) in due-course. The Desart Bonus Shares were determined to have a fair value of \$nil based on management’s initial expectations of receiving the Amparo upon acquisition of Desart (note 8).

**7. Property, Plant and Equipment**

	Office Furniture and Equipment (\$)	Dutch Facility (\$)	Leasehold Improvements (\$)	Right of Use Assets (\$)	Total (\$)
<b>Cost</b>					
Balance, March 1, 2021	2,229	-	136,980	159,943	299,152
Additions	1,398	672,045	11,492	1,910	686,845
Impairment	(2,091)	(291,967)	(140,021)	(151,987)	(586,066)
Foreign exchange	(127)	(10,378)	(8,450)	(9,865)	(28,820)
<b>Balance, February 28, 2022</b>	<b>1,409</b>	<b>369,700</b>	<b>1</b>	<b>1</b>	<b>371,111</b>
Impairment	(1,426)	(355,926)	-	-	(357,352)
Foreign exchange	17	(13,774)	(1)	(1)	(13,759)
<b>Balance, August 31, 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
 For the Six Months Ended August 31, 2022  
 (Expressed in Canadian Dollars)

**7. Property, Plant and Equipment – continued**

	Office Furniture and Equipment (\$)	Dutch Facility (\$)	Leasehold Improvements (\$)	Right of Use Assets (\$)	Total (\$)
<b>Accumulated Amortization</b>					
Balance, March 1, 2021	(456)	-	(24,414)	(61,573)	(86,443)
Amortization	(698)	(41,808)	(32,611)	(33,186)	(108,303)
Impairment	706	-	55,520	90,961	147,187
Foreign exchange	25	1,143	1,505	3,798	6,471
<b>Balance, February 28, 2022</b>	<b>(423)</b>	<b>(40,665)</b>	-	-	<b>(41,088)</b>
Amortization	(107)	(53,136)	-	-	(53,243)
Impairment	535	92,287	-	-	92,822
Foreign exchange	(5)	1,514	-	-	1,509
<b>Balance, August 31, 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value, February 28, 2022</b>	<b>986</b>	<b>329,035</b>	<b>1</b>	<b>1</b>	<b>330,023</b>
<b>Net book value, August 31, 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Company intends to divest its Dutch operations due to the high cultivation costs in the Netherlands. Consequently, during the year ended February 28, 2022, the Company impaired its Dutch Facility by \$291,967, to a net book value of \$329,035 as at February 28, 2022. During the six months ended August 31, 2022 (2021 - \$nil), the Company further impaired the Dutch Facility by writing off the remaining balance.

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.

Maturity Analysis

	\$
Contractual undiscounted cash flows:	
Less than one year	32,894
Two to three years	13,375
Total undiscounted lease liabilities as at August 31, 2022	46,269
Interest	(1,258)
<b>Total discounted lease liabilities as at August 31, 2022</b>	<b>45,011</b>
<b>Lease liabilities on the Consolidated Statements of Financial Position as at August 31, 2022</b>	
Current (included in accounts payable)	31,757
Non-current (included in lease liabilities)	13,254
	<b>45,011</b>

**Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
 For the Six Months Ended August 31, 2022  
 (Expressed in Canadian Dollars)

**7. Property, Plant and Equipment – continued**

*Amounts Recognized in the Consolidated Statements of Comprehensive Loss*

	Three Months Ended		Six Months Ended	
	August 31, 2022 (\$)	August 31, 2021 (\$)	August 31, 2022 (\$)	August 31, 2021 (\$)
Interest expense on lease liabilities	331	783	936	1,675
Expenses relating to short-term leases	5,224	2,766	20,371	3,326
	<b>5,555</b>	<b>3,549</b>	<b>21,307</b>	<b>5,001</b>

**8. Share Capital****(a) Common Shares**

As at August 31, 2022, the Company had 196,499,748 (February 28, 2022 – 181,206,971) common shares issued and outstanding.

As of August 31, 2022, a total of 114,634,537 common shares of the Company were subject to trading restrictions (the “Restricted Shares”), which will be released from such restrictions in stages, with the final release being March 12, 2025. The Restricted Shares include 16,632,996 common shares issued to insiders of the Company and held in escrow by the transfer agent in accordance with the CSE listing policies.

On August 23, 2022, the Company issued 35,714 shares to a consultant as partial consideration for investor relation services with a fair value of \$7,500.

On April 8, 2022, the Company closed a non-brokered private placement of 15,000,000 units at a price of \$0.12 per unit, for gross proceeds of \$1,800,000. Each unit is comprised of one common share of the Company, and a half warrant. Each full warrant entitles the holder to purchase one share of the Company at a price of \$0.25 for a period of 12 months from the closing date of the private placement. The 7,500,000 warrants had a fair value of \$300,000 which has been recorded in warrant reserve. An aggregate of 257,063 shares, 504,560 warrants and \$60,547 was paid in finders’ fees, where such shares and warrants have a fair value of \$30,848 and \$20,182, respectively. The Company paid share issuance costs of \$5,241.

On January 21, 2022, the Company issued 83,798 class A common shares with a fair value of \$18,436 to a third party, to settle consulting services.

On January 11, 2022, the Company issued 48,000,000 shares in connection with the acquisition of Desart. Desart was acquired on January 10, 2020, and at the time of acquisition the estimated fair value of the 48,000,000 shares potentially to be issued was \$nil as it was uncertain when, or if ever, such shares would be issued. Consequently, the 48,000,000 issued on January 11, 2022 had a \$nil value.

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. On December 23, 2021, the Company issued 536,000 class A common shares with a fair value of \$107,200 as finder’s fees in connection with this non-brokered private placement.

**8. Share Capital – continued**

On November 29, 2021, 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 unit private placement at \$0.20 per unit for gross proceeds of \$65,500. 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. The 163,750 unit warrants had a fair value of \$11,674 which has been recorded in warrant reserve.

On October 4, 2021, 13,712,262 Subscription Receipts (note 8b) were converted into 13,712,262 common shares, and a total of 6,856,131 warrants which had a fair value of \$483,152 and was recorded in warrant reserves. The Company incurred share issuance costs of \$253,065. 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 Receipts (note 8b).

On August 31, 2021, the Company issued 6,000,000 class A common shares with a fair value of \$822,581 to a third party to license its clinically-backed, patent pending delivery technology for cannabinoids ("Solutech"). On August 4, 2021, the Company issued 200,000 class A common shares with a fair value of \$27,419 as finder's fees for 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. A total of 662,500 warrants were issued with a fair value of \$49,671 which has been recorded in warrant reserve. The Company paid share issuance costs of \$18,004.

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 at a fair value of \$40,000.

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.

**Treasury Shares**

As at August 31, 2022, the Company had nil (February 28, 2022 – nil) treasury shares with a value of \$nil (February 28, 2022 - \$nil).

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 a total of 182,466 treasury shares with a fair value of \$32,844 to settle debt totalling \$36,493, resulting in a gain of \$4,077.

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

**8. Share Capital – continued**

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.

**(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 of all proceeds from Subscription Receipts were held in escrow, and were to be released to the Company when the Escrow Release Conditions were met on or before October 12, 2021, and if not, then would be returned to the subscriber. The Escrow Release Conditions were:

- 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 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 were 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 were released to the Company on October 4, 2021.

Upon satisfaction of the escrow release conditions, the total 13,712,262 subscriptions 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 an omnibus equity incentive compensation plan to issue share options, and certain other equity incentives, whereby the total share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant, and certain other equity incentives subject to a maximum of 5,202,736 shares in aggregate. The Board of Directors may from time to time, grant options or certain other equity incentives 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. As at August 31, 2022, the Company has only granted share options and no other equity incentives.

**Xebra Brands Ltd.**

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**8. Share Capital – continued**

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	8,150,000	0.20
<b>Balance, February 28, 2022</b>	<b>8,150,000</b>	<b>0.20</b>
Granted	2,000,000	0.20
Forfeited	(200,000)	0.20
<b>Balance, August 31, 2022</b>	<b>9,950,000</b>	<b>0.20</b>

A summary of the Company's options at August 31, 2022 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	2,000,000	4.65	166,667	4.65
0.23	50,000	4.39	50,000	4.39
0.20	7,900,000	4.13	7,900,000	4.13
<b>0.20-0.23</b>	<b>9,950,000</b>	<b>4.39</b>	<b>8,116,667</b>	<b>4.39</b>

The fair value of vested share options recognized as an expense during the three and six months ended August 31, 2022 was \$14,789 and \$170,019, respectively (2021 \$nil).

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 2023 and 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 (\$)
April 26, 2022	2,000,000	122%	2.43%	3.96	-	0.14	280,000
January 19, 2022	50,000	121%	1.24%	3.65	-	0.16	8,040
October 18, 2021	8,100,000	122%	0.73%	3.32	-	0.09	712,580

**Xebra Brands Ltd.**

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**8. Share Capital – continued****(d) Warrants**

On April 8, 2022, 7,500,000 warrants were issued in connection with a unit private placement. Each warrant is exercisable at a price of \$0.25 and expire on April 8, 2023.

On April 8, 2022, 504,560 warrants were issued as finders' fees in connection with a unit private placement. Each warrant is exercisable at a price of \$0.25 and expire on April 8, 2023.

On October 6, 2021, a total of 163,750 warrants were issued in connection with a unit private placement. Each warrant is exercisable at a price of \$0.35 per warrant and expire on October 6, 2022.

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 expire on October 4, 2022 and are exercisable at a price of \$0.35 per warrant.

On August 20, 2021, the Company issued 662,500 warrants exercisable at \$0.35 per share for a period of 12 months from the date of issuance.

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:

	<b>Number of Warrants</b>	<b>Fair Value (\$)</b>
April 8, 2022 – Broker warrants	504,560	20,182
April 8, 2022	7,500,000	300,000
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
	<b>16,334,941</b>	<b>959,855</b>

**Xebra Brands Ltd.**

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**8. Share Capital – continued**

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

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, March 1, 2021	-	-
Issued	8,330,381	0.28
<b>Balance, February 28, 2022</b>	<b>8,330,381</b>	<b>0.28</b>
Issued	8,004,560	0.25
Expired	(662,500)	0.35
<b>Balance, August 31, 2022</b>	<b>15,672,441</b>	<b>0.30</b>

The fair value of 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 fiscal 2023 and 2022 are as follows:

Issue Date	Number of Warrants	Expected Price Volatility	Risk Free Interest Rate	Expected Life (Years)	Expected Dividend Yield	Fair Value per Warrant (\$)	Total Fair Value (\$)
April 8, 2022	8,004,560	109%	2.34%	1	-	0.04	320,182
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 had a fair value of \$22,600.

**(e) Reserves***Translation Adjustment*

The translation adjustment reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

*Share Options and Warrants*

The share options and warrants reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.



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**8. Share Capital – continued**

The continuity of the Company's reserve account is as follows:

	Translation Adjustment (\$)	Share Options (\$)	Warrants (\$)	Total (\$)
Balance, March 1, 2021	36,366	-	-	36,366
Issued / Granted	-	-	75,628	75,628
Translation effects	5,255	-	-	5,255
<b>Balance, August 31, 2021</b>	<b>41,621</b>	<b>-</b>	<b>75,628</b>	<b>117,249</b>
Balance, March 1, 2022	8,482	556,554	639,673	1,204,709
Issued / Granted	-	170,019	320,182	490,201
Translation effects	(39,952)	-	-	(39,952)
<b>Balance, August 31, 2022</b>	<b>(31,470)</b>	<b>726,573</b>	<b>959,855</b>	<b>1,654,958</b>

**9. Non-Controlling Interest**

On February 19, 2020, the Company entered into an agreement with Organto to acquire 75% of the issued and outstanding shares of its subsidiary, Organto Foods Europe BV in exchange for \$5,899 (€4,125). Organto Foods Europe BV was subsequently renamed to Xebra Brands Europe BV.

The movement in non-controlling interest is as follows:

	Xebra Brands Europe BV (\$)
Balance, March 1, 2021	(24,047)
Results for the year	(118,359)
Currency translation difference	4,977
<b>Balance, February 28, 2022</b>	<b>(137,429)</b>
Results for the period	(98,034)
Currency translation difference	13,297
<b>Balance, August 31, 2022</b>	<b>(222,166)</b>

Financial information for Xebra Brands Europe BV is as follow:

	August 31, 2022 (\$)	February 28, 2022 (\$)
Current assets	73,428	116,394
Non-current assets	-	329,035
Current liabilities	(962,080)	(995,135)

**Xebra Brands Ltd.**

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**9. Non-Controlling Interest – continued**

	Three Months Ended		Six Months Ended	
	August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
	(\$)	(\$)	(\$)	(\$)
Net income (loss)	1,260	(4,692)	(392,135)	(19,327)
Other comprehensive income (loss)	23,565	(1,221)	53,189	2,887

**10. Related Party Transactions**

The Company entered into a services agreement (the “Services Agreement”) with Orea Mining Corp. (“Orea”) effective January 1, 2021 for \$2,000 per month, to provide certain management services and overhead infrastructure. The Services Agreement was amended effective June 1, 2021 under which the monthly payments were \$30,000, and was further amended effective January 1, 2022 whereby the monthly is increased to \$40,000. The Company and Orea have a director in common, and as a result of the Services Agreement arrangement, certain officers in common.

On April 11, 2022, the Company provided a short-term loan of \$60,000 to Jay Garnett, director & CEO of the Company. As amended, the loan is interest free and repayable on October 31, 2022 or 30 days from the day the Company demands the repayment, whichever is the earlier.

The following is a summary of related party transactions:

	Three Months Ended		Six Months Ended	
	August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
	(\$)	(\$)	(\$)	(\$)
Fees accrued or paid to Orea under the Services Agreement	120,000	90,000	240,000	96,000
Management fees paid to Columbus Capital Corp., a company controlled by Robert Giustra, a director of the Company	60,000	-	105,000	-
Management fees paid to Garnett Canada Holdings., a company controlled by Jay Garnett, director & CEO of the Company	60,000	-	90,000	-
Management fees paid to Todd Dalotto, a director of the Company	18,696	-	36,902	-
Management fees paid to Accounting Group ADR and Associates SC., a company controlled by Rodrigo Gallardo, President of the Company	44,805	24,462	81,859	32,541
Share-based payments to certain directors and officers of the Company	17,500	-	160,222	-
	<b>321,001</b>	<b>114,462</b>	<b>713,983</b>	<b>128,541</b>

**Xebra Brands Ltd.**

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**10. Related Party Transactions – continued**

The following summarizes amounts that remain payable to each related party, which are included in receivables, advances and accounts payable:

	August 31, 2022 (\$)	February 28, 2022 (\$)
Advances to Orea Mining Corp	66,000	-
Advances to Columbus Capital Corp.	20,000	-
Receivable from Jay Garnett, director & CEO of the Company	60,000	-
Finders' fees payable to Robert Giustra, a director of the Company	-	(8,800)
Finders' fees payable to Rodrigo Gallardo, President of the Company	-	(8,000)
Finders' fees payable to Andrew Yau, CFO of the Company	-	(360)
Management fees payable to Todd Dalotto, a director of the Company	(6,288)	(6,597)
	<b>139,712</b>	<b>(23,757)</b>

**11. 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, 2022 (\$)	February 28, 2022 (\$)
<b>Current Assets</b>		
Canada	1,039,413	910,155
Colombia	15,287	74,316
Europe	73,428	116,394
Mexico	21,677	50,354
	<b>1,149,805</b>	<b>1,151,219</b>
<b>Non-Current Assets</b>		
Canada	1,363,459	1,310,407
Colombia	-	3
Europe	-	329,035
Mexico	135,655	111,763
	<b>1,499,114</b>	<b>1,751,208</b>
<b>Total Assets</b>		
Canada	2,402,872	2,220,562
Colombia	15,287	74,319
Europe	73,428	445,429
Mexico	157,332	162,117
	<b>2,648,919</b>	<b>2,902,427</b>

## Xebra Brands Ltd.

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### 12. Revenues

The Company derives its revenues from selling its Vicious Citrus cannabis infused lemonade in Ontario, Canada where retailers can purchase from the Ontario Cannabis Store.

During the three and six months ended August 31, 2022, the Company earned revenues of \$54,009 (2021 - \$nil).

### 13. Commitments

The Company has commitments as follows:

	1 year (\$)	2-3 years (\$)	4-5 years (\$)	Total (\$)
Land lease in Colombia (note 7)	32,894	13,375	-	46,269

### 14. 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, 2022, 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 trade receivables, goods and services tax due from the Federal Government of Canada, VAT receivable from the Government of Mexico, Colombia and the Netherlands, and a related party receivable. Management believes that the credit risk with respect to its trade receivables is medium, and for cash and all other 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 August 31, 2022, the Company had a working capital of \$798,488. Management believes that liquidity risk is very high.

#### (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.

## **14. Financial Risk and Capital Management – continued**

### (ii) Interest Rate Risk

The Company is not exposed to interest rate risk.

#### Sensitivity Analysis

A 1% change in interest rates does not have a material effect on the Company's profit or loss and equity.

The Company has certain cash balances, receivables and accounts payables in US Dollars, Mexican Peso, Colombian Peso and European Euros, currencies other than the Company's functional currency. The Company estimates that a +/- 10% change in the value of the Canadian dollar relative to the US dollar, Mexican Peso, Colombian Peso and European Euros would have a corresponding effect of approximately \$99,169 to profit or loss.

#### 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 is, 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, 2022, 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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**14. Financial Risk and Capital Management – continued**

<b>Financial Instrument</b>	<b>Measurement Method</b>	<b>Associated Risks</b>	<b>Fair value at August 31, 2022 (\$)</b>
Cash	FVTPL	Credit and currency	559,796
Receivables	Amortized cost	Credit	228,863
Accounts payable	Amortized cost	Liquidity	(281,477)
Lease liabilities	Amortized cost	Liquidity	(13,254)
			<b>493,928</b>