



XEBRA BRANDS LTD

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2023 and 2022

UNAUDITED

Prepared by Management

(Expressed in Canadian Dollars)

XEBRA BRANDS LTD

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2023 and 2022

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim consolidated financial statements of Xebra Brands Ltd, (the "Company") have been prepared by and are the responsibility of Company's management and approved by the Company's Audit Committee and Board of Directors.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by CPA Canada for a review of interim financial statements by the entity's auditor.

October 30, 2023

Xebra Brands Ltd

Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	August 31, 2023	February 28, 2023
	(\$)	(\$)
Assets		
Current Assets		
Cash	43,754	202,286
Receivables (note 3)	302,178	232,072
Prepaid expenses	54,952	106,903
Inventory (note 4)	130,409	154,596
	531,293	695,857
Non-current assets		
Intangible assets (note 5)	439,881	469,651
VAT receivable (note 3)	187,779	158,234
Total assets	1,158,953	1,323,742
Liabilities		
Current liabilities		
Accounts payable (note 10)	600,845	622,622
Accrued liabilities	111,446	149,543
Total liabilities	712,291	772,165
Shareholder's Equity		
Share capital (note 7)	13,628,120	13,521,784
Reserves (note 7)	2,702,784	1,887,300
Subscription received (note 7)	-	201,750
Deficit	(15,628,554)	(14,815,164)
Equity attributable to shareholders	702,350	795,670
Non-controlling interest (note 9)	(255,688)	(244,093)
	446,662	551,577
Total liabilities and shareholder's equity	1,158,953	1,323,742

Nature of operations and going concern (note 1)

Subsequent events (note 13)

Approved by the Board of Directors

"Jordi Chemonte"

Jordi Chemonte - Director

"Jay Garnett"

Jay Garnett - Director

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

Xebra Brands Ltd

Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Revenue	37,331	54,009	75,937	54,009
Cost of sales	19,669	50,429	81,912	50,429
Gross profit (loss)	17,662	3,580	(5,975)	3,580
Operating expenses				
General and administration (note 10)	82,094	197,241	117,773	435,421
Investor relations	5,815	111,858	60,363	338,077
Management fees (note 10)	114,024	188,587	203,570	373,516
Marketing and business development	-	6,090	-	13,590
Professional fees	139,197	275,743	328,298	360,656
Share-based payments (note 7 and 10)	35,000	14,789	70,000	170,019
Travel	(1,862)	8,440	19,578	26,335
Amortization (note 5 and 6)	14,885	14,898	29,771	79,497
Loss before other items	(371,491)	(814,066)	(835,328)	(1,793,531)
Other Items				
Finance expense, net of income	-	(331)	-	(936)
Other expense, net of income	-	-	(178)	-
Impairment (note 5 and 6)	-	-	-	(264,530)
Foreign exchange (loss) gain	(58,464)	7,380	21,750	13,262
Net loss	(429,955)	(807,017)	(813,756)	(2,045,735)
Other comprehensive loss				
Items that may subsequently be reclassified to net income or loss:				
Foreign currency translation	58,864	(14,377)	(48,835)	(26,655)
Comprehensive loss for the year	(371,091)	(821,394)	(862,591)	(2,072,390)
Net loss attributable to:				
Shareholders	(429,958)	(807,332)	(813,390)	(1,947,701)
Non-controlling interest (note 9)	3	315	(366)	(98,034)
	(429,955)	(807,017)	(813,756)	(2,045,735)
Comprehensive loss attributable to:				
Shareholders	(368,192)	(827,600)	(850,996)	(1,987,653)
Non-controlling interest (note 9)	(2,899)	6,206	(11,595)	(84,737)
	(371,091)	(821,394)	(862,591)	(2,072,390)
Weighted average number of outstanding common shares (54,526,313	39,293,506	53,948,557	38,662,973
Net loss per share – basic and diluted (note 8)	(0.01)	(0.02)	(0.02)	(0.05)

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

Xebra Brands Ltd

Consolidated Interim Statements of Changes in Shareholder' Equity

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	Common shares	Share Capital (\$)	Subscriptions received (\$)	Reserves			Deficit (\$)	Non-Controlling Interest (\$)	Total (\$)
				Warrants (\$)	Share Options (\$)	Translation Adjustment (\$)			
Balance February 28, 2022	36,241,394	12,168,621	-	639,673	556,554	8,482	(10,790,894)	(137,429)	2,445,007
April 2022 private placement, net of issuance cost (note 7)	3,000,000	1,383,182	-	320,182	-	-	-	-	1,703,364
Finders' fees paid in shares (note 7)	51,413	30,848	-	-	-	-	-	-	30,848
Shares paid for services (Note 7)	35,714	7,500	-	-	-	-	-	-	7,500
Share-based payments (note 7)	-	-	-	-	170,019	-	-	-	170,019
Comprehensive loss	-	-	-	-	-	(39,952)	(1,947,701)	(84,737)	(2,072,390)
Balance August 31, 2022	39,328,521	13,590,151	-	959,855	726,573	(31,470)	(12,738,595)	(222,166)	2,284,348
Balance February 28, 2023	39,339,581	13,521,784	201,750	1,039,901	866,113	(18,714)	(14,815,164)	(244,093)	551,577
Issuance of private placement, net of issuance cost (note 7)	15,086,732	100,336	(201,750)	783,090	-	-	-	-	681,676
Finders' fees paid in shares (note 7)	100,000	6,000	-	-	-	-	-	-	6,000
Share-based payments (note 7)	-	-	-	-	70,000	-	-	-	70,000
Comprehensive loss	-	-	-	-	-	(37,606)	(813,390)	(11,595)	(862,591)
Balance August 31, 2023	54,526,313	13,628,120	-	1,822,991	936,113	(56,320)	(15,628,554)	(255,688)	446,662

Xebra Brands Ltd

Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Cash provided by (used in):				
Operating Activities:				
Net loss	(429,955)	(807,017)	(813,756)	(2,045,735)
Items not involving cash				
Fair value of shares issued for services	-	7,500	-	7,500
Other expense	-	331	-	936
Amortization	14,884	14,898	29,770	79,497
Share-based payments	35,000	14,789	70,000	170,019
Impairment of property, plant and equipment	-	-	-	264,530
Unrealized foreign exchange loss (income)	58,762	(13,428)	(49,827)	(16,336)
Changes in non-cash working capital				
Receivables and prepaid expenses	26,144	(153,534)	(47,700)	(110,913)
Inventory	10,659	-	24,187	-
Accounts payable and accrued liabilities	239,324	20,287	(59,874)	(77,309)
Cash used in operating activities	(45,182)	(916,174)	(847,200)	(1,727,811)
Investing Activities:				
Intangible assets	-	(21,321)	-	(79,304)
Cash used in investing activities	-	(21,321)	-	(79,304)
Financing Activities:				
Share offerings	10	-	687,676	1,734,212
Payment of lease liabilities	-	(2,823)	-	(12,889)
Cash provided by (used in) financing activities	10	(2,823)	687,676	1,721,323
Effect of foreign exchange on cash	103	(5,600)	992	(1,656)
Decrease in cash	(45,069)	(945,918)	(158,532)	(87,448)
Cash, beginning of period	88,823	1,505,714	202,286	647,244
Cash, end of period	43,754	559,796	43,754	559,796
Non-cash transactions				
Shares issued for finders' fees (note 7)	-	-	6,000	30,848
Shares issued for debt (note 7)	-	-	286,204	-

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

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

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 processing, manufacturing, design and delivery of cannabis products in areas ranging from wellness to leisure.

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. As at August 31, 2023, the Company had working capital of (\$180,998) and deficit of \$15,628,554. 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 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.

2. Basis of Presentation

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements were approved for issuance by the Board of Directors in October 30, 2023.

(b) Basis of Presentation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this interim financial report be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended February 28, 2023. However, this interim financial report provides selected significant disclosures that are required in the annual audited consolidated financial statements under IFRS.

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended August 31, 2023 and 2022
(Expressed in Canadian Dollars, unless otherwise stated)

2. Basis of Presentation - continued

(b) Basis of Presentation - continued

Except as described below, these condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended February 28, 2023. The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending February 28, 2024.

(c) Functional and presentation currency

The functional currency of the Company is the Canadian dollar, and the presentation currency of these condensed interim consolidated financial statements is the Canadian dollar (“CAD”); therefore, references to \$ means CAD and US\$ are to U.S. dollars.

(d) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical basis except for certain financial instruments which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using accrual basis of accounting, except for cash flow information.

(e) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of Xebra and its subsidiaries as follows:

Entity	Country of Ownership incorporation	
Xebra Brands Mexico SA de CV	Mexico	100%
Elements Bioscience SAPI de CV	Mexico	100%
Sativa Group Biosciences SAPI de CV	Mexico	100%
Desart MX, SA de CV	Mexico	100%
Bleuflor Logistics Ltd.	Canada	100%
Bleuflor Logistica SAS	Colombia	100%
Xebra Brands Europe BV	The Netherlands	75%

On October 19, 2022, the Company disposed of 100% of its shares in Medicannabis.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

(f) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS, requires management to select accounting policies and make estimates and judgments that may have a significant impact on the interim condensed consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

2. Basis of Presentation - *continued*

(b) Critical accounting estimates and judgments - *continued*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The accounting judgements and estimates which have the most significant effect on these interim condensed consolidated financial statements were the same as those applied to the audited consolidated financial statements as at the period ended February 28, 2023.

These condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements and, therefore, should be read in conjunction with the annual financial statements for the year ended February 28, 2023. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three months ended August 31, 2023, are not necessarily indicative of the results that may be expected for the year ending February 28, 2024.

3. Receivables

	August 31, 2023	February 28, 2023
Current		
Trade receivables	\$ 178,307	\$ 127,842
GST receivable - Canada	48,023	30,800
VAT receivable - Europe	75,758	73,645
Related party receivable (note 10)	60,000	60,000
Other	4,011	3,706
Allowance for doubtful accounts	(63,921)	(63,921)
	302,178	232,072
Non-Current		
VAT receivable - Mexico	187,779	158,234
Total	\$ 489,957	\$ 390,305

4. Inventory

	August 31, 2023	February 28, 2023
Finished goods	\$ 116,199	\$ 84,263
Packaging and supplies	14,210	70,333
Total	\$ 130,409	\$ 154,596

The cost of inventories recognized as cost of sales during the three and six months ended August 31, 2023, was \$nil and \$14,710, respectively (three and six months ended August 31, 2022 - \$50,429 and \$50,529).

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended August 31, 2023 and 2022
(Expressed in Canadian Dollars, unless otherwise stated)

5. Intangible Assets

	Colombian Cannabis Licenses	Product Applications and Authorizations	Brands and Trademarks	Product Development	Total
At February 28, 2022	\$ 1	\$ 1	\$ 381,160	\$ 929,247	\$ 1,310,409
Additions	-	-	6,185	57,447	63,632
Amortization	-	-	(45,275)	(9,113)	(54,388)
Impairment (note 5)	(1)	-	-	(850,000)	(850,001)
At February 28, 2023	-	1	342,070	127,581	469,652
Amortization	-	-	(22,937)	(6,834)	(29,771)
At August 31, 2023	\$ -	\$ 1	\$ 319,133	\$ 120,747	\$ 439,881

During the year ended February 28, 2022, the Company was in the process of divesting its Colombian operations due to the saturation of cannabis licenses in Colombia. Consequently, during the year ended February 28, 2022, the Company impaired its Colombian Cannabis Licenses by \$1,353,124. Subsequently, on October 19, 2022 the Company disposed of Medicannabis losing control of these licenses.

Product Applications and Authorizations relate to 13 pending applications with the Mexican governmental agencies, which, when approved, will allow the Company to commence certain advanced stage cannabis-related operations in Mexico. These advanced stage cannabis-related operations include authorizations for the import, distribution and commercialization of various products with CBD content which have a limit of 1% THC. Due to delays and possible changes to the regulatory landscape in Mexico, the Company impaired Product Applications and Authorizations to a value of \$1.

Solutech IP license

On August 18, 2021, The Company entered into a licensing agreement with New Age Nanotech to license its clinically backed, patent pending delivery technology for cannabinoids (Solutech). In exchange, on August 31, 2021, Xebra issued 1,240,000 common shares with a fair value of \$850,000 and no further payment required. The license is exclusive in Mexico and Colombia, and non-exclusive in Europe and the rest of the Americas but limited to only California in the United States.

As of February 28, 2023, the Company made the decision to recognize an impairment on Solutech, as it was determined that the technology is unlikely to be used in the future. Consequently, there are no expected future economic benefits associated with this asset.

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

6. Property and Equipment

	Office Furniture and	Dutch Growing Facility	Leasehold Improvements	Right of Use Assets	Total
Cost					
At February 28, 2022	\$ 1,409	\$ 369,700	\$ 1	\$ 1	\$ 371,111
Impairment	(1,470)	(354,308)	(1)	(1)	(355,780)
Foreign exchange movement	61	(15,392)	-	-	(15,331)
At February 28, 2022 and August 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Amortization					
At February 28, 2022	\$ (423)	\$ (40,665)	\$ -	\$ -	\$ (41,088)
Amortization	-	(54,049)	-	-	(54,049)
Impairment	588	90,662	-	-	91,250
Foreign exchange movement	(165)	4,052	-	-	3,887
At February 28, 2022 and August 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -
Net Book Value					
At February 28, 2023	\$ -	\$ -	\$ -	\$ -	\$ -
At August 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -

The Company intends to divest its Dutch operations due to the high cultivation costs in the Netherlands. Consequently, during the year ended February 28, 2023, the Company impaired the Dutch Facility by writing off the remaining balance.

As a result of the Company intention to divest from its Colombian operations due to the saturation of cannabis licenses in Colombia, during the year ended February 28, 2022, the Company impaired its property, plant and equipment located in Colombia, to a carrying value of \$1 for each of Office Furniture and Equipment, Leasehold Improvements and Right of Use assets. During the year ended February 28, 2023 all of these were fully disposed of upon disposition of Medicannabis.

Lease liability

As at August 31, 2023 and February 28, 2023 the Company does not hold any leases, as a result the lease liabilities on the condensed interim consolidated statements of financial position is \$nil and \$nil respectively.

As at February 28, 2022, the lease liability consisted of a property leased located in Colombia. However, the Company holding the leased (Medicannabis) was disposed on October 19, 2022.

Amounts Recognized in the Consolidated Statements of Comprehensive Loss

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
Interest expense on lease liabilities	\$ -	\$ 331	\$ -	\$ 936
Expenses relating to short-term leases	-	5,224	-	20,371
Total	\$ -	\$ 5,555	\$ -	\$ 21,307

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended August 31, 2023 and 2022
(Expressed in Canadian Dollars, unless otherwise stated)

7. Share Capital

On February 28, 2023, the Company completed a consolidation of its common shares on the basis of one new common share for five old common shares (1:5). All share and per share numbers in these consolidated financial statements are presented on a post consolidation basis.

(a) Common shares

As of August 31, 2023, a total of 13,332,027 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 1,620,000 common shares issued to insiders of the Company and held in escrow by the transfer agent in accordance with the Canadian Securities Exchange (“CSE”) listing policies. The Company also has 2,772,170 common shares held in escrow.

Common share transactions for the three months ended August 31, 2023

On March 7, 2023, the Company closed a non-brokered private placement of 15,086,731 units at a price of \$0.06 per unit, for gross proceeds of \$905,204 of which \$201,750 were received before February 28, 2023 and \$286,204 were part of debt settlements. Each unit is comprised of one common share of the Company, and a warrant. Each warrant entitles the holder to purchase one share of the Company at a price of \$0.10 for a period of eighteen months from the closing date of the private placement. The Company issued 15,186,731 warrants with a fair value of \$783,080. An aggregate of 100,000 common shares were paid in finders’ fees with a fair value of \$6,000. Additionally, the Company incurred cash costs in connection to private placement in the amount of \$15,788. All securities issued are subject to a four-month hold period from the date of closing.

Common share transactions for the year ended February 28, 2023

On October 11 and August 23, 2022, the Company issued 39,632 and 7,143 shares respectively to a consultant as consideration for investor relation services with a total fair value of \$19,389.

On April 8, 2022, the Company closed a non-brokered private placement of 3,000,000 units at a price of \$0.60 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 \$1.25 for a period of 12 months from the closing date of the private placement. The investor warrants had a fair value of \$380,046 which has been recorded in warrants reserves. An aggregate of 51,413 shares, 100,912 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 legal and other share issuance costs of \$5,451.

(c) Options

The Company has an omnibus equity incentive compensation plan to issue share options, and certain other equity incentives, the maximum number of common shares reserved for issuance, in the aggregate, under the Incentive Plan is 10% of the aggregate number of common shares issued and outstanding to be granted to directors, officers, employees, and consultants under certain restrictions. 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.

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended August 31, 2023 and 2022
(Expressed in Canadian Dollars, unless otherwise stated)

7. Share Capital - *continued*

(c) Options - *continued*

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

	Number of options	Weighted average exercise price
Outstanding, February 28, 2022	1,630,000	\$ 1.00
Granted	400,000	1.00
Forfeited	(40,000)	1.00
Outstanding, February 28, 2023 and August 31, 2023	1,990,000	\$ 1.00

As at August 31, 2023, and February 28, 2023, the number of share options outstanding and exercisable were:

Expiry date	Outstanding		Exercisable	
	Number of stock options	Exercise price	Remaining contractual life (years)	Number of stock options
January 19, 2027	10,000	\$ 1.15	3.39	10,000
October 18, 2026	1,580,000	1.00	3.13	1,580,000
April 26, 2027	400,000	1.00	3.65	50,000
Outstanding, August 31, 2023	1,990,000	1.00		1,640,000

Expiry date	Outstanding		Exercisable	
	Number of stock options	Exercise price	Remaining contractual life (years)	Number of stock options
January 19, 2027	10,000	\$ 1.15	4.39	10,000
October 18, 2026	1,580,000	1.00	4.13	1,580,000
April 26, 2027	400,000	1.00	4.65	50,000
Outstanding, February 28, 2023	1,990,000	1.00		1,640,000

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees, and others providing similar services. The fair value of vested share options recognized as share-based payments during the three and six months ended August 31, 2023, was \$35,000 and \$70,000, respectively (August 31, 2022 - \$14,789 and \$170,019).

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.

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended August 31, 2023 and 2022
(Expressed in Canadian Dollars, unless otherwise stated)

7. Share Capital - continued

(c) Options - continued

The fair value of the stock options granted during the six months ended August 31, 2023 and year ended February 28, 2023, were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	August 31, 2023	February 28, 2023
Risk-free interest rate	-	2.56%
Expected dividend yield	-	Nil
Stock price volatility	-	132%
Expected life (in years)	-	3.75 years
Weighted average fair value per option	\$ -	\$ 0.74

(d) Warrants

The continuity of the number of warrants outstanding is as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding, February 28, 2022	1,666,076	1.40
Issued	1,600,912	1.25
Expired	(1,536,476)	1.75
Outstanding, February 28, 2023	1,730,512	\$ 0.88
Issued	15,186,731	0.10
Expired	(1,730,512)	1.23
Outstanding, August 31, 2023	15,186,731	\$ 0.10

Expiry date	Outstanding		
	Number of warrants	Exercise price	Remaining contractual life (years)
August 7, 2024	15,186,731	\$ 0.10	0.94
Outstanding, August 31, 2023	15,186,731		

The fair value of the compensation warrants was estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	August 31, 2023	February 28, 2023
Risk-free interest rate	-	2.12%
Expected dividend yield	-	Nil
Stock price volatility	-	128%
Expected life (in years)	-	1.00
Weighted average fair value per option	\$ -	\$ 0.25

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

8. Loss per Share

Basic loss per share amounts is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share adjusts basic net loss per share for the effects of potential dilutive common shares.

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
Loss attributable to common shareholders	\$ (813,390)	\$ (807,332)	\$ (813,390)	\$ (1,947,701)
Weighted average number of shares basic	54,526,313	39,293,506	53,948,557	38,662,973
Weighted average number of shares diluted	54,526,313	39,293,506	53,948,557	38,662,973
Basic loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.05)
Diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.05)

For the three and six months ended August 31, 2023 and 2022, the Company incurred a net loss, therefore all outstanding stock options and share purchase warrants have been excluded from the diluted weighted average number of shares since the effect would be anti-dilutive.

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, which was subsequently renamed to Xebra Brands Europe BV.

The movement in non-controlling interest is as follows:

	Xebra Brands Europe BV
Balance, February 28, 2022	(137,429)
Results for the year	(100,026)
Currency translation difference	(6,638)
Balance, February 28, 2023	\$ (244,093)
Results for the year	(366)
Currency translation difference	(11,229)
Balance, August 31, 2023	\$ (255,688)

Financial information for Xebra Brands Europe BV is as follow:

	August 31, 2023	February 28, 2023
Current assets	\$ 75,030	\$ 73,645
Non-current assets	-	1
Current liabilities	(1,597)	(127)

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
Net loss	\$ 11,601	\$ 1,260	\$ 46,381	\$ (392,135)
Other comprehensive income	(5,962)	23,565	44,917	53,189

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

10. Related Party Transactions

The Company entered into an administration service agreement with Orea Mining Corp. (“Orea”) a company related by a former common director. The Services Agreement was last amended on January 1, 2022 whereby the monthly payments increased to \$40,000. Subsequently, on January 20, 2023 the Service Agreement was terminated. As at February 28, 2023, and August 31, 2023 the Company and Orea have no directors or officers in common.

On April 11, 2022, the Company provided a short-term loan of \$60,000 to Jay Garnett, a director & CEO of the Company. The loan is interest free and repayable in installments of \$10,000 per month commencing on October 1, 2022. The outstanding receivable balance as at August 31, 2023 is \$60,000 (February 28, 2023 – \$60,000).

The following is a summary of related party transactions:

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
Management and administration services paid to Orea	\$ -	\$ 120,000	\$ -	\$ 240,000
Management fees paid to Columbus Capital Corporation, a company controlled by Robert Giustra, a former 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	60,000	120,000	90,000
Fees paid or payable to Omar Garcia, CFO of the Company	36,000	-	72,000	-
Management and consulting 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	60,000	44,805	90,000	81,859
Consulting services from Maverick Brands Ltd, a company controlled by Keith Dolo a director of the Company	110,000	-	140,000	-
Consulting services from 1147960 B.C. Ltd, a company controlled by Keith Dolo a director of the Company	30,000	-	30,000	-
Share-based payments to certain directors and officers of the Company	35,000	17,500	70,000	160,222
	\$ 331,000	\$ 321,001	\$ 522,000	\$ 713,983

Xebra Brands Ltd.

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For the Three and Six Months Ended August 31, 2023 and 2022
(Expressed in Canadian Dollars, unless otherwise stated)

10. Related Party Transactions - *continued*

The following summarizes amounts that remain (payable) or receivable to each related party:

	August 31, 2023	February 28, 2023
Fees payable to Columbus Capital Corporation, a company controlled by Robert Giustra, a former director of the Company	\$ -	\$ (55,548)
Advance to (fees payable to) Gamett Canada Holdings, a company controlled by Jay Garnett, director & CEO of the Company	63,000	(72,600)
Management fees payable to Accounting Group ADR and Associates SC, a company controlled by Rodrigo Gallardo, President of the Company	(60,000)	(18,600)
Fees payable to Omar Garcia, CFO of the Company	(36,000)	-
Fees payable to Todd Dalotto, a director of the Company	(19,934)	(33,213)
Fees payable to Maverick Brands Ltd, a company controlled by Keith Dolo a director of the Company	(120,000)	(288,926)
Consulting services from 1147960 B.C. Ltd, a company controlled by Keith Dolo a director of the Company	(20,000)	-
	\$ (192,934)	\$ (468,887)

11. Segmented Information

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

	August 31, 2023	February 28, 2023
Current Assets		
Canada	\$ 433,628	\$ 581,751
Colombia	8	2,948
Europe	75,030	73,645
Mexico	22,627	37,513
Total	\$ 531,293	\$ 695,857
Non-Current Assets		
Canada	\$ 439,880	\$ 469,651
Colombia	-	-
Europe	1	1
Mexico	187,779	158,233
Total	\$ 627,660	\$ 627,885
Total Asset		
Canada	\$ 873,508	\$ 1,051,402
Colombia	8	2,948
Europe	75,031	73,646
Mexico	210,406	195,746
Total	\$ 1,158,953	\$ 1,323,742

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

11. Segmented Information - continued

During the six months ended August 31, 2023, the Company derived all of its revenues from selling its cannabis infused lemonade to mainly two customers, Ontario Cannabis Store and Alberta Gaming, Liquor and Cannabis which accounted for 70% and 30% of revenues respectively. As at August 31, 2023, trade receivables of \$178,307 (February 28, 2023 – \$127,842) were receivable entirely from one customer and all of its revenues were earned within Canada.

12. 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, 2023 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 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 August 31, 2023, the Company had a working capital of (\$180,998). Management believes that liquidity risk is 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.

(ii) Interest Rate Risk

The Company is not exposed to interest rate risk.

Xebra Brands Ltd.

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12. Financial Risk and Capital Management - *continued*

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, 2023, 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 Instruments	Measurement Method	Associated Risk	Fair Value as at August 31, 2023
Cash	FVTPL	Credit and currency	\$ 43,754
Receivables	Amortized cost	Credit	302,178
Accounts payable	Amortized cost	Liquidity	600,845
			\$ 946,777

Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

13. Subsequent events

On October 2, 2023, the Company announced that it intends to complete a non-brokered private placement in the aggregate amount of up to \$1,000,000. The Company intends to issue up to 12,000,000 units at a price of \$0.05 per Unit for gross proceeds of up to \$600,000 and a concurrent placement of up to a principal amount of \$400,000 of unsecured convertible debenture units.

Each Unit will be comprised of one common share and one purchase warrant. Each warrant is exercisable at a price of \$0.10 for a period of eighteen (18) months following the closing of the offering. Additionally, each convertible debenture unit issued will consist of: (i) \$1,000 principal amount of unsecured convertible debenture of the Company and (ii) 20,000 purchase warrants. Each warrant is exercisable at a price of \$0.10 for a period of eighteen (18) months following the closing of the offering.

The debentures will mature on the date that is 36 months from the date of issuance and shall bear interest at a rate of 8% per annum, payable semi-annually in arrears, and will not be redeemable by the Company. The Debentures will be convertible into common shares at the option of the holder at any time prior to the maturity date at a conversion price equal to \$0.05 per debenture share.

The above strategic investment will have the right to appoint one director and one board observer. The observer seat will not have the right to vote but will have access to the information provided to the board and will be entitled to attend board meetings.