



Xebra Brands Ltd.

**Management's Discussion and Analysis
For the three and six months ended August 31, 2023**

Report dated: October 30, 2023

(Express in Canadian dollars)

Xebra Brands Ltd.

Management's Discussion and Analysis

For the three and six months ended August 31, 2023

(Expressed in Canadian Dollars, unless otherwise stated and per share amounts)

Xebra Brands Ltd. ("Xebra", the "Company" or "Issuer") has prepared this Management's Discussion and Analysis ("MD&A") as of October 30, 2023, and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended August 31, 2023. Unless otherwise stated, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in Canadian dollars unless stated otherwise. References to \$ means Canadian dollars, US\$ are to U.S. dollars and MXN\$ are to Mexican pesos. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of October 30, 2023, unless otherwise stated.

This MD&A contains "forward-looking information and statements" that are subject to risk factors set out under the caption *Caution regarding forward looking statements* later in this document. The reader is cautioned not to place undue reliance on forward-looking statements.

Additional information on the Company is available at the Company's website www.xebrabrands.com and under the Company's profile at www.sedarplus.ca.

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1. Company Profile

The Company 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 trades 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. The Company's financial condition is affected by general market conditions and conditions specific to the cannabis industry. These conditions include, but are not limited to, the market demand for cannabis and accessibility of debt or equity.

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

Board Changes

Effective June 7, 2023, the Company added Erick Ponce to its board of directors.

2. Business Overview

Beverage Trademark Applications

Xebra has created a number of great tasting cannabis infused beverages, including seltzers, soft drinks, iced teas, lemonades, waters, energy and sport drinks.

The equivalent of more than 400 trademark applications for Xebra's beverage brands have been filed in over 40 countries. These countries were strategically chosen as they have either legalized, or decriminalized cannabis, or are on a path to do so.

A number of flavors have been created, including sugar-free versions. The following are the key Xebra's beverage brands categories.



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Beverage Production

Since 2021 and through an internal research and development program, the Company started formulating several dozen cannabis-infused beverages under six brands, including MadCap seltzers & soft drinks, HighJack energy drinks, HolaHi iced teas, Vicious Citrus lemonades, HighCastle waters and Conquer, a CBD sports beverage with the intention to commercialize these products initially in Canada to position the different brands.

After obtaining the necessary approvals, on July 6, 2022, the company completed its first commercial production run for the Vicious Citrus cannabis infused lemonade. Vicious Citrus is a non-carbonated THC infused lemonade beverage, with a tangy Citrus flavour and a 5:1 THC / CBN ratio. With the maximum amount of psychoactive cannabinoids allowed in any Canadian listed beverage, Vicious Citrus combines 10mg of THC with 2mg of CBN. Vicious Citrus is one of only a few beverages in Canada containing CBN, a unique cannabinoid that is booming in interest across North America.

Subsequently, the Company has worked closely with its national cannabis sales & marketing agency to introduce and support the growth of Vicious Citrus Lemonade to Canadian cannabis retailers. Currently, Vicious Citrus retails in the provinces of Ontario, Saskatchewan and Alberta. Ontario is one of Canada's largest provinces in annual cannabis sales with over 1,300 cannabis retailers and Saskatchewan is Canada's 5th largest province in annual cannabis sales, with 91 cannabis retailers across the province and double digits retail growing sales in the last 12 months.

On September 27, 2022, Xebra began production of its second Ontario Cannabis Store (OCS) listed product, NEO, which has been accepted for listing and started shipping to the province of Ontario and Alberta. As a unique addition to the Vicious Citrus family, NEO is an original lemonade with a touch of natural honey flavor with 10mg of THC and 10mg CBN, Vicious Citrus Neo was crafted for cannabis consumers who are looking for soothing and relaxing beverages.

Mexico

The momentum in Mexico to legalize cannabis began unofficially in 2014 with the decriminalization of possession of small quantities of cannabis, followed in 2015 with the granting of the first injunctions for limited personal consumption, on the grounds that it was unconstitutional to deny such right to the individuals making the claim. Over the next several years, additional injunctions were granted by the Supreme Court for personal consumption, and also for the ability to grow a limited number of plants in a household for personal use. To rectify this uneven playing field that favored only certain individuals with injunctions, an initial legal framework was adopted by the Mexican government in 2017 for medicinal cannabis, however not for recreational purposes. In August 2019, the Mexican Supreme Court formally ruled that cannabis prohibition was unconstitutional and ordered the government to draft comprehensive regulations specifically for medicinal cannabis but did not mandate recreational regulations.

Acquisition of Desart

In 2018, Desart MX, S.A. de C.V. ("Desart"), identified an opportunity to challenge the Mexican constitution 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 in exchange for a combination of 1,200,000 common shares of Xebra, a cash payments of US\$125,000, and 9,600,000 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.

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be contradictory to Xebra's objective of being a lowest cost producer and exporter of cannabis products. Consequently, the Company is divesting its operations in the Netherlands.

Colombia

As a result of the Company's determination that the Colombian cannabis landscape is saturated with numerous cannabis licences, making it difficult to gain a competitive edge, or to create a profitable business model with scale, even in the longer term, on October 19, 2022, the Company transferred 100% of its interest in Medicannabis SAS ("Medicannabis") its wholly owned subsidiary in Colombia to a third party. The Medicannabis shares were transferred as part of an agreement in which Xebra retained full access rights to Medicannabis' seed library and intellectual property ("IP") of any seed-variety that underwent agronomic evaluations prior to December 31, 2022, and that ultimately obtains international IP rights protection under the UPOV Convention (UPOV 91).

Xebra also retained 25% of proceeds from any Medicannabis sale of seed or genetics until December 31, 2027, and 25% up to US\$100,000 and then 5% thereafter for proceeds from the sale of any royalty on genetics up to December 31, 2030. If the sale is made to a party introduced by Xebra, it will retain 40% of proceeds from any sale of seed or genetics until December 31, 2027, and 25% up to US\$100,000 and then 5% thereafter for proceeds from the sale of any royalty on genetics up to December 31, 2030.

Xebra also has a right of first refusal to acquire any seed variety in Medicannabis' seed library that undergoes agronomic evaluations after December 31, 2022 and that ultimately obtains international IP rights protection under the UPOV Convention (UPOV 91). Xebra has worldwide rights to commercialize any variety that underwent agronomic evaluations prior to December 31, 2022 that ultimately obtains international IP rights protection under the UPOV Convention (UPOV 91) and any seed variety to which it obtains IP rights from seed-varieties that undergo agronomic evaluations after December 2022.

3. Outlook and Going Concern

The Company incurred in a total loss during the six months ended August 31, 2023, of \$813,756 and cash outflows from operating activities of \$847,200. In order to continue fulfilling the Company's business objectives, the Company will require additional funds to achieve its business objectives. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. The condensed interim consolidated financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern.

Management plans to continue to pursue equity and/or debt financing to support operations. There can be no assurance that these financing efforts will be successful. Failure to maintain the support of creditors and obtain additional external financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time.

4. Quarterly Financial and Operations Performance

The following highlights the Company's overall performance for the three and six months ended August 31, 2023 is as follows:

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	Three Months Ended August 31,			Six Months Ended August 31,		
	2023	2022	Change	2023	2022	Change
	(\$)	(\$)		(\$)	(\$)	
Net loss attributable to shareholders of the Company	(\$429,958)	(\$807,332)	\$377,374	(\$813,390)	(\$1,947,701)	\$1,134,311
Cash used in operating activities	(\$45,182)	(\$916,174)	\$870,992	(\$847,200)	(\$1,727,811)	\$880,611
Cash at end of period	\$43,754	\$559,796	(\$516,042)	\$43,754	\$202,286	(\$158,532)
Loss per share attributable to shareholders of the Company – basic and diluted	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.05)	(\$0.04)

During the quarter ended August 31, 2023, the Company reported a net loss attributable to shareholders of the Company of \$429,958 compared to \$807,332 for the same period of the previous year. The important difference is due to the dissolution of the Colombia and Netherlands business units and the contracture of the business structure and how the Company is now operated. Since this decision was taken the Company is only focused on the beverage business and its Mexican operations.

Cash has been affected during the current quarter ended August 31, 2023 mainly by the cash transactions generated by the operations of the Company. In the quarterly period the Company used in operating activities a total of \$45,186 compared to \$916,174 this was mainly attributed to the unwinding of the Colombia and Netherlands operations and well the corporate structure that took an additional quarter to transform to current condition.

During the six months ended August 31, 2023, the Company reported a net loss attributable to shareholders of the Company of \$813,390 compared to \$1,947,701 for the same period of the previous year. The important difference is due to the dissolution of the Colombia and Netherlands business units in 2022 and unwinding of the corporate structure. Since the decision was taken for the Company to only focused on the beverage business and its Mexican operations, the general operating expense have decreased by close to fifty percent.

During the six months ended August 31, 2023, cash was affected mainly by used funds in operating activities a total of \$45,186 compared to \$916,174 this was mainly attributed to the unwinding of the Colombia and Netherlands operations and well the corporate structure that took an additional quarter to transform to current condition. Additionally, during the current six-month period, the company raised funds in the amount of \$687,676 compared to \$1,734,212 for the same period of the previous year. These two amounts are significantly different as the business objectives were very different since Colombia and the Netherlands business units were dissolved.

5. Summary of Quarterly Information

	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenues	37,331	38,606	81,243	23,697	54,009	-	-	-
Net loss attributable to shareholders	(813,390)	(383,432)	(1,504,642)	(571,928)	(807,332)	(1,140,369)	(3,858,061)	(1,565,207)
Basic and diluted net loss per share attributable to shareholders	(0.01)	(0.01)	(0.04)	(0.01)	(0.02)	(0.06)	(0.16)	(0.06)

The Company earned revenues of \$37,331 through the sales of 10,584 units of its cannabis infused lemonade, the cost of sales in connection with these sales totaled \$19,669, resulting in a gross loss of \$17,662. During the comparative period the Company generated revenues of \$54,009 through the sales of 13,536 units with a cost of \$50,429 that resulted in a profit of \$3,580.

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	Aug 31, 2023 (\$)	May 31, 2023 (\$)	Feb 28, 2023 (\$)	Nov 30, 2022 (\$)	Aug 31, 2022 (\$)	May 31, 2022 (\$)	Feb 28, 2022 (\$)	Nov 30, 2021 (\$)
Cash	43,754	88,823	202,286	63,852	559,796	1,505,714	647,244	1,903,128
Total assets	1,158,953	1,255,710	1,323,742	2,163,544	2,648,919	3,434,880	2,902,427	7,279,214
Total non-current financial liabilities	-	-	-	-	(13,254)	(20,069)	(28,794)	(36,478)

Over the three months ended August 31, 2023, the Company's business operations have been marked by a concerted effort to secure funding in order to continue and sustain its operations. While it can be stated that there were limited active operational activities, the company remained fully committed to its strategic objectives. As a result, Xebra diligently continued collaborating with its various partners to establish a robust framework for the manufacturing and distribution of premium cannabis-infused products containing less than 1% THC, specifically tailored for the Mexican market.

Over the three months ended August 31, 2022, The Company announced the ceasing of its operations in Colombia and in the Netherlands. During this period the Company successfully completed the first commercial production run of its Vicious Citrus cannabis infused lemonade. This product is now officially retailing in Canada and available for purchase in Ontario.

During the six months ended August 31, 2023, the Company closed a private placement at the beginning of March 2023 and was also busy with media coverage after Xebra received from Mexican equivalent FDA the cannabis authorization to import and acquire cannabis seeds, cultivate, and harvest cannabis, process and produce cannabis, and sell cannabis products in Mexico. Additionally, during this period the Company successfully launched Vicious Citrus OG, or the second Vicious Citrus SKU, Neo, along with the successful listing at the Alberta Gaming and Liquor Commission and now for sale in Ontario, Alberta and Saskatchewan.

During the six months ended August 31, 2022, the Company decided to cease operations in Colombia and Netherlands. However, the operation in Mexico continued with a close follow up progress of the injunction interposed by the Company granted by the Mexican Supreme Court. Additionally, the Company closed an oversubscribed financing with proceeds to be used for general capital purposes and to produce its first product to be sold in Ontario during the summer and across Canada latter in 2022.

6. Liquidity and Capital Transactions Resources

Liquidity

The Company does not currently derive any significant revenues from operations. The Company's activities have been funded primarily through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from operations. The Company has been successful in its fundraising efforts in the past, but there can be no assurance that the Company will continue to be successful in the future. If such funds are not available or other sources of finance cannot be obtained, then the Company will be required to curtail its activities to a level for which funding is available and can be obtained. The Company's ability to access funding is also contingent on the ongoing demand for cannabis.

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	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Cash used in operating activities	(45,182)	(916,174)	(847,200)	(1,727,811)
Cash used in investing activities	-	(21,321)	-	(79,304)
Cash provided by (used in) financing activities	10	(2,823)	687,676	1,721,323
Cash, end of the period	43,754	559,796	43,754	559,796

As at August 31, 2023, the Company had a working capital of (\$180,998), compared to (\$76,308) at August 31, 2022. The working capital decreased from last period, mainly as a result of cash used in operations.

During the current quarter, the Company spent \$45,182 on operating activities compared to \$916,174 during the same quarter in the prior year. The change is mainly attributable to the level of activity the Company had in the previous year compared to this year. In May of 2022, the Company made the decision of transition out of its Colombia and Netherlands business units as a result, the corporate structure was adjusted to the business reduction, as a result the important reduction of operating expenses up until Q4 2023. The six-month balance and its comparability are also a reflection of these events.

During the three months ended August 31, 2023, cash used in investing activities was \$nil compared to, \$21,321 investment during the same quarter in the prior year. This change relates to the fact that the Company has impaired all of its property and equipment and there are no transactions during this period. The comparable balances are the result of transactions related to business units that were transitioned out in the previous year. This is also applicable to the six-month balances and its comparability.

During the six months ended August 31, 2023 and 2022, the Company generated \$687,666 from financing activities compared to \$1,721,323 during the same period of previous year, these two were primarily from an equity offering closed on Mar 7, 2023 and Apr 8, 2022 respectively.

As at August 31, 2023, the Company had cash balance of \$43,754, and current liabilities of \$712,291. The Company will need to conduct additional financings to meet working capital requirements, and obligations as they become due.

7. Capital Transactions Resources

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).

As at August 31, 2023, the Company had 54,526,313 (February 28, 2023 – 39,339,581) common shares issued and outstanding.

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 six 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

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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.

Other sources of funds

Other sources of funds potentially available to the Company are through the exercise of outstanding stock options, and warrants with the following terms:

As at August 31, 2023, the number of stock options outstanding and exercisable was:

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

As at August 31, 2023, the number of warrants outstanding and exercisable was:

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		

8. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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9. 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

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The following summarizes amounts that remain (payable) 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) Garnett 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)

10. Proposed Transactions

There are no proposed transactions as at August 31, 2023 and the date of this MD&A.

11. Critical Accounting Estimates

Full disclosure of the Company's accounting policies and significant accounting estimates and judgments in accordance with IFRS can be found in note 2 and 3 of its audited consolidated financial statements as at February 28, 2023 and have remained substantially unchanged and are still applicable to the Company unless otherwise indicated.

12. Changes in Accounting Standards

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

13. 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, Colombia and the Netherlands, and other receivables. Management believes that the credit risk with respect to its cash and receivables is low.

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(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.

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).

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The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At February 28, 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

14. Other Information

Outstanding Share Data

The Company has authorized capital of an unlimited number of common shares without par value. The table below represents the Company's capital structure as at the date of this MD&A and August 31, 2023:

	As at date of this MD&A	August 31, 2023
Common shares issued and outstanding	54,526,313	54,526,313
Share purchase options	1,990,000	1,990,000
Warrants	15,186,731	15,186,731

15. 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.

Xebra Brands Ltd.

Management's Discussion and Analysis

For the three and six months ended August 31, 2023

(Expressed in Canadian Dollars, unless otherwise stated and per share amounts)

16. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the three and six months ended August 31, 2023 and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR+ at www.sedarplus.ca.