



**XEBRA BRANDS LTD**

**Condensed Interim Consolidated Financial Statements**

**For the Three and Nine Months Ended November 30, 2023 and 2022**

**UNAUDITED**

**Prepared by Management**

**(Expressed in Canadian Dollars)**

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# **XEBRA BRANDS LTD**

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended November 30, 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.

January 29, 2024

## Xebra Brands Ltd

### Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	November 30, 2023	February 28, 2023
	(\$)	(\$)
<b>Assets</b>		
Current Assets		
Cash	91,728	202,286
Receivables (note 3)	337,727	232,072
Prepaid expenses	130,474	106,903
Inventory (note 4)	107,483	154,596
	667,412	695,857
Non-current assets		
Intangible assets (note 5)	424,995	469,651
VAT receivable (note 3)	193,706	158,234
<b>Total assets</b>	<b>1,286,113</b>	<b>1,323,742</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable (note 10)	765,497	622,622
Accrued liabilities	104,806	149,543
<b>Total liabilities</b>	<b>870,303</b>	<b>772,165</b>
<b>Shareholder's Equity</b>		
Share capital (note 7)	13,628,120	13,521,784
Reserves (note 7)	2,623,668	1,887,300
Subscription received (note 7)	135,048	201,750
Deficit	(15,715,500)	(14,815,164)
Equity attributable to shareholders	671,336	795,670
Non-controlling interest (note 9)	(255,526)	(244,093)
	415,810	551,577
<b>Total liabilities and shareholder's equity</b>	<b>1,286,113</b>	<b>1,323,742</b>

Nature of operations and going concern (note 1)

Subsequent events (note 13)

Approved by the Board of Directors

"Keith Dolo"

Keith Dolo - Director

"Erick Ponce"

Erick Ponce - 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 November 30,		Nine months ended November 30,	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Revenue	30,917	23,697	106,854	77,706
Cost of sales	23,531	46,203	105,443	96,632
Gross profit (loss)	7,386	(22,506)	1,411	(18,926)
Operating expenses				
General and administration (note 10)	48,665	161,592	166,438	597,013
Investor relations	(6,049)	48,685	54,314	386,762
Management fees (note 10)	84,522	177,091	288,092	550,607
Marketing and business development	-	-	-	13,590
Professional fees	120,985	213,854	449,283	574,510
Share-based payments (note 7 and 10)	40,833	23,334	110,833	193,353
Travel	249	10,105	19,827	36,440
Amortization (note 5 and 6)	15,147	15,363	44,918	94,860
Loss before other items	(296,966)	(672,530)	(1,132,294)	(2,466,061)
Other Items				
Finance expense, net of income	-	(411)	-	(1,347)
Other income	-	53,256	-	53,256
Other expense, net of income	-	-	(178)	-
Impairment (note 5 and 6)	-	-	-	(264,530)
Foreign exchange gain	210,019	47,281	231,769	60,543
<b>Net loss</b>	<b>(86,947)</b>	<b>(572,404)</b>	<b>(900,703)</b>	<b>(2,618,139)</b>
<b>Other comprehensive loss</b>				
Items that may subsequently be reclassified to net income or loss:				
Foreign currency translation	(119,787)	(40,545)	(168,622)	(67,200)
<b>Comprehensive loss for the year</b>	<b>(206,734)</b>	<b>(612,949)</b>	<b>(1,069,325)</b>	<b>(2,685,339)</b>
Net loss attributable to:				
Shareholders	(86,946)	(571,928)	(900,336)	(2,519,629)
Non-controlling interest (note 9)	-	(476)	(366)	(98,510)
	(86,946)	(572,404)	(900,702)	(2,618,139)
Comprehensive loss attributable to:				
Shareholders	(206,895)	(597,581)	(1,057,891)	(2,585,234)
Non-controlling interest (note 9)	162	(15,368)	(11,433)	(100,105)
	(206,733)	(612,949)	(1,069,324)	(2,685,339)
Weighted average number of outstanding common shares (	54,526,313	39,322,161	54,139,742	38,881,104
Net loss per share – basic and diluted (note 8)	(0.00)	(0.01)	(0.02)	(0.06)

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 (\$)			
<b>Balance February 28, 2022</b>	<b>36,241,394</b>	<b>12,168,621</b>	-	<b>639,673</b>	<b>556,554</b>	<b>8,482</b>	<b>(10,790,894)</b>	<b>(137,429)</b>	<b>2,445,007</b>
April 2022 private placement, net of issuance cost (note 7)	3,000,000	1,382,982	-	320,182	-	-	-	-	1,703,164
Finders' fees paid in shares (note 7)	51,413	30,848	-	-	-	-	-	-	30,848
Shares paid for services (Note 7)	46,774	19,389	-	-	-	-	-	-	19,389
Share-based payments (note 7)	-	-	-	-	193,352	-	-	-	193,352
Comprehensive loss	-	-	-	-	-	(65,605)	(2,519,629)	(100,105)	(2,685,339)
<b>Balance November 30, 2022</b>	<b>39,339,581</b>	<b>13,601,840</b>	-	<b>959,855</b>	<b>749,906</b>	<b>(57,123)</b>	<b>(13,310,523)</b>	<b>(237,534)</b>	<b>1,706,421</b>
<b>Balance February 28, 2023</b>	<b>39,339,581</b>	<b>13,521,784</b>	<b>201,750</b>	<b>1,039,901</b>	<b>866,113</b>	<b>(18,714)</b>	<b>(14,815,164)</b>	<b>(244,093)</b>	<b>551,577</b>
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
Subscriptions received (note 7)	-	-	135,048	-	-	-	-	-	135,048
Share-based payments (note 7)	-	-	-	-	110,833	-	-	-	110,833
Comprehensive loss	-	-	-	-	-	(157,555)	(900,336)	(11,433)	(1,069,324)
<b>Balance November 30, 2023</b>	<b>54,526,313</b>	<b>13,628,120</b>	<b>135,048</b>	<b>1,822,991</b>	<b>976,946</b>	<b>(176,269)</b>	<b>(15,715,500)</b>	<b>(255,526)</b>	<b>415,810</b>

## Xebra Brands Ltd

### Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	Three months ended November 30,		Nine months ended November 30,	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
<b>Cash provided by (used in):</b>				
<b>Operating Activities:</b>				
Net loss	(86,947)	(572,404)	(900,703)	(2,618,139)
Items not involving cash				
Fair value of shares issued for services	-	11,889	-	19,389
Gain from sale of Medicannabis SAS (note 5)	-	(43,898)	-	(43,898)
Lease forgiveness	-	(9,358)	-	(9,358)
Other expense	-	-	-	936
Amortization	14,885	15,363	44,655	94,860
Share-based payments	40,833	23,334	110,833	193,353
Impairment of property, plant and equipment	-	-	-	264,530
Unrealized foreign exchange loss	(121,036)	(38,409)	(170,863)	(54,745)
Changes in non-cash working capital				
Receivables and prepaid expenses	(116,998)	(11,800)	(164,698)	(122,713)
Inventory	22,926	-	47,113	-
Accounts payable and accrued liabilities	158,012	141,610	98,138	64,301
Cash used in operating activities	(88,325)	(483,262)	(935,525)	(2,211,073)
<b>Investing Activities:</b>				
Intangible assets	-	(14,240)	-	(93,544)
Cash used in investing activities	-	(14,240)	-	(93,544)
<b>Financing Activities:</b>				
Share offerings	-	-	687,676	1,734,212
Subscriptions received and treasury shares	135,048	-	135,048	-
Payment of lease liabilities	-	-	-	(12,889)
Cash provided by financing activities	135,048	-	822,724	1,721,323
Effect of foreign exchange on cash	1,251	1,558	2,243	(98)
Increase (Decrease) in cash	47,974	(495,944)	(110,558)	(583,392)
Cash, beginning of period	43,754	559,796	202,286	647,244
<b>Cash, end of period</b>	<b>91,728</b>	<b>63,852</b>	<b>91,728</b>	<b>63,852</b>
<b>Non-cash transactions</b>				
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 Nine Months Ended November 30, 2023 and 2022  
(Expressed in Canadian Dollars, unless otherwise stated)

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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 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 November 30, 2023, the Company had working capital of (\$202,891) and deficit of \$15,715,500. 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 on January 29, 2024.

#### **(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 Nine Months Ended November 30, 2023 and 2022  
(Expressed in Canadian Dollars, unless otherwise stated)

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### 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:

<b>Entity</b>	<b>Country of Ownership incorporation</b>	
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 Nine Months Ended November 30, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

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#### 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 nine months ended November 30, 2023, are not necessarily indicative of the results that may be expected for the year ending February 28, 2024.

#### 3. Receivables

	November 30, 2023	February 28, 2023
<b>Current</b>		
Trade receivables	\$ 208,448	\$ 127,842
GST receivable - Canada	52,888	30,800
VAT receivable - Europe	76,408	73,645
Related party receivable (note 10)	60,000	60,000
Other	3,904	3,706
Allowance for doubtful accounts	(63,921)	(63,921)
	337,727	232,072
<b>Non-Current</b>		
VAT receivable - Mexico	193,706	158,234
<b>Total</b>	<b>\$ 531,434</b>	<b>\$ 390,305</b>

#### 4. Inventory

	November 30, 2023	February 28, 2023
Finished goods	\$ 96,951	\$ 84,263
Packaging and supplies	10,532	70,333
<b>Total</b>	<b>\$ 107,483</b>	<b>\$ 154,596</b>

The cost of inventories recognized as cost of sales during the three and nine months ended November 30, 2023, was \$3,930 and \$18,640, respectively (three and nine months ended November 30, 2022 - \$23,444 and \$54,155).

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended November 30, 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	-	-	(34,405)	(10,251)	(44,656)
<b>At November 30, 2023</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 307,665</b>	<b>\$ 117,330</b>	<b>\$ 424,995</b>

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 Nine Months Ended November 30, 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
<b>Cost</b>					
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)
<b>At February 28, 2022 and November 30, 2023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Accumulated Amortization</b>					
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
<b>At February 28, 2022 and November 30, 2023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Book Value</b>					
At February 28, 2023	\$ -	\$ -	\$ -	\$ -	\$ -
<b>At November 30, 2023</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, 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 November 30, 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 November 30,		Nine months ended November 30,	
	2023	2022	2023	2022
Interest expense on lease liabilities	\$ -	\$ 411	\$ -	\$ 1,347
Expenses relating to short-term leases	-	472	-	20,843
<b>Total</b>	<b>\$ -</b>	<b>\$ 883</b>	<b>\$ -</b>	<b>\$ 22,190</b>

## **Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended November 30, 2023 and 2022  
(Expressed in Canadian Dollars, unless otherwise stated)

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### **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 November 30, 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 nine months ended November 30, 2023

On October 2, 2023, the Company announced it intends to complete a non-brokered private placement in the aggregate amount of up to \$1,000,000 pursuant to a binding commitment from a strategic investor. The Company intends to issue up to 12,000,000 units of the Company 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. As at November 30, 2023 this financing has not been completed and the Company received an amount of \$135,048 as an advance for this transaction.

On March 7, 2023, the Company closed a non-brokered private placement of 15,086,732 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.

## Xebra Brands Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended November 30, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

#### 7. Share Capital - continued

##### (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.

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
<b>Outstanding, February 28, 2023 and November 30, 2023</b>	<b>1,990,000</b>	<b>\$ 1.00</b>

As at November 30, 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	3.14	10,000
October 18, 2026	1,580,000	1.00	2.88	1,580,000
April 26, 2027	400,000	1.00	3.41	50,000
<b>Outstanding November 30, 2023</b>	<b>1,990,000</b>	<b>1.00</b>		<b>1,640,000</b>

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
<b>Outstanding, February 28, 2023</b>	<b>1,990,000</b>	<b>1.00</b>		<b>1,640,000</b>

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 nine months ended November 30, 2023, was \$40,833 and \$110,833, respectively (November 30, 2022 - \$23,334 and \$193,353).

## Xebra Brands Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended November 30, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

#### 7. Share Capital - *continued*

##### (c) Options - *continued*

The fair value of each share option is estimated on the date of grant using the Black-Scholes Option Pricing Model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatility of the Company's shares or an applicable comparable company, and other factors. The expected term of share options granted represents the period of time that share options granted are expected to be outstanding. The risk-free rate of periods within the contractual life of the share option is based on the Canadian government bond rate.

The fair value of the stock options granted during the nine months ended November 30, 2023 and year ended February 28, 2023, were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	November 30, 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
<b>Outstanding, February 28, 2023</b>	<b>1,730,512</b>	<b>\$ 0.88</b>
Issued	15,186,731	0.10
Expired	(1,730,512)	1.23
<b>Outstanding, November 30, 2023</b>	<b>15,186,731</b>	<b>\$ 0.10</b>

Expiry date	Outstanding		
	Number of warrants	Exercise price	Remaining contractual life (years)
August 7, 2024	15,186,731	\$ 0.10	0.69
<b>Outstanding, November 30, 2023</b>	<b>15,186,731</b>		

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

## Xebra Brands Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended November 30, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

#### 7. Share Capital - *continued*

##### (d) Warrants - *continued*

	November 30, 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

#### 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 November 30,		Nine months ended November 30,	
	2023	2022	2023	2022
Loss attributable to common shareholders	\$ (86,946)	\$ (571,928)	\$ (900,336)	\$ (2,519,629)
Weighted average number of shares basic	54,526,313	39,322,161	54,139,742	38,881,104
Weighted average number of shares diluted	54,526,313	39,322,161	54,139,742	38,881,104
Basic loss per share	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.06)
Diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.06)

For the three and nine months ended November 30, 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)
<b>Balance, February 28, 2023</b>	<b>\$ (244,093)</b>
Results for the year	(366)
Currency translation difference	(11,067)
<b>Balance, November 30, 2023</b>	<b>\$ (255,526)</b>

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 9. Non-Controlling Interest - *continued*

Financial information for Xebra Brands Europe BV is as follow:

	November 30,		February 28,	
	2023		2023	
Current assets	\$	75,680	\$	73,645
Non-current assets		-		1
Current liabilities		(1,597)		(127)

  

	Three months ended November 30,		Nine months ended November 30,					
	2023		2022					
Net loss	\$	10,951	\$	1,260	\$	45,731	\$	(392,135)
Other comprehensive income		(11,100)		23,565		44,268		53,189

### 10. Related Party Transactions and balances

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 November 30, 2023 and February 28, 2023, the Company and Orea have no directors or officers in common.

On April 11, 2022, the Company provided a short-term loan in the amount 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 November 30, 2023 is \$60,000 (February 28, 2023 – \$60,000).

The following is a summary of related party transactions:



## Xebra Brands Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended November 30, 2023 and 2022 (Expressed in Canadian Dollars, unless otherwise stated)

#### 10. Related Party Transactions and balances - *continued*

	Three months ended November 30,		Nine months ended November 30,	
	2023	2022	2023	2022
Management and administration services paid to Orea	\$ -	\$ 120,000	\$ -	\$ 360,000
Management fees paid to Columbus Capital Corporation, a company controlled by Robert Giustra, a former director of the Company	-	60,000	-	165,000
Management fees paid to Garnett Canada Holdings, a company controlled by Jay Garnett, director & CEO of the Company	60,000	60,000	180,000	150,000
Fees paid or payable to a corporation where, Omar Garcia, CFO of the Company is a shareholder	36,000	-	108,000	-
Management and consulting fees paid to Todd Dalotto, a director of the Company	-	19,536	-	56,438
Management fees paid to Accounting Group ADR and Associates SC., a company controlled by Rodrigo Gallardo, President of the Company	45,000	37,611	135,000	119,470
Consulting services from Maverick Brands Ltd, a company controlled by Keith Dolo a director of the Company	-	-	90,000	-
Consulting services from 1147960 B.C. Ltd, a company controlled by Keith Dolo a director of the Company	45,000	-	90,000	-
Share-based payments to certain directors and officers of the Company	40,833	23,334	110,833	183,556
	<b>\$ 226,833</b>	<b>\$ 320,481</b>	<b>\$ 713,833</b>	<b>\$ 1,034,464</b>

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

	November 30, 2023	February 28, 2023
Fees payable to Columbus Capital Corporation, a company controlled by Robert Giustra, a former director of the Company	\$ -	\$ (55,548)
Fees payable to Garnett Canada Holdings, a company controlled by Jay Garnett, director & CEO of the Company	(37,000)	(72,600)
Management fees payable to Accounting Group ADR and Associates SC, a company controlled by Rodrigo Gallardo, President of the Company	(61,000)	(18,600)
Fees payable to a corporation where Omar Garcia, CFO of the Company is a shareholder	(72,000)	-
Fees payable to Todd Dalotto, a director of the Company	(33,179)	(33,213)
Fees payable to Maverick Brands Ltd, a company controlled by Keith Dolo a director of the Company	(126,837)	(288,926)
Consulting services from 1147960 B.C. Ltd, a company controlled by Keith Dolo a director of the Company	(60,000)	-
	<b>\$ (390,016)</b>	<b>\$ (468,887)</b>

#### 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:

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### 11. Segmented Information - continued

	November 30, 2023	February 28, 2023
Current Assets		
Canada	\$ 557,758	\$ 581,751
Colombia	8	2,948
Europe	75,680	73,645
Mexico	33,966	37,513
<b>Total</b>	<b>\$ 667,412</b>	<b>\$ 695,857</b>
Non-Current Assets		
Canada	\$ 424,994	\$ 469,651
Colombia	-	-
Europe	1	1
Mexico	193,706	158,233
<b>Total</b>	<b>\$ 618,701</b>	<b>\$ 627,885</b>
Total Asset		
Canada	\$ 982,752	\$ 1,051,402
Colombia	8	2,948
Europe	75,681	73,646
Mexico	227,672	195,746
<b>Total</b>	<b>\$ 1,286,113</b>	<b>\$ 1,323,742</b>

During the nine months ended November 30, 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 92% and 7% of revenues respectively. As at November 30, 2023, trade receivables of \$208,448 (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 November 30, 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 is low and receivables risk is high.

## **Xebra Brands Ltd.**

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### **12. Financial Risk and Capital Management - *continued***

#### (b) Liquidity Risk

Liquidity risk arises from the Company's general and capital financing needs. The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at November 30, 2023, the Company had a working capital of (\$202,891). 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 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).

## Xebra Brands Ltd.

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### 12. Financial Risk and Capital Management - *continued*

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At November 30, 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.

<b>Financial Instruments</b>	<b>Measurement Method</b>	<b>Associated Risk</b>	<b>Fair Value as at November 30, 2023</b>
Cash	FVTPL	Credit and currency	\$ 91,728
Receivables	Amortized cost	Credit	337,727
Accounts payable	Amortized cost	Liquidity	765,497
			<b>\$ 1,194,952</b>

### 13. Subsequent events

On January 2, 2024, the Company received an additional \$100,000 in connection with the non-brokered private placement announced on October 2, 2023.

The Company is currently undergoing strategic changes to ensure its sustained operations in a more streamlined manner. Consequently, Jay Garnette, the former CEO, and Director of the Company, resigned effective December 31, 2023. Rodrigo Gallardo has been appointed as the interim CEO and Director, effective January 23, 2024.

Furthermore, David Ross Macias Diaz was appointed to the Board of Directors on November 7, 2023. In contrast, Tada (Todd) Dalotto and Jordi Chemonte resigned as Directors of the Company effective January 23, 2024. Additionally, Antonion Grimaldo resigned from the Board of Directors on January 29, 2024.