



**XEBRA BRANDS LTD**

**Condensed Interim Consolidated Financial Statements**

**For the Three Months Ended May 31, 2024 and 2023**

**UNAUDITED**

**Prepared by Management**

**(Expressed in Canadian Dollars)**

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# **XEBRA BRANDS LTD**

Condensed Interim Consolidated Financial Statements

For the Three Months Ended May 31, 2024 and 2023

## **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.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

July 30, 2024

## Xebra Brands Ltd

### Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	Notes	May 31, 2024 (\$)	February 28, 2024 (\$)
<b>Assets</b>			
Current Assets			
Cash		132,460	102,418
Receivables	4	131,453	106,535
Prepaid expenses		13,927	19,990
		<u>277,840</u>	<u>228,943</u>
Non-current assets			
Intangible assets	5	3	3
VAT receivable	4	160,090	150,422
<b>Total assets</b>		<b>437,933</b>	<b>379,368</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	9	333,539	679,038
Accrued liabilities		111,499	110,917
<b>Total liabilities</b>		<b>445,038</b>	<b>789,955</b>
<b>Shareholder's Equity (deficiency)</b>			
Share capital	6	13,546,699	13,550,865
Reserves	6	3,859,444	2,732,686
Subscription received	6	-	334,475
Deficit		(17,155,106)	(16,772,544)
Equity (deficiency) attributable to shareholders		251,037	(154,518)
Non-controlling interest	8	(258,142)	(256,069)
		<u>(7,105)</u>	<u>(410,587)</u>
<b>Total liabilities and shareholder's equity (deficiency)</b>		<b>437,933</b>	<b>379,368</b>

Nature of operations and going concern

1

Subsequent events

12

Approved by the Board of Directors

"Rodrigo Gallardo"

Rodrigo Gallardo - Director

"Keith Dolo"

Keith Dolo - Director

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

## Xebra Brands Ltd

### Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

		Three months ended May 31,	
	Notes	2024	2023
		(\$)	(\$)
Revenue		-	38,606
Cost of sales		-	62,243
Gross loss		-	(23,637)
Operating expenses			
General and administration		31,083	35,679
Investor relations		16,695	54,548
Management fees	9	50,327	89,546
Professional fees	9	52,320	189,101
Share-based payments	6 & 9	302,812	35,000
Travel		-	21,440
Amortization	5	-	14,886
Loss before other items		(453,237)	(463,837)
Other Items			
Other expense, net of income		(1)	(178)
Foreign exchange gain		70,676	80,214
<b>Net loss</b>		<b>(382,562)</b>	<b>(383,801)</b>
<b>Other comprehensive loss</b>			
Items that may subsequently be reclassified to net income or loss:			
Foreign currency translation		(67,910)	(107,699)
<b>Comprehensive loss for the period</b>		<b>(450,472)</b>	<b>(491,500)</b>
Net loss attributable to:			
Shareholders		(382,562)	(383,432)
Non-controlling interest	8	-	(369)
		(382,562)	(383,801)
Comprehensive loss attributable to:			
Shareholders		(448,399)	(482,804)
Non-controlling interest	8	(2,073)	(8,696)
		(450,472)	(491,500)
Weighted average number of outstanding common shares		69,761,080	53,370,801
Net loss per share – basic and diluted	7	(0.01)	(0.01)

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

**Xebra Brands Ltd**

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	Notes	Number of common shares	Share Capital (\$)	Subscriptions received (\$)	Reserves			Deficit (\$)	Non-Controlling Interest (\$)	Total (\$)
					Warrants (\$)	Share Options (\$)	Translation Adjustment (\$)			
<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>
Private placement, net of issuance cost	6	15,086,732	100,326	(201,750)	783,090	-	-	-	-	681,666
Finders' fees paid in shares	6	100,000	6,000	-	-	-	-	-	-	6,000
Share-based payments	6	-	-	-	-	35,000	-	-	-	35,000
Comprehensive loss		-	-	-	-	-	(99,372)	(383,432)	(8,696)	(491,500)
<b>Balance May 31, 2023</b>		<b>54,526,313</b>	<b>13,628,110</b>	<b>-</b>	<b>1,822,991</b>	<b>901,113</b>	<b>(118,086)</b>	<b>(15,198,596)</b>	<b>(252,789)</b>	<b>782,743</b>
<b>Balance February 29, 2024</b>		<b>54,526,313</b>	<b>13,550,865</b>	<b>334,475</b>	<b>1,886,943</b>	<b>863,803</b>	<b>(18,060)</b>	<b>(16,772,544)</b>	<b>(256,069)</b>	<b>(410,587)</b>
Issuance of private placement, net of issuance cost	6	12,000,000	(310,399)	(334,475)	889,783	-	-	-	-	244,909
Shares issued on debt settlement	6	4,848,909	266,690	-	-	-	-	-	-	266,690
Warrants exercised	6	395,429	39,543	-	-	-	-	-	-	39,543
Share-based payments	6	-	-	-	-	302,812	-	-	-	302,812
Comprehensive loss		-	-	-	-	-	(65,837)	(382,562)	(2,073)	(450,472)
<b>Balance May 31, 2024</b>		<b>71,770,651</b>	<b>13,546,699</b>	<b>-</b>	<b>2,776,726</b>	<b>1,166,615</b>	<b>(83,897)</b>	<b>(17,155,106)</b>	<b>(258,142)</b>	<b>(7,105)</b>

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

## Xebra Brands Ltd

### Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

	Notes	Three months ended May 31,	
		2024	2023
		(\$)	(\$)
<b>Cash provided by (used in):</b>			
<b>Operating Activities:</b>			
Net loss		(382,562)	(383,801)
Items not involving cash			
Amortization	5	-	14,886
Share-based payments	6 & 9	302,812	35,000
Unrealized foreign exchange loss		(68,995)	(108,589)
Changes in non-cash working capital			
Receivables and prepaid expenses		(6,480)	(73,844)
Inventory		-	13,528
Accounts payable and accrued liabilities		(78,227)	(299,198)
Cash used in operating activities		(233,452)	(802,018)
<b>Financing Activities:</b>			
Share offerings	6	244,909	687,666
Warrants exercised	6	17,500	
Cash provided by financing activities		262,409	687,666
Effect of foreign exchange on cash		1,085	889
Decrease in cash		30,042	(113,463)
Cash, beginning of period		102,418	202,286
<b>Cash, end of period</b>		<b>132,460</b>	<b>88,823</b>
<b>Non-cash transactions</b>			
Shares issued for finders' fees		-	6,000
Shares issued for debt	6	266,690	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 months ended May 31, 2024 and 2023

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

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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. 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 410-1111 Melville St. Vancouver, British Columbia, V6E 3V6, Canada.

The Company’s principal business activities are the processing, manufacturing, design and delivery of cannabis products in areas ranging from wellness to leisure.

#### **Going concern**

These condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing assets and discharging liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to the carrying values of assets and liabilities may be required. As at May 31, 2024, the Company had working capital deficit of \$167,198 and an accumulated deficit of \$17,155,106. 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. 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.

There are many external factors that can adversely affect global workforces, economies, and financial markets globally such as global health conditions and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and its effects on the Company's business or ability to raise funds and carry on with its business plans.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

### **2. Basis of Presentation**

#### **(a) Statement of Compliance**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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 July 30, 2024.

#### **(b) 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 consolidated financial statements have been prepared using accrual basis of accounting, except for cash flow information.

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

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### 2. Basis of Presentation - *continued*

#### (c) Functional and presentation currency

The functional currency of the Company is the Canadian dollar (CAD), which is also the presentation currency of these condensed interim consolidated financial statements. Therefore, references to "\$" indicate CAD, and "US\$" refer to U.S. dollars.

#### (d) Basis of Consolidation

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

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

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.

#### (e) 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 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.

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 Company's critical accounting judgements and estimates were presented in Note 3 of the annual audited consolidated financial statements and have been consistently applied in the preparation of these condensed interim consolidated financial statements. No new estimates and judgements were applied for the period ended May 31, 2024.

### 3. Material Accounting Policies

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 audited annual financial statements for the year ended February 29, 2024. 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 May 31, 2024, are not necessarily indicative of the results that may be expected for the year ending February 28, 2025.



## **Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

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### **3. Material Accounting Policies - *continued***

The following standards and amendments to standards and interpretations effective for current year.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current. The amendment clarified the guidance on whether a liability should be classified as either current or non-current. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024.
- Amendments to IFRS 16 – Lease liability in a Sale and Leaseback. The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. These amendments are effective for annual periods beginning on or after January 1, 2024.
- Amendments to IAS 7 – Requiring entities to provide qualitative and quantitative information about their supplier finance arrangements. In connection with the amendments to IAS 7, the IASB also issued amendments to IFRS 7 requiring entities to disclose whether they have accessed, or have access to, supplier finance arrangements that would provide the entity with extended payment terms or the suppliers with early payment terms. These amendments are effective on January 1, 2024.

These amendments were applied effective January 1, 2024, and did not encounter any material effects from its implementation.

At the date of authorization of these condensed interim consolidated financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

- Lack of Exchangeability (Amendments to IAS 21): The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. In addition, the amendments require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, although earlier application is permitted. This amendment is not expected to have a material impact on the Company's consolidated financial statements.
- Presentation and Disclosure in Financial Statements (IFRS 18): In April 2024, the IASB released IFRS 18 Presentation and Disclosure in financial Statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1. IFRS 18 introduces new requirements to: i) present specified categories and defined subtotals in the statement of earnings or loss, ii) provide disclosures on management-defined performance measures (“MPMs”) in the notes to the financial statements, iii) improve aggregation and disaggregation. Some of the requirements in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. The IASB also made minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share in connection with the new standard. IFRS 18 requires retrospective application with specific transition provisions. The Company is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is currently evaluating the impact of IFRS 18 on its consolidated financial statements.

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

### 4. Receivables

	May 31, 2024	February 29, 2024
<b>Current</b>		
Trade receivables	\$ 28,971	\$ 28,971
GST receivable - Canada	62,245	59,759
VAT receivable and other - Europe	47,165	46,776
Other	22,043	-
Allowance for doubtful accounts	(28,971)	(28,971)
	131,453	106,535
<b>Non-Current</b>		
VAT receivable - Mexico	160,090	150,422
<b>Total</b>	<b>\$ 291,543</b>	<b>\$ 256,957</b>

At the reporting date, the Company impaired \$nil of VAT receivable in Mexico (February 28, 2024 – \$46,363).

### 5. Intangible Assets

	Product Applications and Authorizations	Brands and Trademarks	Product Development	Total
At February 28, 2023	1	342,070	127,581	469,652
Amortization	-	(45,873)	(13,669)	(59,542)
Impairment	-	(296,196)	(113,911)	(410,107)
<b>At February 29, 2024 and May 31, 2024</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>3</b>

The Company has 13 pending product applications and authorizations with Mexican governmental agencies. Upon approval, these will enable the Company to initiate certain advanced-stage cannabis-related operations in Mexico, such as import, distribution, and commercialization of various products with CBD content limited to 1% THC. Due to long delays and potential changes in Mexico's regulatory landscape, the Company decided to impair the value of these product applications and authorizations to \$1.

Brands and trademarks: During the year ended February 29, 2024, the Company decided to indefinitely suspend the beverage business. Consequently, most of the associated brands and trademarks were abandoned. As result the Company impaired the balance to a value of \$1.

Product Development: As a result of the significant strategic changes mentioned above, all capitalized costs associated with the developed products were impaired to a nominal value of \$1. This impairment was determined based on the conclusion that no future economic benefits are expected from these assets.

### 6. Share Capital

#### (a) Common shares

At May 31, 2024, a total of 10,390,827 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 1,663,300 common shares issued to insiders of the Company and held in escrow by the transfer agent in accordance with CSE listing policies.

## **Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

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### **6. Share Capital - *continued***

#### Common share transactions for the period ended May 31, 2024

On March 6, 2024, the Company announced it closed its non-brokered private placement of 12,000,000 units of the Company. The units were issued at a price of \$0.05 per unit for gross proceeds of \$600,000. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof to acquire one common share at an exercise price of \$0.10 for a period of eighteen months. The Company issued 12,000,000 share purchase warrants with a fair value of \$889,783 which has been recorded in warrant reserves. Additionally, the Company incurred cash costs in connection with the private placement in the amount of \$20,616.

On March 21, 2024, the Company settled aggregate debt of \$266,690 of accrued liabilities for fees and expenses owed to certain officers, directors and consultants of the Company, through the issuance of 4,848,909 common shares of the Company at a deemed price of \$0.055 per settlement share.

During the current period, a total of 395,429 shares were issued pursuant to the exercise of 395,429 warrants, resulting in proceeds of \$39,543.

#### Common share transactions for the year ended February 29, 2024

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 February 29, 2024, this financing has not been completed, however the Company received \$334,475, net of costs, in 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 \$847,042 which has been recorded in warrant reserves. 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 \$29,081. All securities issued are subject to a four-month hold period from the date of closing.

#### (b) 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:

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

### 6. Share Capital - *continued*

#### (b) Options - *continued*

	Number of options	Weighted average exercise price
<b>February 28, 2023</b>	<b>1,990,000</b>	<b>\$ 1.00</b>
Granted	50,000	0.10
Cancelled	(790,000)	1.00
Forfeited	(150,000)	1.00
<b>February 29, 2024</b>	<b>1,100,000</b>	<b>\$ 0.96</b>
Granted	3,200,000	0.10
Cancelled	(800,000)	1.00
Forfeited or expired	(250,000)	1.00
<b>May 31, 2024</b>	<b>3,250,000</b>	<b>\$ 0.10</b>

As at May 31, 2024, and February 29, 2024, the number of options outstanding and exercisable were:

Expiry date	Outstanding		Exercisable	
	Number of stock options	Exercise price	Remaining contractual life (years)	Number of stock options
March 15, 2025	250,000	\$ 0.10	0.79	250,000
January 23, 2026	50,000	0.10	1.65	50,000
March 15, 2027	2,950,000	0.10	2.79	2,950,000
<b>May 31, 2024</b>	<b>3,250,000</b>	<b>\$ 0.10</b>		<b>3,250,000</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 options recognized as share-based payments during the three months ended May 31, 2024, was \$302,812 (three months ended May 31, 2023 - \$35,000).

During the three months ended May 31, 2024, the Company granted a total of 3,200,000 options (May 31, 2023 – nil) with a weighted average fair value of \$0.09 (May 31, 2023 – \$nil).

The fair value of each 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 period ended May 31, 2024, and year ended February 29, 2024, were estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	May 31, 2024	February 29, 2024
Risk-free interest rate	4.28%	4.24%
Expected dividend yield	Nil	Nil
Stock price volatility	174%	154%
Expected life (in years)	2.84	2
Weighted average fair value per option	\$ 0.09	\$ 0.10

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

### 6. Share Capital - *continued*

#### (c) Warrants

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

	Warrants Outstanding	Weighted Average Exercise Price
<b>February 28, 2023</b>	<b>1,730,512</b>	<b>\$ 1.47</b>
Issued	15,186,731	0.10
Expired	(1,730,512)	1.23
<b>February 29, 2024</b>	<b>15,186,731</b>	<b>\$ 0.10</b>
Issued	12,000,000	0.10
Exercised	(1,775,000)	0.10
<b>May 31, 2024</b>	<b>25,411,731</b>	<b>\$ 0.10</b>

As at May 31, 2024, the following warrants were outstanding:

Expiry date	Number of warrants	Exercise price	Remaining contractual life (years)
September 6, 2024	13,411,731	\$ 0.10	0.27
September 6, 2025	12,000,000	0.10	1.27
<b>May 31, 2024</b>	<b>25,411,731</b>		

In determining the fair value of the warrants issued, the Company used the Black-Scholes Option Pricing Model to establish the fair value of warrants granted by applying the following weighted average assumptions:

	May 31, 2024	February 29, 2024
Risk-free interest rate	4.10%	4.34%
Expected dividend yield	Nil	Nil
Stock price volatility	223%	176%
Expected life (in years)	1.50	1.50
Weighted average fair value per warrant	\$ 0.07	\$ 0.06

### 7. Loss per Share

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

	Three months ended	
	May 31, 2024	May 31, 2023
Loss attributable to common shareholders	\$ (382,562)	\$ (383,432)
Weighted average number of shares basic	69,761,080	53,370,801
Weighted average number of shares diluted	69,761,080	53,370,801
Basic loss per share	\$ (0.01)	\$ (0.01)
Diluted loss per share	\$ (0.01)	\$ (0.01)

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

### 7. Loss per Share – *continued*

For the period ended May 31, 2024 and 2023, 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.

### 8. Non-Controlling Interest

On February 19, 2020, the Company entered into an agreement with Organto Foods Inc. (“Organto”) to acquire 75% of the issued and outstanding shares of its subsidiary, Organto Foods Europe BV, which was subsequently renamed Xebra Brands Europe BV.

The movement in non-controlling interest is as follows:

	<b>Xebra Brands Europe BV</b>
<b>Balance, February 28, 2023</b>	<b>\$ (244,093)</b>
Results for the year	(778)
Currency translation difference	(11,198)
<b>Balance, February 29, 2024</b>	<b>\$ (256,069)</b>
Results for the year	-
Currency translation difference	(2,073)
<b>Balance, May 31, 2024</b>	<b>\$ (258,142)</b>

Financial information for Xebra Brands Europe BV is as follow:

	<b>May 31, 2024</b>	<b>February 29, 2024</b>
	<b>(\$)</b>	<b>(\$)</b>
Current assets	47,354	46,964
Non-current assets	-	-
Current liabilities	(3,871)	(3,839)
Net loss	-	3,110
Other comprehensive loss	8,292	44,790

### 9. Related Party Transactions

Compensation of key management personnel

Key management personnel include people having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The key management personnel of the Company are the members of the Company’s executive management team and Board of Directors. Compensation provided to key management personnel is as follows:

## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

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

	Three months ended	
	May 31, 2024	May 31, 2023
Management and consulting fees	\$ 70,500	\$ 158,500
Share-based compensation	302,812	35,000
	<b>\$ 373,312</b>	<b>\$ 193,500</b>

Related party balances

As at May 31, 2024, directors and officers or their related companies were owed \$13,837 (February 29, 2024 - \$338,527) included in accounts payable and accrued liabilities mainly in respect to consulting fees. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

### 10. 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:

	May 31, 2024	February 29, 2024
<b>Current Assets</b>		
Canada	\$ 221,490	\$ 108,756
Colombia	-	-
Europe	47,354	46,964
Mexico	8,996	73,223
<b>Total</b>	<b>\$ 277,840</b>	<b>\$ 228,943</b>
<b>Non-Current Assets</b>		
Canada	\$ 3	\$ 3
Europe	-	-
Mexico	160,090	150,422
<b>Total</b>	<b>\$ 160,093</b>	<b>\$ 150,425</b>
<b>Total Asset</b>		
Canada	\$ 221,493	\$ 108,759
Colombia	-	-
Europe	47,354	46,964
Mexico	169,086	223,645
<b>Total</b>	<b>\$ 437,933</b>	<b>\$ 379,368</b>

During the period ended May 31, 2024, the Company had no revenues. During the three months ended May 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 57% and 38% of revenues respectively. As at May 31, 2024, trade receivables of \$28,971 (May 31, 2023 - \$143,896) were receivable entirely from one customer and all of its revenues were earned within Canada.

## **Xebra Brands Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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### **11. 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 May 31, 2024 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.

#### (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 May 31, 2024, the Company had a negative working capital of \$167,198 (February 29, 2026 – \$561,012). 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.



## Xebra Brands Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2024 and 2023

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

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

#### 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 May 31, 2024, 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. Cash is measured using level 1 inputs.

<b>Financial Instruments</b>	<b>Measurement Method</b>	<b>Associated Risk</b>	<b>Fair Value as at May 31, 2024 (\$)</b>
Cash	FVTPL	Credit and currency	132,460
Receivables	Amortized cost	Credit	291,543
Accounts payable	Amortized cost	Liquidity	(333,539)

### 12. Subsequent Events

- (a) On July 19, 2024, the Company closed a share for debt transaction. The Company settled aggregate debt of \$182,855 of accrued liabilities for fees and expenses owed to certain officers, directors and consultants of the Company, through the issuance of 2,031,716 settlement shares at a deemed price of \$0.09. Certain directors and officers of the Company were issued an aggregate of 703,333 settlement shares.
- (b) On June 21, 2024, a total of 220,429 common shares returned to treasury.
- (c) Subsequent to May 31, 2024, 1,200,000 common shares were issued following the exercise of the same number of warrants, generating proceeds of \$120,000 to the Company.