Xebra Brands Ltd.

1090 Hamilton Street
Vancouver, B.C.
V6B 2R9
Canada

Consolidated Financial Statements

For the Year Ended
February 28, 2022

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Xebra Brands Ltd.

Opinion

We have audited the consolidated financial statements of Xebra Brands Ltd. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2022 and 2021, and the consolidated statements of comprehensive loss, cash flows and shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
June 27, 2022

(Expressed in Canadian Dollars)

	February 28, 2022 ($)	February 28, 2021 ($)
Asset		
Current Assets		
Cash	647,244	93,334
Receivables (note 4)	136,536	21,330
Prepaid expenses	367,439	219,558
	1,151,219	334,222
Non-current Assets		
Intangible assets (note 5)	1,310,409	2,970,378
Property, plant and equipment (note 7)	330,023	212,709
VAT receivable (note 4)	110,776	79,207
	2,902,427	**3,596,516**
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable (note 7, 8 and 11)	341,058	511,828
Accrued liabilities	87,568	40,000
	428,626	551,828
Non-current Liabilities		
Lease liabilities (note 7)	28,794	67,026
	457,420	618,854
Shareholder's Equity		
Share capital (note 9)	12,168,621	7,609,829
Subscription received (note 9)	-	3,750
Reserves (note 9e)	1,204,709	36,366
Deficit	(10,790,894)	(4,648,236)
Equity attributable to shareholders	2,582,436	3,001,709
Non-controlling interest (note 10)	(137,429)	(24,047)
	2,445,007	2,977,662
	2,902,427	**3,596,516**

Nature of operations and going concern (note 1)
Subsequent events (note 16)

Approved by the Board of Directors

Robert Giustra
Robert Giustra – Director

Jordi Chemonte
Jordi Chemonte – Director

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

(Expressed in Canadian Dollars)

	Year Ended February 28, 2022 ($)	Year Ended February 28, 2021 ($)
Operating Expenses		
General and administration (note 11)	560,175	510,889
Investor relations	1,013,243	6,610
Management fees (note 11)	236,023	314,831
Marketing and business development	4,478	31,795
Professional fees	653,731	413,600
Share-based payments (note 9c and 11)	556,554	-
Travel	36,319	2,347
Amortization (note 5 and 7)	603,374	550,308
Loss before other items	(3,663,897)	(1,830,380)
Other Items		
Finance income	1,422	4
Finance expense (note 7 and 8)	(10,998)	(8,202)
Other income (note 7)	2,741	26,956
Other expense (note 9)	(40,000)	-
Impairment of intangibles assets (note 5)	(2,098,181)	-
Impairment of property, plant and equipment (note 7)	(438,879)	-
Foreign exchange loss	(13,225)	(69,756)
Net loss for the year	**(6,261,017)**	**(1,881,378)**
Items that may subsequently be reclassified to net income or loss:		
Foreign currency translation loss	(22,907)	(31,875)
Comprehensive loss for the year	**(6,283,924)**	**(1,913,253)**
Net loss attributable to:		
Shareholders	(6,142,658)	(1,860,048)
Non-controlling interest (note 10)	(118,359)	(21,330)
	(6,261,017)	(1,881,378)
Comprehensive loss attributable to:		
Shareholders	(6,170,542)	(1,891,919)
Non-controlling interest (note 10)	(113,382)	(21,334)
	(6,283,924)	(1,913,253)
Basic and diluted loss per share attributable to shareholders	(0.05)	(0.02)
Basic and diluted weighted average number of shares outstanding	121,540,299	102,143,633

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

(Expressed in Canadian Dollars)

	Year Ended February 28, 2022 ($)	Year Ended February 28, 2021 ($)
Operating Activities		
Net loss for the year	(6,261,017)	(1,881,378)
Items not involving cash		
Shares issued for services (note 9)	35,311	126,327
Gain on shares for debt (note 9)	32,844	-
Other expense (note 9)	40,000	-
Lease forgiveness (note 7)	-	(26,956)
Amortization (note 5 and 7)	603,374	550,308
Finance income	(1,422)	(4)
Finance expense (note 7 and 8)	10,998	8,202
Share-based payments (note 9c)	556,554	-
Impairment of intangibles assets (note 5)	2,098,181	-
Impairment of property, plant and equipment (note 7)	438,879	
Unrealized foreign exchange loss	13,830	23,505
	(2,432,468)	(1,199,996)
Changes in non-cash working capital		
Receivables and prepaid expenses	(294,656)	99,773
Accounts payable and accrued liabilities	19,655	188,904
Cash used in operating activities	(2,707,469)	(911,319)
Investing Activities		
Intangible assets	(83,283)	(62,005)
Equipment	(686,845)	(83,276)
Cash used in investing activities	(770,128)	(145,281)
Financing Activities		
Share offerings	4,236,186	171,390
Subscriptions received	-	3,750
Treasury shares issued	375	57,087
Payment of lease liabilities	(40,934)	(30,626)
Related party loan (note 11)	75,000	-
Loan repayment (note 8 and 11)	(230,000)	-
Interest paid (note 8)	(7,000)	-
Cash from financing activities	4,033,627	201,601
Effect of foreign exchange on cash	(2,120)	(7,074)
Change in cash	553,910	(862,073)
Cash, beginning of year	93,334	955,407
Cash, end of year	**647,244**	**93,334**
Non-cash Transactions:		
Shares issued for services (note 9)	35,311	126,327
Shares issued for debt (note 9)	32,844	-
Organto’s amendment agreement (note 9)	40,000	-
Shares issued for licensing water soluble IP (note 5 and 9)	850,000	-

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

(Expressed in Canadian Dollars)

	Common Shares	Share Capital ($)	Treasury shares ($)	Subscriptions received ($)	Reserves ($)	Deficit ($)	Non-Controlling Interest ($)	Total ($)
Balance, March 1, 2020[1]	99,980,074	7,292,874	(127,850)	90,001	68,237	(2,788,188)	(2,713)	4,532,361
March 2020 private placement, net of issuance cost (note 9)	224,937	51,437	-	(56,401)	-	-	-	(4,964)
February and March 2020 private placement finders' fees (note 9)	291,503	-	-	-	-	-	-	-
September 2020 private placement, net of issuance cost	538,263	159,897	-	-	-	-	-	159,897
September 2020 private placement finders' fees (note 9)	43,061	-	-	-	-	-	-	-
December 2020 private placement, net of issuance cost (note 9)	278,100	83,106	-	-	-	-	-	83,106
February 2021 private placement, net of issuance cost (note 9)	119,067	35,720	-	-	-	-	-	35,720
February 2021private placement finders' fees (note 9)	6,333	-	-	-	-	-	-	-
Treasury shares (note 9)	1,612,877	-	90,687	(33,600)	-	-	-	57,087
Shares for services (note 9)	479,159	-	23,958	-	-	-	-	23,958
Subscriptions received (note 9)	-	-	-	3,750	-	-	-	3,750
Comprehensive loss	-	-	-	-	(31,871)	(1,860,048)	(21,334)	(1,913,253)
Balance, February 28, 2021[1]	**103,573,374**	**7,623,034**	**(13,205)**	**3,750**	**36,366**	**(4,648,236)**	**(24,047)**	**2,977,662**
May 2021 private placement, net of issuance cost (note 9)	18,750	2,877	375	(3,750)	-	-	-	(498)
Shares for debt (note 9)	182,466	23,720	9,123	-	-	-	-	32,843
Shares for services (note 9)	196,298	33,436	1,875	-	-	-	-	35,311
Finders' fees (note 9)	42,641	(1,832)	1,832	-	-	-	-	-
Shares issued to amend agreement (note 9)	200,000	40,000	-	-	-	-	-	40,000
Shares issued for licensing water soluble IP (note 5 and 9)	6,200,000	850,000	-	-	-	-	-	850,000
August 2021 private placement, net of issuance costs (note 9)	1,325,000	197,325	-	-	49,671	-	-	246,996
October 2021 private placement, net of issuance costs (note 9)	14,039,762	2,060,061	-	-	590,002	-	-	2,650,063
October 2021 private placement finders' fees (note 9)	192,681	-	-	-	-	-	-	-
Class B common share cancellation	(1)	-	-	-	-	-	-	-
December 2021 private placement (note 9)	6,700,000	1,340,000	-	-	-	-	-	1,340,000
December 2021 private placement finders' fees (note 9)	536,000	-	-	-	-	-	-	-
Shares issued in connection with acquisition of Desart (note 9)	48,000,000	-	-	-	-	-	-	-
Share-based payments (note 9c)	-	-	-	-	556,554	-	-	556,554
Comprehensive loss	-	-	-	-	(27,884)	(6,142,658)	(113,382)	(6,283,924)
Balance, February 28, 2022	**181,206,971**	**12,168,621**	**-**	**-**	**1,204,709**	**(10,790,894)**	**(137,429)**	**2,445,007**

[1] *Consists of 1 class B common share, remainder are all class A common shares.*

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

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Xebra Brands Ltd. (the "Company" or "Xebra") was incorporated on February 21, 2019 under the laws of the Province of British Columbia, Canada. On April 24, 2019, the Company changed its name from 1198365 B.C. LTD to Xebra Brands Ltd. The Company is listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "XBRA", and also traded on the OTC Market under the symbol "XBRAF". The common shares of the Company are also cross-listed on the Frankfurt Stock Exchange under the symbol "9YC". The Company's head office and principal address is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9, Canada.

The Company's principal business activities are the cultivation, processing, manufacturing, design and delivery of cannabis products in areas ranging from wellness to leisure. To date, the Company has not received any revenue from operations and is considered to be in the start-up stage.

These 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 February 28, 2022, the Company had working capital of $722,593 (February 28, 2021 deficiency - $217,606) and deficit of $10,790,894 (February 28, 2021 - $4,648,236). 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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and has adversely affected global workforces, financial markets, and the general economy, particularly in Mexico and Colombia. It is not possible for the Company to determine the duration or magnitude of the adverse results of COVID-19 nor its effects on the Company's business or operations.

2. Basis of Presentation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors and authorized for issue on June 27, 2022.

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of Consolidation

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

Entity	Country of incorporation	% Ownership
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%
Medicannabis SAS	Colombia	100%
Bleuflor Logistics Ltd.	Canada	100%
Bleuflor Logistica SAS	Colombia	100%
Xebra Brands Europe BV	The Netherlands	75%

2. Basis of Presentation - *continued*

All inter-company transactions and balances have been eliminated upon consolidation.

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.

(d) Use of Estimates and Judgments

Significant Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions used by management where there is risk of material adjustments to assets and liabilities in future accounting periods include the estimated useful lives of depreciated and amortized assets, the recoverability of the carrying value of intangible assets and assumptions used in determination of the recoverability and measurement of deferred tax assets and the fair value of share-based payments.

Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in preparing the Company's financial statements include the assumption that the Company will continue as a going concern, assumptions used to determine if a business combination is an asset or business acquisition, classification of expenditures as intangible assets or operating expenses and the classification of financial instruments.

3. Significant Accounting Policies

(a) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currencies are as follows:

Entity	**Functional Currency**
Xebra Brands Ltd.	Canadian Dollar
Xebra Brands Mexico SA de CV	Mexican Peso
Elements Bioscience SAPI de CV	Mexican Peso
Sativa Group Biosciences SAPI de CV	Mexican Peso
Desart MX, SA de CV	Mexican Peso
Medicannabis SAS	Colombian Peso
Bleuflor Logistics Ltd.	Canadian Dollar
Bleuflor Logistica SAS	Colombian Peso
Xebra Brands Europe BV	European Euro

At the end of each reporting period, assets and liabilities of the entities whose functional currency is not the Canadian dollar are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in other comprehensive income or loss for the year.

3. Significant Accounting Policies – *continued*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

(b) Business Combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed to profit or loss.

(c) Leases

The Company elected to not apply IFRS 16 to leases with a term of less than 12 months, which election is made by the underlying class of assets to which the right of use asset relates, or leases where the underlying asset is of low value, which election is made on an asset by asset basis.

At inception of a contract, an assessment is made to determine whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An assessment is made to determine whether the contract involves the use of an identified asset, whether there is the right to obtain substantially all of the economic benefits from the use of the asset during the term of the arrangement and if the right to direct the use of the asset is present. At inception or on reassessment of a contract that contains a lease component, the consideration in the contract is allocated to each lease component on the basis of their relative standalone prices.

As a lessee, a right-of-use asset is recognized and included in property, plant and equipment, and a corresponding lease liability is recorded at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate cannot be readily determined. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. The weighted-average rate applied is 20% per annum.

(d) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated based on the estimated residual value and estimated economic life of the specific assets using the straight-line method over the period indicated below:

Office furniture and equipment	3 to 20 years
Dutch growing facility	3 years
Leasehold improvements	Term of lease
Right of use assets	Term of lease

3. Significant Accounting Policies – *continued*

(e) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization. Rights are amortized on a straight-line basis in accordance with the substance of the agreements. Amortization methods, useful lives and residual values are assessed at least annually. If the Company identifies events or changes in circumstances which may indicate that their carrying amount is less than the recoverable amount, the intangible assets would be reviewed for impairment.

Licenses (excluding Solutech IP license)	5 years
Formulations	5 years
Brands and Trademarks	10 years
Solutech IP license	Indefinite life

(f) Impairment of Long-Lived Assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the statement of comprehensive loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reduced if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(g) Treasury Shares

In accordance with IAS 32, the Company has deducted the cost of the treasury shares from equity. The Company does not recognize gains or losses from the purchase, sale, issue or cancellation of its treasury shares.

(h) Finance Income and Expenses

Finance income comprises interest income on funds invested (including changes in the fair value of financial assets at fair value through profit or loss). Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(i) Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. Significant Accounting Policies – *continued*

Deferred income taxes are accounted for using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are recognized for the tax consequences of temporary differences by applying substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

The effect on deferred taxes for a change in tax rates is generally recognized in income in the period that includes the substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Current and deferred taxes relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

(j) Earnings per Share

Earnings per share is calculated using the weighted average number of common shares outstanding during the year. The calculation of diluted loss per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

(k) Shares-Based Payments

The Company grants share-based awards, including options, as an element of compensation to directors, officers, employees and service providers.

The Company uses the Black-Scholes Option Pricing Model to measure the fair value for all share options and warrants granted, modified or settled during the period. Compensation expense is recorded based on the fair value of the award at the grant date, amortized over the vesting period. Each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. No expense is recognized for awards that do not ultimately vest. When options or warrants are exercised, the proceeds received, together with any related amount in share-based payments reserve, are credited to share capital. The value of options or warrants that expire unexercised remains in reserves.

(l) Financial Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and lease liabilities.

The Company's classification of its financial instruments under IFRS 9 – *Financial Instruments* ("IFRS 9") is as follows:

Asset or Liability	**IFRS 9 Classification**
Cash	FVTPL[1]
Receivables	Amortized cost
Accounts payable	Amortized cost
Lease liabilities	Amortized cost

[1] *Fair value through profit and loss ("**FVTPL**")*

Classification

On initial recognition, the Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost.

3. Significant Accounting Policies – *continued*

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVTOCI. This election is made on an investment-by-investment basis.

All financial assets not classified or measured at amortized cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

Measurement

Financial Assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial Assets and Liabilities at Amortized Cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial Assets and Liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recognized in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies – *continued*

Derecognition

Financial Assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial Liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

New Accounting Standards Not Yet Adopted

Other 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.

4. Receivables

	February 28, 2022 ($)	**February 28, 2021 ($)**
Current		
GST receivable – Canada	17,037	602
VAT receivable – Europe	115,307	17,517
Other	4,192	3,211
	136,536	21,330
Non-Current		
VAT receivable – Mexico	110,776	79,207
	247,312	**100,537**

5. Intangible Assets

	Colombian Cannabis Licenses ($)	**Product Applications and Authorizations ($)**	**Brands and Trademarks ($)**	**Product Development ($)**	**Total ($)**
Balance, March 1, 2020	2,255,209	745,058	285,066	15,000	3,300,333
Additions	-	-	142,463	-	142,463
Amortization	(451,042)	-	(21,376)	-	(472,418)
Balance, February 28, 2021	**1,804,167**	**745,058**	**406,153**	**15,000**	**2,970,378**
Additions	-	-	19,036	914,247[1]	933,283
Amortization	(451,042)	-	(44,029)	-	(495,071)
Impairment	(1,353,124)	(745,057)	-	-	(2,098,181)
Balance, February 28, 2022	**1**	**1**	**381,160**	**929,247**	**1,310,409**

[1] *See note 9 (a), in connection with Solutech IP license*

(Expressed in Canadian Dollars)

5. Intangible Assets – *continued*

The Company intends to divest 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, to a carrying value of $1 as at February 28, 2022 as the recoverable amount, if any, is uncertain.

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 recent 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 a 3rd party to license its clinically-backed, patent pending delivery technology for cannabinoids. Pursuant to the terms of the agreement, on August 31, 2021, Xebra issued 6 million common shares to the 3rd party, which are subject to certain resale restrictions, for the right to produce and use the technology. Xebra's license is exclusive in Mexico and Colombia, and non-exclusive in Europe and the rest of the Americas, including Canada, but limited to only California in the United States; with no further consideration payable to the 3rd party.

6. Desart MX SA de CV

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

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

On December 1, 2021, Desart was granted the Amparo, and on January 11, 2022, a corresponding 48,000,000 shares were issued to former shareholders of Desart. Official licenses are expected to be granted by the Mexican Health Regulatory Agency (COFEPRIS) in due-course. The Desart Bonus Shares were determined to have a fair value of $nil based on management's initial expectations of receiving the Amparo upon acquisition of Desart (note 9).

7. Property, Plant and Equipment

	Office Furniture and Equipment ($)	Dutch Growing Facility ($)	Leasehold Improvements ($)	Right of Use Assets ($)	Construction In Progress ($)	Total ($)
Cost						
Balance, March 1, 2020	1,312	-	48,618	414,323	13,552	477,805
Additions (dispositions)	1,057	-	94,901	(224,840)	(12,682)	(141,564)
Foreign exchange	(140)	-	(6,539)	(29,540)	(870)	(37,089)
Balance, February 28, 2021	**2,229**	-	**136,980**	**159,943**	-	**299,152**
Additions	1,398	672,045	11,492	1,910	-	686,845
Impairment	(2,091)	(291,967)	(140,021)	(151,987)	-	(586,066)
Foreign exchange	(127)	(10,378)	(8,450)	(9,865)	-	(28,820)
Balance, February 28, 2022	**1,409**	**369,700**	**1**	**1**	**-**	**371,111**

(Expressed in Canadian Dollars)

7. Property, Plant and Equipment – *continued*

	Office Furniture and Equipment ($)	Dutch Growing Facility ($)	Leasehold Improvements ($)	Right of Use Assets ($)	Construction In Progress ($)	Total ($)
Accumulated Amortization						
Balance, March 1, 2020	(209)	-	(454)	(9,673)	-	(10,336)
Amortization	(272)	-	(24,599)	(53,019)	-	(77,890)
Foreign exchange	25	-	639	1,119	-	1,783
Balance, February 28, 2021	**(456)**	**-**	**(24,414)**	**(61,573)**	**-**	**(86,443)**
Amortization	(698)	(41,808)	(32,611)	(33,186)	-	(108,303)
Impairment	706	-	55,520	90,961	-	147,187
Foreign exchange	25	1,143	1,505	3,798	-	6,471
Balance, February 28, 2022	**(423)**	**(40,665)**	**-**	**-**	**-**	**(41,088)**
Net book value, February 28, 2021	**1,773**	**-**	**112,566**	**98,370**	**-**	**212,709**
Net book value, February 28, 2022	**986**	**329,035**	**1**	**1**	**-**	**330,023**

The Company intends to divest its Colombian operations due to the saturation of cannabis licenses in Colombia. Consequently, during the year ended February 28, 2022, the Company impaired its property, plant and equipment located in Colombia, to a carrying value of $1 as at February 28, 2022 for each of Office Furniture and Equipment, Leasehold Improvements and Right of Use assets, as the recoverable amounts, if any, are uncertain.

The Company intends to divest its Dutch operations due the high cultivation costs in the Netherlands. Consequently, during the year ended February 28, 2022, the Company impaired its Dutch Growing Facility by $291,967, to a net book value of $329,035 as at February 28, 2022.

Lease liability

The estimated fair value of lease liabilities was based on an incremental borrowing rate of 20%. Leases consist of a property lease located in Colombia.

At the beginning of fiscal 2020, the Company had lease agreements on two properties, one in Guasca for its main facilities, and a second one in Zipaquira for planned expansion upon receipt of required licenses for operations. Both agreements were affected by the COVID-19 pandemic. The Company applied a practical expedient under IFRS 16 on the Guasca lease as the lessor waived five months of rent as a relief for the pandemic. During the 2021 fiscal year, a total of $26,956 has been accounted for as a gain on the lease. The Zipaquira lease was terminated in June 2020.

Maturity Analysis

	$
Contractual undiscounted cash flows:	
Less than one year	36,869
Two to three years	29,278
Total undiscounted lease liabilities as at February 28, 2022	66,147
Interest	(2,338)
Total discounted lease liabilities as at February 28, 2022	**63,809**
Lease liabilities on the Consolidated Statements of Financial Position as at February 28, 2022	
Current (included in accounts payable)	35,015
Non-current (included in lease liabilities)	28,794
	63,809

(Expressed in Canadian Dollars)

7. Property, Plant and Equipment – *continued*

Amounts Recognized in the Consolidated Statements of Comprehensive Loss

	Year Ended	
	February 28, 2022 ($)	**February 28, 2021 ($)**
Interest expense on lease liabilities	3,040	7,485
Expenses relating to short-term leases	17,485	3,710
	20,525	**11,195**

8. Accounts Payable

On January 4, 2021, the Company received a loan of $155,000 from a third party. The loan was repayable on or before March 31, 2021. In consideration, the loan had a fixed interest of $7,000. If the loan was not repaid by March 31, 2021, the third party could have elected to convert the loan and interest into class A common shares of Xebra at the lesser of $0.15 per share or 50% of the price per class A common share of the most recent Xebra equity financing at the time. The loan and interest were fully repaid by Xebra on March 30, 2021.

9. Share Capital

(a) Common Shares

As at February 28, 2022, the Company had 181,206,971 (February 28, 2021 – 103,573,373) class A shares and nil (February 28, 2021 – 1) class B share issued and outstanding.

As of February 28, 2022, a total of 109,030,036 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 18,481,106 common shares issued to insiders of the Company and held in escrow by the transfer agent in accordance with the CSE listing policies.

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

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

On December 2, 2021 the Company closed a non-brokered private placement of 6,700,000 common shares at a price of $0.20 per common share, for gross proceeds of $1,340,000. On December 23, 2021, the Company issued 536,000 class A common shares with a fair value of $107,200 as finder's fees in connection with this non-brokered private placement.

On November 29, the Company issued 75,000 shares to a consultant as partial consideration for investor relation services with a fair value of $15,000.

On October 6, 2021 a total of 327,500 units were issued in connection with a unit private placement at $0.20 per unit for gross proceeds of $65,500. Each unit is comprised of one common share and one-half of one common share purchase warrant at an exercise price of $0.35 per warrant and such warrants expire on October 6, 2022. The 163,750 unit warrants had a fair value of $11,674 which has been recorded in warrant reserve.

On October 4, 2021, 13,712,262 Subscription Receipts (note 9b) were converted into 13,712,262 common shares, and a total of 6,856,131 warrants which had a fair value of $483,152 and is recorded in warrant reserves. The Company incurred share issuance costs of $253,065. On November 30, 2021, the Company issued 192,681 class A common shares with a fair value of $38,536 as finder's fees in connection with the Subscription Receipts (note 9b).

9. Share Capital – *continued*

On August 31, 2021, the Company issued 6,000,000 class A common shares with a fair value of $822,581 to a third party to license its clinically-backed, patent pending delivery technology for cannabinoids (“Solutech”). On August 4, 2021, the Company issued 200,000 class A common shares with a fair value of $27,419 as finder’s fees for Solutech.

On August 20, 2021, the Company issued 1,325,000 class A common shares in connection with a private placement of units for $0.20 per share, for gross proceeds of $265,000. Each unit entitle its holder to receive one common share and one-half of one common share purchase warrant at an exercise price of $0.35 per warrant, and such warrants expire on August 20, 2022. A total of 662,500 warrants were issued with a fair value of $49,671 which has been recorded in warrant reserve. The Company paid share issuance costs of $18,004.

On June 22, 2021, the Company and Organto Foods Inc. (“Organto”) amended an existing share purchase agreement to eliminate all distribution rights previously granted to Organto in exchange for 200,000 class A common shares of the Company at a fair value of $40,000.

On May 3, 2021, the Company issued 11,250 class A common shares in connection with the private placement of its common shares for $0.30 per share, for gross proceeds of $3,375. The Company incurred share issuance costs of $498.

On February 12, 2021, the Company issued 119,067 class A common shares in connection with the private placement of its common shares at $0.30 per share for gross proceeds of $35,720. Finders’ fees of 6,333 shares with a fair value of $1,899 were incurred in connection with the private placement.

On December 14, 2020, the Company issued 278,100 class A common shares in connection with the private placement of its common shares at $0.30 per share, for gross proceeds of $83,430. The Company incurred share issuance costs of $324.

On September 4, 2020, the Company issued 538,263 class A common shares in connection with a private placement of its common shares for $0.30 per share, for gross proceeds of $161,479. Finders’ fees of 43,061 shares with a fair value of $12,918 and share issuance costs of $1,582 were incurred in connection with the private placement.

On March 5, 2020, the Company issued 224,937 class A common shares in connection with a private placement of its common shares at $0.30 per share, for gross proceeds of $67,481. Finders’ fees of 13,393 shares with a fair value of $4,018 and share issuance costs of $12,027 have been incurred in connection with the private placement.

During February 2020, Finders’ fees of 278,110 shares with a fair value of $83,433 have been incurred in connection with the February private placement.

Treasury Shares

As at February 28, 2022, the Company held nil (February 28, 2021 – 270,107) treasury shares with a value of $nil (February 28, 2021 - $13,205).

On May 17, 2021, the Company entered into a share purchase agreement with certain shareholders to acquire 2,262,359 Class A common shares of the Company at a price of $0.02 for a total of $45,247. Additionally, the Company entered into assignment agreements under which the Company has assigned the right to purchase up to 2,262,359 Class A common shares to multiple assignees at a price of $0.02 for a total of $46,100, an additional 42,641 Class A common shares were issued as finder’s fees, with a value of $1,832.

On May 7, 2021, the Company transferred a total of 182,466 treasury shares with a fair value of $32,844 to settle debt totalling $36,493, resulting in a gain of $4,077.

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

On May 1, 2021, the Company entered into a services agreement with a third party to provide accounting services for certain subsidiaries. In addition to a monthly fee, the Company transferred 37,500 treasury shares to the service provider with a value of $1,875.

(Expressed in Canadian Dollars)

9. Share Capital – *continued*

On February 12, 2021, the Company sold 37,600 treasury shares for $1,880. The Company paid an aggregate of 2,000 shares as finders' shares with a fair value of $100. There was no gain or loss on the sale of these shares.

(b) Subscription Receipts

On April 12, 2021, the Company issued 4,100,000 subscription receipts (each a "Subscription Receipt") in connection with a private placement (the **"**Subscription Receipt Agreement**"**) for $0.20 per Subscription Receipt, for gross proceeds of $820,000. Each Subscription Receipt entitled its holder to receive one common share and one-half of one common share purchase warrant at an exercise price of $0.35 per warrant upon the satisfaction or waiver of the Escrow Release Conditions on or before October 12, 2021. Seventy five percent of all proceeds from Subscription Receipts were held in escrow, and were to be released to the Company when the Escrow Release Conditions were met on or before October 12, 2021, and if not, then would be returned to the subscriber. The Escrow Release Conditions were:

a) The common shares of the Company being conditionally approved for listing on the Canadian Securities Exchange and the completion, satisfaction or waiver of all conditions precedent to such listing, other than the release of escrowed funds; and
b) The issuance of a final receipt for the non-offering prospectus of the Company

On May 27, 2021, the Company issued 6,512,262 Subscription Receipts for $0.20 per subscription receipt, for gross proceeds of $1,302,452.

On July 27, 2021, the Company issued 2,100,000 Subscription Receipts for $0.20 per Subscription Receipt, for gross proceeds of $420,000.

On August 24, 2021, the Company issued 1,000,000 Subscription Receipts for $0.20 per subscription receipt, for gross proceeds of $200,000.

Finders' fees of $27,340 were paid in connection with the Subscription Receipt Agreement.

The Escrow Release Conditions were met on October 1, 2021, and the funds held in escrow under the Subscription Receipt Agreement were released to the Company on October 4, 2021.

Upon satisfaction of the escrow release conditions, the total 13,712,262 subscriptions were converted into common shares, and a total of 6,856,131 warrants were issued on October 4, 2021 in connection with such conversion. All warrants issued in connection with such conversion expire on October 4, 2022.

(c) Options

The Company has an omnibus equity incentive compensation plan to issue share options, and certain other equity incentives, whereby the total share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant, and certain other equity incentives subject to a maximum of 5,202,736 shares in aggregate. The Board of Directors may from time to time, grant options or certain other equity incentives to directors, officers, employees or consultants. The exercise price of an option is not less than the closing price on the CSE on the last trading day preceding the grant date. As at February 28, 2022, the Company has only granted share options and no other equity incentives.

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

	Number of Options	**Weighted Average Exercise Price ($)**
Balance, March 1, 2020 and February 28, 2021	-	-
Granted	8,150,000	0.20
Balance, February 28, 2022	**8,150,000**	**0.20**

(Expressed in Canadian Dollars)

9. Share Capital – *continued*

A summary of the Company's options at February 28, 2022 is as follows:

	Options Outstanding		Options Exercisable	
Exercise Price ($)	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (Years)**	**Number of Options Exercisable**	**Weighted Average Remaining Contractual Life (Years)**
0.23	50,000	4.89	50,000	4.89
0.20	8,100,000	4.64	6,211,111	4.64
0.20-0.23	**8,150,000**	**4.77**	**6,261,111**	**4.77**

The fair value of vested share options recognized as an expense during the year ended February 28, 2022 was $556,554 (2021 - $nil).

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

Assumptions used for share options granted during fiscal 2022 are as follows:

Grant Date	Number of Share Options	Expected Price Volatility	Risk Free Interest Rate	Expected Life (Years)	Expected Dividend Yield	Fair Value Per Option ($)	Total Fair Value ($)
January 19, 2022	50,000	121%	1.24%	3.65	-	0.16	8,040
October 18, 2021	8,100,000	122%	0.73%	3.32	-	0.09	712,580

(d) Warrants

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

On October 4, 2021, 13,712,262 subscription receipts were converted into 13,712,262 common shares, and a total of 6,856,131 warrants were issued in connection with such conversion. All warrants issued expire on October 4, 2022 and are exercisable at a price of $0.35 per warrant.

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

On May 27, 2021, the Company issued 511,300 broker warrants. Each broker warrant entitles the holder to acquire one common share of the Company at $0.20 per share for a period of 24 months.

On May 27, 2021, the Company issued 113,000 broker warrants to acquire 113,000 units at a price of $0.20 per unit until May 27, 2023. Each unit is comprised of one common share and one half of one common share purchase warrant. Each full warrant will entitle the holder to acquire one common share of the Company at $0.35 per share for a period of 12 months from the date of issuance.

On April 12, 2021, the Company issued 23,700 broker warrants. Each broker warrant entitles the holder to acquire one common share of the Company at $0.20 per share for a period of 24 months.

(Expressed in Canadian Dollars)

9. Share Capital – *continued*

Warrants issued were as follows:

	Number of Warrants	Fair Value ($)
October 6, 2021	163,750	11,674
October 4, 2021	6,856,131	483,152
August 20, 2021	662,500	49,671
May 27, 2021	511,300	69,618
May 27, 2021 - to purchase units	113,000	22,600
April 12, 2021	23,700	2,958
	8,330,381	**639,673**

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

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, March 1, 2020 and February 28, 2021	-	-
Issued	8,330,381	0.28
Balance, February 28, 2022	**8,330,381**	**0.28**

The fair value of warrants is estimated on the date of grant using the Black-Scholes Option Pricing Model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatility of shares of a comparable company, and other factors. The expected term of warrants issued represents the period of time which those warrants are expected to be outstanding.

The risk-free rate of periods within the contractual life of the warrants is based on the Canadian government bond rate. Assumptions used for certain warrants issued during the year ended February 28, 2022 are as follows:

Issue Date	Number of Warrants	Expected Price Volatility	Risk Free Interest Rate	Expected Life (Years)	Expected Dividend Yield	Fair Value per Warrant ($)	Total Fair Value ($)
October 6, 2021	163,750	133%	0.52%	1	-	0.07	11,674
October 4, 2021	6,856,131	132%	0.51%	1	-	0.07	483,152
August 20, 2021	662,500	138%	0.40%	1	-	0.07	49,671
May 27, 2021	511,300	141%	0.31%	2	-	0.14	69,618
April 12, 2021	23,700	125%	0.28%	2	-	0.12	2,958

The 113,000 broker warrants to acquire 113,000 units at a price of $0.20 per unit had a fair value of $22,600.

(e) Reserves

Share Options and Warrants

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

(Expressed in Canadian Dollars)

9. Share Capital – *continued*

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

	Translation Effects ($)	Share Options ($)	Warrants ($)	Total ($)
Balance, February 28, 2021	36,366	-	-	36,366
Issued / Granted	-	(556,554)	(639,673)	1,196227
Translation effects	(27,884)	-	-	(27,884)
Balance, February 28, 2022	**8,482**	**(556,554)**	**(639,673)**	**1,204,709**

Accumulated other comprehensive income (loss)

The accumulated other comprehensive income (loss) reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

10. Non-Controlling Interest

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

The movement in non-controlling interest is as follows:

	Xebra Brands Europe BV ($)
Balance, March 1, 2020	(2,713)
Results for the year	(21,330)
Currency translation difference	(4)
Balance, February 28, 2021	(24,047)
Results for the year	(118,359)
Currency translation difference	4,977
Balance, February 28, 2022	**(137,429)**

Financial information for Xebra Brands Europe BV is as follow:

	Year Ended	
	February 28, 2022 ($)	February 28, 2021 ($)
Current assets	116,394	17,671
Non-current assets	329,035	-
Current liabilities	(995,135)	(113,852)
Net loss	473,435	85,318
Other comprehensive income	(19,909)	(14)

(Expressed in Canadian Dollars)

11. Related Party Transactions

The Company entered into a cost sharing agreement (the "Xebra Cost Sharing Agreement") with Orea Mining Corp. ("Orea"), effective October 1, 2019, whereby certain overhead and administration costs are shared, which Xebra reimburses to Orea on a periodic basis. These amounts are included in general and administration expense. The Xebra Cost Sharing Agreement was terminated August 31, 2020, and replaced with a fixed fee agreement (the "Xebra Services Agreement"), whereby Orea provides certain overhead and administration services in exchange for a fixed fee of $10,000 per month. The Xebra Services Agreement was terminated on November 30, 2020, and replaced with an updated services agreement (the "Updated Services Agreement") effective January 1, 2021, for $2,000 per month. The Updated Services Agreement was amended effective June 1, 2021 under which the monthly payments are $30,000, and was further amended effective January 1, 2022 whereby the monthly is increased to $40,000. The Company and Orea have a director in common, and as a result of the Updated Services Agreement arrangement, certain officers in common.

On August 9, 2021, Columbus Capital Corp., a company controlled by Robert Giustra, a director of the Company, provided a short-term loan for $75,000 to the Company. The loan was interest free and repayable on demand and was fully repaid on October 5, 2021.

The following is a summary of related party transactions:

	Year Ended	
	February 28, 2022 ($)	**February 28, 2021 ($)**
Fees accrued or paid to Orea for management and administration services	296,000	227,450
Management fees paid to Columbus Capital Corporation., a company controlled by Robert Giustra, a director of the Company	62,500	66,800
Management and consulting fees paid to Todd Dalotto, a director of the Company	12,916	121,756
Management fees paid to Accounting Group ADR and Associates SC., a company controlled by Rodrigo Gallardo, President of the Company	83,040	84,000
Management fees paid to Applied Media Dynamics, a company controlled by Jorge Martinez, VP Corporate Operations of the Company	-	3,000
Share-based payments to certain directors and officers of the Company	479,111	-
	933,567	**503,006**

The following summarizes amounts that remain payable to each related party, which are included in account payable:

	February 28, 2022 ($)	**February 28, 2021 ($)**
Finders' fees payable to Robert Giustra, a director of the Company	(8,800)	-
Finders' fees payable to Rodrigo Gallardo, President of the Company	(8,000)	-
Finders' fees payable to Andrew Yau, CFO of the Company	(360)	-
Fees payable to Todd Dalotto, a director of the Company	(6,597)	-
Fees payable to Orea for management and administration services	-	(4,000)
Fees payable to Applied Media Dynamics, a company controlled by Jorge Martinez, VP Corporate Operations of the Company	-	(3,000)
	(23,757)	**(7,000)**

(Expressed in Canadian Dollars)

12. Segmented Information

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

	February 28, 2022 ($)	**February 28, 2021 ($)**
Current Assets		
Canada	910,155	277,416
Colombia	74,316	11,663
Europe	116,394	17,671
Mexico	50,354	27,472
	1,151,219	334,222
Non-Current Assets		
Canada	1,310,407	421,153
Colombia	3	2,016,876
Europe	329,035	-
Mexico	111,763	824,265
	1,751,208	3,262,294
Total Assets		
Canada	2,220,562	698,569
Colombia	74,319	2,028,539
Europe	445,429	17,671
Mexico	162,117	851,737
	2,902,427	**3,596,516**

13. Commitments

The Company has commitments as follows:

	1 year ($)	**2-3 years ($)**	**4-5 years ($)**	**Total ($)**
Land lease in Colombia (note 7)	36,869	29,278	-	66,147
	36,869	**29,278**	**-**	**66,147**

14. Financial Risk and Capital Management

Financial risk

The Company’s financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at February 28, 2022 are summarized below. The Board of Directors periodically reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit Risk

The credit risk exposure on cash is limited to its carrying amount at the date of the statements of financial position. Cash is held as cash deposits with reputable banks or financial institutions. The Company has receivables consisting of 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.

14. 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 February 28, 2022, the Company had a working capital of $722,593. 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).

(Expressed in Canadian Dollars)

14. Financial Risk and Capital Management – *continued*

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At February 28, 2022, there were no financial assets or liabilities measured and recognized in the statement of position that would be categorized as Level 2 or Level 3 in the fair value hierarchy above.

Financial Instrument	Measurement Method	Associated Risks	Fair value at February 28, 2022 ($)
Cash	FVTPL	Credit and currency	647,244
Receivables	Amortized cost	Credit	136,536
Accounts payable	Amortized cost	Liquidity	(341,058)
Lease liabilities	Amortized cost	Liquidity	(28,794)
			413,928

15. Deferred Income Tax

The provision for income taxes reported differs from the amount computed by applying the applicable Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	Year Ended	
	February 28, 2022 ($)	February 28, 2021 ($)
Loss before taxes	(6,261,017)	(1,881,378)
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery	(1,690,475)	(507,972)
Foreign tax differences, rate changes and foreign exchange	(33,565)	(8,397)
Non-taxable items	80,296	26,476
Non deductible	885,541	6,529
Lease liability	-	(5,508)
Change in valuation of deferred tax assets	758,203	488,872
Income tax expense	**-**	**-**

The Company has not recognized any deferred tax assets or liabilities as of February 28, 2022.

Deferred tax assets (liabilities) have not been recognized in respect of the following items:

	February 28, 2022 ($)	February 28, 2021 ($)
Equipment and other	101,463	10,800
Share issue costs	107,671	-
Capital losses carried forward	1,762,404	1,224,938
Intangible assets	22,402	-
Valuation allowance	(1,993,940)	(1,235,738)
	-	-

(Expressed in Canadian Dollars)

15. Deferred Income Tax – *continued*

As at February 28, 2022, the Company has deductible temporary differences for which deferred tax assets have not been recognized because it is currently not probable that future profit will be available against which the Company can utilize the benefits.

As of February 28, 2022, the Company has Canadian tax loss carryforwards of approximately $4,371,839 available to reduce future years' taxable income. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in the relevant jurisdictions.

The Company's tax loss carryforwards will expire, if not utilized, as follows:

	Canada (CDN$)	Colombia (COP)	Mexico (MXN)	Europe (EUR)
February 29, 2040	1,013,788	338,335,619	5,056,412	7,438
February 28, 2041	840,840	994,410,596	2,498,712	55,248
February 28, 2042	2,517,211	649,340,236	4,192,401	323,120
	4,371,839	1,982,086,451	11,747,525	385,806
		CDN$	**CDN$**	**CDN$**
Canadian dollar equivalents		644,799	729,551	549,850

A valuation allowance has been recorded against the deferred income tax assets associated with the tax losses and temporary differences because of the uncertainty of their recovery.

16. Subsequent Events

On April 8, 2022, the Company closed a non-brokered private placement of 15,000,000 units at a price of $0.12 per unit, for gross proceeds of $1,800,000. Each unit is comprised of one common share of the Company, and a half warrant. Each full warrant entitles the holder to purchase one share of the Company at a price of $0.25 for a period of 12 months from the closing date of the private placement. An aggregate of 257,063 shares, 504,560 warrants and $60,547 was paid in finders' fees. The shares issued in the private placement are subject to a hold period expiring on August 9, 2022.