Xebra Brands Ltd.
1090 Hamilton Street
Vancouver, B.C.
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Canada

Management's Discussion and Analysis
(Unaudited)

Nine Months Ended
November 30, 2022

(Stated in Canadian Dollars)

Dated January 26, 2023

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(Expressed in Canadian Dollars, except where noted)

This Management's Discussion and Analysis ("MD&A") focuses on significant factors that have affected Xebra Brands Ltd. ("Xebra", the "Company" or "Issuer") and its subsidiaries' performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended February 28, 2022, and the accompanying unaudited condensed interim consolidated financial statements for the interim period ended November 30, 2022, both of which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). "This quarter" or "current quarter" means the three-month period ended November 30, 2022. "This period" or "current period" means the nine-month period ended November 30, 2022. The information contained in this MD&A is current to January 26, 2023.

Forward Looking Information

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

Profile and Strategy

The Company was incorporated on February 21, 2019 under the laws of the Province of British Columbia, Canada. On April 24, 2019, the Company changed its name from 1198365 B.C. LTD to Xebra Brands Ltd. The Company is listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "XBRA", and 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. The Company is considered to be in the start-up stage. The Company's activities are not dependent on seasonality and may operate year-round; however, the Company may adjust the level of activities to manage its capital structure in light of changes in global economic conditions.

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

Overall Performance and Outlook

The following highlights the Company's overall performance for the three and nine months ended November 30, 2022:

	Three Months Ended			**Nine Months Ended**		
	November 30, 2022 ($)	**November 30, 2021 ($)**	**Change**	**November 30, 2022 ($)**	**November 30, 2021 ($)**	**Change**
Net loss attributable to shareholders of the Company	(571,928)	(1,565,207)	993,279	(2,519,629)	(2,284,597)	(235,032)
Cash used in operating activities	(483,262)	(1,095,304)	612,042	(2,211,073)	(1,573,620)	(637,453)
Cash at end of period	63,852	1,903,128	(1,839,276)	63,852	1,903,128	(1,839,276)
Loss per share attributable to shareholders of the Company – basic and diluted	(0.00)	(0.01)	0.01	(0.01)	(0.02)	0.01

Corporate Updates

On April 19, 2022, the Company announced that Mr. Jay Garnett has been appointed Chief Executive Officer and Director. Mr. Garnett, is a serial entrepreneur and corporate executive with many years of success in founding and leading consumer-packaged-goods and beverage companies in Canada and the United States. Over his nearly 30-year career, he has been recognized with numerous business awards and accolades, including Profit 100's Top 100 in Canada five years in a row, BC Business Top 30 Under 30 and Top 40 Under 40, and he was a finalist for Ernest & Young's Entrepreneur of the Year. Mr. Garnett founded Seattle's Best Coffee Canada, a national wholesaler and retailer in 1993, and it was acquired by Starbucks in 2007. From 2008 to 2010, he was a shareholder and CEO of the Healthy Beverage Company, a Nestlé development company subsequently acquired by a Mexican conglomerate. Its Steaz brand became a category leader in organic teas and it was the first company to launch an organic energy drink in the United States. At the time of the sale, Steaz was the second best selling ready-to-drink tea brand in Whole Foods across North America.

Mr. Garnett was also a founding partner in 2010 of Spud.com, an online organic food grocery delivery company with revenues in fiscal 2021 of $132.8 million and a gross profit of $49.5 million; its electronic platform has been adopted by grocers worldwide, including Carrefour the fifth largest grocer in the world.

In addition, Mr. Garnett launched a wine & spirits import agency, which he quickly grew to national status, and in 2016 it was acquired by one of the top 5 agencies in Canada. Since 2018, Mr. Garnett has been active in the cannabis sector as an investor and advisor, and he acted as a senior officer and director of Experion Biotech, which was later renamed Citizen Stash and acquired by The Valens Company. Mr. Garnett is also a significant shareholder of Xebra.

On January 26, 2023, the Company announced management changes. Robert Giustra has resigned as Chairman and Director in order to focus on his mining ventures. Mr. Giustra will remain an advisor to Xebra. Mr. Giustra is the founder of Xebra Brands; under his leadership, Xebra obtained an irrevocable injunction by the Mexican Supreme Court and created Xebra's unique beverage brands and trademarks. Over the last year Mr. Giustra transitioned the incoming CEO, and oversaw the Canadian launch of Xebra's highly successful THC and CBN infused lemonade Vicious Citrus. Andrew Yau, CFO and Daniela Freitas, Corporate Secretary have also resigned to focus on the mining sector; Rodrigo Gallardo Xebra's President has been appointed CFO and Corporate Secretary on an interim basis.

Financings

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 Xebra, and a half warrant. Each full warrant entitles the holder, on exercise, to purchase one share of Xebra 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 securities issued in the private placement are subject to a hold period expiring on August 9, 2022.

Discussion of Operations

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

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

The following illustration itemizes Xebra's beverage brand categories. Within most categories a number of flavors have been created, including sugar-free versions.

On April 12, 2022, the Company announced that its Vicious Citrous cannabis infused lemonade, has been accepted by the Ontario Cannabis Store (OCS), for listing and sale in the Province of Ontario, Canada. Subsequently, on July 6, 2022, the Company announced the successful completion of the first commercial production run of its Vicious Citrus cannabis infused lemonade. Xebra has engaged a national cannabis sales & marketing agency to introduce and support the growth of Vicious Citrus Lemonade to Canadian cannabis retailers.

Vicious Citrus is a non-carbonated THC infused lemonade beverage, with a tangy Citrus flavour and a 5:1 THC / CBN ratio. With the maximum amount of psychoactive cannabinoids allowed in any Canadian listed beverage, Vicious Citrus combines 10mg of THC with 2mg of CBN. Vicious Citrus is one of only a few beverages in Canada containing CBN, a unique cannabinoid that is booming in interest across North America.

On August 24, 2022, Xebra announced it would enter the Canadian retail market with its brand of cannabis-infused lemonades, Vicious Citrus. The beverage is now available for purchase in Ontario, one of Canada's largest provinces in annual cannabis sales with over 1,300 cannabis retailers.

On September 13, 2022, Xebra announced the launch of its Vicious Citrus cannabis infused lemonade in the province of Saskatchewan. Xebra received its initial purchase order from the Saskatchewan Liquor and Gaming Authority (SLGA). Saskatchewan is Canada's 5th largest province in annual cannabis sales, with 91 cannabis retailers across the province. Saskatchewan's cannabis retail sales continue to grow double digits, posting 11% growth in the last 12 months.

On September 27, 2022, Xebra began production of its second Ontario Cannabis Store (OCS) listed product, NEO, which has been accepted for listing and will be shipping soon to the province of Ontario. NEO continues the Vicious Citrus line of beverages by combining the unique cannabinoids of THC and CBN in a cannabis infused lemonade with honey flavoring.

Xebra Brands is currently progressing through the research & development phase of its third, non carbonated, cannabis infused lemonade for the Canadian market with intentions to complete the beverage formulation and brand positioning for a Q2 2023 launch into Canadian Provinces.

<u>Mexico</u>

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.

(Expressed in Canadian Dollars, except where noted)

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 September 29, 2022, the Company announced that the Mexican Health Regulatory Agency (the Mexican FDA equivalent) (the "COFEPRIS") has been directed by the court authorities to grant Desart, all applicable cannabis authorizations, pursuant to the irrevocable injunction granted by the Supreme Court in December 2021.

On December 8, 2022, the Company announced the COFEPRIS, had formally notified Desart, with a resolution in which it claimed to have complied with the Supreme Court mandate to grant the Company cannabis authorizations. The Company however indicated that in its opinion, and in the opinion of its legal advisors, the resolution issued by the COFEPRIS did not fulfill the mandate of the Supreme Court.

A District Court judge has now reviewed the COFEPRIS resolution and ruled in favor of Desart, outright rejecting its scope and language as materially insufficient and upholding the Company's irrefutable legal rights granted by the Supreme Court. Thus, the judge ordered the COFEPRIS to issue the full and proper authorizations within 3 business days.

A Mexican court has granted the Mexican Health Regulatory Agency (the Mexican FDA equivalent) (the "COFEPRIS"), another extension to February 10, 2023, to fulfill the Supreme Court mandate to grant Xebra cannabis authorizations. Xebra has been provided with copies of the extension request made by the COFEPRIS to the court; the documents reference the cooperation of high-ranking officials and are clearly indicative of genuine efforts being made by the COFEPRIS to comply with the Supreme Court to grant Xebra the cannabis authorizations. Additional delays can be reasonably expected as this is a new legal process in Mexico.

Desart's authorizations will apply specifically to cannabis with low-levels of THC (under 1%), therefore, in practical terms, to hemp cultivation, processing, and to the manufacture and sale of mainly CBD products, and certain uses of the cannabis flower. Opportunities in the hemp plastics industries have also been identified.

Summary of Quarterly Information

	Q3 2023 ($)	**Q2 2023 ($)**	**Q1 2023 ($)**	**Q4 2022 ($)**	**Q3 2022 ($)**	**Q2 2022 ($)**	**Q1 2022 ($)**	**Q4 2021 ($)**
Revenues	23,697	54,009	-	-	-	-	-	-
Net loss attributable to shareholders	(571,928)	(807,332)	(1,140,369)	(3,858,061)	(1,565,207)	(392,567)	(326,823)	(167,368)
Basic and diluted net loss per share attributable to shareholders	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	(0.00)	(0.00)	(0.00)

	Nov 30, 2022 ($)	**Aug 31, 2022 ($)**	**May 31, 2022 ($)**	**Feb 28, 2022 ($)**	**Nov 30, 2021 ($)**	**Aug 31, 2021 ($)**	**May 31, 2021 ($)**	**Feb 28, 2021 ($)**
Cash	63,852	559,796	1,505,714	647,244	1,903,128	68,557	197,941	93,334
Total assets	2,163,544	2,648,919	3,434,880	2,902,427	7,279,214	7,435,775	5,340,235	3,596,516
Total non-current financial liabilities	-	(13,254)	(20,069)	(28,794)	(36,478)	(46,664)	(54,157)	(67,026)

Q3 2023 Compared with Q2 2023

During the current quarter, the Company earned revenues of $23,697 through the sales of 5,364 units of its cannabis infused lemonade, the cost of sales in connection with these sales totaled $46,203, resulting in a gross loss of $22,506. During Q2 2023, the Company earned revenues of $54,009 through the sales of 13,536 units, the cost of sales totaled $50,429, resulting in a gross margin of $3,580. The variance in gross margin is primarily attributable to the Company being in the start-up phase and not yet achieved consistency and economies of scale in its production. The Company incurred a net loss attributable to shareholders of the Company of $571,928 in Q3 2023, compared to $807,332 in Q2 2023. The decrease in net loss is primarily attributable to lower operating costs in general, including administration, investor relations, management fees and professional fees.

Q3 2023 Compared with Q1 2023

During the current quarter, the Company earned revenues of $23,697 through the sales of 5,364 units of its Vicious Citrus cannabis infused lemonade. Cost of sales in connection with these sales totaled $46,203, resulting in a gross loss of $22,506. As the current quarter represents the second quarter of sales, there are no sales and cost of sales comparatives with Q1 2023. During Q3 2023, the Company incurred a net loss attributable to shareholders of the Company of $571,928 compared to $1,140,369 during Q1 2023. The decrease in net loss is primarily attributable to lower operating expenses, including reduced general and administration expenses by $76,588, investor relations by $177,534, shares-based payments by $131,896 and amortization by $49,236, partially offset by increased professional fees by $128,941. In addition, the Company wrote off its Dutch growing facility totalling $264,530 during Q1 2023.

Q3 2023 Compared with Q4 2022

During the current quarter, the Company earned revenues of $23,697 through the sales of 5,364 units of its Vicious Citrus cannabis infused lemonade. Cost of sales in connection with these sales totaled $46,203, resulting in a gross loss of $22,506. As the current quarter represents the second quarter of sales, there are no sales and cost of sales comparatives with Q4 2022. During Q3 2023, the Company incurred a net loss attributable to shareholders of the Company of $571,928 compared to $3,858,061 during Q4 2022. The higher net loss during Q4 2022 is mainly a result of the impairment of certain assets in the amount of $2,537,060 and higher operating costs in general, including administration, investor relations, professional fees, shares-based payments and amortization.

Q3 2023 Compared with Q3 2022

During the current quarter, the Company earned revenues of $23,697 through the sales of 5,364 units of its Vicious Citrus cannabis infused lemonade. Cost of sales in connection with these sales totaled $46,203, resulting in a gross loss of $22,506. As the current quarter represents the second quarter of sales, there are no sales and cost of sales comparatives with Q3 2022. During Q3 2023, the Company incurred a net loss attributable to shareholders of the Company of $571,928 compared to $1,565,207 during Q3 2022. The decrease in net loss is primarily attributable to lower operating expenses, including reduced investor relations by $601,532, shares-based payments by $300,985 and amortization by $124,889. These were partially offset by an increase in management fees of $127,431. In addition, during Q3 2023, the Company recorded $43,898 as a gain from sale of Medicannabis SAS ("Medicanabis"), as part of its strategy to exit Colombia (the "Colombia Exit").

Q3 2023 Compared with Q2 2022, Q1 2022 and Q4 2021

During the current quarter, the Company earned revenues of $23,697 through the sales of 5,364 units of its Vicious Citrus cannabis infused lemonade. Cost of sales in connection with these sales totaled $46,203, resulting in a gross loss of $22,506. As the current quarter represents the second quarter of sales, there are no sales and cost of sales comparatives with Q2 2022, Q1 2022 and Q4 2021. Net loss for Q2 2022, Q1 2022 and Q4 2021 were $392,567, $326,823 and $167,368 respectively. The increase this quarter is mainly attributable to the Company's increased investor relations activities of $48,685 (the "IR Expense"), management fees of $177,091 and professional fees of $213,854, partially offset by decreased amortization of $15,363. In addition, Q3 2023 incurred higher administration expenses of $161,592 as a result of the changes to the Services Agreement (see Related Party Transactions), compensation changes, and the Company recorded $43,898 as a gain from the Colombia Exit.

(Expressed in Canadian Dollars, except where noted)

Review of Financial Results – Year to Date

During the current period, the Company earned revenues of $77,706 through the sales of 18,900 units of its Vicious Citrus cannabis infused lemonade. Cost of sales in connection with these sales totaled $96,632, resulting in a gross loss of $18,926. As the current period represents the commencement of the Company's sales, there are no sales and cost of sales comparatives for the same period in the prior year. During the current period, the Company incurred a net loss attributable to shareholders of the Company of $2,519,629 compared to $2,284,597 during the same period in the prior year. The increase in net loss is primarily attributable to a higher operating cost in general, including administration, management fees and professional fees, partially offset by decreased investor relations, amortization and share-based payments this period.

Liquidity and Capital Resources

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

	Three Months Ended		Nine Months Ended	
	November 30, 2022 ($)	November 30, 2021 ($)	November 30, 2022 ($)	November 30, 2021 ($)
Cash used in operating activities	(483,262)	(1,095,304)	(2,211,073)	(1,573,620)
Cash used in investing activities	(14,240)	(273,624)	(93,544)	(688,057)
Cash from financing activities	-	3,206,362	1,721,323	4,074,440
Cash, end of the period	63,852	1,903,128	63,852	1,903,128

As at November 30, 2022, the Company had working capital of $190,420, compared to $798,488 at August 31, 2022 and $722,593 at February 28, 2022. The working capital decreased from August 31, 2022 and February 28, 2022, mainly a result of cash used in operations.

During the current quarter, the Company used $483,262 in operating activities compared to $1,095,304 during the same quarter in the prior year. The decrease in cash used this quarter and this period is primarily attributable to a general reduction in cash operating costs, which is part of the Company's working capital conservation strategy. During the current period, the Company used $2,211,073 in operating activities, compared to $1,573,620 during the same period in the prior year. The increase is primarily attributable to a general increase in operating expenses.

During the three months ended November 30, 2022, the Company invested $14,240 in intangible assets relating to trademarks and product development, compared to $7,993 in intangible assets and $265,631 in equipment for its Dutch operations during the same quarter in the prior year. During the current period, the Company invested $93,544 in intangible assets, compared to $15,241 in intangible assets and $672,816 in equipment during the same period in the prior year.

During the current quarter, there were no significant financing activities. During the same quarter in the prior year, the Company completed a share offering for aggregate proceeds of $3,290,710, repaid $75,000 to Columbus Capital Corp. (see Related Party Transactions) and paid lease liabilities of $9,348. During the nine months ended November 30, 2022, the Company received $1,721,323 from financing activities, comprised of $1,734,212 from share offerings, partially offset by the payment of lease liabilities of $12,889. During the comparative prior year period, the Company completed share offerings for aggregate proceeds of $4,256,445, sold treasury shares for $8,326, repaid a shareholder loan including interest for $162,000 and paid lease liabilities totalling $28,331.

As at November 30, 2022, the Company had cash of $68,852 and current liabilities of $457,123. The Company intends to conduct additional financing activities to increase working capital.

(Expressed in Canadian Dollars, except where noted)

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company entered into a services agreement (the "Services Agreement) with Orea Mining Corp. ("Orea") effective January 1, 2021 for $2,000 per month, to provide certain management services and overhead infrastructure. The Services Agreement was amended effective June 1, 2021 under which the monthly payments were $30,000, and was further amended effective January 1, 2022 whereby the monthly is increased to $40,000. The Services Agreement was terminated effective January 20, 2023. The Company and Orea have certain officers in common.

On April 11, 2022, the Company provided a short-term loan of $60,000 to Jay Garnett, director & CEO of the Company. As amended, the loan is interest free and repayable in installments of $10,000 per month commencing on October 1, 2022.

The following is a summary of related party transactions:

	Three Months Ended		**Nine Months Ended**	
	November 30, 2022 ($)	**November 30, 2021 ($)**	**November 30, 2022 ($)**	**November 30, 2021 ($)**
Fees accrued or paid to Orea under the Services Agreement	120,000	90,000	360,000	186,000
Management fees paid to Columbus Capital Corp., a company controlled by Robert Giustra, a former director of the Company	60,000	25,000	165,000	25,000
Management fees paid to Garnett Canada Holdings., a company controlled by Jay Garnett, director & CEO of the Company	60,000	-	150,000	-
Management fees paid to Todd Dalotto, a director of the Company	19,536	689	56,438	689
Management fees paid to Accounting Group ADR and Associates SC., a company controlled by Rodrigo Gallardo, President of the Company	37,611	24,660	119,470	57,201
Share-based payments to certain directors and officers of the Company	23,334	-	183,556	-
	320,481	**140,349**	**1,034,464**	**268,890**

The following summarizes advances or amounts that remain receivable from or payable to each related party:

	November 30, 2022 ($)	**February 28, 2022 ($)**
Advances to Orea Mining Corp	8,000	-
Receivable from Jay Garnett, director & CEO of the Company	60,000	-
Management fees payable to Jay Garnett, director & CEO of the Company	(42,000)	-
Management fees payable to Robert Giustra, a former director of the Company	(21,000)	-
Management fees payable to Todd Dalotto, a director of the Company	(13,215)	(6,597)
Finders' fees payable to Robert Giustra, a former 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)
	(8,215)	**(23,757)**

Proposed Transactions

There are no proposed transactions as at November 30, 2022 and the date of this MD&A.

Critical Accounting Estimates

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.

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 acquisitions, classification of expenditures as intangible assets or operating expenses and the classification of financial instruments.

Changes in Accounting Standards

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

Financial Risk and Capital Management

Financial risk

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at November 30, 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 trade receivables, goods and services tax due from the Federal Government of Canada, VAT receivable from the Government of Mexico, Colombia and the Netherlands, and a related party receivable. Management believes that the credit risk with respect to its receivables is high, and for cash is low.

(b) Liquidity Risk

Liquidity risk arises from the Company's general and capital financing needs. The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at November 30, 2022, the Company had a working capital of $190,420. Management believes that liquidity risk is very 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.

Sensitivity Analysis

A 1% change in interest rates does not have a material effect on the Company's profit or loss and equity.

The Company has certain cash balances, receivables and accounts payables in US Dollars, Mexican Peso, Colombian Peso and European Euros, currencies other than the Company's functional currency. The Company estimates that a +/-10% change in the value of the Canadian dollar relative to the US dollar, Mexican Peso, Colombian Peso and European Euros would have a corresponding effect of approximately $176,000 to profit or loss.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the cultivation, processing, manufacturing, design and delivery of cannabis products and to maintain a flexible capital structure for the benefit of its stakeholders. As the Company is in the start-up stage, its principal source of funds is, and will be, financing through the issuance of equity securities.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and investments. There were no changes to the management of capital from the previous year.

Fair Value

The fair value of the Company's financial instruments including cash approximates their carrying value due to the immediate or short-term maturity of these financial instruments.
IFRS 7, Financial Instruments: Disclosure establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Expressed in Canadian Dollars, except where noted)

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At November 30, 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 November 30, 2022 ($)
Cash	FVTPL	Credit and currency	63,852
Receivables	Amortized cost	Credit	235,418
Accounts payable	Amortized cost	Liquidity	(373,353)
			(74,083)

Other Information

Outstanding Share Data

The Company has authorized capital of an unlimited number of common shares without par value. The table below represents the Company's capital structure as at the date of this MD&A and November 30, 2022:

	As at date of this MD&A	November 30, 2022
Common shares issued and outstanding	196,697,906	196,697,906
Share purchase options	9,950,000	9,950,000
Warrants	8,652,560	8,652,560

Risks and Uncertainties

The following are certain factors relating to the business of the Issuer, which factors investors should carefully consider when making an investment decision concerning the shares of the Issuer. These risks and uncertainties are not the only ones facing the Issuer.

Additional risks and uncertainties not presently known to the Issuer may also impair the operations of the Issuer. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Issuer could be materially and adversely affected and the ability of the Issuer to implement its growth plans could be adversely affected.
An investment in the Issuer is speculative. An investment in the Issuer will be subject to certain material risks and investors should not invest in securities of the Issuer unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of the Issuer.

General

A purchase of any of the securities of the Issuer involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Issuer should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in the Issuer's securities prior to purchasing any of the securities.

Risks Related to the Issuer

Market for Securities

There can be no assurance that an active public market for the Common Shares of the Company will develop or be sustained. The holding of Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. The Common Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

Limited Operating History

The Issuer began carrying on business in 2019 and has not yet generated material income. The Issuer is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Issuer will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations.

Global Economic Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, the Issuer is subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Issuer's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Issuer. If uncertain market conditions persist, the Issuer's ability to raise capital could be jeopardized, which could have an adverse impact on the Issuer's operations and trading price of the Common Shares on the stock exchange.

Changing Economic Conditions

The demand for entertainment and leisure activities, including cannabis consumption, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond the Issuer's control. Unfavourable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment and leisure activities, such as cannabis consumption. As a result, the Issuer cannot ensure that demand for its product offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as cannabis consumption. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for the Issuer's product offerings, reducing its cash flows and revenues. If the Issuer experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

Economic Environment

The Issuer's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Issuer's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Issuer's management.

Risks Associated with Acquisitions

As part of the Issuer's overall business strategy, the Issuer may pursue select strategic acquisitions after the completion of the Listing, which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Issuer's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Issuer's financial estimates, projections and other forward-looking information accompanying this document were prepared by the Issuer without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of the Issuer and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events.

There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Issuer and its subsidiaries might achieve.

Difficulty to Forecast

The Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industries. A failure in the demand for its services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of the Issuer.

Competition General

There is potential that the Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than the Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Issuer. To remain competitive, the Issuer will require a continued high level of investment in research and development, marketing, sales, and client support.

Management of Growth

The Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of the Issuer to deal with this growth may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Reliance on Management

The success of the Issuer will be dependent upon the ability, expertise, judgment, discretion, and good faith of its key executives, including the directors and officers of the Issuer and a small number of highly skilled and experienced executives and personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Issuer's business, operating results, or financial condition. The competition for highly skilled technical, research and development, management and other employees is high and there can be no assurance that the Issuer will be able to engage or retain the services of such qualified personnel in the future.

Furthermore, equity-based awards comprise a key component of executive and senior management compensation, and if the Issuer's common share price declines or is volatile, it may be difficult to retain such individuals. The Issuer's retention and recruiting may require significant increases in compensation expense, which may adversely affect its results of operation.

Risks Relating to Insurance

The Issuer intends to insure its operations in accordance with the Issuer's industry practice. However, given the novelty of cannabis and associated businesses, such insurance may not be available, uneconomical for the Issuer, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Issuer.

No Dividends

The Issuer has never paid any cash dividends its Common Shares. Xebra does not anticipate paying any cash dividends on its Common Shares in the foreseeable future because, among other reasons, the Issuer currently intends to retain any future earnings to finance its business. The future payment of cash dividends will be dependent on factors such as cash on hand and achieving profitability, the financial requirements to fund growth, the Issuer's general financial condition and other factors the board of directors may consider appropriate in the circumstances. Until Xebra pays cash dividends, which it may never do, the Issuer's shareholders will not be able to receive a return on their Common Shares unless they sell them.

Negative Cash Flows From Operating Activities

During the fiscal year ended February 28, 2022, the Company had negative cash flows from operations of $2,707,469, resulting from the Company being in the start-up stage. The Company intends to increase working capital through additional equity offerings in the future. However, there can be no guarantee that such activity and financial resources will be possible. Until the Company can generate positive cash flow from operations, its ability to finance its operations will depend on its ability to obtain additional external financing and ultimately generate future profitable operations.

Risks Related to Regulation in the Cannabis Industry

Highly Regulated Industry

The Company operates in a highly regulated and rapidly evolving market. The laws, regulations and guidelines generally applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen. The Company's operations are subject to a variety of laws, regulations, guidelines and policies, whether in Canada or elsewhere, relating to the cultivation, manufacture, import, export, management, transportation, storage, packaging/labelling, advertising and promotion, sale, health and safety and disposal of cannabis, including, but not limited to, the Cannabis Act (Canada) (the "Cannabis Act"), any regulations thereunder, and laws, regulations, guidelines and policies relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment, and applicable stock exchange rules and regulations. Any amendment to or replacement of existing laws, regulations, guidelines or policies may cause adverse effects to the Company's operations. The risks to the Company's business represented by subsequent regulatory changes could reduce the addressable market for the Company's products and could materially and adversely affect the Company's business, financial condition, results of operations and prospects.

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals required may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Any potential non-compliance could cause the Company's business, financial condition, results of operations and prospects to be adversely affected. Further, any amendment to or replacement of the

Cannabis Act and other applicable rules and regulations governing the Company's business activities may cause adverse effects on the Company's business, financial conditions and results of operations.

The federal legislative framework pertaining to the Canadian adult-use cannabis market is still very new. In addition, the governments of every Canadian province and territory have implemented different regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that the legislative framework regulating the cultivation, processing, distribution and sale of cannabis for adult-use purposes will not be amended or replaced or that any current legislation will create the growth opportunities that the Company currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect of the Company's business, financial condition, results of operations and prospects.

Further, as the commercial cannabis industry is a relatively new industry in Canada, we anticipate that regulations governing cannabis in Canada will be subject to change as the Canadian federal government monitors licensees in action. Health Canada may change their administration, interpretation or application of the applicable regulations or their compliance or enforcement procedures at any time. Any such changes could require the Company to revise its ongoing compliance procedures, requiring the Company to incur increased compliance costs and expand additional resources. There is no assurance that the Company will be able to comply or continue to comply with applicable regulations.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations could subject the Company to regulatory or agency proceedings or investigations and may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include damage awards, fines, penalties or corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation and no assurance can be given that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations, may have a material adverse impact on the Company's business, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities.

In addition, the introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada or any of the jurisdictions in which the Company operates could result in an increase in taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect. Due to the complexity and nature of the Company's operations, various legal and tax matters may be outstanding from time to time. If the Company is unable to resolve any of these matters favourably, it may have a material adverse effect on the Company.

Laws and Regulations Governing Cannabis in Foreign Jurisdictions

The Company's ability to achieve its business objectives in foreign jurisdictions is contingent, in part, upon its compliance with regulatory requirements enacted by governmental authorities and the Company obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime that countries such as Mexico, Netherlands or Colombia are implementing and the method in which their governmental authorities will implement the adult-use or medical cannabis industry. Similarly, the Company cannot predict how long it will take to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of the various compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company currently incurs and will continue to incur ongoing costs and obligations related to regulatory compliance. A failure on the Company's part to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on its operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Foreign Investment in Cannabis Companies

Certain jurisdictions may prohibit or restrict its citizens or residents from investing in or transacting with companies involved in the cannabis industry, even if such companies only conduct business in jurisdictions where cannabis is legal. For example, if an investor in the United Kingdom profits from an investment in a cannabis producer or supplier, such investment may technically violate the *United Kingdom Proceeds of Crime Act 2002*. Similar prohibitions or restrictions may apply in other jurisdictions where cannabis has not been legalized. In the U.S., there have been certain instances of U.S. Customs and Border Protection preventing citizens of foreign countries from entering the U.S. for reasons related to the cannabis industry.

Operations in Foreign Jurisdictions

The Company maintains operations in various emerging markets and may have operations in additional foreign jurisdictions in the future. Such operations expose the Company to the socioeconomic conditions as well as the laws governing the cannabis industry in such countries. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates; military repression; war or civil war; social and labor unrest; organized crime; corruption and fraud; title and property disputes; hostage-taking; terrorism; violent crime; expropriation and nationalization; public health crises including epidemics, pandemics or outbreaks of new illnesses, infectious diseases or viruses (including, most recently, the novel coronavirus (COVID-19)); renegotiation or nullification of existing licences, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political norms; banking and currency controls; and governmental regulations that favor or require us to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in cannabis industry or investment policies or shifts in political attitude in the countries in which the Company operates may adversely affect its operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions (temporary or otherwise) on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of concessions, licences, approvals and permits, environmental matters, land use, land claims of local people, water use, workplace safety, permitted public activities, domestic and international travel and permitted commercial operations. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licences, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The Company continues to monitor developments and policies in the emerging markets in which it operates and assess the impact thereof to our operations; however, such developments cannot be accurately predicted and could have an adverse effect on the Company's business, financial condition and results of operations and prospects.

Demand for Cannabis and Derivative Products

The legal cannabis industry in Colombia is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for medicinal cannabis and on the business, results of operations, financial condition and cash flows of the Issuer. In an effort to ensure that the distribution of its products is not tied to one market, the Issuer is focusing its distribution efforts internationally, specifically in Colombia, in Mexico and the Netherlands.

Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. The Issuer's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure to materialize into significant demand may have an adverse effect on the Issuer's financial condition.

Public Health Crises

A public health crisis, such as local, regional, national or international epidemics, pandemics or outbreaks of illnesses, infectious diseases or viruses (including COVID-19) could cause interruptions to the Company's operations, increase operating expenses, result in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred. Depending on its severity and reach, such an event could affect the Company's workforce resulting in the inability to continue to operate the Company's production facilities. Further, the Company's operations could be adversely affected if its supply partners, contractors, customers and/or transportation carriers were prevented from conducting business activities for an indefinite period of time, including due to spread of the disease within these groups or due to shutdowns that may be requested or mandated by governmental authorities. In addition, a health crisis, such as the COVID-19 pandemic, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products, the market for the Company's securities and/or its ability to obtain financing.

In particular, as of the date of this document, the full extent of the effects of COVID-19 are unknown. The continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt the supply chain and the manufacture or shipment of the Company's products and adversely impact the Company's business, financial condition, results of operations and prospects. In addition, there can be no assurance that the Company will not lose members of its workforce or see its workforce man-hours reduced or incur increased medical costs as a result of these health risks. The effects of the pandemic on the Company's international operations contributed to the Company recording an impairment loss. The Company is actively assessing and responding, where possible, to the potential impact of the COVID-19 pandemic. The Company continued its operations throughout the crisis by implementing appropriate measures designed to protect the health and safety of its employees.

In addition, at this time, persistent social distancing measures and restrictions imposed by the federal, provincial and territorial governments in Canada on the movement of individuals and the distribution of cannabis in the country may adversely affect the Company's cannabis sales. It is difficult to predict how the COVID-19 pandemic may affect the Company's business in the future, including the effect it may have (positive or negative; long or short term) on the price of, and demand for, cannabis. It is possible that the COVID-19 pandemic could have a material adverse effect on the Company's business, financial condition, results of operations and prospects as well as the market for its securities and/or its ability to obtain financing. The extent to which the COVID-19 pandemic impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus, the duration of the outbreak and the actions to contain its impact.

Emerging Markets Risks

In the past, high levels of inflation have adversely affected emerging economies and financial markets, and the ability of government to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation and have created general economic uncertainty. The emerging markets in which the Company operates, such as Colombia and Mexico, or may operate may experience high levels of inflation in the future. Inflationary pressures may weaken investor confidence in such countries and lead to further government intervention in the economy. If countries in which the Company operates experience high levels of inflation in the future and/or price controls are imposed, the Company may not be able to adjust the rates the Company charges its customers to fully offset the impact of inflation on the Company's cost structures, which could adversely affect the Company's business, financial condition, results of operations and prospects.

Moreover, emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. For instance, Colombia, where the Issuer has a part of its operations, has a history of geopolitical instability and crises including those related to drug cartels. While there is no current major political instability in Colombia, this could be subject to change in the future and could adversely affect the Issuer's business, financial condition and results of operations.

Reliance on International Advisors and Consultants

The legal and regulatory requirements in the foreign countries in which the Company operates or will operate with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Company must rely, to a great extent, on local legal counsel, consultants and advisors retained by it in order to keep apprised of legal, regulatory and governmental developments as they pertain to and affect the Company's business, and to assist the Company with its governmental relations. The Company must rely, to some extent, on those members of management and the Board who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation, tax and public health matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the Company's control. The impact of any such changes may adversely affect the Company's business, financial condition, results of operations and prospects.

Environmental Regulations and Risks

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of adult-use or medical cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on the Company's business, financial condition, results of operations and prospects and could cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Risks Inherent in an Agricultural Business

The Company's business involves the growing of adult-use or medical cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, pests, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on any such future production.

Third Party Transportation

In order for customers of the Company to receive their product, the Company must rely on third-party transportation services. This can cause logistical problems with and delays in patients and customers obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's business, financial condition, results of operations and prospects.

Reliance on Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its executive management. The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of member of the Company's executive management, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all.

In addition, the COVID-19 pandemic imposes a high risk to all of the Company's activities, including the potential that an executive team member may become ill and the Company's ability to continue to rely on its key personnel throughout the pandemic. The Company diligently monitors developments relating to the COVID-19 pandemic and its impact on the Company's personnel and the Company established contingency plans in the event members of its executive team are negatively impacted by the virus.

Product Liability

As a manufacturer and distributor of products designed to be ingested or vaporized by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claims or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Recent Announcements and Risks Regarding Vaporizer Products

On October 4, 2019, the U.S. Food and Drug Administration issued a warning to the public to stop using vaping liquids containing cannabis derivatives and ingredients, such as CBD and THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. Lung injuries associated with the use of cannabis derivative containing vaping liquid have also been reported in Canada resulting in certain provinces either banning or delaying the sale of vaping liquids and vaping products to consumers. In response, Health Canada issued an information update advising Canadians who use cannabis derivative containing vaping liquids to monitor themselves for symptoms of pulmonary illness. There may be further governmental and private sector actions aimed at reducing the sale of or prohibiting cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. These actions, combined with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the Company's vaporizer products. Federal, provincial and local regulations or actions that prohibit or restrict the sale of the Company's vaporizer products including cannabis derivative vaping liquids, or that decrease consumer demand for the Company's products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the Company's business, financial condition, results of operations and prospects.

Long-Term Health Impacts Associated with Use of Cannabis and Cannabis Derivative Products

There is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether used for recreational or medicinal purposes. As such, there are inherent risks associated with using the Company's cannabis and cannabis derivative products. The Company's cannabis and cannabis derivative products should always be used only as specifically instructed by the Company on the packaging and associated product information or product insert prepared by the Company. Consumers should never modify cannabis products or cannabis derivative products or add substances to such products as this may result in increased health risks and unpredictable adverse reactions. Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Wholesale Price Volatility

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation, government regulations and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by government agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Company. The Company's operating income may be significantly and adversely affected by a decline in the price of cannabis and will be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as the Company's profitability is directly related to the price of cannabis. The price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a material adverse effect on the Company's business, financial condition and results of operations.

Limited Standardized Research on the Effect of Cannabis

To date, there is limited standardization in the research of the effects of cannabis, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis. Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids (such as CBD and THC) remains in relatively early stages.

Future research and clinical trials may draw opposing conclusions to statements in this document or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to cannabis, which could adversely affect social acceptance of cannabis and the demand for the Company's products.

Unfavourable Publicity or Consumer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis and related products distributed to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition, prospects and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis and related products in general, or the Company's products specifically, or associating the consumption of cannabis or related products with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, it does not ultimately have direct control over how it is perceived by others. Reputational loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on its financial performance, financial condition, cash flows and growth prospects.

Additional Financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

Expansion Efforts and Operations

There is no guarantee that the Company's expansion strategy (including receiving any required regulatory approvals in Canada, Colombia, Mexico or the Netherlands, licences and permits in a timely fashion, if at all) will be completed in the currently proposed form, if at all, nor is there any guarantee that the Company will be able to expand into additional jurisdictions. There is also no guarantee that the Company's intentions to acquire and/or construct additional cannabis production and manufacturing facilities in Canada, Colombia, Mexico, the Netherlands or in other jurisdictions with nationally legal cannabis markets, and to expand the Company's marketing and sales initiatives will be successful. Any such activities will require, among other things, various regulatory approvals, licences and permits and there is no guarantee that all required approvals, licences and permits will be obtained in a timely fashion or at all.

The Company's expansion into jurisdictions outside of Canada (Colombia, Mexico, Netherlands) is subject to additional business risks, including new or unexpected risks or could significantly increase the Company's exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition, as well as operational, regulatory, compliance and reputational and foreign exchange rate risk. In addition, future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The failure of the Company's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions.

The Company may not be able to successfully identify suitable acquisition and expansion opportunities or integrate such operations successfully with the Company's existing operations as anticipated. There is also no guarantee that the Company will be able to complete any of the foregoing activities at all. The Company's failure to successfully execute its domestic or international expansion strategy (including receiving required regulatory approvals, licences and permits) could adversely affect the Company's business, financial condition, results of operations and prospects and may result in the Company failing to meet anticipated or future demand for its cannabis products, when and if it arises.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anticompetitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the Company's business, financial condition, results of operations and prospects.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

Customer Acquisitions

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the Company's brand awareness, its ability to continually produce desirable and effective cannabis products and the successful implementation of customer-acquisition plans. The failure to acquire and retain customers could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition to being subject to general business risks applicable to a business involving an agricultural product and a regulated consumer product, the Company will need to make significant investments in its business strategy. These investments include the procurement of raw material, extraction equipment, site improvements and research and development projects. The Company expects that competitors will undertake similar investments to compete with it. Competitive conditions, consumer preferences, customer requirements and spending patterns in this industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets and cause the Company's future efforts to develop its business to be unsuccessful or to have undesired consequences for it. As a result, the Company may not be successful in its efforts to attract customers or to develop new cannabis products and produce and distribute these cannabis products, or these activities may require significantly more resources than it currently anticipate in order to be successful.

Risks Related to Investment in a Colombian Company

Economic and Political Risks Inherent with any Investment in Colombia

The Issuer's operations are partially located in Colombia. Consequently, the Issuer is dependent upon Colombia's economic and political developments. As a result, the Issuer's business, financial position and results of operations may be affected by the general conditions of these economies, price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting Colombia, over which the Issuer has no control. In the past, Colombia has experienced periods of weak economic activity and deterioration in economic conditions. The Issuer cannot assure that such conditions will not return or that such conditions will not have a material adverse effect on the Issuer's business, financial condition or results of operations.

Operational Risks

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require the Issuer to suspend operations on its properties. Although the Issuer is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in the Issuer's operations, or other matters.

Enforcement of Judgments

The Issuer is incorporated under the laws of the Province of British Columbia. However, some of its assets are located in Colombia. Furthermore, certain of the Issuer's directors and officers reside outside Canada. As a result, investors may not be able to effect service of process within Canada upon the Issuer's directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada. As a result, shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

Guerrilla Activity in Colombia

Colombia is subject to sustained civil unrest due to the activities of guerrilla groups such as non-demobilized groups within the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia), or "FARC," the National Liberation Army (Ejército de Liberación Nacional), or "ELN," paramilitary groups, drug cartels and criminal gangs (Bacrim). In remote regions of the country with minimal governmental presence, these groups have exerted influence over the local population and funded their activities by protecting and rendering services to drug traffickers and participating in drug trafficking activities. Armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups have been funded by the drug trade, and consequently, Colombia has experienced significant social upheaval and criminal activity. Insurgents have attacked and kidnapped civilians and violent guerrilla activity exists in many parts of the country. Any terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Issuer's operations. the Issuer's primary operations are in Guasca, Cundinamarca, 30 kilometers from the capital city of Bogota and not a remote or isolated area.

(Expressed in Canadian Dollars, except where noted)

Anti-Money Laundering and Terrorist Financing Activities Regulations

The Issuer is subject to a variety of laws and regulations in Canada, Colombia, and internationally that involve money laundering, financial record keeping and proceeds of crime, including, among other legislation, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), *Law 599 of 2000 Colombian Criminal Code*, and the *United Nations Vienna Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances* (Law 67 of 1993), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued administered or enforced by governmental authorities in Canada or Colombia or abroad.

If the Issuer's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in Colombia or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any applicable legislation. This could restrict or otherwise jeopardize the ability of the Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Corporation Information

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