XEBRA BRANDS LTD

Consolidated Financial Statements

For the Years Ended
February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Xebra Brands Ltd.

Opinion

We have audited the consolidated financial statements of Xebra Brands Ltd. (the "Company"), which comprise the consolidated statements of financial position as at February 29, 2024 and February 28, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including the material accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2024 and February 28, 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 28, 2024

Xebra Brands Ltd

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	February 29, 2024 ($)	February 28, 2023 ($)
Assets			
Current Assets			
Cash		102,418	202,286
Receivables	4	106,535	232,072
Prepaid expenses		19,990	106,903
Inventory	5	-	154,596
		228,943	695,857
Non-current assets			
Intangible assets	6	3	469,651
VAT receivable	4	150,422	158,234
Total assets		**379,368**	**1,323,742**
Liabilities			
Current liabilities			
Accounts payable	12	679,038	622,622
Accrued liabilities		110,917	149,543
Total liabilities		**789,955**	**772,165**
Shareholder's Equity (deficiency)			
Share capital	8	13,550,865	13,521,784
Reserves	8	2,732,686	1,887,300
Subscription received	8	334,475	201,750
Deficit		(16,772,544)	(14,815,164)
Equity (deficiency) attributable to shareholders		(154,518)	795,670
Non-controlling interest	10	(256,069)	(244,093)
		(410,587)	551,577
Total liabilities and shareholder's equity (deficiency)		**379,368**	**1,323,742**

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Approved by the Board of Directors

"Rodrigo Gallardo"	*"Keith Dolo"*
Rodrigo Gallardo - Director	Keith Dolo - Director

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

Xebra Brands Ltd

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Notes	Year ended February 29, 2024 ($)	Year ended February 28, 2023 ($)
Revenue		106,855	158,949
Cost of sales	5	415,277	174,978
Gross loss		(308,422)	(16,029)
Operating expenses			
General and administration		221,282	566,795
Investor relations		69,533	388,309
Management fees	12	400,747	624,424
Marketing and business development		-	46,710
Professional fees	12	476,817	824,975
Share-based payments	8 & 12	(2,310)	309,559
Travel		20,505	44,100
Amortization	6 & 7	59,542	108,437
Loss before other items		(1,554,538)	(2,929,338)
Other Items			
Other expense, net of income		43,601	(139,439)
Impairment	4, 6 & 7	(456,936)	(1,114,530)
Foreign exchange gain		9,715	75,047
Net loss from continuing operations		**(1,958,158)**	**(4,108,260)**
Loss from discontinued operations	11	-	(16,036)
Net loss		**(1,958,158)**	**(4,124,296)**
Other comprehensive loss			
Items that may subsequently be reclassified to net income or loss:			
Foreign currency translation		(10,544)	(33,834)
Comprehensive loss for the year		(1,968,702)	(4,158,130)
Net loss attributable to:			
Shareholders		(1,957,380)	(4,024,270)
Non-controlling interest	10	(778)	(100,026)
		(1,958,158)	(4,124,296)
Comprehensive loss attributable to:			
Shareholders		(1,956,726)	(4,051,466)
Non-controlling interest	10	(11,976)	(106,664)
		(1,968,702)	(4,158,130)
Weighted average number of outstanding common shares		54,235,856	38,994,153
Net loss per share – basic and diluted	9	(0.04)	(0.10)

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

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Xebra Brands Ltd

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Notes	Number of common shares	Share Capital ($)	Subscriptions received ($)	Reserves			Deficit ($)	Non-Controlling Interest ($)	Total ($)
					Warrants ($)	Share Options ($)	Translation Adjustment ($)			
Balance February 28, 2022		**36,241,394**	**12,168,621**	**-**	**639,673**	**556,554**	**8,482**	**(10,790,894)**	**(137,429)**	**2,445,007**
Private placement, net of issuance cost	8	3,000,000	1,302,926	-	400,228	-	-	-	-	1,703,154
Finders' fees paid in shares	8	51,413	30,848	-	-	-	-	-	-	30,848
Shares paid for services	8	46,774	19,389	-	-	-	-	-	-	19,389
Share-based payments	8	-	-	-	-	309,559	-	-	-	309,559
Subscriptions received	8	-	-	201,750	-	-	-	-	-	201,750
Comprehensive loss		-	-	.	-	-	(27,196)	(4,024,270)	(106,664)	(4,158,130)
Balance February 28, 2023		**39,339,581**	**13,521,784**	**201,750**	**1,039,901**	**866,113**	**(18,714)**	**(14,815,164)**	**(244,093)**	**551,577**
Issuace of private placement, net of issuance cost	8	15,086,732	23,081	(201,750)	847,042	-	-	-	-	668,373
Finders' fees paid in shares	8	100,000	6,000	-	-	-	-	-	-	6,000
Subscriptions received	8	-	-	334,475	-	-	-	-	-	334,475
Share-based payments	8	-	-	-	-	(2,310)	-	-	-	(2,310)
Comprehensive loss		-	-	.	-	-	654	(1,957,380)	(11,976)	(1,968,702)
Balance February 29, 2024		**54,526,313**	**13,550,865**	**334,475**	**1,886,943**	**863,803**	**(18,060)**	**(16,772,544)**	**(256,069)**	**(410,587)**

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

Xebra Brands Ltd

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Notes	Year ended February 29, 2024 ($)	Year ended February 28, 2023 ($)
Cash provided by (used in):			
Operating Activities:			
Net loss		(1,958,158)	(4,124,296)
Items not involving cash			
Fair value of shares issued for services		-	19,389
Gain from disposition of Medicannabis	11	-	(118,297)
Amortization	6	59,542	108,437
Finance expense		-	1,347
Share-based payments (recovery)	8	(2,310)	309,559
Impairment of intangible assets	6	410,573	850,000
Impairment of property, plant and equipment	7	-	264,530
Impairment of receivables	4	46,363	-
Unrealized foreign exchange loss		(16,055)	(30,200)
Changes in non-cash working capital			
Receivables and prepaid expenses		173,899	117,542
Inventory		154,596	(154,596)
Accounts payable and accrued liabilities		303,994	431,696
Cash used in operating activities		(827,556)	(2,324,889)
Investing Activities:			
Intangible assets		-	(63,632)
Cash used in investing activities		-	(63,632)
Financing Activities:			
Share offerings	8	388,169	1,734,002
Subscriptions received and treasury shares	8	334,475	201,750
Cash provided by financing activities		722,644	1,935,752
Effect of foreign exchange on cash		5,044	7,811
Decrease in cash		(99,868)	(444,958)
Cash, beginning of year		202,286	647,244
Cash, end of year		102,418	202,286
Non-cash transactions			
Shares issued for finders' fees	8	6,000	19,389
Shares issued for debt	8	286,204	-

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

1. Nature of Operations and Going Concern

Xebra Brands Ltd. (the "Company" or "Xebra") was incorporated on February 21, 2019, under the laws of the Province of British Columbia, Canada. The Company is listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "XBRA", and also traded on the OTC Market under the symbol "XBRAF". The common shares of the Company are also cross-listed on the Frankfurt Stock Exchange under the symbol "9YC". The Company's head office and principal address is located at 410-1111 Melville St. Vancouver, British Columbia, V6E 3V6, Canada.

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

Going concern

These consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing assets and discharging liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to the carrying values of assets and liabilities may be required. As at February 29, 2024, the Company had working capital deficit of $561,012 and an accumulated deficit of $16,772,544. Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to raise additional debt or equity to fund ongoing costs of operations. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern.

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

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

2. Basis of Presentation

(a) Statement of Compliance

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

These consolidated financial statements were approved for issuance by the Board of Directors on June 28, 2024.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using accrual basis of accounting, except for cash flow information.

2. Basis of Presentation - *continued*

(c) Basis of Consolidation

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

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

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

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

(d) Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS, requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant Estimates and Assumptions

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

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

2. Basis of Presentation – *continued*

(d) Critical accounting estimates and judgments – *continued*

Significant Judgments

The preparation of consolidated 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 consolidated financial statements include the assumption that the Company will continue as a going concern, classification of expenditures as intangible assets or operating expenses and the classification of financial instruments.

3. Material Accounting Policies

(a) Functional and presentation currency

The presentation currency of the Company's consolidated financial statements is the Canadian dollar; therefore, references to $ means Canadian dollars, US$ are to United States dollars.

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

Entity	Functional Currency
Xebra Brands Ltd	Canadian Dollar
Xebra Brands Mexico, S.A. de C.V.	Mexican Peso
Elements Bioscience, SAPI de C.V.	Mexican Peso
Sativa Group Biosciences, SAPI de C.V.	Mexican Peso
Desart MX, S.A. de C.V.	Mexican Peso
Bleuflor Logistics Ltd	Canadian Dollar
Bleuflor Logistica SAS	Colombian Peso
Xebra Brands Europe BV	European Euro

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

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

(b) Cash

Cash consists of cash on hand and demand deposits.

3. Material Accounting Policies - *continued*

(c) Inventory

The Company's inventory consists of raw materials, work-in-process ("WIP") and finished goods. The costing method the Company uses is weighted average. Inventories are measured at the lower of cost and net realizable value. The cost of WIP and finished goods includes the cost of raw materials, direct labor, and overhead expenses. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. At each reporting period, management evaluates the provision for obsolete and slow-moving inventory which may be reversed in subsequent periods, should the value subsequently be recovered.

(d) Property and Equipment

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

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

(e) Intangible Assets

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

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

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(g) Leases

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

3. Material Accounting Policies - *continued*

(g) Leases - *continued*

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

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

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

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

(h) Impairment of Long-Lived Assets

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

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

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

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

3. Material Accounting Policies - *continued*

(i) Share Capital

Common shares are classified as equity. Transactions costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effect.

(j) Shares-Based Payments

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

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

(k) Earnings (Loss) per Share

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

(l) Revenue Recognition

Revenue from the direct sale of cannabis beverage products for a fixed price is recognized when the Company transfers control of the good to the customer, which is at point of delivery. Revenue includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Revenue also includes the net consideration to which the Company expects to be entitled. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, revenue is stated net of expected price discounts, allowances for customer returns and certain promotional activities and similar items. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing. Net revenue is revenue less excise taxes. Excise taxes are effectively a production tax which becomes payable when the product is removed from the Company's control and may or may not be directly related to the revenue depending on the province of sale. It is generally not included as a separate item on external invoices; increases in excise tax are not always passed on to the customer and where a customer fails to pay for product received the Company cannot reclaim the excise tax.

3. Material Accounting Policies - *continued*

(m) Income Taxes

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

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

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

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

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

(n) Financial Instruments

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

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

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

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

<u>Classification</u>

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

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

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

3. Material Accounting Policies - *continued*

(n) Financial Instruments - *continued*

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

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

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

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

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

Measurement

Financial Assets at FVTOCI

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

Financial Assets and Liabilities at Amortized Cost

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

Financial Assets and Liabilities at FVTPL

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

Impairment of Financial Assets at Amortized Cost

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

3. Material Accounting Policies - *continued*

(n) Financial Instruments - *continued*

Derecognition

Financial Assets

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

Financial Liabilities

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

(o) Changes in accounting standards

The Company adopted the following amendments to accounting standards, which are effective for annual periods beginning on or after January 1, 2023:

Amendments to IAS 1 – Require companies to disclose their material accounting policies rather than their significant accounting policies. With the corresponding amendments to IFRS Practice Statement 2, provide further guidance and examples on how to apply the materiality process to identify material accounting policy information that should be disclosed compared to policies that do not.

Amendments to IAS 8 – The amendments to IAS 8 Accounting policies, changes in accounting estimates and errors clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 12 – The amendments to IAS 12 Income Taxes narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The Company did not encounter any material effects from the implementation of these new standards or amendments.

The Company has not early adopted any new accounting standards, interpretations, or amendments that have been issued but are not yet effective. Furthermore, the Company anticipates that amendments set to take effect in the subsequent year will not have a significant impact on its consolidated financial statements.

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

4. Receivables

	February 29, 2024	February 28, 2023
Current		
Trade receivables	$ 28,971	$ 127,842
GST receivable - Canada	59,759	30,800
VAT receivable and other - Europe	46,776	73,645
Related party receivable (note 12)	-	60,000
Other	-	3,706
Allowance for doubtful accounts	(28,971)	(63,921)
	106,535	232,072
Non-Current		
VAT receivable - Mexico	150,422	158,234
Total	**$ 256,957**	**$ 390,306**

During the year ended February 29, 2024, the Company impaired $46,363 of VAT receivable in Mexico (February 28, 2023 – $nil).

5. Inventory

	February 29, 2024	February 28, 2023
Finished goods	$ -	$ 84,263
Packaging and supplies	-	70,333
Total	**$ -**	**$ 154,596**

The cost of inventories recognized in cost of sales during the year ended February 29, 2024, was $185,097 (February 28, 2023 - $114,209).

6. Intangible Assets

	Colombian Cannabis Licenses	Product Applications and Authorizations	Brands and Trademarks	Product Development	Total
At February 28, 2022	$ 1	$ 1	$ 381,160	$ 929,247	$ 1,310,409
Additions	-	-	6,185	57,447	63,632
Amortization	-	-	(45,275)	(9,113)	(54,388)
Impairment	(1)	-	-	(850,000)	(850,001)
At February 28, 2023	-	1	342,070	127,581	469,652
Amortization	-	-	(45,873)	(13,669)	(59,542)
Impairment	-	-	(296,196)	(113,911)	(410,107)
At February 29, 2024	**$ -**	**$ 1**	**$ 1**	**$ 1**	**$ 3**

On October 19, 2022 the Company disposed of Medicannabis losing control of these licenses, therefore the $1 was written off.

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

6. Intangible Assets - *continued*

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

Brands and trademarks

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

Product Development

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

On August 18, 2021, the Company entered into a licensing agreement with New Age Nanotech for its clinically backed, patent-pending cannabinoid delivery technology, Solutech. In exchange, Xebra issued 1,240,000 common shares with a fair value of $850,000, with no further payments required. The license is exclusive in Mexico and Colombia, non-exclusive in Europe and the rest of the Americas, and limited to California in the United States. As of February 28, 2023, the Company recognized a full impairment on Solutech, determining that the technology is unlikely to be used in the future, resulting in no expected future economic benefits from this asset.

7. Property and Equipment

	Office Furniture and Equipment	Dutch Growing Facility	Leasehold Improvements	Right of Use Assets	Total
Cost					
At February 28, 2022	$ 1,409	$ 369,700	$ 1	$ 1	$ 371,111
Impairment	(1,470)	(354,308)	(1)	(1)	(355,780)
Foreign exchange movement	61	(15,392)	-	-	(15,331)
At February 28, 2023 and February 29, 2024	$ -	$ -	$ -	$ -	$ -
Accumulated Amortization					
At February 28, 2022	$ (423)	$ (40,665)	$ -	$ -	$ (41,088)
Amortization	-	(54,049)	-	-	(54,049)
Impairment	588	90,662	-	-	91,250
Foreign exchange movement	(165)	4,052	-	-	3,887
At February 28, 2023 and February 29, 2024	$ -	$ -	$ -	$ -	$ -

The Company divested from its Dutch growing operations due to high cultivation costs in the Netherlands. As a result, during the year ended February 28, 2023, the Company impaired the Dutch Growing Facility by writing off the remaining balance.

7. Property and Equipment - *continued*

The Company also divested from its Colombian operations due to the saturation of cannabis licenses in Colombia. Consequently, the office furniture and equipment, leasehold improvements, and right-of-use assets were impaired to a carrying value of $1. During the year ended February 28, 2023, these assets were disposed of when the Company sold the entity holding these assets.

As at February 29, 2024 and February 28, 2023, the Company does not hold any leases.

8. Share Capital

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

(a) Common shares

At February 29, 2024, a total of 10,390,827 common shares of the Company were subject to trading restrictions (the “Restricted Shares”), which will be released from such restrictions in stages, with the final release being March 12, 2025. The Restricted Shares include 1,663,300 common shares issued to insiders of the Company and held in escrow by the transfer agent in accordance with CSE listing policies.

<u>Common share transactions for the year ended February 29, 2024</u>

On October 2, 2023, the Company announced it intends to complete a non-brokered private placement in the aggregate amount of up to $1,000,000 pursuant to a binding commitment from a strategic investor. The Company intends to issue up to 12,000,000 units of the Company at a price of $0.05 per unit for gross proceeds of up to $600,000 and a concurrent placement of up to a principal amount of $400,000 of unsecured convertible debenture units. As at February 29, 2024, this financing has not been completed, however the Company received $334,475, net of costs, in advance for this transaction (note 16).

On March 7, 2023, the Company closed a non-brokered private placement of 15,086,732 units at a price of $0.06 per unit, for gross proceeds of $905,204 of which $201,750 were received before February 28, 2023, and $286,204 were part of debt settlements. Each unit is comprised of one common share of the Company, and a warrant. Each warrant entitles the holder to purchase one share of the Company at a price of $0.10 for a period of eighteen months from the closing date of the private placement. The Company issued 15,186,731 warrants with a fair value of $847,042 which has been recorded in warrant reserves. An aggregate of 100,000 common shares were paid in finders’ fees with a fair value of $6,000. Additionally, the Company incurred cash costs in connection to private placement in the amount of $29,081. All securities issued are subject to a four-month hold period from the date of closing.

<u>Common share transactions for the year ended February 28, 2023</u>

On October 11 and August 23, 2022, the Company issued 39,632 and 7,144 shares respectively to a consultant as consideration for investor relation services with a total fair value of $19,389.

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

8. Share Capital - *continued*

(a) Common shares - *continued*

On April 8, 2022, the Company closed a non-brokered private placement of 3,000,000 units at a price of $0.60 per unit, for gross proceeds of $1,800,000. Each unit is comprised of one common share of the Company, and a half warrant. Each full warrant entitles the holder to purchase one share of the Company at a price of $1.25 for a period of 12 months from the closing date of the private placement. The investor warrants had a fair value of $380,046 which has been recorded in the warranty reserves. An aggregate of 51,413 shares, 100,912 warrants and $60,547 was paid in finders' fees, where such shares and warrants have a fair value of $30,848 and $20,182, respectively. The Company paid legal and other share issuance costs of $5,451.

(b) Options

The Company has an omnibus equity incentive compensation plan to issue share options, and certain other equity incentives, the maximum number of common shares reserved for issuance, in the aggregate, under the Incentive Plan is 10% of the aggregate number of common shares issued and outstanding to be granted to directors, officers, employees, and consultants under certain restrictions. The Board of Directors may from time to time, grant options or certain other equity incentives to directors, officers, employees or consultants. The exercise price of an option is not less than the closing price on the CSE on the last trading day preceding the grant date.

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

	Number of options		Weighted average exercise price
February 28, 2022	1,630,000	$	1.00
Granted	400,000		1.00
Forfeited	(40,000)		1.00
February 28, 2023	**1,990,000**	**$**	**1.00**
Granted	**50,000**		0.10
Cancelled	**(790,000)**		1.00
Forfeited	**(150,000)**		1.00
February 29, 2024	**1,100,000**	**$**	**0.96**

As at February 29, 2024, and February 28, 2023, the number of share options outstanding and exercisable were:

	Outstanding				Exercisable
Expiry date	**Number of stock options**		**Exercise price**	**Remaining contractual life (years)**	**Number of stock options**
March 31, 2024	250,000	$	1.00	0.08	250,000
January 29, 2025	200,000		1.00	0.92	200,000
January 23, 2025	400,000		1.00	0.90	400,000
January 23, 2026	50,000		0.10	1.90	50,000
October 18, 2026	200,000		1.00	2.64	200,000
February 29, 2024	**1,100,000**	**$**	**0.96**		**1,100,000**

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

8. Share Capital - *continued*

(b) Options - *continued*

	Outstanding			Exercisable	
Expiry date	**Number of stock options**	**Exercise price**		**Remaining contractual life (years)**	**Number of stock options**
January 19, 2027	10,000	$	1.15	4.39	10,000
October 18, 2026	1,580,000		1.00	4.13	1,580,000
April 26, 2027	400,000		1.00	4.65	50,000
February 28, 2023	**1,990,000**	**$**	**1.00**		**1,640,000**

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees, and others providing similar services. The fair value of vested share options recognized as share-based payments during the year ended February 29, 2024, was $(2,310) net of a recovery of amounts related to options which were forfeited in the year (February 28, 2023 - $309,559).

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

The fair value of the stock options granted during the year ended February 29, 2024, and year ended February 28, 2023, were estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

		February 29, 2024		**February 28, 2023**
Risk-free interest rate		4.24%		2.56%
Expected dividend yield		Nil		Nil
Stock price volatility		154%		132%
Expected life (in years)		2.00		3.75
Weighed average fair value per option	$	0.01	$	0.74

(c) Warrants

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

	Warrants Outstanding		**Weighted Average Exercise Price**
February 28, 2022	1,666,076	$	1.40
Issued	1,600,912		1.25
Expired	(1,536,476)		1.75
February 28, 2023	**1,730,512**	**$**	**0.88**
Issued	15,186,731		0.10
Expired	(1,730,512)		1.23
February 29, 2024	**15,186,731**	**$**	**0.10**

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

8. Share Capital - *continued*

(c) Warrants – *continued*

Expiry date	Number of warrants		Exercise price	Remaining contractual life (years)
September 6, 2024	15,186,731	$	0.10	0.52
February 29, 2024	**15,186,731**			

The fair value of $847,042 (February 28, 2023 – $400,228) for the warrants issued was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

		February 29, 2024		February 28, 2023
Risk-free interest rate		4.34%		2.12%
Expected dividend yield		Nil		Nil
Stock price volatility		176%		128%
Expected life (in years)		1.50		1.00
Weighed average fair value per warrant	$	0.06	$	0.25

9. Loss per Share

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

		Year ended February 29, 2024		Year ended February 28, 2023
Loss attributable to common shareholders	$	(1,957,380)	$	(4,024,270)
Weighed average number of shares basic		54,235,856		38,994,153
Weighed average number of shares diluted		54,235,856		38,994,153
Basic loss per share	$	(0.04)	$	(0.10)
Diluted loss per share	$	(0.04)	$	(0.10)

For the years ended February 29, 2024 and February 28, 2023, the Company incurred a net loss, therefore all outstanding stock options and share purchase warrants have been excluded from the diluted weighted average number of shares since the effect would be anti-dilutive.

10. Non-Controlling Interest

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

The movement in non-controlling interest is as follows:

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

10. Non-Controlling Interest – *continued*

	February 29, 2024 ($)	February 28, 2023 ($)
Current assets	46,964	73,645
Non-current assets	-	1
Current liabilities	(3,839)	(127)
Net loss	3,110	426,655
Other comprehensive loss	44,790	26,552

Financial information for Xebra Brands Europe BV is as follow:

	February 29, 2024 ($)	February 28, 2023 ($)
Current assets	46,964	73,645
Non-current assets	-	1
Current liabilities	(3,839)	(127)
Net loss	3,110	426,655
Other comprehensive loss	47,900	26,552

11. Discontinued Operations

During fiscal 2023, management focused its resources to jurisdictions where it could add the most shareholder value. As a result, Xebra's management resolved to exit Colombia and the Netherlands with the objective to prioritize activities in Mexico and Canada.

Disposal of Medicannabis, SAS (Colombia)

On October 19, 2022, the Company completed the transfer of 100% of its shares in Medicannabis, a wholly owned subsidiary in Colombia, to an independent third party for $nil proceeds. This transfer was executed as part of an agreement that grants Xebra full access rights to Medicannabis' seed library and intellectual property ("IP") for any seed variety that underwent agronomic evaluations prior to December 31, 2022, and subsequently obtains international IP rights protection under the UPOV Convention (UPOV 91).

In addition to retaining the access rights, Xebra is entitled to 5% and 25% of the proceeds generated by Medicannabis' sale of seeds or genetics until December 31, 2030, as per agreement. The Company did not record any value for the access rights.

As a result of the disposition of Medicannabis, the Company recorded $118,297 as a gain since Medicannabis had greater liabilities than assets as at October 19, 2022.

	Year Ended February 29, 2024	Year Ended February 28, 2023
Operating expenses	$ -	$ 133,014
Foreign exchange and other	-	1,319
Gain on disposition of Mediccanabis	-	(118,297)
Loss from discontinued operations, net of tax	**$ -**	**$ 16,036**

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

11. Discontinued Operations - *continued*

The breakdown of cash flows from discontinued operations is as follows:

	Year Ended February 29, 2024	Year Ended February 28, 2023
Net cash used in operating activities	$ -	$ (11,250)
Net cash provided by financing activities	-	11,250
Change in cash during the year	$ -	$ -

12. Related Party Transactions

The Company had an administration service agreement with Orea Mining Corp. ("Orea") a company related by a former common director. The Services Agreement had monthly payments of $40,000. On January 20, 2023, the Service Agreement was terminated and since February 28, 2023, the Company and Orea have no directors or officers in common.

On April 11, 2022, the Company provided a short-term loan in the amount of $60,000 to Jay Garnett, a director & CEO of the Company. The loan is interest free and repayable in installments of $10,000 per month commencing on October 1, 2022. The outstanding receivable balance as at February 29, 2024 was $nil (February 28, 2023 - $60,000). Jay Garnett resigned as CEO and director of the Company effective December 31, 2023.

The following is a summary of related party transactions:

	February 29, 2024	February 28, 2023
Management and administration services paid to Orea	$ -	$ 368,000
Management fees paid to Columbus Capital Corporation, a company controlled by Robert Giustra, a former director of the Company	-	197,903
Finders' fees paid to Columbus Capital Corporation, a company controlled by Robert Giustra, a former director of the Company	-	55,548
Management fees incurred to Garnett Canada Holdings, a company controlled by Jay Garnett, director & CEO of the Company	240,000	210,000
Management and consulting fees paid to Todd Dalotto, a director of the Company	-	75,864
Management fees paid to Accounting Group ADR and Associates SC., a company controlled by Rodrigo Gallardo, President of the Company	195,000	133,000
Consulting services from Maverick Brands Ltd, a company controlled by Keith Dolo a director of the Company	94,000	33,000
Fees paid or payable to a corporation where, Omar Garcia, CFO of the Company is a shareholder	122,200	-
Consulting services paid or payable to Keith Dolo a director of the Company	30,000	-
Consulting services paid or payable to Erick Ponce a director of the Company	3,000	-
Share-based payments (recovery) to certain directors and officers of the Company	(2,310)	303,970
	$ 681,890	**$ 1,377,285**

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

12. Related Party Transactions and balances - *continued*

The following summarizes amounts payable to each related party:

	February 29, 2024	February 28, 2023
Fees payable to Columbus Capital Corporation, a company controlled by Robert Giustra, a former director of the Company	$ -	$ 55,548
Fees payable to Garnett Canada Holdings, a company controlled by Jay Garnett, director & CEO of the Company	42,000	72,600
Management fees payable to Accounting Group ADR and Associates SC, a company controlled by Rodrigo Gallardo, President of the Company	69,600	18,600
Fees payable to a corporation where Omar Garcia, CFO of the Company is a shareholder	86,200	-
Fees payable to Todd Dalotto, a director of the Company	19,890	33,213
Fees payable to Maverick Brands Ltd, a company controlled by Keith Dolo a director of the Company	117,837	288,926
Fees payable to Erick Ponce, a director of the Company	3,000	-
	$ 338,527	**$ 468,887**

13. Segmented Information

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

	February 29, 2024	February 28, 2023
Current Assets		
Canada	$ 108,756	$ 581,751
Colombia	-	2,948
Europe	46,964	73,645
Mexico	73,223	37,513
Total	**$ 228,943**	**$ 695,857**
Non-Current Assets		
Canada	$ 3	$ 469,651
Europe	-	1
Mexico	150,422	158,233
Total	**$ 150,425**	**$ 627,885**
Total Asset		
Canada	$ 108,759	$ 1,051,402
Colombia	-	2,948
Europe	46,964	73,646
Mexico	223,645	195,746
Total	**$ 379,368**	**$ 1,323,742**

During the year ended February 29, 2024, the Company derived all of its revenues from selling its cannabis infused lemonade to mainly two customers, Ontario Cannabis Store and Alberta Gaming, Liquor and Cannabis, which accounted for 92% and 8% of revenues respectably. As at February 29, 2024, trade receivables of $nil (net of a provision of $28,971) (February 28, 2023 – $63,921, net of a provision of $63,921) were receivable entirely from one party and all of its revenues were earned within Canada.

14. Financial Risk and Capital Management

Financial risk

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at February 29, 2024 are summarized below. The Board of Directors periodically reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit Risk

The credit risk exposure on cash is limited to its carrying amount at the date of the statements of financial position. Cash is held as cash deposits with reputable banks or financial institutions. The Company has receivables consisting of goods and services tax due from the Federal Government of Canada, VAT receivable from the Government of Mexico and the Netherlands, and other receivables. Management believes that the credit risk with respect to its cash is low and receivables risk is high.

(b) Liquidity Risk

Liquidity risk arises from the Company's general and capital financing needs. The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at February 29, 2024, the Company had a negative working capital of $561,012 (February 28, 2023 – $76,308). Management believes that liquidity risk is high.

(c) Market Risk

(i) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates in its Mexican, Colombian and European subsidiaries. The Company also has assets and liabilities denominated in US dollars, Mexican Peso, Colombian Peso and the European Euro. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollars, Mexican Peso, Colombian Peso and the European Euro could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

(ii) Interest Rate Risk

The Company is not exposed to interest rate risk.

Capital Management

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

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

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

14. Financial Risk and Capital Management - *continued*

Fair Value

The fair value of the Company's financial instruments, including cash, approximates their carrying value due to the immediate or short-term maturity of these financial instruments.

IFRS 7, Financial Instruments: Disclosure establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

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

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

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At February 29, 2024, there were no financial assets or liabilities measured and recognized in the statement of position that would be categorized as Level 2 or Level 3 in the fair value hierarchy above. Cash is measured using level 1 inputs.

Financial Instruments	**Measurement Method**	**Associated Risk**	**Fair Value as at February 29, 2024 ($)**
Cash	FVTPL	Credit and currency	102,418
Receivables	Amortized cost	Credit	256,957
Accounts payable	Amortized cost	Liquidity	(679,038)

15. Deferred Income Tax

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is:

		February 29, 2024		February 28, 2023
Loss before taxes	$	(1,958,158)	$	(4,124,296)
Canadian federal and provincial income tax rates		27%		27%
Expected income tax recovery		(528,703)		(1,113,560)
Foreign tax differences, rate changes and foreign exchange		(26,414)		(70,087)
Non-taxable items		(119,457)		17,173
Non deductible		198,440		(3,714)
Impact on disposition of a subsidiary		-		242,523
Adjustments to prior years provision		(154,344)		153,385
Change in valuation of deferred tax assets		630,478		774,280
Income tax expense	$	-	$	-

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

15. Deferred Income Tax - *continued*

The significant components of the Company's deferred tax assets and liabilities are as follows:

		February 29, 2024		February 28, 2023
Equipment and other	$	84,729	$	17,936
Share issue costs		78,452		96,013
Non-capital losses carried forward		2,842,123		2,649,049
Intangible assets		393,394		5,222
Valuation allowance		(3,398,698)		(2,768,220)
Income tax expense	$	-	$	-

As at February 29, 2024, the Company has deductible temporary differences for which deferred tax assets have not been recognized because it is currently not probable that future profit will be available against which the Company can utilize the benefits.

As of February 29, 2024, the Company has the following tax loss carryforwards available to reduce future years taxable income. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in the relevant jurisdictions.

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

		Canada		Colombia Colombian Peso		Mexico Mexican Peso		Europe Euro
February 29, 2040	$	1,035,775		96,039,000		5,929,192		7,438
February 28, 2041		841,771		47,439,000		785,590		296,871
February 28, 2042		1,977,349		53,010,920		6,269,088		323,120
February 28, 2043		2,360,079		42,923,322		1,806,409		291,807
February 28, 2044		1,438,234		22,604,742		1,087,408		2,127
Total	$	7,653,208	$	262,016,984	$	15,877,687	$	921,361
Canadian dollar equivalent			$	87,922	$	1,262,752	$	1,352,558

16. Subsequent Events

(a) On March 7, 2024, the Company closed its non-brokered private placement of 12,000,000 units. The units were issued at a price of $0.05 for total gross proceeds of $600,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at an exercise price of $0.10 for a period of eighteen months.

All of the units under this offering were purchased by David Ross Macias Diaz, a director of the Company, under a strategic investment agreement. Following the closing of the offering, Mr. Diaz holds 18.04% and of the common shares of the Company on a non-diluted basis.

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

16. Subsequent Events – *continued*

Additionally, the Company granted a total of 3,200,000 stock options to purchase common shares of the Company to certain directors, officers, and consultants of the Company pursuant to the Company's Stock Option Plan. Such options are exercisable at price of $0.10 for a period of three years from the date of grant. The options vested on issuance.

(c) On March 31, 2024, a total of 250,000 stock options expired without being exercised.

(d) Subsequent to February 29, 2024, 675,000 common shares were issued following the exercise of 675,000 warrants, generating proceeds of $67,500 to the Company.