Xebra Brands Ltd.

Management's Discussion and Analysis

For the year ended February 29, 2024

(Expressed in Canadian dollars)

Report dated: June 28, 2024

INTRODUCTION

Xebra Brands Ltd. ("Xebra", the "Company" or "Issuer") has prepared this Management's Discussion and Analysis ("MD&A") as of June 28, 2024, and should be read in conjunction with the Company's audited annual financial statements for the year ended February 29, 2024. Unless otherwise stated, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in Canadian dollars unless stated otherwise. References to $ means Canadian dollars, US$ are to U.S. dollars and MXN$ are to Mexican pesos. The Company's continuous disclosure filings are available on SEDAR+ (www.sedarplus.ca) and on the Company's website (https://xebrabrands.com/).

All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of June 28, 2024, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking information" and "forward-looking statements" (collectively, "forward- looking statements"), within the meaning of applicable Canadian securities laws, which are based upon the Company's current internal expectations, estimates, projections, assumptions, and beliefs. All information, other than statements of historical facts, included in this MD&A that addresses activities, events, or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy.

Forward-looking statements include estimates, exploration plans, expectations, forecasts, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this MD&A and, except as required by law, the Company is under no obligation to update or alter any forward-looking information. Forward-looking statements in this MD&A may include, but are regulations, statements with respect to: the use of the net proceeds from financings or loans; the performance and results from the Company's exploration programs and assays; the intention to complete exploration programs; geographical areas of exploration focus; regulatory changes; investments held in other companies public or private; the competitive conditions of the industry and the Company's competitive position in the industry and the applicable laws, regulations and any amendments thereof; the Company's business plans and strategies; the anticipated benefits of the Company's strategic partners and/or joint venture opportunities; strategic alliances; licensing arrangements; and the use of software and hardware technologies in exploration activity.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of exploration and drilling activities, performance, or achievements. There are risks, uncertainties, and other factors, some of which are beyond the Company's control, which could cause actual results, performance, or achievements of the Company, as applicable, to differ materially from any future results, performance, or achievements expressed or implied by such forward-looking statements contained in this MD&A. Refer to "Risks and Uncertainties" below for details of certain risks.

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1. Company Profile

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 trades 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 Street, 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. 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.

<u>Board Changes</u>

Effective June 7, 2023, the Company added Erick Ponce to its board of directors.
Effective November 7, 2023, the Company added David Ross Macias Diaz to its board of directors.
Effective December 31, 2023, Jay Garnette, resigned as CEO, and Director of the Company.
Effective January 23, 2024, Rodrigo Gallardo was appointed interim CEO and Director of the Company.
Effective January 23, 2024, Tada Dalotto and Jordi Chemonte resigned as directors of the Company.
Effective January 29, 2024, Antonio Grimaldo resigned as director of the Company.

2. Business Overview

In January 2024, the Company announced a business transformation plan to shift resources away from the capital-intensive operations of its Canadian cannabis beverages business and focus on the development and commercialization of authorizations to manufacture cannabis products in Mexico. As part of this plan, the Company will adopt a "Mexico-first" strategy aimed at generating revenue through the cannabis authorizations granted to Xebra in 2023. This strategy includes pursuing partnership opportunities, listing Xebra products, and considering potential M&A transactions within Mexico. The Company will also streamline corporate and operational staff to minimize cash expenditures.

The core focus of this strategy will be to leverage Xebra's first-mover advantage in Mexico. This will enable Xebra and its partners to import and acquire cannabis seeds, cultivate, and harvest cannabis, process and produce cannabis products, and sell these products both domestically and for export. As part of this strategic plan, the Company has realigned its Board seats and appointed a new CEO. Additionally, Xebra has actively engaged in collaborations with various partners to establish a robust framework for manufacturing and distributing premium cannabis-infused products containing less than 1% THC. These products are specifically tailored to meet the demands of the Mexican market.

In February 2024, the Company announced a supply agreement with ICAN Green S.A. de C.V. ("ICAN"), a division of ICAN Investing Group LLC, to provide CBD isolate for the manufacturing of legal CBD products in Mexico. The Company also obtained its inaugural product authorization for the importation, launch, and sale of its 250mg Tangerine Flavor CBD Tincture in Mexico. This Federal Authorization signifies a significant milestone for both Mexico and Xebra, highlighting Xebra's dedication to broadening access to high-quality CBD products in the country. Subsequently, the Company submitted two new products for approval by the Mexican regulatory authority: a 1500mg CBD Mint Flavor Tincture and CBD Capsules. Furthermore, the Company finalized a significant non-exclusive manufacturing agreement with KannaGroup Inc. to produce premium CBD products in Mexico. Additionally, a manufacturing agreement was completed with Restorative Botanicals LLC ("Restorative"), a prominent provider of premium CBD products in the U.S. This collaboration marks a significant milestone for Xebra as it expands on its manufacturing options to produce premium CBD tinctures in Mexico.

More recently, the Company executed its first purchase order of CBD products from Restorative. The first product manufactured for Xebra is the 250mg Tangerine Flavor CBD Tincture. Authorization was granted to Elements Bioscience SAPI de C.V., a wholly owned subsidiary of Xebra, for the importation, launch, and sale of this tincture in Mexico. This initial Federal Authorization marked a significant milestone for both Mexico and Xebra, while the first manufacturing run of the product marked a major milestone in Xebra's commercial efforts.

The 250mg Tangerine Flavor CBD Tincture will initially be used in Xebra sample packages sent to retailers as part of the listing process, further solidifying its commitment to expanding its footprint in the Mexican cannabis market. This initial shipment underscores the strategic partnership between Xebra and Restorative, aimed at delivering high-quality CBD products to consumers in Mexico.

Mexico First-Mover Advantage

The momentum in Mexico to legalize cannabis began unofficially in 2014 with the decriminalization of possession of small quantities of cannabis, followed in 2015 with the granting of the first injunctions for limited personal consumption, on the grounds that it was unconstitutional to deny such right to the individuals making the claim. Over the next several years, additional injunctions were granted by the Supreme Court for personal consumption, and for the ability to grow a limited number of plants in a household for personal use. To rectify this uneven playing field that favored only certain individuals with injunctions, an initial legal framework was adopted by the Mexican government in 2017 for medicinal cannabis, however not for recreational purposes. In August 2019, the Mexican Supreme Court formally ruled that cannabis prohibition was unconstitutional and ordered the government to draft comprehensive regulations specifically for medicinal cannabis but did not mandate recreational regulations.

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

On January 10, 2020, the Company acquired Desart through a share exchange agreement (the "Desart SEA"). Pursuant to the Desart SEA, the Company received 100% of the outstanding shares of Desart in exchange for a combination of 1,200,000 common shares of Xebra, a cash payment of US$125,000, and 9,600,000 common shares of Xebra to be issued under certain conditions (the "Desart Bonus Shares"). The primary requirement for the issuance of the Desart Bonus Shares is when the Supreme Court of Mexico has granted Desart the Amparo.

On December 1, 2021, Desart was granted the Amparo to commercialize cannabis products, and on January 11, 2022, the Desart Bonus Shares were issued. In due course official licenses will be granted by the Mexican Health Regulatory Agency (COFEPRIS).

Finally on March 9, 2023, the Mexican health regulatory agency which is the FDA equivalent (the "COFEPRIS"), granted Desart an official corporate cannabis authorization to, among other things, import and acquire cannabis seeds, cultivate, and harvest cannabis, process and produce cannabis, and sell cannabis products both domestically and through export. The authorizations are subject to Xebra satisfying the industry standard conditions. Notably, there are no restrictions on where in Mexico Xebra can cultivate cannabis nor on the size of the cultivation facilities or the volume of processing and manufacturing operations. The authorizations will initially apply specifically to the commercialization of cannabis products with low levels of THC (under 1%).

Most recently on March 16, 2023, the Company executed it first joint venture, in the form of research and collaboration partnership agreement with Mexico's most prestigious agricultural university, Chapingo Autonomous University (ChAU), which will focus on the development of innovation and the commercial application of, cannabis with less than 1% THC for in Mexico.

The Company is diligently addressing industry-standard conditions following the recent obtainment of the cannabis authorization, which involves overcoming challenges associated with COFEPRIS guidelines for hemp cultivation-guidelines that do not specifically cater to hemp. Recognizing the unsuitability of these guidelines due to restrictions on open-field cultivation and impractical requirements, the Company initiated two distinct strategies to tackle the issue.
Inconformity Process:

The Company is actively engaged in an inconformity process. To strengthen our case, we are in the process of identifying an Agronomical Expert, potentially Silvia Rojas an external consultant, in collaboration with Dr. Rendon at Chapingo University. These technical experts aim to propose revised guidelines aligned with appropriate hemp cultivation practices, effectively addressing our concerns.

Annulment Trial:

Simultaneously, our lawyers have initiated an annulment trial through the Administrative Courts. This legal process seeks to nullify the guidelines, providing a temporary suspension of the problematic requirements. While acknowledging that this process may extend over several years, the goal is to secure a suspension of the contested requirements during this period.

Both strategies exemplify our proactive efforts to address the regulatory challenges we encounter in fulfilling industry-standard conditions related to our cannabis authorization and hemp cultivation.

Acquisition of Elements and Sativa

On July 12, 2019, the Company acquired two Mexican entities, Elements Bioscience SAPI de C.V., ("Elements") and Sativa Group Biosciences SAPI de C.V., ("Sativa") through a share exchange agreement. As of the date of this MD&A, the Elements and Sativa have several pending applications with the Mexican governmental agencies, which, when approved, will allow the Company to commence certain advanced stage cannabis-related operations in Mexico. These advanced stage cannabis-related operations include authorizations for the import, distribution, and commercialization of various products with CBD content which have a limit of 1% THC.

The Company aims to enter the Mexican market by establishing a supply agreement with one of our local partners to acquire CBD isolate, which will then be transformed into commercialized products.

Simultaneously, efforts are underway to obtain the necessary sanitary licenses for certain products under Desart's cannabis authorization. These licenses will be submitted to COFEPRIS, enabling the Company to swiftly introduce its initial product line to the Mexican market. During this period, the Company is also actively pursuing partnerships with manufacturers for potential production and distribution collaborations.

Canadian Beverage Business Unit

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.

Several flavors have been created, including sugar-free versions. The following are the key Xebra's beverage brands categories.

Beverage Production

Since 2021, the Company has been developing a variety of cannabis-infused beverages under six brands—MadCap, HighJack, HolaHi, Vicious Citrus, HighCastle, and Conquer—aiming to commercialize these products in Canada. On July 6, 2022, the Company completed its first commercial production run for Vicious Citrus, a non-carbonated THC-infused lemonade with a 5:1 THC/CBN ratio, containing 10mg of THC and 2mg of CBN. This beverage is one of the few in Canada containing CBN, a cannabinoid gaining popularity across North America.

The Company worked closely with its national cannabis sales and marketing agency to introduce Vicious Citrus to retailers in Ontario, Saskatchewan, and Alberta. Following this, Xebra launched its second product, NEO, a honey-flavored lemonade with 10mg THC and 10mg CBN, targeting consumers seeking soothing and relaxing beverages. NEO began shipping to Ontario and Alberta.

In April 2023, the Company announced the expansion of its Vicious Citrus brand with OG Slim, a lower-calorie option featuring 5mg THC and 2mg CBN, launched in Ontario in May 2023 to meet high consumer demand.

In late 2023, the Company temporarily halted production of its Vicious Citrus products to reassess its partnerships due to the production partner's financial issues. The Company is actively exploring alternative strategies to recover the outstanding receivables and ensure the continued growth and success of its cannabis-infused beverage lines.

Holland Growing Facility

Xebra initiated its Dutch project through its 75% owned European subsidiary, Xebra Brands Europe BV. In October 2021, construction of an indoor cannabis growing facility spanning over 2,000 square feet was completed, located 100 kilometers east of Amsterdam, Netherlands. Cannabis cultivation commenced under Dutch trials in December 2021, leading to the first harvest announced on March 30, 2022. Samples collected by the Dutch government's Bureau of Medicinal Cannabis revealed a crop with THC levels of approximately 22% and balanced THC/CBD ratios.

Xebra's first crop was marginally near the desired ideal THC and CBD target ratios, which if successfully contested could be adjusted under a second crop to achieve the desired outcome; However, the operational costs associated with the Dutch cultivation proved to be prohibitively high, contradicting Xebra's goal of becoming a low-cost producer and exporter of cannabis products. Consequently, the Company has decided to divest its operations in the Netherlands, recognizing the impracticality of continuing in this market.

Colombia Growing Facility

As a result of the Company's determination that the Colombian cannabis landscape is saturated with numerous cannabis licences, making it difficult to gain a competitive edge, or to create a profitable business model with scale, even in the longer term, on October 19, 2022, the Company transferred 100% of its interest in Medicannabis SAS ("Medicannabis") its wholly owned subsidiary in Colombia to a third party. The Medicannabis shares were transferred as part of an agreement in which Xebra retained full access rights to Medicannabis' seed library and intellectual property ("IP") of any seed-variety that underwent agronomic evaluations prior to December 31, 2022, and that ultimately obtains international IP rights protection under the UPOV Convention (UPOV 91).

Xebra also retained 25% of proceeds from any Medicannabis sale of seed or genetics until December 31, 2027, and 25% up to US$100,000 and then 5% thereafter for proceeds from the sale of any royalty on genetics up to December 31, 2030. If the sale is made to a party introduced by Xebra, it will retain 40% of proceeds from any sale of seed or genetics until December 31, 2027, and 25% up to US$100,000 and then 5% thereafter for proceeds from the sale of any royalty on genetics up to December 31, 2030.

Xebra also has a right of first refusal to acquire any seed variety in Medicannabis' seed library that undergoes agronomic evaluations after December 31, 2022, and that ultimately obtains international IP rights protection under the UPOV Convention (UPOV 91). Xebra has worldwide rights to commercialize any variety that underwent agronomic evaluations prior to December 31, 2022, that ultimately obtains international IP rights protection under the UPOV Convention (UPOV 91) and any seed variety to which it obtains IP rights from seed-varieties that undergo agronomic evaluations after December 2022.

3. Outlook and Going Concern

The Company incurred in a net loss during the year ended February 29, 2024, of $1,958,158 and cash outflows from operating activities of $827,556. In order to continue fulfilling the Company's business objectives, the Company will require additional funds to achieve its business objectives. 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.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These consolidated financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern. If the company cannot generate positive future cashflows, this will delay the commercialization of its products. Continued equity and/or debt financing is critical in order to ramp the commercialization of the Company's products in order to become profitable.

Management plans to continue to pursue equity and/or debt financing to support operations. There can be no assurance that these financing efforts will be successful. Failure to maintain the support of creditors and obtain additional external financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time.

4. Overall Performance

Results of Operations

Revenue

Revenue comprised the direct sale of cannabis beverage products for a fixed price: 1) Vicius Citrus 350 ml; 2) Vicius Citrus NEO 350 ml; and 3) Vicius Citrus OG Slim 350 ml; in the Provinces of Ontario, Alberta, and Saskatchewan. For the year ended February 29, 2024, revenues were $106,855 compared to $158,949 in prior year. The $52,094 decrease in revenue was mainly due to lower sales recorded in the current year as the Company halted production of its Vicious Citrus products to reassess its partnerships due to the production partner's financial issues.

Cost of sales

For the year ended February 29, 2024, the cost of sales was $415,277, compared to $174,978 in the prior year. The $240,299 increase in cost of sales experienced in the current year, was primarily due to writedowns of raw and finished products affected by the decision to halt production and subsequently the expiry of these products.

The following highlights the Company's overall performance for the quarter and year ended February 29, 2024, and February 28, 2023:

	Three Months Ended			Year Ended		
	Feb 29, 2024	Feb 28, 2023	Change	Feb 29, 2024	Feb 28, 2023	Change
	($)	($)		($)	($)	
Net loss attributable to shareholders of the Company	(1,057,044)	(1,504,641)	447,597	(1,957,380)	(4,024,270)	2,066,890
Cash provided by (used in) operating activities	61,606	(113,816)	175,422	(827,556)	(2,324,889)	1,497,333
Cash at end of period	102,418	202,286	(99,868)	102,418	202,286	(99,868)
Loss per share attributable to shareholders of the Company – basic and diluted	(0.02)	(0.04)	(0.02)	(0.04)	(0.10)	(0.06)

During the quarter ended February 29, 2024, the Company recorded a net loss attributable to its shareholders of $1,057,044, a notable contrast to the $1,504,641 reported during the corresponding period in the previous year. The substantial difference can be attributed to the dissolution of the Colombia and Netherlands business units and the restructuring of the business model that happened in the previous period. This strategic shift has redirected the Company's focus solely towards the beverage business and its operations in Mexico until recent development that led the Company to halted production of its Vicious Citrus products to reassess its partnerships due to the production partner's financial issues.

Cash used in operating activities for the quarter ending February 29, 2024, was primarily influenced by the operational transactions of the Company. During this quarterly period, the Company provided a total of $61,606 in operating activities, compared to $113,816 recorded in the same period the previous year. The $175,422 increase is primarily attributed to the net loss for the period decreased by the impairment of intangibles assets recorded, unrealized foreign exchange gain and changes in non-cash working capital items.

For the year ended February 29, 2024, the Company disclosed a net loss attributable to its shareholders of $1,957,380, a significant decrease from the $4,024,270 reported during the same period in the previous year. This substantial difference is primarily a result of the dissolution of the Colombia and Netherlands business units and the unwinding of the corporate structure that mainly impacted the prior year loss. Early in 2023, a decision was made to streamline the Company's activities, focusing solely on the beverage business and its operations in Mexico, decreasing significantly the general operating expenses.

During the year ended February 29, 2024, cash flow was significantly impacted by cash used in operations, totaling $827,556 compared to $2,324,889 in the previous year. This reduction is primarily attributed to the winding down of operations in Colombia and the Netherlands, as well as corporate restructuring efforts that mainly took place during the previous year. Cash was also affected by cash provided from financing activities; during the current year, the company successfully secured total funding in the amount of $722,644, compared to $1,935,752 raised during the same period in the previous year. This divergence can be attributed to the shift in business objectives, the dissolution of the Colombia and Netherlands business units in the previous year, with the current focus on the Canadian beverage business unit and its operations in Mexico.

5. Selected Annual Information

	Febraury 29, 2024 ($)	Febraury 28, 2023 ($)	Febraury 28, 2022 ($)
Revenues	106,855	158,949	-
Gross loss	(308,422)	(16,029)	-
Net loss	(1,958,158)	(4,124,296)	(6,261,017)
Net loss per share – basic and diluted	(0.04)	(0.10)	(0.25)
Cash	102,418	202,286	647,244
Total assets	379,368	1,323,742	2,902,427
Total liabilities	789,955	772,165	457,420
(Deficiency) Equity	(154,518)	795,670	2,582,436
Working capital (deficiency)	(561,012)	(76,308)	722,593

6. Summary of Quarterly Information

	2024				2023			
	Q4 ($)	Q3 ($)	Q2 ($)	Q1 ($)	Q4 ($)	Q3 ($)	Q2 ($)	Q1 ($)
Revenues	1	30,917	37,331	38,606	81,243	23,697	54,009	-
Gross loss	(309,833)	7,386	17,662	(23,637)	-	3,580	(22,506)	2,897
Net loss attributable to shareholders	(1,057,044)	(86,946)	(429,958)	(383,432)	(1,504,642)	(571,928)	(807,332)	(1,140,369)
Basic and diluted net loss per share attributable to shareholders	(0.02)	(0.00)	(0.01)	(0.01)	(0.04)	(0.01)	(0.02)	(0.06)
Weighted average number of outstanding common shares	54,526,313	54,526,313	54,526,313	53,370,801	38,994,153	39,322,161	39,293,506	38,032,441

During the three months ended February 29, 2024, the Company generated no revenues. Late in 2023, the Company temporarily halted production of its Vicious Citrus products to reassess its partnerships due to the financial issues of its production partner. Consequently, the Company had to write off raw and finished products affected by the production halt and the subsequent expiry of these products.

During the three months ended November 30, 2023, the Company earned revenues of $30,917 from the sale of 7,650 units of its cannabis-infused lemonade. The cost of sales for these units totaled $23,531, resulting in a gross profit of $7,386. In the comparative period, the Company generated revenues of $23,697 from the sale of 5,364 units, with a cost of sales amounting to $46,203, resulting in a loss of $22,506.

Over the three months ended November 30, 2023, the Company's business operations have been marked by a concerted effort to secure funding in order to continue and sustain its operations. The Company received $334,475 as a result of subscription received in advance in connection to a private placement announced in October 2023. While it can be stated that there were limited active operational activities, the company remained fully committed to its strategic objectives. As a result, Xebra diligently continued collaborating with its various partners to establish a robust framework for the manufacturing and distribution of premium cannabis-infused products containing less than 1% THC, specifically tailored for the Mexican market.

Over the three months ended February 28, 2023, The Company announced the ceasing of its operations in Colombia and the Netherlands. During this period the Company continued the commercialization of its Vicious Citrus cannabis infused lemonade in the province of Ontario.

During the year ended February 29, 2024, the Company received a total of $722,644 through equity financings. At the beginning of March 2023, the Company gained significant media attention after receiving cannabis authorization from the Mexican equivalent of the FDA. This authorization permits the Company to import and acquire cannabis seeds, cultivate, and harvest cannabis, process and produce cannabis products, and sell these products in Mexico. Additionally, during this period, the Company successfully launched Vicious Citrus OG, as well as its second SKU, Neo. Both products were successfully listed with the Alberta Gaming and Liquor Commission and are now available for sale in Ontario, Alberta, and Saskatchewan.

During the year ended February 28, 2023, the Company decided to cease operations in Colombia and the Netherlands. However, operations in Mexico continued with close monitoring of the injunction granted by the Mexican Supreme Court. Additionally, the Company closed an oversubscribed financing round, securing net proceeds of $1,734,002, which were allocated for general working capital purposes and to produce its first infused cannabis beverage product. This product was planned for sale in Ontario during the summer of 2022 and across Canada later in 2022.

7. Liquidity

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			Year Ended
	Feb 29, 2024	Feb 28, 2023	Feb 29, 2024	Feb 28, 2023
	($)	($)	($)	($)
Cash provided by (used in) operating activities	61,606	(113,816)	(827,556)	(2,324,889)
Cash provided by (used in) investing activities	-	29,912	-	(63,632)
Cash (used in) provided by financing activities	(100,080)	214,429	722,644	1,935,752
Cash, end of the period	102,418	202,286	102,418	202,286

As of February 29, 2024, the Company had a working capital deficit of $561,012, compared to $76,308 as of February 28, 2023. This increase in the working capital deficit is primarily due to a reduction in current assets.

In the current quarter, the Company incurred operating expenses in the amount of $111,454 net of stock-based compensation recovery of $113,143, a significant decrease from the $466,174 spent during the same quarter in the previous year. This change is primarily attributed to the variance in the Company's level of activity between the years compared. In May 2022, the Company decided to transition out of its Colombia and Netherlands business units. Consequently, the corporate structure was adjusted to align with the reduction in business activities, leading to a decrease in cash burn. The twelve-month balances, when compared on the same basis, also reflect the impact of these strategic decisions and adjustments.

During the three months ended February 29, 2024, cash used in investing activities was $nil compared to, cash provided of $29,912 from investment activities during the same quarter in the prior year. This change relates to the fact that the Company has stopped investing in long-lived assets and other in order to preserve cash. The Company impaired all of its property and equipment during the previous year. The balances in the previous year are the result of transactions related to business units that were transitioned out in the previous year.

During the year ended February 29, 2024, the Company generated $722,644 from financing activities compared to $1,935,752 during the same period of previous year, these two were primarily from equity offerings closed on Mar 7, 2023, and Apr 8, 2022 respectively.

As at February 29, 2024, the Company had cash balance of $102,418, and current liabilities of $789,955. The Company will need to conduct additional financings to meet working capital requirements, and obligations as they become due.

8. Capital Transactions Resources

As at February 29, 2024, the Company had 54,526,313 (February 28, 2023 – 39,339,581) common shares issued and outstanding.

As 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.

Common share transactions for the year ended February 29, 2024, are as follows:

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.

Common share transactions for the year ended February 28, 2023, are as follows:

On October 11, and August 23, 2022, the Company issued 39,632 and 7,143 shares respectively to a consultant as consideration for investor relation services with a total fair value of $19,389.

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

<u>Other sources of funds</u>

Other sources of funds potentially available to the Company are through the exercise of outstanding stock options, and warrants with the following terms:

As at February 29, 2024, the total number of stock options outstanding and exercisable are:

	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**

As at February 29, 2024, the number of warrants outstanding are:

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

9. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

10. Related Party Transactions

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**

The following summarizes the amounts that remain 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**

11. Proposed Transactions

There are no proposed transactions.

12. Critical Accounting Estimates

Full disclosure of the Company's accounting policies and significant accounting estimates and judgments in accordance with IFRS can be found in note 2 and 3 of its audited consolidated financial statements as at February 29, 2024, and have remained substantially unchanged and are still applicable to the Company unless otherwise indicated.

13. 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.

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 working capital deficit of $561,012. Management believes that liquidity risk is high.

Market Risk

(c) 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.

(d) Interest Rate Risk

The Company is not exposed to interest rate risk.

Capital Management

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

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

Fair Value

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

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

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

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

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

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. 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 February 29, 2024:

	As at date of this MD&A	**February 29, 2024**
Common shares issued and outstanding	72,050,222	54,526,313
Share purchase options	4,050,000	1,100,000
Warrants	26,511,732	15,186,732

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.

   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.

17. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the year ended February 29, 2024 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR+ at www.sedarplus.ca.