U.S. TARGETS

Combined Financial Statements
(Expressed in United States Dollars)

For the Year Ended December 31, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT

To the Directors of
The U.S. Targets

Opinion

We have audited the accompanying combined financial statements of the U.S. Targets, which comprise the combined statements of financial position as at December 31, 2018 and 2017, and the combined statements of operations, cash flows and changes in equity for the years then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the U.S. Targets as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 Combined Financial Statements section of our report. We are independent of the U.S. Targets in accordance with the ethical requirements that are relevant to our audit of the combined 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information.

Our opinion on the combined 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 combined financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the combined financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We have not been provided with any other information.

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

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

In preparing the combined financial statements, management is responsible for assessing the U.S. Targets' 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 U.S. Targets or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the U.S. Targets' financial reporting process.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 U.S. Targets' 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 U.S. Targets' 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 combined 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 U.S. Targets to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the U.S. Targets to express an opinion on the combined financial statements.

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

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

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 29, 2019

U.S. TARGETS

Combined Statements of Financial Position
(Expressed in United States Dollars)
As at,

		December 31, 2018		December 31, 2017
Assets				
Current Assets:				
Cash	$	**205,941**	$	241,716
Accounts receivable		**79,280**		-
Inventory (Note 5)		**567,246**		134,589
Biological assets (Note 6)		**242,288**		133,006
Prepaid expense		-		114,583
Due from related parties (Note 12)		-		130,431
		1,094,755		754,325
Deposit on lease		**20,000**		20,000
Property and equipment (Note 7)		**983,490**		961,517
Total Assets	$	**2,098,245**	$	1,735,842
Liabilities and Equity				
Current Liabilities:				
Accounts payable and accrued liabilities (Note 8)	$	**465,880**	$	521,070
Income taxes payable		**729,264**		84,500
Due to related parties (Note 12)		**1,004,217**		520,162
Notes payable – current (Note 9)		**231,848**		810,496
		2,431,209		1,936,228
Notes payable (Note 9)		**196,617**		207,110
		2,627,826		2,143,338
Equity:				
Capital contributions (Note 10)		**672,934**		727,934
Deficit		**(1,202,515)**		(1,135,430)
		(529,581)		(407,496)
Total Liabilities and Equity	$	**2,098,245**	$	1,735,842

Nature of operations (Note 1)
Commitments and contingencies (Note 17)
Subsequent events (Note 18)

Approved on behalf of the Board of Directors:

"signed"
Mark Waldron – Director

"signed"
Jane Gauthier - Director

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

U.S. TARGETS

Combined Statements of Operations

(Expressed in United States Dollars)

	Year Ended December 31,	
	2018	2017
Revenue	$ **10,589,087**	$ 7,102,750
Cost of goods sold		
Inventory expensed to cost of sales	**7,030,283**	5,369,076
Transferred to inventory upon harvest of biological assets (note 6)	**83,434**	222,860
Fair value adjustment on growth of biological assets (note 6)	**(192,716)**	(317,544)
Total cost of goods sold	**6,921,001**	5,274,392
Gross profit	**3,668,086**	1,828,358
Operating Expenses		
General and administrative (Note 11)	**2,727,708**	2,147,241
Sales and marketing	**170,405**	143,133
Depreciation and amortization (Note 7)	**25,995**	19,252
Total operating expenses	**2,924,108**	2,309,626
Income (loss) from operations	**743,978**	(481,268)
Other Expense		
Interest expense	**69,933**	189,276
Other	**9,942**	-
Total other expense	**79,875**	189,276
Income (loss) before income taxes	**664,103**	(670,544)
Income tax expense (Note 13)	**731,188**	118,511
Net income (loss)	$ **(67,085)**	$ (789,055)

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

U.S. TARGETS

Combined Statements of Equity

(Expressed in United States Dollars)

	Contributions	Deficit	Total Equity
Balance, December 31, 2016	$ 237,434	$ (346,375)	$ (108,941)
Contributions	610,500	-	610,500
Net loss	-	(789,055)	(789,055)
Distributions	(120,000)	-	(120,000)
Balance, December 31, 2017	**727,934**	**(1,135,430)**	**(407,496)**
Net income	-	(67,085)	(67,085)
Distributions	(55,000)	-	(55,000)
Balance, December 31, 2018	**$ 672,934**	**$ (1,202,515)**	**$ (529,581)**

The accompanying notes are an integral part of these combined financial statements

U.S. TARGETS

Combined Statements of Cash Flows
(Expressed in United States dollars)

	For the Year Ended December 31,	
	2018	2017
Net income (loss) for the year	$ **(67,085)**	$ (789,055)
Items not affecting cash:		
Depreciation and amortization	**192,736**	158,223
Accrued interest	**108,455**	155,682
Distribution accrual	-	(120,000)
Changes in non-cash working capital items:		
Accounts receivable	**(79,280)**	-
Inventory	**(432,657)**	5,213
Biological assets	**(109,282)**	(94,684)
Prepaid expense	**114,583**	68,750
Due to/from related parties	**614,486**	(83,113)
Accounts payable and accrued liabilities	**(55,190)**	477,229
Income taxes payable	**644,764**	-
Net cash from (used in) operating activities	**931,530**	(221,755)
Cash Flows Used in Investing Activities:		
Deposit on lease	-	(20,000)
Purchase of property and equipment	**(214,709)**	(359,584)
Net cash used in investing activities	**(214,709)**	(379,584)
Cash Flows from Financing Activities:		
Repayments of notes payable	**(697,596)**	(514,000)
Proceeds from notes payable	-	615,000
Distribution of capital	**(55,000)**	-
Contribution from members	-	610,500
Net cash flows (used in) from financing activities	**(752,596)**	711,500
	$ **(35,775)**	$ 110,161
Cash, beginning of the year	**241,716**	131,555
Cash, end of the year	$ **205,941**	$ 241,716
Supplemental information:		
Interest paid	$ **84,812**	$ 213,696
Income taxes paid	$ **111,424**	$ 14,221
Other Noncash Investing and Financing Activities		
Repayment of notes payable by related parties	$ -	$ 466,000

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

1 NATURE OF OPERATIONS

The U.S. Targets (as hereafter defined) are a group of entities with common management which collectively own, operate and are developing cannabis dispensaries and production facilities located in the state of California in the United States and are comprised of: (i) Alpine CNAA LLC; (ii) 8130 Alpine LLC; (iii) Alternative Naturopathic Inc. (formerly, California Naturopathic Agricultural Association No. 7); (iv) NGEV Inc.; and (v) Port City Alternative of Stockton Inc. (dba Port City); (collectively, the "U.S. Targets").

Alpine CNAA LLC and 8130 Alpine LLC own and operate in-development stage cultivation and production facilities in Sacramento, California that produces cannabis flower, clones and seeds. Their address is 8130 Alpine Avenue, Sacramento, California, 95826. 8130 Alpine LLC was founded in 2016 and Alpine CNAA LLC was founded in 2017.

Alternative Naturopathic Inc. operates a licensed dispensary located at 8112 Alpine Avenue, Sacramento, California, 95826. Alternative Naturopathic Inc. was founded in 2013.

Port City Alternative of Stockton Inc. operates a licensed dispensary located at 1550 W. Fremont Street, Suite 100, Stockton California 95203. Port City Alternative of Stockton Inc. was founded in 2015.

NGEV, Inc. owns and operates a cannabis cultivation and production facility located in Crescent City, California has historically produced cannabis flower, clones and seeds. The operations are suspended pending renewal of the license. The address of NGEV Inc. is 2500 Howland Hill Road, Crescent City, CA, 95531. NGEV Inc. was founded in 2015.

Cannabis and CBD-infused products are legal under the laws of California and several other U.S. States with differing restrictions. The United States Federal Controlled Substances Act classifies all "marijuana" as a Schedule 1 drug, whether for medical or recreational use. Under U.S. federal law, a Schedule 1 drug or substance has a high potential for abuse, no accepted medical use in the United States and a lack of safety for use under medical supervision.

Between July 26 to August 16, 2018, each of the U.S. Targets, and the securityholders of the U.S. Targets, entered into definitive securities purchase agreements (the "Acquisition Agreements") with Vibe Bioscience Corporation ('Vibe"). Through a wholly-owned, Nevada-incorporated subsidiary ("Vibe Nevada"), Vibe entered into agreements to acquire all of the issued and outstanding units and shares of the U.S. Targets in exchange for consideration made up of cash and certain Class A common shares of Vibe. Subsequent to December 31, 2018 the Company completed the acquisition of the U.S. Targets, with the exception of the acquisition of NGEV, Inc., the closing of which is pending the satisfaction of certain conditions by NGEV, Inc. (Note 18).

2 BASIS OF PRESENTATION

a) Statement of compliance

These combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations committee ("IFRIC") in effect for the year ended December 31, 2018. These combined financial statements were approved by the Board of Directors and authorized for issue on April 26, 2019.

b) Basis of measurement

These combined financial statements are presented in United States ("US") dollars and are prepared under the historical cost basis, except for biological assets which are carried at fair value. These combined financial statements have been prepared on a going concern basis, which assumes that the U.S. Targets will be able to realize their assets and discharge their liabilities in the normal course of business.

c) Basis of combination

These combined financial statements include the accounts of: Alpine CNAA LLC; Alternative Naturopathic Inc. (formerly, California Naturopathic Agricultural Association No. 7); 8130 Alpine LLC; NGEV Inc.; and Port City Alternative of Stockton Inc, which are collectively referred to as the "U.S. Targets" herein. The U.S. Targets were under common management for the years presented and the combined financial statements were prepared at the request of management. All significant intercompany balances and transactions were eliminated on combination.

d) Functional currency

The functional currency of each of the U.S. Targets is the US dollar.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash consists of cash on hand.

b) Biological assets

The U.S. Targets measures biological assets consisting of medical cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of inventory. Seeds are measured at fair market value. Unrealized gains or losses arising from changes in fair value less costs to sell during the year are included in the results of operations of the related year.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd...)*

c) Inventory

Inventories of harvested finished goods and packing materials are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value.

Inventories of purchased product are valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The U.S. Targets reviews inventory for obsolete, redundant and slow-moving items and any such inventory is written down to net realizable value. As of December 31, 2018, the Company determined that no reserve was necessary.

d) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis over the asset's useful life commencing from the time the asset is available for use. The depreciation lives used for each class of depreciable asset are:

Computer equipment	3 years
Production equipment	4 - 5 years
Leasehold improvements	Straight line over lease term
Buildings	25 years

An asset's residual value and useful life are reviewed during each financial year and adjusted if appropriate. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in profit or loss.

e) Leases

Leases of property and equipment whereby the U.S. Targets have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is included in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the U.S. Targets as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in profit or loss on a straight-line basis over the period of the lease.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd...)*

f) Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets are reviewed to determine whether there is any indication that these assets have impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

g) Members contributions

Capital contributions by members are classified as equity. Incremental costs directly attributable to the issue of units and unit-based payments are recognized as a deduction from equity, net of any tax effects.

h) Revenue recognition

The IASB replaced IAS 18 Revenue, in its entirety with IFRS 15 Revenue from Contracts with Customers. The U.S. Targets adopted IFRS 15 using the modified retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of January 1, 2018 and comparatives will not be restated.

Based on the U.S. Targets' assessment, the adoption of this new standard had no impact on the amounts recognized in their consolidated financial statements.

The U.S. Targets' accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the U.S. Targets follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the direct sale of cannabis to medical customers for a fixed price is recognized when the U.S. Targets transfer control of the good to the customer upon delivery.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd...)*

i) Income taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax basis. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

j) Financial instruments

The U.S. Targets have adopted the following new or amended IFRS standards for the period beginning January 1, 2018:

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The U.S. Targets adopted IFRS 9 using the retrospective approach where the cumulative impact of adoption is recognized in retained earnings as of January 1, 2018 and comparatives results are not be restated. There was no material impact to the combined financial statements due to the adoption of IFRS 9.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the U.S. Targets' business models for managing their financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd...)*

j) Financial Instruments *(cont'd)*

Fair value through other comprehensive income ("FVTOCI")
Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI.

Fair value through profit or loss ("FVTPL")
Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

k) Critical accounting estimates and judgments

The preparation of the combined financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results 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.

Biological assets and inventory
In calculating the fair value of biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd...)*

k) Critical accounting estimates and judgments *(cont'd)*

Estimated useful lives and depreciation of property, plant and equipment
Depreciation and amortization of property, plant and equipment are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

4 RECENT ACCOUNTING PRONOUNCEMENTS

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2018 and have not been applied in preparing these financial statements. The U.S. Targets have not early adopted these revised standards.

IFRS 16 – Leases
Effective January 1, 2019, IFRS 16 – Leases will replace IAS 17 – Leases. IFRS 16 eliminates the classification of leases as either operating or finance. All leases, with certain stated exceptions, will be accounted for by recognizing on the statement of financial position, a right-of-use asset associated with the asset under lease and a corresponding lease liability. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The U.S. Targets expect to capitalize the right-of-use asset and related lease liability for the leases described in note 17 that are currently reported as operating leases. The adoption of IFRS 16 is expected to have a material effect on the U.S. Targets' financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments.
IFRIC 23 is effective January 1, 2109 and clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The U.S. Targets do not expect that the adoption of this standard will have a material effect on the U.S. Targets' financial statements.

5 INVENTORY

As of December 31, 2018, inventories totalled $567,246 (December 31, 2017 - $134,589) and is comprised primarily of cannabis and cannabis-related products.

6 BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. For the year ended December 31, 2018, the changes in the carrying value of biological assets is as follows:

		December 31, 2018	December 31, 2017
Beginning balance	$	133,006 $	38,322
Net change in fair value less costs to sell due to biological transformation		192,716	317,544
Transferred to inventory upon harvest		(83,434)	(222,860)
Ending balance	$	242,288 $	133,006

The U.S. Targets value their biological assets at the end of each reporting period at fair value less costs to sell and complete using significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is fourteen weeks from propagation to harvest;
- The average harvest yield of whole flower is 0.09 pound per plant;
- The average selling price of whole flower is $1,900 per pound;
- Processing costs include drying and curing, testing and packaging, and post-harvest overhead allocation, estimated to be $350 per pound: and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be $14 per pound.

The estimates of growing cycle, harvest yield, and costs per pound are based on the U.S. Targets' historical results. The estimate of the selling price per pound is based on the U.S. Targets' historical sales in addition to the U.S. Targets' expected sales prices going forward.

Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per pound - a decrease in the selling price per pound by 10% would result in the biological asset value decreasing by approximately $16,000 (2017 - $25,000).
- Harvest yield per plant - a decrease in the harvest yield per plant of 10% would result in the biological asset value decreasing by approximately $18,500 (2017 - $16,000).

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

6 BIOLOGICAL ASSETS *(cont'd...)*

As of December 31, 2018, the biological assets were on average, 52% complete (December 2017 – 62%) based on the number of days remaining to harvest, and the estimated fair value less costs to sell of dry cannabis was $262 per plant.

As of December 31, 2018, it is expected that the U.S. Targets' biological assets will ultimately yield approximately 350 pounds of cannabis (December 2017 - 197 pounds).

7 PROPERTY AND EQUIPMENT

	Computer equipment	Equipment	Leasehold improvements	Buildings	Construction in progress	Total
	$	$	$	$		$
Balance at December 31, 2016	9,953	177,267	370,000	272,999	-	830,219
Additions	3,519	117,067	80,000	158,998	-	359,584
Balance at December 31, 2017	13,472	294,334	450,000	431,997	-	1,189,803
Additions	3,191	50,669	65,206	-	95,643	214,709
Balance at December 31, 2018	16,663	345,003	515,206	431,997	95,643	1,404,512
Accumulated Depreciation						
Balance at December 31, 2016	1,826	20,277	42,500	5,460	-	70,063
Depreciation for the year	3,904	47,219	93,000	14,100	-	158,223
Balance at December 31, 2017	5,730	67,496	135,500	19,560	-	228,286
Depreciation for the year	5,388	65,252	104,816	17,280	-	192,736
Balance at December 31, 2018	11,118	132,748	240,316	36,840	-	421,022
Carrying Amounts						
At December 31, 2017	7,742	226,838	314,500	412,437	-	961,517
At December 31, 2018	5,545	212,255	274,890	395,157	95,643	983,490

Depreciation expense for the year ended December 31, 2018, totalled $192,736 (December 31, 2017 - $158,223), of which $166,741 (December 31, 2017 - $138,971) is included in cost of goods sold.

Construction in progress relates to capital costs, largely leasehold improvements, incurred by the U.S. Targets which were not yet in use.

8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of:

	December 31, 2018	December 31, 2017
Accounts payable	**$ 267,694**	$ 124,642
Accrued liabilities	**26,318**	90,000
Accrued payroll liabilities and taxes	**37,708**	48,890
Sales taxes payable	**134,160**	257,538
	$ 465,880	$ 521,070

9 NOTES PAYABLE

Notes payable consist of the following:

	December 31, 2018	December 31, 2017
Note payable bearing interest at 17.5%, repayable in monthly installments of $44,236 commencing in June 2017, secured by personal guarantee of operations manager and maturing February 1, 2018. The lender was granted a 10% interest in NGEV Inc. and on any additional leases granted from the Elk Valley Rancheria Economic Development Corporation as well as the right to participate on in future financings at its continued 10% interest. NGEV Inc. was in arrears on the monthly payments as at December 31, 2017, consequently incurred late fees of $34,641 during the year ended December 31, 2017. The balance has been repaid in full subsequent to December 31, 2018.	**11,274**	271,275
Note payable bearing interest at 13%, repayable in monthly installments of $38,785 commencing in January 2018, unsecured and maturing on June 10, 2019. The lender was granted a 3% interest in NGEV Inc. and 10% on any additional leases granted from the Elk Valley Rancheria Economic Development Corporation as well as the right to participate on in future financings at its continued 10% interest. During the year ended December 31, 2018, NGEV modified its original note payable to 12% interest, repayable in monthly installments of $18,034 commencing in August 2018, unsecured and maturing on December 31, 2020.	**397,165**	621,331
Note payable bearing interest at 10%, repayable in monthly installments of $25,000, unsecured and maturing in May 2018. The lender was granted a 5% interest in NGEV Inc. and 15% on any additional leases granted from the Elk Valley Rancheria Economic Development Corporation as well as the right to participate on in future financings at its continued 15% interest. During the year ended December 31, 2018 the Company repaid the loan in full.	**-**	125,000
Financing lease bearing interest at 4.99%, repayable in monthly payments of $395 maturing in March 2023.	**20,026**	-
	$ 428,465	$ 1,017,606

9 NOTES PAYABLE *(cont'd...)*

	December 31, 2018	December 31, 2017
Total notes payable	$ 428,465	$ 1,017,606
Less: current portion of notes payable	(231,848)	(810,496)
Long term portion of notes payable	$ 196,617	$ 207,110

10 CAPITAL CONTRIBUTIONS

One of the U.S. Targets is a nonprofit Mutual Benefit Corporations organized under the Nonprofit Mutual Benefit Corporation Law. Two of the U.S. Targets were converted to a General Stock Corporation from a nonprofit Mutual Benefit Corporation. The other two entities are limited liability companies organized in the state of California.

NGEV Inc. has granted a right of first refusal to certain members of NGEV Inc. on any new projects that require additional capital. If capital is not required, the investors continue to share their percentage of stated equity.

Port City Alternative of Stockton Inc. had granted an option to certain members of Port City Alternative of Stockton Inc. to purchase an additional 20% of the equity in Port City Alternative of Stockton Inc. for total consideration of $500,000, which expired unexercised on January 31, 2019.

11 GENERAL AND ADMINISTRATIVE

For the year ended December 31, 2018 and 2017, general and administrative expense were comprised of:

	December 31, 2018	December 31, 2017
Computer and telephone	$ 12,486	$ 2,662
Insurance	29,666	18,310
Licenses and permits	404,863	213,942
Office equipment and supplies	66,013	82,404
Other general and administrative expense	53,772	47,315
Payroll and benefits	950,938	674,027
Professional fees	258,083	96,833
Property taxes and other	86,061	62,221
Rent	372,871	393,990
Repairs and maintenance	28,431	98,608
Security	428,487	405,618
Utilities	36,037	51,311
Total general and administrative expenses	$ 2,727,708	$ 2,147,241

12 RELATED PARTIES

In addition to related party transactions described elsewhere in the notes to the combined financial statements, the U.S. Targets had the following related party transactions:

a) Compensation of key management personnel
Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the U.S. Targets, collectively. The key management personnel of the U.S. Targets are the members of the U.S. Targets' executive management team and ownership members.

Compensation provided to key management in the year ended December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Salaries and benefits	**$ 122,172**	$ 115,527
Consulting fees	-	10,000
	$ 122,172	$ 125,527

b) Related Party Rent

The U.S. Targets rent, on a month-to-month basis, a Sacramento dispensary and cultivation site from a key management personnel and owner members. During the year ended December 31, 2018 rent paid was $149,314 (2017 - $175,400).

c) Management Agreement

Effective December 20, 2017 and January 5, 2018, Alternative Naturopathic Inc., Port City Alternative of Stockton Inc. and Alpine CNAA LLC entered into three management agreements with two of their key management personnel to provide various management services and run the day-to-day operations of the above U.S. Targets (Alternative Naturopathic Inc., Port City Alternative of Stockton Inc. and Alpine CNAA LLC) for a term of sixty months. In addition, such U.S. Targets shall pay a 5% management fee based on the net profits of gross sales of the respective companies, which shall be payable monthly in arrears. Subsequent to December 31, 2018 this management agreement has been cancelled.

d) Due to and from related parties

Amounts due to and receivable from members of the applicable U.S. Targets are presented as due to and from related parties. These balances are non-interest bearing, unsecured and have no specified terms of repayment. During the year ended December 31, 2017, two members repaid a promissory note on behalf of Port City Alternative of Stockton Inc. in the amount of $466,000, the balance of which is included in due to related parties on the Statement of Financial Position.

12 RELATED PARTIES *(cont'd...)*

During the year ended December 31, 2018, members loaned the U.S. Targets, in aggregate, $1,004,217 (2017 - $520,162) for various operating expenses and certain purchases of property and equipment at each of Alpine CNAA LLC, 8130 Alpine LLC, Alternative Naturopathic Inc., NGEV Inc., and Port City Alternative of Stockton Inc. Included in accounts payable as at December 31, 2018 is $Nil (2017 - $70,000) also due to members of the applicable U.S. Targets.

All amounts due to and from related parties were settled subsequent to year end.

13 INCOME TAXES

A reconciliation of income taxes expense at statutory rates with the reported taxes for the year ended is as follows:

	December 31, 2018	December 31, 2017
Combined income (loss) for the year	$ 664,103	$ (670,544)
Pass through items	(594,596)	840,868
Taxable income for the year	1,258,699	170,324
Expected income tax	364,000	44,511
Changes in statutory rates and other	(65,812)	74,000
Permanent differences	433,000	-
Change in unrecognized deductible temporary differences	-	-
Income tax expense	$ 731,188	$ 118,511

No deferred tax asset has been recognized in respect of the above because the amount of future taxable profit that will be available to realize such assets is not probable.

For the years ended December 31, 2018 and 2017, Alpine Alternative elected to be taxed as a C corporation. During the year ended December 31, 2018, Port City became a C corporation for tax purposes. All of the other entities within the combined group were taxed as limited liability companies and, accordingly, taxable income and losses flowed through to the respective members.

As the U.S. Targets operate in the cannabis industry, it is subject to the limits of IRC Section 280E under which the U.S. Targets are only allowed to deduct expenses directly related to sales of the product. Although proper deductions for cost of goods sold are generally allowed to determine gross income, the scope of such items has been the subject of debate, and deductions for significant costs may not be permitted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. Thus, the operations of Alternative Naturopathic Inc. may be subject to United States federal tax, without the benefit of certain deductions or credits.

14 FINANCIAL INSTRUMENTS

a) Fair value

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quotes 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).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash, accounts receivable, due from related parties, accounts payable and accrued liabilities, and due to related parties approximates fair value due to the short-term nature of the financial instruments.

There have been no transfers between fair value levels during the year ended.

b) Financial risk factors

The U.S. Targets' risk exposure and the impact on the U.S. Targets' financial instruments are summarized below:

Liquidity risk
The U.S. Targets' approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the U.S. Targets' financial liabilities consist of accounts payable and accrued liabilities, due to related parties and notes payable. The U.S. Targets manage liquidity risk by reviewing their capital requirements on an ongoing basis. Historically, the U.S. Targets' main source of funding has been additional funding from members, or the addition of new members. The U.S. Targets' access to financing is always uncertain. There can be no assurance of continued access to significant equity financing (note 2).

Credit risk
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The U.S. Targets' credit risk is primarily attributable to accounts receivable. There is no credit risk related to cash as all cash balances remain on-hand at the U.S Targets' locations. Accounts receivables consist of trade receivables from third-party distributors for which the U.S. Targets feel there is minimal risk of non-collection. The U.S. Targets do not have significant credit risk with respect to cannabis customers as sales are largely cash-based. The U.S. Targets' maximum credit risk exposure is exposure is equivalent to the carrying value of these instruments. The U.S. Targets have been granted license pursuant to the laws of the State of California with respect to cultivating marijuana. Presently, this industry is illegal under United States federal law. The U.S. Targets have, and intend to, adhere strictly to the state statutes in their operations.

14 FINANCIAL INSTRUMENTS *(cont'd...)*

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The U.S. Targets are not exposed to currency risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The U.S. Targets currently do not carry variable interest-bearing debt. It is management's opinion that the U.S. Targets are not exposed to significant interest rate risk.

Regulatory risk
The U.S. Targets are directly engaged in the medical and adult-use cannabis industry in the State of California, where local and state laws permit such activities. Despite certain states legalizing the use of cannabis, whether for medical or adult use, or decriminalizing cannabis, both cannabis and related drug paraphernalia remain illegal under U.S. federal law as a Schedule 1 controlled substance under the Controlled Substances Act. As such, the cultivation, distribution, sale and possession of cannabis violates federal law in the U.S. and involvement in such activities carries the risk of regulatory fines, penalties, restrictions on use and federal civil and/or criminal prosecution. To date, the U.S. Targets have not been subject to any federal law enforcement proceedings or reviews.

15 CAPITAL MANAGEMENT

The U.S. Targets define capital as members' contributions and deficit. The U.S. Targets manage their capital structure and makes adjustments in order to have the funds available to support their operating activities.

The U.S. Targets' objectives when managing capital is to safeguard the U.S. Targets' ability to continue as a going concern in order to pursue the development of their business. The U.S. Targets manage their capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust their capital structure, the U.S. Targets may request additional member contributions, new debt, or acquire and/or dispose of assets. The U.S. Targets' ability to continue as a going concern is uncertain and dependent upon the continued financial support of their members, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the U.S. Targets' approach to capital management during the years presented. The U.S. Targets are not subject to externally imposed capital requirement.

16 SEGMENTED INFORMATION

The U.S. Targets operate in one business segment, cannabis cultivation and production. The U.S. Targets' location and source of sales is in California, USA. The U.S. Targets have been approved for future distribution and delivery of their products.

17 COMMITMENTS AND CONTINGENCIES

a) Office and Operating Leases

The U.S. Targets lease certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2023 and contain renewal terms. The U.S. Targets' net rent expense for the year ended December 31, 2018 totalled $695,983 (2017 - $558,879).

Future minimum leases under non-cancellable operating leases having an initial remaining term of more than one year are as follows:

For the Twelve Months Ending December 31	Scheduled Payments
2019	$ 515,625
2020	529,406
2021	288,620
2022	200,000
Total Future Minimum Lease Payments	$ 1,533,651

b) Financing lease

During the year ended December 31, 2018, the Company acquired a vehicle that has been classified as a financing lease. The future minimum lease payments are $4,735 annually, maturing on March 28, 2023.

18 SUBSEQUENT EVENTS

On February 19, 2019, Vibe acquired 100% of the issued and outstanding shares of the U.S. Targets for an aggregate purchase price of U.S. $3,800,000 of cash (subject to a working capital adjustment) and 18,855,424 Class A common shares with the exception of NGEV, Inc. As of the date of these financial statements, NGEV, Inc. has not been acquired as the closing of the acquisition of NGEV, Inc. is currently in escrow subject to the satisfaction of certain conditions by the vendors of NGEV, Inc., including requisite license approvals, which conditions may be waived by Vibe in its sole discretion.