



Vibe Reports First Quarter 2019 Financial and Operating Results

CALGARY, Alberta, May 30, 2019 -- Vibe Bioscience Ltd. (the “Company” or “Vibe”), is a vertically integrated cannabis retailer and cultivator whose vision is to become a dominant vertically integrated cannabis company and multi-state operator in the U.S. Vibe is pleased to announce the financial and operating results for the three months ended March 31, 2019. All financial information is provided in U.S. dollars unless otherwise indicated. The Financial Statements and Management’s Discussion and Analysis (“MD&A”) are available on the Company’s SEDAR profile at www.sedar.com and on Vibe’s website at www.vibebioscience.ca.

Q1 2019 Financial Highlights:

The Company was incorporated on June 11, 2018, and therefore, there are no comparative results for the three months ended March 31, 2018. Further, the Company’s core cannabis business did not commence until February 18, 2019 when the Company acquired certain dispensary and cultivation operations in California (see discussion of the U.S. Acquisition below). Consequently, revenue, gross margin, EBITDA and adjusted EBITDA amounts include results from February 18, 2019 to March 31, 2019 (42 days) with respect to the operations of the U.S. Targets (as hereinafter defined), and the Company’s Canadian head office for the entire three months ended March 31, 2019.⁽¹⁾

Corporate Highlights

U.S. dollars	Q1 2019
Total revenue ^(a)	\$1,313,726
Gross margin	\$ 583,307
Gross margin % ^(a)	44.4
Adjusted EBITDA ^(a)	\$ 59,336
Adjusted EBITDA % ^(a)	4.5

a. This is a non-IFRS measure. Readers are cautioned that the amounts presented do not have standardized meanings prescribed by IFRS – see discussion of non-IFRS Measures in the MD&A for reconciliation to measures reported in the Company’s financial statements.

U.S. Retail and Cultivation Highlights

U.S. dollars	February 18, to March 31, 2019
Total revenue ^(a)	\$1,313,726
EBITDA ^(a)	\$ 163,870
Adjusted EBITDA	\$ 330,870
EBITDA % ^(a)	12.5
Adjusted EBITDA % ^(a)	25.2

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Q1 2019 Corporate Development Highlights:

- Closed the acquisition of four U.S. cannabis companies in February 2019 (the “U.S. Acquisition”), including (i) Port City Alternative of Stockton Inc. (“Port City”), (ii) Alpine CNAA LLC together with 8130 Alpine LLC (collectively “Alpine Cultivation”), and (iii) Alpine Alternative Naturopathic (“Alpine Alternative”) (the entities are collectively referred to as the “U.S. Targets”). The U.S. Acquisition provides the Company with established medical and adult-use recreational dispensary and cultivation operations in the State of California that generated positive EBITDA from the date of acquisition on February 18, 2019 through March 31, 2019 totaling \$163,870 and adjusted EBITDA of \$330,870 on revenue of \$1,313,726.⁽¹⁾

- Purchased land and buildings in Sacramento, California in February 2019 (the “U.S. Real Estate”). The U.S. Real Estate consists of approximately 94,000 square feet and the acquired buildings consist of three separate structures with a combined footprint of approximately 16,500 square feet. The Alpine Alternative dispensary and the cultivation operations of Alpine Cultivation are physically located on the U.S. Real Estate which allows the Company to build-out the related facilities to expand and improve its cultivation operations. The Company has already commenced a two-phased capital upgrade to the Alpine Cultivation facility and operations aimed at increasing cultivation capacity and improving the efficiency and cost-effectiveness of the cultivation process.
- Completed private placements in February and March 2019 for gross proceeds totaling \$3,845,288. This capital provided the Company with additional funds to finance current operations and integration costs associated with the U.S. Acquisition in addition to providing a level of flexibility for financing future acquisitions.
- Completed the reverse take-over of Altitude Resources Inc. on March 25, 2019 (“The Reverse Take-over”). The successful completion of the Reverse Take-over resulted in the public listing of the Company on the CSE on April 3, 2019.
- Added key management personnel and Board members. The Company added key management personnel to manage the day-to-day operations of the U.S. Targets. The Company also added outside individuals to the Board of Directors who have significant experience with capital markets and public company reporting and compliance.

Subsequent to March 31, 2019:

- On April 3, 2019, Vibe entered into a definitive agreement to acquire a dispensary in Redding, California (the “Redding Dispensary”) for an aggregate purchase price of approximately \$1.0 million, paid through the issuance of common shares of the Company. Upon closing of the acquisition and the subsequent completion of certain improvements to the dispensary facility, the Redding Dispensary will provide Vibe with a third license to dispense adult-use recreational cannabis in California.
- Commenced a two-phase expansion and upgrade of the nursery, cultivation and distribution facilities acquired in the Alpine Cultivation acquisition. Phase 1 consists of expanding the existing nursery operations and is expected to be completed in Q3 2019. Phase 2 consists of expanding and upgrading the existing cultivation and distribution operations and are expected to be complete in 2020.
- On May 30, 2019, Vibe terminated the securities purchase agreement dated August 16, 2018 (the “NGEV SPA”) whereby the Company was to acquire all the outstanding securities of NGEV Inc. (“NGEV”). The NGEV SPA was terminated due to the inability of the vendors of NGEV to fulfill certain conditions in favour of the Company set out in the NGEV SPA.
- The Board of Directors of the Company approved the granting of stock options to purchase up to 525,000 Class A common shares of the Company to all full-time California employees of Vibe pursuant to the Company’s stock option plan. The options have an exercise price equal to the greater of the closing market price of the common shares on May 29, May 30 or May 31, 2019 and are exercisable for a period of four years from the date of issuance and vest equally on May 30, 2020, 2021, and 2022.

Q1 2019 Operating Review:

The acquisition of Port City, located in Stockton, California and Alpine Alternative, located in Sacramento, California provides the Company with two established cannabis dispensaries that generate positive cash flow and dispense a wide variety of high quality cannabis flowers, edibles and extracts. Port City and Alpine Alternative have been operating since 2013 and 2015, respectively, when they commenced operations as medical use cannabis providers. Accordingly, by leveraging an existing customer base and established operations, both entities were uniquely positioned to provide adult-use cannabis upon legalization of recreational cannabis by the State of California in 2018. Management expects Port City and Alpine Alternative revenue to remain on trend for the remainder of 2019 as the dispensaries generate a full year of adult-use cannabis revenue.⁽²⁾

The acquisition of the Alpine Cultivation, located in Sacramento, California provides the Company with cannabis cultivation assets give the Company the foundation to become a vertically integrated cannabis company in the California market.

The Port City dispensary comprises approximately 2,500 square feet of leased retail space and generated revenue totaling \$632,325 from the date of acquisition on February 18, 2019 to March 31, 2019 and gross margin totaling \$302,239 (47.8%).⁽¹⁾ The Alpine Alternative dispensary is comprised of approximately 2,100 square feet of retail space located in a building acquired as part of the purchase of the U.S. Real Estate. Alpine Alternative generated revenue totaling \$553,771 from the date of acquisition on February 18, 2019 to March 31, 2019 and gross margin totaling \$284,939 (51.5%).⁽¹⁾

The Alpine Cultivation operations realized a loss at the gross margin level totaling \$(3,871) for the three months ended March 31, 2019 largely due to the existing scale of the operations and the quality of existing infrastructure.⁽¹⁾ Currently, Alpine Cultivation has a nursery and cultivation site occupying two of the buildings acquired in the purchase of the U.S. Real Estate. The Company’s current cultivation is housed in approximately 5,600 square feet of indoor space (including curing/drying and packaging operations).

Management is undertaking capital investment in two phases to improve the Alpine Cultivation facilities. Phase 1 of the capital investment includes moving the existing nursery operation into a larger, renovated space, adding approximately 2,300 square feet, and implementing operating efficiencies at the existing cultivation facility. Management expects to incur approximately \$75,000 to \$100,000 to finish the Phase 1 upgrades which are expected to be completed in the third quarter of 2019.⁽²⁾

Phase 2 of the capital investment in the Alpine Cultivation operations consists of significantly increasing the Company’s cultivation capacity and creating distribution capabilities. The Company plans to add 2,300 square feet of cultivation space. In

addition, the Company is building out a 1,000 square foot distribution room and has secured a temporary distribution license. Management expects Phase 2 upgrades to cost approximately \$180,000 to \$200,000. Phase 2 upgrades cannot commence until the Phase 1 upgrades are completed. Once commenced, management expects the Phase 2 upgrades to be completed over a 9 to 12 month period. Management believes that the phase 2 investment will increase the Company's vertical integration into its existing retail channel. In addition, the distribution capabilities will provide the Company with exposure to the cannabis wholesale market in addition to lowering cultivation costs by reducing the Company's reliance on third party distributors.⁽²⁾

Both phases 1 and 2 consist of upgrades being made to existing structures and facilities with no new buildings planned. Accordingly, there will be no changes to the Company's existing cultivation and retail licenses and operations will continue uninterrupted through completion of the upgrades.

Management has also invested in improving the methods of delivery of cannabis products at the dispensaries. Specifically, the Company is in the process of obtaining delivery licenses for the City of Sacramento which will allow the Company to deliver product door-to-door directly to customers. Securing the delivery license involves making the necessary upgrades to an existing delivery asset in addition to demonstrating the delivery assets can be properly and safely secured.

The Company is also currently undertaking specific improvements to the Alpine Alternative retail space that are expected to enhance the customer experience and emphasize the Vibe store brand, including reconfiguring the pick-up area for on-line and mobile orders aimed at reducing customer wait times. The upgrades are expected to be completed by the end of the third quarter of 2019.

The Company has also hired senior level management for the U.S. operations to ensure adequate financial controls and reporting processes and procedures are implemented in order to meet public company reporting and compliance requirements. These individuals have significant experience and expertise in the cannabis market and bring a level of professionalism that can be leveraged to integrate future U.S. acquisitions. The Company also added outside individuals to the Board of Directors who have significant experience with capital markets and public company reporting and compliance.

Management expects to continue to focus on the acquisition of dispensary, cultivation and manufacturing assets in California as it believes the California market represents a significant portion of the overall retail and medical market in North America. Management also believes that California provides a unique cannabis market opportunity as it is a relatively mature market with established regulatory and licensing requirements and experienced owner/operators. Accordingly, by acquiring California assets, implementing operational improvements and efficiencies and rebranding them under the "Vibe by California" store brand, management believes it can continue to grow revenues and add a recurring cash flow stream.⁽²⁾

Corporate Strategy:

The Company's mission is to become a dominant vertically integrated cannabis retailer and multi-state operator in the U.S. with an emphasis on promoting ethical and responsible adult-use of cannabis, while continuing to supply the medical market with high quality and targeted use cannabis and cannabis-related products. Management believes the Q1 2019 Corporate Development Highlights previously described, provide the Company with the necessary foundation to achieve that mission.⁽²⁾

Management believes the key to the Company's growth is through the acquisition of existing, well- managed cannabis operators with both cultivation, manufacturing and retail operations. Management also believes that acquiring existing businesses is currently the most cost and time effective method to enter the cannabis market as retail and cultivation licenses are subject to annual and lifetime caps and the approval process varies significantly by location. Accordingly, the Company has a group of key management personnel which has significant investment banking experience and that is dedicated to the identification and evaluation of key acquisition targets. Vibe's mergers and acquisition group has developed a rigorous acquisition process that brings a level of professionalism and expertise to the acquisition framework that management believes results in the pursuit of the best-fit targets, successful negotiation of terms that balance the financial requirements of both the Company and the selling parties and optimizes the integration of acquired operations into the Company's existing infrastructure. Acquisitions are expected to be completed through the issuance of cash and/or common shares and will include incentives for target company management to remain with the Company in order to grow and develop the acquired businesses.⁽²⁾

In addition, management's goal is for new dispensaries to deliver an exceptional and unique retail experience under "Vibe by California" branded stores. Accordingly, management will make the necessary capital investment in dispensaries to optimize the flow of foot traffic, improve the efficiency of the consumer purchase process and create an inviting and consistent customer experience across all locations in order to develop customer recognition of, and loyalty for, the "Vibe by California" brand while maximizing the return on capital invested.⁽²⁾

The Company is continuing to improve the customer experience, including providing on-line ordering, door-to-door delivery, express pick-up and drive-through services in addition to improving the efficiency of the point-of-sale process at the dispensary locations. Management believes that by providing multiple and varied methods of product delivery, the Company will attract a wider and more varied customer demographic, further increasing customer loyalty and brand recognition. The Company is also identifying cost saving measures and synergies at new dispensaries, such as improved technology-based security measures, that management believes will help reduce expenses and improve gross margins.⁽²⁾

Outlook:

The first three months of 2019 were positive for the Company. The completion of the private placements by Vibe Bioscience Corporation, now a wholly-owned subsidiary of the Company, in February and March 2019 provided the capital to help fund the

acquisition of the U.S. Targets and the purchase of U.S. Real Estate in the period. The Reverse Take-over completed on March 25, 2019 provided the Company with a public listing.

The acquisition of the U.S. Targets immediately increased the profitability of the Company, realizing \$330,870 of adjusted EBITDA⁽¹⁾ from the date of acquisition on February 18, 2019 to March 31, 2019. Management expects the profitability of the U.S. Targets will continue through the remainder of 2019 due to operational improvements implemented subsequent to the acquisition, in addition to benefiting from a full year of adult-use cannabis sales at Port City and Alpine Alternative.⁽²⁾

Management expects the improvements and expansions currently being undertaken at Alpine Cultivation will increase wholesale revenue in addition to increasing sales of the Company's proprietary Hype Cannabis Co., brand, while lowering product costs at Port City and Alpine Alternative as a result of increased vertical integration. However, the full benefit of the investment in Alpine Cultivation is not expected to be realized until 2020, given the expected timeline to complete the upgrades.

Management expects the gross margin realized by Port City and Alpine Alternative for the remainder of 2019 to remain strong. Management is expecting Alpine Cultivation to operate at break-even on a gross margin basis for the remainder of 2019 while the investment being made to improve the cultivation and manufacturing facilities is completed.⁽²⁾

EBITDA⁽¹⁾ generated by the U.S. Targets is expected to remain positive for the remainder of 2019 as management expects general and administration and selling and marketing costs for the U.S. Targets to remain consistent with the first quarter of the year. Management also expects recurring general and administrative and selling and marketing expense at the head office to be consistent with that realized in the first three months of 2019 as there are no significant additions to the existing cost structure planned for this year.⁽²⁾

The Company is also focused on completing strategic acquisitions during the remainder of 2019 including the acquisition of the Redding Dispensary previously discussed. The Redding Dispensary does not currently have any operations, and therefore, will not be immediately profitable or cash flow positive to the Company. However, management believes the acquisition of the Redding Dispensary was a cost-effective means of acquiring a retail license and increasing market share in the northern California retail cannabis market. Once the acquisition of the Redding Dispensary is completed, management plans to undertake improvements at the dispensary location that will result in the location being the first to be fully branded under the "Vibe by California" store name. The Redding Dispensary is also expected to have an industry-leading design that maximizes customer foot traffic, streamlines the consumer purchasing process and enhances the customer retail experience. The Redding Dispensary is expected to become fully operational in the fourth quarter of 2019. Closing of the acquisition of the Redding Dispensary is subject to the satisfaction of customary closing conditions.⁽²⁾

Management is also evaluating other acquisition opportunities in California in addition to other locations along the U.S. West Coast. Acquisitions will only be completed if management believes they will be accretive to the Company in a relatively short time frame or otherwise further the Company's overall strategy of increasing market share in the retail and medical cannabis market and increasing the Company's vertical integration and wholesale opportunities.

For more information, please visit our website at www.vibebioscience.ca and sign-up for our mailing list. Further details about Vibe are included in Vibe's Listing Statement (CSE Form 2) available on SEDAR at www.sedar.com and at www.vibebioscience.ca.

About Vibe

Vibe is a vertically integrated cannabis company whose mission is to become an industry leading multi-state operator. The Company delivers exceptional retail experiences with its "Vibe by California" brand and ethos, premier cultivation product, and high-efficiency delivery and distribution. The Company's management team brings expertise in retail, cannabis cultivation, and mergers and acquisitions to support its U.S. expansion through accretive acquisitions and organic growth.

For more information, please visit our website at www.vibebioscience.ca and sign-up for our mailing list. Further details about Vibe are included in Vibe's Listing Statement (CSE Form 2) available on SEDAR at www.sedar.com and at www.vibebioscience.ca.

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(2) This is a forward-looking statement. See "Forward-Looking Information".

Forward-Looking Information

Certain statements contained in this press release constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words "anticipate", "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the parties' current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially.

The forward-looking information contained in this release is made as of the date hereof and the parties are not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as

required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward looking information. The foregoing statements expressly qualify any forward-looking information contained herein. Risk factors related to the Company are described in the Company's Listing Statement dated March 25, 2019, a copy of which is available under the Company's profile on SEDAR.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any State securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable State securities laws or an exemption from such registration is available. Not for distribution to U.S. Newswire Services or for dissemination in the United States. Any failure to comply with this restriction may constitute a violation of U.S. securities laws.

Unlike in Canada which has Federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Cannabis Act (Federal), readers are cautioned that in the U.S., cannabis is largely regulated at the State level. To the knowledge of Vibe Bioscience Ltd., there are to date a total of 33 states, plus the District of Columbia, that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. Federal law. Strict compliance with State laws with respect to cannabis will neither absolve Vibe Bioscience Ltd. of liability under the U.S. Federal law, nor will it provide a defense to any Federal proceeding, which may be brought against Vibe Bioscience Ltd. Any such proceedings brought against Vibe Bioscience Ltd. may adversely affect its operations and financial performance.

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