Vibe Bioscience Ltd.

Condensed Consolidated Financial Statements

As at and for the Three Months Ended March 31, 2020

(In U.S. Dollars, Unless Otherwise Noted)

Notice for National Instrument 51-102

The accompanying unaudited interim condensed consolidated financial statements of Vibe Bioscience Ltd. as at and for the three months ended March 31, 2020, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed or audited by the Company's external auditors.

Vibe Bioscience Ltd.
Condensed Consolidated Statements of Financial Position
(Expressed in U.S. dollars)

As at	notes	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 1,153,271**	$ 1,637,496
Accounts receivable		**151,520**	246,750
Inventory	*3*	**770,552**	521,592
Biological assets	*4*	**123,271**	176,767
Other current assets		**211,198**	227,996
Total current assets		**2,409,812**	2,810,601
Intangible assets and goodwill	*5*	**5,417,272**	5,493,648
Property and equipment	*6*	**3,691,161**	3,599,951
Right-of-use assets	*7*	**616,146**	669,880
Total assets		**$ 12,134,391**	$ 12,574,080
Liabilities			
Current liabilities			
Accounts payable		**$ 1,949,130**	$ 2,358,720
Income taxes payable		**840,721**	559,102
Current portion of lease obligations and notes payable	*8, 9*	**262,893**	258,030
Total current liabilities		**3,052,744**	3,175,852
Notes payable	*9*	**1,117,320**	1,130,113
Lease obligations	*8*	**422,760**	478,022
Deferred tax liability		**765,546**	787,080
Total liabilities		**$ 5,358,370**	$ 5,571,067
Shareholders' equity			
Share capital	*10(a)*	**$ 17,651,013**	$ 17,651,013
Warrants	*10(b)*	**25,227**	25,227
Contributed surplus		**1,414,828**	1,379,539
Accumulated other comprehensive loss		**(119,722)**	(79,772)
Deficit		**(12,195,325)**	(11,972,994)
		6,776,021	7,003,013
Total liabilities and shareholders' equity		**$ 12,134,391**	$ 12,574,080

Nature of Operations (Note 1)

Going Concern (Note 2(c))

Contingencies (Note 13)

Subsequent event (Note 15)

The accompanying notes are an integral part of these condensed consolidated financial statements

Vibe Bioscience Ltd.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Expressed in U.S. dollars)

For the three months ended March 31,	notes	2020	2019
Revenue		$ **4,272,598**	$ 1,313,726
Cost of goods sold		**2,806,881**	745,341
Gross margin before biological asset adjustments		**1,465,717**	568,385
Net effect of adjustments for biological assets	4	**2,042**	14,922
Gross margin		**1,467,759**	583,307
Operating expenses			
General and administrative		**622,312**	414,844
Sales, security and marketing		**573,907**	135,957
Stock-based compensation	10(c)	**35,289**	423,497
Depreciation and amortization	5, 6, 7	**171,275**	194,631
		1,402,783	1,168,929
Other expenses (income)			
Listing fee		-	564,704
Loss on investment		-	415,000
Transaction expenses		-	414,267
Finance expense		**32,040**	15,643
Unrealized gain on fair value of financial asset		-	(39,325)
Other		**(11,393)**	163,030
		20,647	1,533,319
Income (loss) before income taxes		**44,329**	(2,118,941)
Income tax expense (recovery)			
Current		**288,194**	138,000
Deferred		**(21,534)**	(35,000)
		266,660	103,000
Net loss for the period		**(222,331)**	(2,221,941)
Other comprehensive income (loss)			
Foreign currency translation gain (loss)		**(39,950)**	29,186
Net loss and comprehensive loss for the period		$ **(262,281)**	$ (2,192,755)
Loss per share			
Basic and diluted *(1)*		$ **-**	$ (0.03)
Weighted average shares outstanding			
Basic and diluted		77,577,212	61,974,616

(1) The options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive.

The accompanying notes are an integral part of these condensed consolidated financial statements

Vibe Bioscience Ltd.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in U.S. dollars)

	Common share capital	Warrants	Contributed surplus	AOCI*	Deficit	Total shareholders' equity
Balance at December 31, 2019	**$ 17,651,013**	**$ 25,227**	**$ 1,379,539**	**$ (79,772)**	**$ (11,972,994)**	**$ 7,003,013**
Stock-based compensation	-	-	35,289	-	-	35,289
Net and comprehensive loss	-	-	-	(39,950)	(222,331)	(262,281)
Balance at March 31, 2020	**$ 17,651,013**	**$ 25,227**	**$ 1,414,828**	**$ (119,722)**	**$ (12,195,325)**	**$ 6,776,021**
Balance at December 31, 2018	**$ 8,584,340**	**$ 25,227**	**$ 752,332**	**$ (206,680)**	**$ (3,355,083)**	**$ 5,800,136**
Shares issued in private placement	3,845,288	-	-	-	-	3,845,288
Shares issued in business acquisitions	4,234,037	-	-	-	-	4,234,037
Shares issued in reverse take-over	850,620	-	-	-	-	850,620
Stock-based compensation	-	-	423,497	-	-	423,497
Net and comprehensive income (loss)	-	-	-	29,186	(2,221,941)	(2,192,755)
Balance at March 31, 2019	**$ 17,514,285**	**$ 25,227**	**$ 1,175,829**	**$ (177,494)**	**$ (5,577,024)**	**$ 12,960,823**

* Accumulated other comprehensive income

The accompanying notes are an integral part of these condensed consolidated financial statements

Vibe Bioscience Ltd.
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

For the three months ended March 31,	2020	2019
Operating activities		
Net loss for the period	$ (222,331)	$ (2,221,971)
Items not involving cash:		
Listing fee	-	564,704
Unrealized loss (gain) on changes in the fair value of biological assets	(2,042)	(14,922)
Stock-based compensation	35,289	423,497
Loss on investment	-	415,000
Depreciation and amortization	171,275	194,631
Unrealized foreign exchange	52,616	3,736
Unrealized gain on fair value of financial asset	-	(39,325)
Deferred income tax recovery	(21,534)	(35,000)
	13,273	(709,650)
Change in non-cash working capital:		
Accounts receivable	95,230	(81,790)
Inventory	(248,960)	(39,505)
Biological assets	55,538	-
Other current assets	16,798	(187,571)
Accounts payable and accrued liabilities	(409,590)	208,426
Income taxes payable	281,619	138,000
Cash flow used in operating activities	(196,092)	(672,090)
Investing activities		
Cash paid on business acquisitions, net of cash acquired	-	(2,336,355)
Cash paid for an asset acquisition	-	(43,354)
Purchases of property and equipment	(132,563)	-
Cash flow used in investing activities	(132,563)	(2,379,709)
Financing activities		
Issuance of common shares	-	3,493,219
Settlement of subscriptions received in advance	-	352,069
Repayment of lease obligation	(51,445)	(28,694)
Repayment of notes payable	(12,793)	(7,112)
Cash flows (used in) provided from financing activities	(64,238)	3,809,482
Effect of translation of cash held in foreign currencies	(91,332)	(2,687)
Increase (decrease) in cash and cash equivalents	(484,225)	754,996
Beginning cash and cash equivalents	1,637,496	2,328,893
Ending cash and cash equivalents	$ 1,153,271	$ 3,083,889
Supplemental cash flow information		
Interest paid in period	$ 31,479	$ 15,643
Income taxes paid in period	$ -	$ -

The accompanying notes are an integral part of these condensed consolidated financial statements

1. NATURE OF OPERATIONS

Vibe Bioscience Ltd. (the "Company" or "Vibe") business is to evaluate, acquire and develop cannabis cultivation and manufacturing assets and retail cannabis dispensaries, predominantly in the U.S., in order to become a vertically integrated cannabis operator. The Company currently operates three dispensaries and one cultivation operation in the State of California. The Company's Canadian head office is located at #214, 2505 - 17 Ave SW Calgary, Alberta T3E 7V3 and its U.S. head office is located at 8112 Alpine Ave Sacramento, California 95826. The Company's common shares trade on the Canadian Securities Exchange under the ticker symbol "VIBE."

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. These financial statements were authorized for issue by the Board of Directors on May 27, 2020. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019.

(b) Measurement basis

These condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value and specifically noted within the notes to these condensed consolidated financial statements.

(c) Going concern

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, generate sufficient funds therefrom, and continue to obtain capital from investors sufficient to meet its current and future obligations. As at March 31, 2020, the Company had a working capital deficit of $380,039 (exclusive of the current portion of lease obligations and notes payable), a deficit of $12,195,325 and incurred a net loss of $222,331 during the three month period ended March 31, 2020. Management continues to focus its efforts on maximizing sales and minimizing security and marketing and general and administrative expenses, completing accretive acquisitions, raising additional capital through debt or equity financings and debt settlement transactions.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This pandemic, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. The State of California has deemed the sale of cannabis an essential service allowing the Company to keep its dispensaries open and maintain its cultivation operations. The Company will continue to follow the guidance of local, state, national and international health authorities to make informed decisions and provide its clients and staff with information as the Company's priority is the safety and well-being of its employees and clients.

Although management's efforts to raise capital and monetize assets have been successful in the past, there is no certainty that they will be able to do so in the future. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements have been prepared using accounting principles that are applied to a going concern and do not reflect the adjustments that would be necessary to the presentation and carrying amounts of the assets and liabilities if the Company were not able to continue operations. These adjustments and reclassifications may be material.

(d) Functional and presentation currency

These condensed consolidated financial statements are presented in United States Dollars. The Canadian Dollar is the functional currency of the Company and its Canadian wholly own subsidiaries. The functional currency of the Company's subsidiaries operating in United States is the United States Dollar.

For reporting purposes, the assets and liabilities of the Company and its Canadian subsidiaries are translated into United Sates Dollars at the closing rate at the date of the balance sheets, and revenue and expenses are translated at the average rate for the period. Foreign currency translation adjustments are recorded in other comprehensive income (loss).

(e) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Company and the following subsidiaries:

Subsidiary	Jurisdiction of incorporation
Vibe Bioscience Corporation	Ontario, Canada
Vibe Investments, LLC (formerly Hype Bioscience Inc.) ("Hype U.S.")	Nevada, U.S.A
Vibe by California Inc. (formerly Vibe Bioscience Inc.) ("Vibe U.S.")	Nevada, U.S.A
Hype Bioscience Corporation ("Hype Canada")	Alberta, Canada
Port City Alternative of Stockton Inc. ("Port City")	California, U.S.A
Alpine Cultivation LLC (formerly Alpine CNAA LLC) ("Alpine Cultivation")	California, U.S.A
Alpine Alternative Naturopathic Inc. ("Alpine Alternative")	California, U.S.A
EVR Managers LLC ("Redding")	California, U.S.A

All subsidiaries are wholly-owned by the Company. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. All significant intercompany accounts and transactions have been eliminated.

(f) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these condensed consolidated financial statements are as follows:

Biological assets and inventory
In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis plants to the point of harvest, harvesting costs, and selling costs. In calculating final inventory values, management is required to determine an estimate of obsolete inventory and an estimate for any inventory for which cost is lower than estimated net realizable value and recognizes inventory provisions accordingly.

Business combinations
Judgement is required when assessing i) whether or not the acquisition of assets meets the criteria of a business combination; ii) the value of the consideration transferred and the net identifiable assets acquired and liabilities assumed in connection with business combinations and iii) determining goodwill or bargain purchase gain.

Discount rate for leases
Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Estimated useful lives and depreciation of property, equipment and intangible assets
Depreciation of property, equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Cash Generating Unit ("CGU")
IFRS requires that the Company's cannabis operations be aggregated into CGUs, based on their ability to generate largely independent cash flows, which are used to assess the dispensaries and cultivation operations for impairment. The determination of the Company's CGUs is subject to management's judgment.

Impairment of property, equipment, intangible assets and goodwill
Indicators of impairment are assessed by management using judgement, considering future plans, market conditions and cannabis prices. In assessing the recoverability, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Income taxes
The Company recognises deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and that sufficient taxable income will be generated in the future to recover such deferred tax assets. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future

(Expressed in U.S. dollars unless otherwise noted)

taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Provisions and contingencies
The Company recognizes provisions based on an assessment of its obligations and available information. Any matters not included as provisions are uncertain in nature and cannot be reasonably estimated.

The Company makes assumptions to determine whether obligations exist and to estimate the amount of obligations that we believe exist. In estimating the final outcome of litigation, assumptions are made about factors including experience with similar matters, past history, precedents, relevant financial, scientific, and other evidence and facts specific to the matter. This determines whether a provision or disclosure in the financial statements is needed.

Stock-based compensation and warrants
The amounts recorded in respect of share-based compensation and share purchase warrants granted and the derivative liability for non-compensation warrants issued are based on the Company's estimation of their fair value, calculated using assumptions regarding the life of the option or warrant, interest rates and volatility. By their nature, these estimates and assumptions are subject to uncertainty, and the actual fair value of options or warrants may differ at any time.

Functional currency
Management judgement is required in determining the functional currency that represents the economic environment of underlying transactions, events and conditions.

3. INVENTORY

The Company's inventory consists of the following:

	March 31, 2020	December 31, 2019
Harvested cannabis - raw materials	$ 89,165	$ 33,627
Cannabis related products and packaging	681,387	487,965
	$ 770,552	**$ 521,592**

The Company regularly performs a review of slow moving, obsolete and redundant items and records a provision for such amounts to reflect inventory balances at net realizable value. There were no slow moving, obsolete or redundant items of inventory at March 31, 2020.

4. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants in the cultivation division. The changes in the carrying value of the biological assets are as follows:

(Expressed in U.S. dollars unless otherwise noted)

	March 31, 2020	December 31, 2019
Balance, beginning of period	**$ 176,767**	**$ -**
Biological assets acquired in acquisitions	-	89,494
Changes in fair value less cost to sell due to biological transformation	2,042	79,593
Production costs	244,803	944,876
Transferred to inventory upon harvest	(300,341)	(937,196)
Balance, end of period	**$ 123,271**	**$ 176,767**

The Company values biological assets at the end of each reporting period at fair value less costs to sell ("FVLCS"). The determination of fair value lest costs to sell is based on a valuation model that estimates the expected harvest yield per plant applied to the estimated wholesale price per gram, less estimated selling costs. The model also considers the stage of the biological asset in the aggregate plant life cycle.

The valuation model includes the following estimates, all of which are Level 3 inputs in the fair value hierarchy:

(i) Average number of weeks in the growing cycle (from propagation to harvest) = 17 weeks based on historical results.

(ii) Average selling price of whole flower = $5.00 per gram based on historical and expected future sales.

(iii) Average harvest yield of whole flower = 59 grams per plant, net of expected wastage, based on historical results.

(iv) Selling costs (shipping, order fulfillment, and labelling) = $0.50 per gram based on historical results.

The above inputs are subject to volatility and uncontrollable factors which could significantly affect the fair value of biological assets in future periods. Management has quantified the sensitivity of the inputs on the calculation of the fair value of the biological assets for the respective period ended is as follows:

	Change in FVLCS at	
	March 31, 2020	**December 31, 2019**
Input		
Selling price per gram - 10% change	$ 13,700	$ 18,600
Harvest yield per plant - 10% change	$ 12,300	$ 16,600

At March 31, 2020 the average stage of completion of the biological assets is 70.5% based on the number of days remaining to harvest. The estimated FVLCS of dry cannabis at March 31, 2020 is $185.37 per plant and the expected total yield is approximately 39,237 grams of cannabis.

(Expressed in U.S. dollars unless otherwise noted)

5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill consist of the following:

	Intangible assets				
	Licenses	**Software**	**Trademark**	**Goodwill**	**Total**
Cost					
Balance at December 31, 2018	**$ 2,565,500**	**$ 183,250**	**$ -**	**$ -**	**$ 2,748,750**
Acquired in business acquisitions	2,820,000	-	78,500	5,417,473	8,315,973
Acquired in asset acquistion	164,927	-	-	-	164,927
Impact of foreign exchange	81,055	9,222	-	-	90,277
Balance at December 31, 2019 and March 31, 2020	**$ 5,631,482**	**$ 192,472**	**$ 78,500**	**$ 5,417,473**	**$ 11,319,927**
Accumulated amortization					
Balance at December 31, 2018	**$ 164,756**	**$ 41,168**	**$ -**	**$ -**	**$ 205,924**
Amortization expense	457,394	70,792	6,968	-	535,154
Loss on investment	-	-	-	415,000	415,000
Impairment	2,261,281	75,577	-	2,314,960	4,651,818
Impact of foreign exchange	13,448	4,935	-	-	18,383
Balance at December 31, 2019	**2,896,879**	**192,472**	**6,968**	**2,729,960**	**5,826,279**
Amortization expense	74,419	-	1,957	-	76,376
Balance at March 31, 2020	**$ 2,971,298**	**$ 192,472**	**$ 8,925**	**$ 2,729,960**	**$ 5,902,655**
Net book value at December 31, 2019	$ 2,734,603	$ -	$ 71,532	$ 2,687,513	$ 5,493,648
Net book value at March 31, 2020	**$ 2,660,184**	**$ -**	**$ 69,575**	**$ 2,687,513**	**$ 5,417,272**

The trademark intangible asset consists of the Hype Cannabis Co. ("Hype"), which is a registered California trademark owned by Vibe Cultivation LLC. Hype product is sold in the Port City, Alpine Alternative and Redding dispensaries along with numerous arm's length third party dispensaries across California. The trademark intangible asset is being amortized on a straight-line basis over 10 years.

The Company assesses whether there are events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below their carrying values and therefore, require goodwill and intangibles to be tested for impairment at the end of each period. At March 31, 2020, no impairment indicators exist.

(Expressed in U.S. dollars unless otherwise noted)

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Buildings	Land	Equipment and other	Construction in process	Total
Cost					
Balance at December 31, 2018	$ -	$ -	$ 2,420	$ -	$ 2,420
Acquired in business acquisitions	140,237	-	143,329	148,128	431,694
Purchases	1,199,596	800,000	65,257	1,205,593	3,270,446
Transfers from construction in process	994,251	-	-	(994,251)	-
Impact of foreign exchange	-	-	(140)	-	(140)
Balance at December 31, 2019	**2,334,084**	**800,000**	**210,866**	**359,470**	**3,704,420**
Purchases	-	-	132,563	-	132,563
Transfers from construction in process	-	-	359,470	(359,470)	-
Impact of foreign exchange	-	-	(263)	-	(263)
Balance at March 31, 2020	**$ 2,334,084**	**$ 800,000**	**$ 702,636**	**$ -**	**$ 3,836,720**
Accumulated amortization					
Balance at December 31, 2018	**$ -**	**$ -**	**$ 286**	**$ -**	**$ 286**
Amortization expense	55,248	-	48,982	-	104,230
Impact of foreign exchange	-	-	(47)	-	(47)
Balance at December 31, 2019	**55,248**	**-**	**49,221**	**-**	**104,469**
Depreciation expense	11,832	-	29,333	-	41,165
Impact of foreign exchange	-	-	(75)	-	(75)
Balance at March 31, 2020	**$ 67,080**	**$ -**	**$ 78,479**	**$ -**	**$ 145,559**
Net book value at December 31, 2019	**$ 2,278,836**	**$ 800,000**	**$ 161,645**	**$ 359,470**	**$ 3,599,951**
Net book value at March 31, 2020	**$ 2,267,004**	**$ 800,000**	**$ 624,157**	**$ -**	**$ 3,691,161**

The buildings currently hold the cultivation and dispensary locations acquired in the Vibe Cultivation LLC and Alpine Alternative acquisitions. Buildings and equipment and other assets are depreciated on a straight-line basis over their estimated useful lives. Land is not depreciated.

Assets under construction consist of improvements and renovations being completed on the Company's buildings. The construction and upgrades are not yet complete and will not be subject to depreciation until the underlying asset is available for use. The Company did not dispose of any property and equipment in the three month period ended March 31, 2020 and there were no impairments of property and equipment at March 31, 2020.

(Expressed in U.S. dollars unless otherwise noted)

7. RIGHT-OF-USE ASSETS

Right-of-use assets consist of the following:

	Leases		
	Dispensary	Warehouse	Total
Cost			
Balance at December 31, 2018	**$ -**	**$ -**	**$ -**
Initial adoption of new lease standard	-	133,304	133,304
Acquired in business acquisitions	769,397	-	769,397
Acquired in asset acquisition	82,026	-	82,026
Lease termination	-	(133,304)	(133,304)
Balance at December 31, 2019 and March 31, 2020	**$ 851,423**	**$ -**	**$ 851,423**
Accumulated depreciation			
Balance at December 31, 2018	**$ -**	**$ -**	**$ -**
Depreciation expense	181,543	13,354	194,897
Lease termination	-	(13,354)	(13,354)
Balance at December 31, 2019	**181,543**	**-**	**181,543**
Depreciation expense	53,734	-	53,734
Balance at March 31, 2020	**$ 235,277**	**$ -**	**$ 235,277**
Net book value at December 31, 2019	**$ 669,880**	**$ -**	**$ 669,880**
Net book value at March 31, 2020	**$ 616,146**	**$ -**	**$ 616,146**

(Expressed in U.S. dollars unless otherwise noted)

8. LEASE OBLIGATIONS

A reconciliation of the discounted lease obligation is set forth below:

	March 31, 2020	December 31, 2019
Balance, beginning of period	$ 688,667	**$ -**
Initial adoption of new lease standard	-	133,304
Acquired in business acquisitions	-	760,500
Acquired in asset acquistion	-	82,026
Principal paid	(51,445)	(168,765)
Lease termination	-	(118,398)
Balance, end of the period	637,222	688,667
Less current portion of lease obligation	(214,462)	(210,645)
Lease obligations	**$ 422,760**	**$ 478,022**

The dispensary leases acquired in the Port City and Redding acquisitions terminate on October 31, 2022 and June 30, 2025 with respective monthly rent payments of $20,000 and $1,536 through the term of the lease. The lease contains no extension options.

Neither of the leases contain purchase or early termination options and there are no requirements to purchase the underlying assets or any residual value guarantees at the end of the leases. In 2020, the Company incurred $12,881 of interest with respect to the aforementioned leases.

The Company has the following future commitments associated with its dispensary lease obligations:

Less than one year	$ 257,673
2 - 5 years	459,339
Thereafter	-
Total lease payments	717,012
Amount representing interest over the term	(79,790)
Present value of the net obligation	$ 637,222

(Expressed in U.S. dollars unless otherwise noted)

9. NOTES PAYABLE

The Company's notes payable consists of the following:

	March 31, 2020	December 31, 2019
Note payable:		
Land and buildings	$ 1,151,618	$ 1,162,182
Vehicle	14,133	15,316
Total notes payable	1,165,751	1,177,498
Less current portion	(48,431)	(47,385)
Notes payable, long term	**$ 1,117,320**	**$ 1,130,113**

The Company has a secured note payable outstanding related to the acquisition of land and buildings in Sacramento, California totaling $1,151,618 at March 31, 2020 (Note 6). The note bears interest at 6% per year, requires monthly payments of principal and interest totaling $9,314 and matures in April 2036. Interest expense recognized in the 2020 three month period totaled $17,376 and principal repaid was $10,556. Principal repayments due in the next 12 months totaling $43,224 are recorded as current liabilities on the condensed consolidated statement of financial position at March 31, 2020.

The Company also has a note payable related to the acquisition of vehicle which was assumed on the Alpine Alternative acquisition. The note payable bears interest at 4.99% per year, requires monthly payments of principal and interest totaling $395 and matures in December 2023. Principal repayments due in the next 12 months totaling $4,555 are recorded as current liabilities on the consolidated statement of financial position at March 31, 2020.

The following table presents the contractual maturities of the notes payable at March 31, 2020 on an undiscounted basis:

	Note payable		
	Land and buildings	Vehicle	Total
Amounts due			
Less than one year	$ 111,768	$ 4,740	$ 116,508
One to three years	223,536	9,393	232,929
Four to five years	223,536	-	223,536
Thereafter	592,778	-	592,778
Total maturities at March 31, 2020	**$ 1,151,618**	**$ 14,133**	**$ 1,165,751**

(Expressed in U.S. dollars unless otherwise noted)

10. SHAREHOLDERS' EQUITY

(a) Share capital

The Company is authorized to issue an unlimited number of common shares. Holders of common shares are entitled to participate in dividends when declared by the Company.

The Company has the following issued and outstanding common shares:

	March 31, 2020	December 31, 2019
Balance, beginning of period	**77,577,212**	**53,535,586**
Issued in private placement	-	9,856,242
Issued in acquisition of U.S. Targets	-	10,815,157
Issued in Altitude Reverse Take-over	-	2,197,992
Issued in asset acquisitions	-	964,284
Exercise of stock options	-	207,951
Balance, end of period	**77,577,212**	**77,577,212**

(b) Warrants

In connection with the private placement of common shares, the Company issued Finder's Warrants in December 2018 that are exercisable for up to 125,810 common shares of the Company. The Finder's Warrants have an exercise price of $0.52 (CAD) per share, expire eighteen months from the date of issuance and had a fair value at the date of issuance of $25,227. The weighted average fair market value per warrant of approximately $0.36 (CAD) was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield – nil, expected volatility 115%, risk free rate – 2.21% and expected life – 1.5 years.

(c) Stock Options

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. The options are non-transferable if not exercised. The exercise price is based on the Company's common shares prior to the day of the grant, which may be different from the closing price of such shares on the day of grant for options granted to date. To date the exercise price has not been materially different from the trading price of the shares on the grant date. A summary of the status of the Company's stock option plan as at March 31, 2020 and December 31, 2019 and changes during the respective periods ended on those dates is presented below:

(Expressed in U.S. dollars unless otherwise noted)

	Number of options	Weighted average exercise price (CAD $)	Number of options	Weighted average exercise price (CAD $)
Balance, beginning of period	**4,600,218**	**$ 0.62**	**3,626,154**	**$ 0.12**
Granted	-	-	5,763,999	0.83
Exchanged in Altitude Reverse Take-over	-	-	156,662	1.21
Exercised	-	-	(207,951)	0.006
Cancelled	-	-	(4,738,646)	0.42
Balance, end of period	**4,600,218**	**$ 0.62**	**4,600,218**	**$ 0.62**
Exercisable, end of period	**3,550,793**	**$ 0.67**	**3,033,398**	**$ 0.79**

The range of exercise prices for the options outstanding and exercisable at March 31, 2020 are as follows:

Date of Grant	Number Outstanding	Exercise Price (CAD $)	Weighted Average Remaing Contractual Life	Expiry Date	Number Exerciseable
August 2, 2018	385,577	$ 0.006	3.34	August 2, 2023	385,577
November 5, 2018	129,970	$ 0.52	0.10	May 5, 2020	129,970
November 14, 2018	129,970	$ 0.52	0.12	May 14, 2020	129,970
January 15, 2019	173,293	$ 0.96	1.29	July 15, 2021	86,646
February 14, 2019	173,293	$ 0.52	1.88	February 14, 2022	86,646
February 14, 2019	1,732,929	$ 1.15	0.88	February 14, 2021	1,732,929
March 12, 2019	303,262	$ 0.52	1.92	February 28, 2022	151,631
March 12, 2019	303,262	$ 0.52	1.70	December 12, 2021	303,262
March 25, 2019	45,832	$ 0.96	1.16	May 30, 2021	45,832
March 25, 2019	55,832	$ 1.20	1.16	May 30, 2021	55,832
March 25, 2019	54,998	$ 1.44	1.16	May 30, 2021	54,998
April 4, 2019	225,000	$ 0.85	1.01	April 4, 2021	125,000
May 30, 2019	437,000	$ 0.52	3.16	May 30, 2023	-
October 1, 2019	150,000	$ 0.20	3.50	October 1, 2023	37,500
October 9, 2019	200,000	$ 0.20	1.75	December 31, 2021	200,000
October 9, 2019	100,000	$ 0.20	1.53	October 9, 2021	25,000
	4,600,218				3,550,793

Subsequent to the period ended March 31, 2020, the Company issued 150,000 options with an exercise price of $0.15 (CAD), cancelled 303,262 options with an exercise price of $0.52 (CAD) and 259,940 options with an exercise price of $0.52 (CAD) expired.

(Expressed in U.S. dollars unless otherwise noted)

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable, subscriptions received in advance and notes payable.

Fair Value Measurements
All financial instruments are initially recognized at fair value and subsequently measured at amortized costs.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and subscriptions received in advance approximately their value due to the short period to maturity of these instruments.

The fair value of the notes payable approximates the fair value as they are based on amounts owed to third parties and estimated internal borrowing rates (in the case of lease obligations) using current market price indicators.

Liquidity Risk
Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

The Company's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company prepares annual capital expenditure budgets which are monitored regularly and updated as considered necessary. Store sales are monitored daily to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures. Any funding shortfall may be met in a number of ways, including, but not limited to, the issuance of new debt or equity instruments or expenditure reductions.

The Company is obligated to the following contractual maturities of undiscounted cash flows:

	Less than one year	Two to Three years	Four to Five years	Thereafter	Total
Financial liability					
Accounts payable	$ 1,949,130	$ -	$ -	$ -	$ 1,949,130
Notes payable	116,508	232,929	223,536	592,778	1,165,751
Lease obligations	257,673	430,590	28,749	-	717,012
Total contractual maturities	**$ 2,323,311**	**$ 663,519**	**$ 252,285**	**$ 592,778**	**$ 3,831,893**

11. FINANCIAL INSTRUMENTS (continued)

Market Risk
Market risk is comprised of four components: currency risk, interest rate risk concentration risk and price risk.

i) Foreign Currency Exchange Risk
The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currencies other than the United States Dollar. The Company is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in administrative costs in foreign currencies. The Company incurs expenditures in Canadian Dollars and United States Dollars and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place at March 31, 2020 and December 31, 2019.

ii) Interest Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not currently exposed to interest rate risk as its note payable bears interest at fixed rates.

iii) Concentration Risk
The Company only operates in California. Should economic conditions deteriorate within that region, its results of operations and financial position would be negatively impacted.

iv) Price Risk
Price risk is the risk of variability in fair value due to movements in market prices. Please refer to Note 4 Biological Assets for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

12. CAPITAL MANAGEMENT

The Company views its capital as the combination of notes payable and shareholders' equity. The Company's objectives when managing its capital are to safeguard assets while maximizing the growth of the business and return to shareholders. The overall capitalization of the Company is as follows:

	March 31, 2020	December 31, 2019
Notes payable, including current portion	$ 1,165,751	$ 1,177,498
Shareholders' equity	6,776,021	7,003,013
Total capital	**$ 7,941,772**	**$ 8,180,511**

12. CAPITAL MANAGEMENT (continued)

In order to meet the Company's capital management objectives, management is focused on several specific strategies as follows:

(i) Ensuring the Company has the financing capacity to continue to execute on opportunities to increase overall market share through strategic acquisitions.
(ii) Maintaining a strong capital base to secure investor, creditor and market confidence and ensure the Company's strategic objectives are met.
(iii) Providing shareholder return through profitable business opportunities that grow the Company and benefit other stakeholders, while also safeguarding the entity's ability to continue as a going concern.

In managing the Company's capital, management considers current economic conditions, the risk characteristics of the underlying assets and the Company's planned capital requirements, within guidelines approved by its Board of Directors. Total capitalization is maintained or adjusted by issuing new debt or equity securities when opportunities are identified and through the disposition of under-performing assets to reduce debt or equity when required.

13. CONTINGENCIES

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines or restrictions on its operations and losses of permits that could cause the Company to cease operations. While management believes that the Company is compliant with applicable local and state regulations at March 31, 2020, medical and adult use cannabis regulations continue to evolve and are subject to differing interpretations. Accordingly, the Company may be subject to regulatory fines, penalties or operating restrictions in the future.

Although the possession, cultivation and distribution of cannabis for recreational and medical use is permitted in California, cannabis is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company's inability to proceed with our business plans. In addition, the Company's assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. On November 22, 2019, the Company received communication of a potential litigation claim and a proposed settlement amount of $550,000 CAD. The Company responded on December 2, 2019 and is of the view that the potential claim is entirely without merit and will vigorously defend any action brought forth. No provision for the potential claim has been recorded as at March 31, 2020.

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

(Expressed in U.S. dollars unless otherwise noted)

14. SEGMENTED DISCLOSURE

The Company has four reportable operating segments for the period ended March 31, 2020 and year ended December 31, 2019: Dispensaries, Cultivation, Real Estate and Canada. The Company, through its operating segments, is engaged primarily in the retail sale and cultivation of cannabis. Management will regularly review the operating results of each operating segment to assess the operating segments' profitability and, correspondingly, the ability of each operating segment to sustain capital, enable future growth through capital investment and to repay debt.

The following tables show information regarding the Company's segments for the three month period ended and as at March 31, 2020.

As at March 31, 2020	**Dispensaries**	**Cultivation**	**Real Estate**	**Canada**	**Total**
Total current assets	$ 1,408,834	$ 360,002	$ 361	$ 640,615	$ 2,409,812
Intangible assets and goodwill	5,170,438	246,834	-	-	5,417,272
Property and equipment	608,760	837,317	2,244,198	886	3,691,161
Right-of-use assets	616,146	-	-	-	616,146
Total assets	$ 7,804,178	$ 1,444,153	$ 2,244,559	$ 641,501	$ 12,134,391
Liabilities					
Current liabilities					
Total current liabilities	$ 2,496,358	$ 31,780	$ 48,596	$ 476,010	$ 3,052,744
Notes payable	-	9,578	1,107,742	-	1,117,320
Lease obligations	422,760	-	-	-	422,760
Deferred tax liability	691,989	73,557	-	-	765,546
Total liabilities	$ 3,611,107	$ 114,915	$ 1,156,338	$ 476,010	$ 5,358,370

	Dispensaries	**Cultivation**	**Real Estate**	**Canada**	**Total**
Revenue	$ 4,059,770	$ 212,828	$ -	$ -	$ 4,272,598
Cost of goods sold	2,568,350	238,531	-	-	2,806,881
Gross margin before biological asset adjustments	1,491,420	(25,703)		-	1,465,717
Net effect of adjustments for biological assets	-	(2,042)	-	-	(2,042)
Gross margin	1,491,420	(23,661)	-	-	1,467,759
Operating expenses					
General and administrative	356,306	79,587	(6,095)	192,514	622,312
Sales and marketing	564,055	9,852	-	-	573,907
Stock-based compensation	-	-	-	35,289	35,289
Depreciation and amortization	135,582	23,757	11,832	104	171,275
	1,055,943	113,196	5,737	227,907	1,402,783
Other expenses (income)	10,542	1,222	17,376	(8,493)	20,647
Income (loss) before income taxes	424,935	(138,079)	(23,113)	(219,414)	44,329
Income tax expense (recovery)	268,728	(2,068)	-	-	266,660
Net income (loss) for the period	$ 156,207	$ (136,011)	$ (23,113)	$ (219,414)	$ (222,331)

The Canada segment is also considered the corporate segment. The dispensaries, cultivation and real estate segments are all based in California.

15. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these consolidated financial statements the Company has the following subsequent events:

In May 2020, the Company issued 398,414 common shares as payment for financial advisory services rendered to the Company in the amount of $50,000 (CAD). The common shares will be subject to restrictions on resale in accordance with applicable securities laws.

In March 2020, the Company entered into an acquisition agreement with NGEV Inc. to acquire a 13,000 square foot cannabis cultivation facility in Crescent City, California. The acquisition will be completed with the issuance of 600,000 common shares of the Company and the assumption of approximately $463,000 in term debt. The completion of the NGEV acquisition is subject to, among other things, the receipt of regulatory approvals, receipt of certain consents from third parties and the satisfaction or waiver of closing conditions.