



**Vibe Bioscience Ltd.**  
Condensed Consolidated Financial Statements  
(Unaudited)

As at and for the Three and Six Months Ended June 30, 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 and six months ended June 30, 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.**  
**Unaudited Condensed Consolidated Statements of Financial Position**  
**(Expressed in U.S. dollars)**

<b>As at</b>	<i>notes</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,630,498	\$ 1,637,496
Accounts receivable		153,772	246,750
Inventory	4	1,693,458	521,592
Biological assets	5	316,124	176,767
Other current assets		<u>416,051</u>	<u>227,996</u>
<b>Total current assets</b>		<b>4,209,903</b>	2,810,601
Intangible assets and goodwill	6	5,539,911	5,493,648
Property and equipment	7	4,448,708	3,599,951
Right-of-use assets	8	<u>560,548</u>	<u>669,880</u>
<b>Total assets</b>		<b><u>\$ 14,759,070</u></b>	<b><u>\$ 12,574,080</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 3,001,433	\$ 2,358,720
Income taxes payable		1,297,891	559,102
Current portion of lease obligations and notes payable	9, 10	<u>370,382</u>	<u>258,030</u>
<b>Total current liabilities</b>		<b>4,669,706</b>	3,175,852
Notes payable	10	1,492,521	1,130,113
Lease obligations	9	366,380	478,022
Deferred tax liability		<u>803,317</u>	<u>787,080</u>
<b>Total liabilities</b>		<b><u>\$ 7,331,924</u></b>	<b><u>\$ 5,571,067</u></b>
<b>Shareholders' equity</b>			
Share capital	11(a)	\$ 17,882,919	\$ 17,651,013
Warrants	11(b)	-	25,227
Contributed surplus		1,398,449	1,379,539
Accumulated other comprehensive loss		(136,711)	(79,772)
Deficit		<u>(11,717,511)</u>	<u>(11,972,994)</u>
		<b>7,427,146</b>	<b>7,003,013</b>
<b>Total liabilities and shareholders' equity</b>		<b><u>\$ 14,759,070</u></b>	<b><u>\$ 12,574,080</u></b>

***Nature of Operations (Note 1)***

***Going Concern (Note 2(c))***

***Subsequent event (Note 16)***

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

Vibe Bioscience Ltd.

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

	notes	For the three months ended		For the six months ended	
		June 30,		June 30,	
		2020	2019	2020	2019
<b>Revenue</b>		\$ 5,683,529	\$ 3,096,836	\$ 9,956,127	\$ 4,410,562
Cost of goods sold		<u>3,772,828</u>	<u>1,795,511</u>	<u>6,579,709</u>	<u>2,540,852</u>
<b>Gross margin before biological asset adjustments</b>		<b>1,910,701</b>	1,301,325	<b>3,376,418</b>	1,869,710
Net effect of adjustments for biological assets	5	<u>134,071</u>	<u>5,212</u>	<u>136,113</u>	<u>(9,710)</u>
<b>Gross margin</b>		<b>2,044,772</b>	1,296,113	<b>3,512,531</b>	1,879,420
<b>Operating expenses</b>					
General and administrative		679,221	872,266	1,301,533	1,287,110
Sales, security and marketing		660,333	339,121	1,234,240	475,078
Stock-based compensation	11(c)	24,375	227,966	59,664	651,463
Depreciation and amortization	6, 7, 8	<u>180,655</u>	<u>273,147</u>	<u>351,930</u>	<u>467,778</u>
		<u>1,544,584</u>	<u>1,712,500</u>	<u>2,947,367</u>	<u>2,881,429</u>
<b>Other expenses (income)</b>					
Bargain purchase gain	3	(344,051)	-	(344,051)	-
Listing fee		9,500	-	9,500	564,704
Loss on investment		-	-	-	415,000
Transaction expenses		-	41,377	-	455,644
Finance expense		33,137	42,308	65,177	57,951
Unrealized gain on fair value of financial asset		-	(73,870)	-	(113,195)
Other		<u>(110,753)</u>	<u>130,518</u>	<u>(122,146)</u>	<u>293,578</u>
		<u>(412,167)</u>	<u>140,333</u>	<u>(391,520)</u>	<u>1,673,682</u>
<b>Income (loss) before income taxes</b>		<b>912,355</b>	(556,720)	<b>956,684</b>	(2,675,691)
<b>Income tax expense (recovery)</b>					
Current		456,370	296,360	744,564	434,360
Deferred		<u>(21,829)</u>	<u>2,000</u>	<u>(43,363)</u>	<u>(33,000)</u>
		<u>434,541</u>	<u>298,360</u>	<u>701,201</u>	<u>401,360</u>
<b>Net income (loss) for the period</b>		<b>477,814</b>	(855,080)	<b>255,483</b>	(3,077,051)
<b>Other comprehensive income (loss)</b>					
Foreign currency translation gain (loss)		<u>(16,989)</u>	<u>88,677</u>	<u>(56,939)</u>	<u>117,863</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ 460,825</b>	<b>\$ (766,403)</b>	<b>\$ 198,544</b>	<b>\$ (2,959,188)</b>
<b>Income (loss) per share</b>					
Basic and diluted (1)		<u>\$ 0.006</u>	<u>\$ (0.011)</u>	<u>\$ 0.003</u>	<u>\$ (0.044)</u>
<b>Weighted average shares outstanding</b>					
Basic and diluted		78,014,379	76,588,727	77,795,795	69,322,042

(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.**

**Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in U.S. dollars)**

	Common share capital	Warrants	Contributed surplus	AOCI*	Deficit	Total shareholders' equity
<b>Balance at December 31, 2019</b>	\$ 17,651,013	\$ 25,227	\$ 1,379,539	\$ (79,772)	\$ (11,972,994)	\$ 7,003,013
Shares issued in private placement	-	-	-	-	-	-
Shares issued in business acquisitions	132,000	-	-	-	-	132,000
Shares issued for services rendered	35,355	-	-	-	-	35,355
Share issue costs	(2,200)	-	-	-	-	(2,200)
Exercise of stock options	66,751	-	(65,981)	-	-	770
Expiry of warrants	-	(25,227)	25,227	-	-	-
Stock-based compensation	-	-	59,664	-	-	59,664
Net and comprehensive income (loss)	-	-	-	(56,939)	255,483	198,544
<b>Balance at June 30, 2020</b>	<u>\$ 17,882,919</u>	<u>\$ -</u>	<u>\$ 1,398,449</u>	<u>\$ (136,711)</u>	<u>\$ (11,717,511)</u>	<u>\$ 7,427,146</u>
<b>Balance at December 31, 2018</b>	\$ 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
Exercise of stock options	81,045	-	(80,162)	-	-	883
Stock-based compensation	-	-	799,549	-	-	799,549
Net and comprehensive income (loss)	-	-	-	117,863	(3,077,051)	(2,959,188)
<b>Balance at June 30, 2019</b>	<u>\$ 17,595,330</u>	<u>\$ 25,227</u>	<u>\$ 1,471,719</u>	<u>\$ (88,817)</u>	<u>\$ (6,432,134)</u>	<u>\$ 12,571,325</u>

\* Accumulated other comprehensive income

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

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<b>Operating activities</b>				
Net income (loss) for the period	\$ 477,814	\$ (855,080)	\$ 255,483	\$ (3,077,051)
Items not involving cash:				
Listing fee	9,500	-	9,500	564,704
Unrealized (gain) loss on changes in the fair value of biological assets	(134,071)	-	(136,113)	-
Stock-based compensation	24,375	227,966	59,664	651,463
Bargain purchase gain	(344,051)	-	(344,051)	-
Loss on investment	-	-	-	415,000
Depreciation and amortization	180,656	273,147	351,931	467,778
Unrealized foreign exchange	22,003	1,122	74,619	4,858
Unrealized gain on fair value of financial asset	-	(73,870)	-	(113,195)
Deferred income tax recovery	(21,829)	2,000	(43,363)	(33,000)
	<u>214,397</u>	<u>(424,715)</u>	<u>227,670</u>	<u>(1,119,443)</u>
Change in non-cash working capital:				
Accounts receivable	(2,252)	(42,114)	92,978	(123,904)
Inventory	(834,065)	74,119	(1,083,025)	34,614
Biological assets	(32,146)	5,212	23,392	(9,710)
Other current assets	(184,853)	(96,820)	(168,055)	(284,391)
Accounts payable and accrued liabilities	1,057,958	(101,617)	648,368	244,809
Income taxes payable	457,170	-	738,789	-
<b>Cash flow provided from (used in) operating activities</b>	<u>676,209</u>	<u>(585,935)</u>	<u>480,117</u>	<u>(1,258,025)</u>
<b>Investing activities</b>				
Cash paid on business acquisitions, net of cash acquired	(111,884)	-	(111,884)	(2,336,355)
Purchases of property and equipment	(99,483)	(296,919)	(232,046)	(340,273)
<b>Cash flow provided from (used in) investing activities</b>	<u>(211,367)</u>	<u>(296,919)</u>	<u>(343,930)</u>	<u>(2,676,628)</u>
<b>Financing activities</b>				
Issuance of common shares	770	883	770	3,494,102
Settlement of subscriptions received in advance	-	-	-	352,069
Repayment of lease obligation	(51,926)	(40,711)	(103,371)	(69,405)
Repayment of notes payable	(8,766)	(10,525)	(21,559)	(17,637)
<b>Cash flow provided from (used in) financing activities</b>	<u>(59,922)</u>	<u>(50,353)</u>	<u>(124,160)</u>	<u>3,759,129</u>
Effect of translation of cash held in foreign currencies	72,307	23,817	(19,025)	21,130
<b>Increase (decrease) in cash and cash equivalents</b>	<u>477,227</u>	<u>(909,390)</u>	<u>(6,998)</u>	<u>(154,394)</u>
Beginning cash and cash equivalents	1,153,271	3,083,889	1,637,496	2,328,893
<b>Ending cash and cash equivalents</b>	<u>\$ 1,630,498</u>	<u>\$ 2,174,499</u>	<u>\$ 1,630,498</u>	<u>\$ 2,174,499</u>
<b>Supplemental cash flow information</b>				
Interest paid in period	\$ 33,698	\$ 15,643	\$ 65,177	\$ 46,786
Income taxes paid in period	\$ 5,775	\$ -	\$ 5,775	\$ 142,815

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

**Vibe Bioscience Ltd.**

**Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)**

**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 August 18, 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 June 30, 2020, the Company had a working capital deficit of \$89,421 (exclusive of the current portion of lease obligations and notes payable), a deficit of \$11,717,511, had net income of \$255,483 during the six month period ended June 30, 2020 which included a one-time bargain purchase gain of \$344,051 and income current income tax expense of \$744,564 computed in accordance with the of U.S. Internal Revenue Code Section 280E regulations. 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

**Vibe Bioscience Ltd.****Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)**

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 States 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:

<b>Subsidiary</b>	<b><u>Jurisdiction of incorporation</u></b>
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
NGEV Inc. ("NGEV")	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

**Vibe Bioscience Ltd.**  
**Notes to the Unaudited Condensed Consolidated Financial Statements**  
**(Expressed in U.S. dollars unless otherwise noted)**

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*



**Vibe Bioscience Ltd.**

**Notes to the Unaudited Condensed Consolidated Financial Statements  
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The Company recognizes 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 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 realize 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. BUSINESS ACQUISITION**

On June 12, 2020, the Company completed the acquisition of all outstanding shares of NGEV Inc. for a purchase price of \$243,184. NGEV Inc. operates a cannabis cultivation facility in Crescent City, California. Allocation of the purchase price is based on the assessment of the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date. The fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred are presented below.

**Vibe Bioscience Ltd.****Notes to the Unaudited Condensed Consolidated Financial Statements  
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## Net assets acquired:

Working capital, excluding cash and biological assets	\$ 75,507
Biological assets	162,749
Property and equipment	662,556
Intangible assets	200,000
Note payables	(453,977)
Deferred income tax liability	<u>(59,600)</u>
Fair value of the net assets acquired	<u>\$ 587,235</u>

## Consideration:

600,000 Common Shares issued	\$ 132,000
Cash	<u>111,184</u>
	<u>\$ 243,184</u>

Bargain purchase gain	<u>\$ 344,051</u>
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The acquisition of this business resulted in a gain on acquisition of \$344,051 as a consequence of buying the business from a seller intending to leave the cannabis space. The gain on bargain purchase was separately presented in the condensed consolidated statement of operations and comprehensive income (loss) for the period ended June 30, 2020.

The transaction is accounted for using the acquisition method. Allocation of the purchase price is based on a provisional assessment of the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date and is subject to change. Management is continuing to review and assess information to accurately determine the acquisition date fair value of the assets and liabilities acquired. During the measurement period, the Company will continue to obtain information to assist in finalizing the fair value of net assets acquired, which may differ materially from the above preliminary estimates.

The acquisition contributed revenue of \$Nil, \$126,286 related to the net effect of adjustments for biological assets, and \$113,368 in operating profits before taxes from the date of acquisition to June 30, 2020. The Company estimates that had the acquisitions occurred on January 1, 2020, the increase in revenue would be approximately \$158,943 and operating profit would have decreased by approximately \$18,930 for the six month period ended June 30, 2020.

**4. INVENTORY**

The Company's inventory consists of the following:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Harvested cannabis - raw materials	\$ 259,500	\$ 33,627
Cannabis related products and packaging	<u>1,433,958</u>	<u>487,965</u>
	<u>\$ 1,693,458</u>	<u>\$ 521,592</u>

**Vibe Bioscience Ltd.****Notes to the Unaudited Condensed Consolidated Financial Statements  
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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 June 30, 2020.

**5. 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:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
<b>Balance, beginning of period</b>	<b>\$ 176,767</b>	<b>\$ -</b>
Biological assets acquired in acquisitions	162,749	89,494
Changes in fair value less cost to sell due to biological transformation	(136,113)	79,593
Production costs	605,505	944,876
Transferred to inventory upon harvest	<u>(492,784)</u>	<u>(937,196)</u>
<b>Balance, end of period</b>	<b><u>\$ 316,124</u></b>	<b><u>\$ 176,767</u></b>

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 less 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 to 20 weeks based on historical results.
- (ii) Average selling price of whole flower = \$3.50 to \$5.00 per gram based on historical and expected future sales.
- (iii) Average harvest yield of whole flower = 50 to 60 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:

	<u>Change in FVLCS at</u>	
<b>Input</b>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Selling price per gram - 10% change	\$ 37,400	\$ 18,600
Harvest yield per plant - 10% change	\$ 33,700	\$ 16,600

**Vibe Bioscience Ltd.**

**Notes to the Unaudited Condensed Consolidated Financial Statements**  
**(Expressed in U.S. dollars unless otherwise noted)**

At June 30, 2020 the average stage of completion of the biological assets is 61.3% based on the number of days remaining to harvest. The estimated FVLCS of dry cannabis at June 30, 2020 is approximately \$130 per plant and the expected total yield is approximately 141,152 grams of cannabis.

**6. INTANGIBLE ASSETS AND GOODWILL**

Intangible assets and goodwill consist of the following:

	<u>Intangible assets</u>				<u>Total</u>
	<u>Licenses</u>	<u>Software</u>	<u>Trademark</u>	<u>Goodwill</u>	
<b>Cost</b>					
<b>Balance at December 31, 2018</b>	<b>\$ 2,565,500</b>	<b>\$ 183,250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,748,750</b>
Acquired in business acquisitions	2,820,000	-	78,500	5,417,473	8,315,973
Acquired in asset acquisition	164,927	-	-	-	164,927
Impact of foreign exchange	81,055	9,222	-	-	90,277
<b>Balance at December 31, 2019</b>	<b>\$ 5,631,482</b>	<b>\$ 192,472</b>	<b>\$ 78,500</b>	<b>\$ 5,417,473</b>	<b>\$ 11,319,927</b>
Acquired in business acquisitions	200,000	-	-	-	200,000
<b>Balance at June 30, 2020</b>	<b>\$ 5,831,482</b>	<b>\$ 192,472</b>	<b>\$ 78,500</b>	<b>\$ 5,417,473</b>	<b>\$ 11,519,927</b>
<b>Accumulated amortization</b>					
<b>Balance at December 31, 2018</b>	<b>\$ 164,756</b>	<b>\$ 41,168</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 205,924</b>
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
<b>Balance at December 31, 2019</b>	<b>2,896,879</b>	<b>192,472</b>	<b>6,968</b>	<b>2,729,960</b>	<b>5,826,279</b>
Amortization expense	149,823	-	3,914	-	153,737
<b>Balance at June 30, 2020</b>	<b>\$ 3,046,702</b>	<b>\$ 192,472</b>	<b>\$ 10,882</b>	<b>\$ 2,729,960</b>	<b>\$ 5,980,016</b>
Net book value at December 31, 2019	\$ 2,734,603	\$ -	\$ 71,532	\$ 2,687,513	\$ 5,493,648
<b>Net book value at June 30, 2020</b>	<b>\$ 2,784,780</b>	<b>\$ -</b>	<b>\$ 67,618</b>	<b>\$ 2,687,513</b>	<b>\$ 5,539,911</b>

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 June 30, 2020, no impairment indicators exist.

Vibe Bioscience Ltd.

Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Buildings	Land	Equipment and other	Construction in process	Total
<b>Cost</b>					
<b>Balance at December 31, 2018</b>	\$ -	\$ -	\$ 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)
<b>Balance at December 31, 2019</b>	<b>2,334,084</b>	<b>800,000</b>	<b>210,866</b>	<b>359,470</b>	<b>3,704,420</b>
Acquired in business acquisitions	-	-	662,556	-	662,556
Purchases	-	-	206,356	68,745	275,101
Transfers from construction in process	-	-	359,470	(359,470)	-
Impact of foreign exchange	-	-	(146)	-	(146)
<b>Balance at June 30, 2020</b>	<b>\$ 2,334,084</b>	<b>\$ 800,000</b>	<b>\$ 1,439,102</b>	<b>\$ 68,745</b>	<b>\$ 4,641,931</b>
<b>Accumulated amortization</b>					
<b>Balance at December 31, 2018</b>	\$ -	\$ -	\$ 286	\$ -	\$ 286
Amortization expense	55,248	-	48,982	-	104,230
Impact of foreign exchange	-	-	(47)	-	(47)
<b>Balance at December 31, 2019</b>	<b>55,248</b>	<b>-</b>	<b>49,221</b>	<b>-</b>	<b>104,469</b>
Depreciation expense	23,795	-	65,066	-	88,861
Impact of foreign exchange	-	-	(107)	-	(107)
<b>Balance at June 30, 2020</b>	<b>\$ 79,043</b>	<b>\$ -</b>	<b>\$ 114,180</b>	<b>\$ -</b>	<b>\$ 193,223</b>
<b>Net book value at December 31, 2019</b>	<b>\$ 2,278,836</b>	<b>\$ 800,000</b>	<b>\$ 161,645</b>	<b>\$ 359,470</b>	<b>\$ 3,599,951</b>
<b>Net book value at June 30, 2020</b>	<b>\$ 2,255,041</b>	<b>\$ 800,000</b>	<b>\$ 1,324,922</b>	<b>\$ 68,745</b>	<b>\$ 4,448,708</b>

The buildings currently hold the Sacramento 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 or at leased premises. 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 or six months periods ended June 30, 2020 and there were no impairments of property and equipment at June 30, 2020.

Vibe Bioscience Ltd.

Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)

8. RIGHT-OF-USE ASSETS

Right-of-use assets consist of the following:

	<u>Leases</u>		<u>Total</u>
	<u>Dispensary</u>	<u>Warehouse</u>	
<b>Cost</b>			
<b>Balance at December 31, 2018</b>	\$ -	\$ -	\$ -
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)
<b>Balance at December 31, 2019 and June 30, 2020</b>	<b><u>\$ 851,423</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 851,423</u></b>
<b>Accumulated depreciation</b>			
<b>Balance at December 31, 2018</b>	\$ -	\$ -	\$ -
Depreciation expense	181,543	13,354	194,897
Lease termination	-	(13,354)	(13,354)
<b>Balance at December 31, 2019</b>	<b><u>181,543</u></b>	<b><u>-</u></b>	<b><u>181,543</u></b>
Depreciation expense	109,332	-	109,332
<b>Balance at June 30, 2020</b>	<b><u>\$ 290,875</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 290,875</u></b>
<b>Net book value at December 31, 2019</b>	<b><u>\$ 669,880</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 669,880</u></b>
<b>Net book value at June 30, 2020</b>	<b><u>\$ 560,548</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 560,548</u></b>

**Vibe Bioscience Ltd.****Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)****9. LEASE OBLIGATIONS**

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Balance, beginning of period</b>	\$ 688,667	\$ -
Initial adoption of new lease standard	-	133,304
Acquired in business acquisitions	-	760,500
Acquired in asset acquisition	-	82,026
Principal paid	(103,371)	(168,765)
Lease termination	-	(118,398)
<b>Balance, end of the period</b>	585,296	688,667
Less current portion of lease obligation	(218,916)	(210,645)
<b>Lease obligations</b>	<b><u>\$ 366,380</u></b>	<b><u>\$ 478,022</u></b>

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 \$25,281 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	(131,716)
Present value of the net obligation	<u>\$ 585,296</u>

**Vibe Bioscience Ltd.****Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)****10. NOTES PAYABLE**

The Company's notes payable consists of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Note payable:</b>		
Land and buildings (1)	\$ 1,140,623	\$ 1,162,182
Deferred rent (2)	158,000	-
Promissory note (3)	290,977	-
Vehicle (4)	54,387	15,316
<b>Total notes payable</b>	<b>1,643,987</b>	<b>1,177,498</b>
Less current portion:	(151,466)	(47,385)
<b>Notes payable, long term</b>	<b>\$ 1,492,521</b>	<b>\$ 1,130,113</b>

- (1) The Company has a secured note payable outstanding related to the acquisition of land and buildings in Sacramento, California totaling \$1,140,623 at June 30, 2020 (Note 7). 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 \$44,537 are recorded as current liabilities on the condensed consolidated statement of financial position at June 30, 2020.
- (2) In conjunction with the acquisition of NGEV (Note 3), the Company assumed an unsecured deferred rent note payable. The note is non-interest bearing, requires monthly payments of \$4,389 and matures in July 2023. Principal repayments due in the next 12 months totaling \$52,668 are recorded as current liabilities on the condensed consolidated statement of financial position at June 30, 2020.
- (3) Pursuant to the acquisition of NGEV (Note 3), the Company assumed an unsecured promissory note. The promissory note bears interest at 12% per annum, requires monthly payments of \$5,000 until December 31, 2020 and then increases to \$7,500 and matures in November 2024. Principal repayments due in the next 12 months totaling \$41,889 are recorded as current liabilities on the condensed consolidated statement of financial position at June 30, 2020.
- (4) The Company also has three vehicle acquisition notes payable. The notes payable bear interest ranging from 0.9% to 4.99% per year, require monthly payments of principal and interest totaling \$1,129 and mature in January 2023, and June and July 2025. Principal repayments due in the next 12 months totaling \$12,372 are recorded as current liabilities on the consolidated statement of financial position at June 30, 2020.

The following table presents the contractual maturities of the notes payable at June 30, 2020 on an undiscounted basis:



**Vibe Bioscience Ltd.**

**Notes to the Unaudited Condensed Consolidated Financial Statements**  
**(Expressed in U.S. dollars unless otherwise noted)**

	<b>Notes payable</b>				
	<b>Land and Buildings</b>	<b>Deferred Rent</b>	<b>Promissory Note</b>	<b>Vehicles</b>	<b>Total</b>
<b>Amounts due</b>					
Less than one year	\$ 111,763	\$ 52,668	\$ 75,000	\$ 13,547	\$ 252,978
One to three years	223,526	105,332	180,000	24,221	533,079
Four to five years	223,526	-	35,980	16,617	276,123
Thereafter	581,807	-	-	-	581,807
<b>Total maturities at June 30, 2020</b>	<b>\$ 1,140,622</b>	<b>\$ 158,000</b>	<b>\$ 290,980</b>	<b>\$ 54,385</b>	<b>\$ 1,643,987</b>

**11. 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:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Balance, beginning of period</b>	<b>77,577,212</b>	<b>53,535,586</b>
Issued in private placement	-	9,856,242
Issued in acquisitions	600,000	10,815,157
Issued in Altitude Reverse Take-over	-	2,197,992
Issued in asset acquisitions	-	964,284
Issued in exchange for services rendered	398,414	-
Exercise of stock options	173,293	207,951
<b>Balance, end of period</b>	<b>78,748,919</b>	<b>77,577,212</b>

**(b) Warrants**

In connection with the private placement of common shares, the Company issued Finder's Warrants in December 2018 that were exercisable for 125,810 common shares of the Company. The Finder's Warrants had an exercise price of \$0.52 (CAD) per share, and expired in June 2020.

**(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 June 30, 2020 and December 31, 2019 and changes during the respective periods ended on those dates is presented below:

Vibe Bioscience Ltd.

Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)

	Number of options	Weighted average exercise price (CAD \$)	Number of options	Weighted average exercise price (CAD \$)
<b>Balance, beginning of period</b>	<b>4,600,218</b>	<b>\$ 0.62</b>	<b>3,626,154</b>	<b>\$ 0.12</b>
Granted	100,000	0.15	5,763,999	0.83
Exchanged in Altitude Reverse Take-over	-	-	156,662	1.21
Exercised	(173,293)	0.006	(207,951)	0.006
Cancelled	(588,202)	0.52	(4,738,646)	0.42
<b>Balance, end of period</b>	<b><u>3,938,723</u></b>	<b><u>\$ 0.79</u></b>	<b><u>4,600,218</u></b>	<b><u>\$ 0.62</u></b>
<b>Exercisable, end of period</b>	<b><u>3,009,969</u></b>	<b><u>\$ 0.87</u></b>	<b><u>3,033,398</u></b>	<b><u>\$ 0.79</u></b>

The range of exercise prices for the options outstanding and exercisable at June 30, 2020 are as follows:

Date of Grant	Number Outstanding	Exercise Price (CAD \$)	Weighted Average Remaining Contractual Life	Expiry Date	Number Exercisable
August 2, 2018	212,284	\$ 0.006	3.09	August 2, 2023	212,284
January 15, 2019	173,293	\$ 0.96	1.04	July 15, 2021	86,646
February 14, 2019	173,293	\$ 0.52	1.63	February 14, 2022	86,646
February 14, 2019	1,732,929	\$ 1.15	0.63	February 14, 2021	1,732,929
March 12, 2019	303,262	\$ 0.52	1.67	February 28, 2022	151,631
March 25, 2019	45,832	\$ 0.96	0.92	May 30, 2021	45,832
March 25, 2019	55,832	\$ 1.20	0.92	May 30, 2021	55,832
March 25, 2019	54,998	\$ 1.44	0.92	May 30, 2021	54,998
April 4, 2019	200,000	\$ 0.85	0.76	April 4, 2021	100,000
May 30, 2019	437,000	\$ 0.52	2.92	May 30, 2023	145,671
October 1, 2019	150,000	\$ 0.20	3.25	October 1, 2023	37,500
October 9, 2019	200,000	\$ 0.20	1.50	December 31, 2021	200,000
October 9, 2019	100,000	\$ 0.20	1.28	October 9, 2021	50,000
April 8, 2020	100,000	\$ 0.15	1.47	December 19, 2021	50,000
	<u>3,938,723</u>				<u>3,009,969</u>

**(d) Restricted Share Units**

At the Company's June 24, 2020 Annual and Special Meeting of Shareholders, the shareholders approved an equity settled Restricted Share Unit plan ("RSU") for certain officers and employees. The units are awarded at no cost to the recipient and the fair market value determined at the grant date is expensed uniformly over their vesting period. The fair market value of the award is based on the volume weighted average trading price for the shares on

**Vibe Bioscience Ltd.**

**Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)**

the Canadian Stock Exchange ("CSE") for the five trading days immediately preceding the grant date. RSU expense is recognized over the vesting period with a related credit to contributed surplus. Vibe recognizes the expense based on the best available estimate of the number of RSUs expected to vest and revises the estimate if necessary. Upon redemption of RSUs, the contributed surplus balance is reduced through a credit to shareholders' capital. The Company has not issued any RSUs at June 30, 2020.

**12. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other current assets, accounts payable 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, accounts receivable, other current assets and accounts payable 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:

	<u>Less than one year</u>	<u>One to Three years</u>	<u>Four to Five years</u>	<u>Thereafter</u>	<u>Total</u>
<b>Financial liability</b>					
Accounts payable	\$ 3,001,433	\$ -	\$ -	\$ -	\$ 3,001,433
Notes payable	252,978	533,079	276,123	581,807	1,643,987
Lease obligations	257,673	430,590	28,749	-	717,012
<b>Total contractual maturities</b>	<b>\$ 3,512,084</b>	<b>\$ 963,669</b>	<b>\$ 304,872</b>	<b>\$ 581,807</b>	<b>\$ 5,362,432</b>

**Vibe Bioscience Ltd.**

**Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)**

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 June 30, 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 5 Biological Assets for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

**13. 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:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Notes payable, including current portion	\$ 1,643,987	\$ 1,177,498
Shareholders' equity	<u>7,427,146</u>	<u>7,003,013</u>
<b>Total capital</b>	<b><u>\$ 9,071,133</u></b>	<b><u>\$ 8,180,511</u></b>

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.

**Vibe Bioscience Ltd.**

**Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)**

- (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.

**14. 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 June 30, 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 its 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. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

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.

**15. SEGMENTED DISCLOSURE**

The Company has four reportable operating segments for the three and six month periods ended June 30, 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 and six month periods ended and as at June 30, 2020.

**Vibe Bioscience Ltd.**

**Notes to the Unaudited Condensed Consolidated Financial Statements**  
**(Expressed in U.S. dollars unless otherwise noted)**

<b>As at June 30, 2020</b>	<b>Dispensaries</b>	<b>Cultivation</b>	<b>Real Estate</b>	<b>Canada</b>	<b>Total</b>
<b>Assets</b>					
Total current assets	\$ 3,080,159	\$ 734,300	\$ 2,756	\$ 392,688	\$ 4,209,903
Intangible assets and goodwill	5,101,005	438,906	-	-	5,539,911
Property and equipment	664,373	1,551,548	2,231,965	822	4,448,708
Right-of-use assets	560,548	-	-	-	560,548
<b>Total assets</b>	<b>\$ 9,406,085</b>	<b>\$ 2,724,754</b>	<b>\$ 2,234,721</b>	<b>\$ 393,510</b>	<b>\$ 14,759,070</b>
<b>Liabilities</b>					
Total current liabilities	\$ 4,178,779	\$ 175,617	\$ 49,258	\$ 266,052	\$ 4,669,706
Notes payable	34,950	361,485	1,096,086	-	1,492,521
Lease obligations	366,380	-	-	-	366,380
Deferred tax liability	672,523	130,794	-	-	803,317
<b>Total liabilities</b>	<b>\$ 5,252,632</b>	<b>\$ 667,896</b>	<b>\$ 1,145,344</b>	<b>\$ 266,052</b>	<b>\$ 7,331,924</b>
<b>For the Three Months Ended June 30, 2020</b>					
<b>Revenue</b>					
Revenue	\$ 5,351,728	\$ 331,801	\$ -	\$ -	\$ 5,683,529
Cost of goods sold	3,421,603	351,225	-	-	3,772,828
<b>Gross margin before biological asset adjustments</b>	<b>1,930,125</b>	<b>(19,424)</b>	<b>-</b>	<b>-</b>	<b>1,910,701</b>
Net effect of adjustments for biological assets	-	134,071	-	-	134,071
<b>Gross margin</b>	<b>1,930,125</b>	<b>114,647</b>	<b>-</b>	<b>-</b>	<b>2,044,772</b>
<b>Operating expenses</b>					
General and administrative	392,990	77,881	11,079	197,271	679,221
Sales, security and marketing	637,888	22,445	-	-	660,333
Stock-based compensation	-	-	-	24,375	24,375
Depreciation and amortization	143,592	24,997	11,963	103	180,655
	<u>1,174,470</u>	<u>125,323</u>	<u>23,042</u>	<u>221,749</u>	<u>1,544,584</u>
<b>Other expenses (income)</b>	<b>(7,777)</b>	<b>(342,462)</b>	<b>17,217</b>	<b>(79,145)</b>	<b>(412,167)</b>
<b>Income (loss) before income taxes</b>	<b>763,432</b>	<b>331,786</b>	<b>(40,259)</b>	<b>(142,604)</b>	<b>912,355</b>
Income tax expense (recovery)	436,904	(2,363)	-	-	434,541
<b>Net income (loss) for the period</b>	<b>\$ 326,528</b>	<b>\$ 334,149</b>	<b>\$ (40,259)</b>	<b>\$ (142,604)</b>	<b>\$ 477,814</b>

**Vibe Bioscience Ltd.****Notes to the Unaudited Condensed Consolidated Financial Statements  
(Expressed in U.S. dollars unless otherwise noted)**

<b>For the Six Months Ended June 30, 2020</b>	<b>Dispensaries</b>	<b>Cultivation</b>	<b>Real Estate</b>	<b>Canada</b>	<b>Total</b>
<b>Revenue</b>	\$ 9,411,498	\$ 544,629	\$ -	\$ -	\$ 9,956,127
Cost of goods sold	5,989,953	589,756	-	-	6,579,709
<b>Gross margin before biological asset adjustments</b>	3,421,545	(45,127)	-	-	3,376,418
Net effect of adjustments for biological assets	-	136,113	-	-	136,113
<b>Gross margin</b>	3,421,545	90,986	-	-	3,512,531
<b>Operating expenses</b>					
General and administrative	749,296	157,468	4,984	389,785	1,301,533
Sales, security and marketing	1,201,943	32,297	-	-	1,234,240
Stock-based compensation	-	-	-	59,664	59,664
Depreciation and amortization	279,174	48,754	23,795	207	351,930
	<u>2,230,413</u>	<u>238,519</u>	<u>28,779</u>	<u>449,656</u>	<u>2,947,367</u>
<b>Other expenses (income)</b>	2,765	(341,240)	34,593	(87,638)	(391,520)
<b>Income (loss) before income taxes</b>	1,188,367	193,707	(63,372)	(362,018)	956,684
Income tax expense (recovery)	705,632	(4,431)	-	-	701,201
<b>Net income (loss) for the period</b>	<u>\$ 482,735</u>	<u>\$ 198,138</u>	<u>\$ (63,372)</u>	<u>\$ (362,018)</u>	<u>\$ 255,483</u>

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

**16. SUBSEQUENT EVENTS**

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

In July 2020, Vibe entered into a six month triple net lease agreement with an option to purchase a commercial property in Ukiah, California (the "Property"). The Property was previously entitled by the City of Ukiah to allow for cannabis operations inclusive of a retail cannabis dispensary and non-volatile cannabis manufacturing.