Vibe Growth Corporation

(formerly Vibe Bioscience Ltd.)

Consolidated Financial Statements

As at and for the Year Ended December 31, 2020 and 2019

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Vibe Growth Corporation (formerly Vibe Bioscience Ltd.)

Opinion

We have audited the accompanying consolidated financial statements of Vibe Growth Corporation (formerly Vibe Bioscience Ltd.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 19, 2021

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

As at	*notes*	**December 31, 2020**	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 2,412,798**	$ 1,637,496
Accounts receivable		**21,428**	246,750
Inventory	*5*	**3,162,192**	521,592
Biological assets	*6*	**270,290**	176,767
Other current assets		**341,906**	227,996
Total current assets		**6,208,614**	2,810,601
Intangible assets and goodwill	*7*	**6,541,457**	5,493,648
Property and equipment	*8*	**4,668,162**	3,599,951
Right-of-use assets	*9*	**923,957**	669,880
Total assets		**$ 18,342,190**	$ 12,574,080
Liabilities			
Current liabilities			
Accounts payable		**$ 2,853,930**	$ 2,358,720
Income taxes payable	*12*	**1,991,662**	559,102
Current portion of lease obligations and notes payable	*10, 11*	**499,160**	258,030
Total current liabilities		**5,344,752**	3,175,852
Notes payable	*11*	**1,427,346**	1,130,113
Lease obligations	*10*	**642,739**	478,022
Deferred tax liability	*12*	**817,138**	787,080
Total liabilities		**$ 8,231,975**	$ 5,571,067
Shareholders' equity			
Share capital	*13(a)*	**$ 19,686,343**	$ 17,651,013
Warrants	*13(b)*	**349,757**	25,227
Contributed surplus		**1,462,889**	1,379,539
Accumulated other comprehensive loss		**(144,330)**	(79,772)
Deficit		**(11,244,444)**	(11,972,994)
		10,110,215	7,003,013
Total liabilities and shareholders' equity		**$ 18,342,190**	$ 12,574,080

Nature of Operations (Note 1)

Contingencies (Note 16)

Subsequent events (Note 19)

On behalf of the Board:

"*Mark Waldron*", Director
Mark Waldron

"*Gordon Anderson*", Director
Gord Anderson

The accompanying notes are an integral part of these Consolidated Financial Statements

Vibe Growth Corporation (formerly Vibe Bioscience Ltd.)
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in U.S. dollars)

	notes	For the year ended December 31, 2020	2019
Revenue		**$ 24,240,862**	$ 12,600,159
Cost of goods sold		**16,046,804**	8,062,106
Gross margin before biological asset adjustments		**8,194,058**	4,538,053
Net effect of fair value adjustments for biological assets	*6*	**346,438**	79,593
Gross margin		**8,540,496**	4,617,646
Operating expenses			
General and administrative		**2,969,783**	2,992,297
Sales, security and marketing		**2,622,756**	1,556,673
Stock-based compensation	*13(c) and (d)*	**134,000**	708,252
Depreciation and amortization	*7, 8, 9*	**792,376**	834,281
		6,518,915	6,091,503
Other expenses (income)			
Bargain purchase gain	*4(a)*	**(344,051)**	-
Listing fee	*4(d)*	**-**	564,704
Loss on investment	*4(e)*	**-**	415,000
Transaction expenses	*4(i)*	**37,700**	455,644
Finance expense	*10 and 11*	**147,384**	132,609
Unrealized gain on fair value of financial asset	*14*	**-**	(113,195)
Loss on funding advance	*4(g)*		320,000
Impairment of goodwill	*7*	**-**	2,314,960
Impairment of intangible assets	*7*	**-**	2,336,858
Other (income) expense		**(240,253)**	20,311
		(399,220)	6,446,891
Income (loss) before income taxes		**2,420,801**	(7,920,748)
Income tax expense (recovery)	*12*		
Current		**1,783,000**	751,083
Deferred		**(90,749)**	(53,920)
		1,692,251	697,163
Net income (loss) for the year		**728,550**	(8,617,911)
Other comprehensive income (loss)			
Foreign currency translation gain (loss)		**(64,558)**	126,908
Net income (loss) and comprehensive income (loss) for the year		**$ 663,992**	$ (8,491,003)
Income (loss) per share			
Basic		**$ 0.01**	$ (0.11)
Diluted		**$ 0.01**	$ (0.11)
Weighted average shares outstanding			
Basic		**79,193,961**	76,052,414
Diluted		**83,163,794**	76,052,414

The accompanying notes are an integral part of these Consolidated Financial Statements

Vibe Growth Corporation (formerly Vibe Bioscience Ltd.)
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**
Shares issued in asset acquisition	284,677	123,594	-	-	-	408,271
Shares issued in business acquisitions	1,614,290	226,163	-	-	-	1,840,453
Shares issued for services rendered	61,795	-	-	-	-	61,795
Share issue costs	(2,200)	-	-	-	-	(2,200)
Exercise of stock options	76,768	-	(75,877)	-	-	891
Expiry of warrants	-	(25,227)	25,227	-	-	-
Stock-based compensation	-	-	134,000	-	-	134,000
Net and comprehensive income (loss)	-	-	-	(64,558)	728,550	663,992
Balance at December 31, 2020	**$ 19,686,343**	**$ 349,757**	**$ 1,462,889**	**$ (144,330)**	**$ (11,244,444)**	**$ 10,110,215**
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 asset acquisition	55,683	-	-	-	-	55,683
Shares issued in reverse take-over	850,620	-	-	-	-	850,620
Exercise of stock options	81,045	-	(81,045)	-	-	-
Stock-based compensation	-	-	708,252	-	-	708,252
Net and comprehensive income (loss)	-	-	-	126,908	(8,617,911)	(8,491,003)
Balance at December 31, 2019	**$ 17,651,013**	**$ 25,227**	**$ 1,379,539**	**$ (79,772)**	**$ (11,972,994)**	**$ 7,003,013**

* Accumulated other comprehensive income

The accompanying notes are an integral part of these Consolidated Financial Statements

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

	For the year ended December 31, 2020	2019
Operating activities		
Net income (loss) for the year	**$ 728,550**	$ (8,617,911)
Items not involving cash:		
Listing fee	**-**	564,704
Unrealized (gain) loss on changes in the fair value of biological assets	**(346,438)**	-
Stock-based compensation	**134,000**	708,252
Bargain purchase gain	**(344,051)**	-
Loss on investment	**-**	415,000
Depreciation and amortization	**792,376**	834,281
Impairment of goodwill	**-**	2,314,960
Impairment of intangible assets	**-**	2,336,858
Unrealized foreign exchange	**17,118**	338
Unrealized gain on fair value of financial asset	**-**	(113,195)
Deferred income tax recovery	**(90,749)**	(53,920)
	890,806	(1,610,633)
Change in non-cash working capital:		
Accounts receivable	**225,322**	432,013
Inventory	**(2,187,574)**	(262,897)
Biological assets	**225,306**	(79,593)
Other current assets	**(76,438)**	(45,381)
Accounts payable and accrued liabilities	**350,696**	1,017,544
Income taxes payable	**1,296,225**	(123,328)
Cash flow provided from (used in) operating activities	**724,343**	(672,275)
Investing activities		
Cash (paid) on business acquisitions, net of cash acquired	**891,292**	(2,336,355)
Deposits related to acquisitions	**-**	-
Loan receivable	**-**	-
Cash acquired in the asset acquisitions	**2,038**	(109,244)
Purchases of property and equipment	**(530,979)**	(1,270,850)
Cash flow provided from (used in) investing activities	**362,351**	(3,716,449)
Financing activities		
Issuance of common shares	**(1,312)**	3,494,102
Settlement of subscriptions received in advance	**-**	352,069
Repayment of lease obligation	**(223,383)**	(168,765)
Repayment of notes payable	**(99,453)**	(43,224)
Cash flow provided from (used in) financing activities	**(324,148)**	3,634,182
Effect of translation of cash held in foreign currencies	**12,756**	63,145
Increase (decrease) in cash and cash equivalents	**775,302**	(691,397)
Beginning cash and cash equivalents	**1,637,496**	2,328,893
Ending cash and cash equivalents	**$ 2,412,798**	$ 1,637,496
Supplemental cash flow information		
Interest paid in the year	**$ 147,384**	$ 68,538
Income taxes paid in the year	**$ 488,327**	$ 874,410

The accompanying notes are an integral part of these Consolidated Financial Statements

1. NATURE OF OPERATIONS

Vibe Growth Corporation (the "Company" or "Vibe") (formerly Vibe Bioscience Ltd.) business is to evaluate, acquire and develop cannabis cultivation, distribution 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, one distribution and two cultivation operations in the State of California plus one dispensary in Portland, Oregon. On June 24, 2020, the Company's shareholders approved the continuance of the Company from the Province of Ontario to the Province of British Columbia that occurred on October 13, 2020 and in accordance with the provisions of the Business Corporations Act (British Columbia), the Company changed its name to Vibe Growth Corporation. The Company's registered office is located at #301, 1665 Ellis Street Kelowna, British Columbia V1Y 2B3 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."

On March 25, 2019, Altitude Resources Inc. ("Altitude"), 2657152 Ontario Inc. ("Newco"), a wholly-owned subsidiary of Altitude and Vibe Bioscience Corporation ("VBC") completed a three-cornered amalgamation whereby Vibe Bioscience Corporation amalgamated with Newco and completed a reverse take-over of Altitude (the "Altitude Reverse Take-over"). The Altitude Reverse Take-over was completed by issuing 6.883 common shares of Altitude in exchange for each Class A common share of Vibe Bioscience Corporation outstanding, resulting in VBC becoming a wholly-owned subsidiary of Altitude with the former shareholders of Vibe acquiring a controlling interest in Altitude. In connection with the Altitude Reverse Take-over, Altitude delisted its shares on the TSX Venture Exchange, changed its name to Vibe Bioscience Ltd., completed a listing on the Canadian Securities Exchange and consolidated its issued and outstanding common shares on a basis of 12 to 1.

Prior to the Altitude Reverse Take-over, Altitude did not operate an active business. VBC was incorporated under the laws of the Province of Ontario on June 11, 2018. For accounting and presentation purposes, the consolidated financial statements reflect the results of operations of Vibe, the accounting acquirer, with the exception of the number of shares that were retroactively adjusted to reflect the legal capital of the Company.

In addition to the 6.883 to 1 share exchange and 12 to 1 share consolidation of VBC's Class A Common Shares prior to the completion of the Altitude Reverse Takeover noted above, Vibe completed a share split on a 1 to 1.511 basis following the completion of certain private placements of Vibe's Class A common shares completed in February and March 2019 (Note 13). All results presented, related to common share, per common share amounts, warrants, stock options and related exercise prices reflect the share exchange, consolidation and split.

2. BASIS OF PRESENTATION

(a) Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). These financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 15, 2020.

The significant accounting policies in accordance with IFRS are disclosed in Note 3.

(b) Measurement basis

These 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 consolidated financial statements.

(c) Covid-19

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 on the safety and well-being of its employees and clients.

(d) Basis of consolidation

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

Subsidiary	Jurisdiction of incorporation
Vibe Investments, LLC	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
Vibe Ukiah, LLC (formerly Vibe Desert) ("Ukiah")	California, U.S.A
Cathedral Asset Holding Corporation ("CAHC")	California, U.S.A
Portland Asset Holding Corporation ("PAHC")	Oregon, U.S.A
Vibe CBD, LLC ("Vibe CBD")	California, U.S.A

2. BASIS OF PRESENTATION (continued)

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.

Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated.

(e) Functional and presentation currency

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

For reporting purposes, the assets and liabilities of Hype Canada and Vibe 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).

(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 financial statements are as follows:

Biological assets and inventory
In calculating the value of the biological assets and inventory, management is required to make several 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.

2. BASIS OF PRESENTATION (continued)

(f) Use of estimates and judgments (continued)

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 require 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 and 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 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.

2. BASIS OF PRESENTATION (continued)

(f) Use of estimates and judgments (continued)

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, 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents consist of all cash balances on hand at dispensary locations or held at financial institutions and short-term investments and similar instruments that are readily convertible to cash. Cash and cash equivalents are initially recognized at fair value and subsequently measured at amortized cost.

(b) Accounts receivable

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost less a provision of doubtful accounts based on expected future credit losses. Changes to the provision for doubtful accounts and any subsequent collection of accounts previously written off as uncollectable are included as other income in the consolidated statement of operations and comprehensive loss. When a receivable is determined to be uncollectable it is written off.

(c) Inventory

Inventory purchased from third parties, including work-in-process, finished goods and packaging supplies is valued at the lower of cost and net realizable value. Inventory of harvested cannabis is transferred from biological assets at its fair value less cost to sell at harvest which becomes its deemed cost for inventory purposes. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than the net realizable value. Net realizable value is the estimated selling price of the inventory in the ordinary course of business, less the estimated cost to sell. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written down to net realizable value. Inventory write-downs are included in the cost of goods sold in the consolidated statement of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Biological assets

The Company's biological assets consist of cannabis plants used for medical and recreational purposes. Production costs, including all direct and indirect costs relating to the biological transformation of the plants, are capitalized to biological assets. Direct and indirect costs include labour and related grow costs, grow consumables, materials, utilities and facility costs. The Company measures and adjusts the carrying value of biological assets to fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of harvested goods included in inventory. Unrealized gains or losses arising from changes in fair value less cost to sell are included in the cost of goods sold in the consolidated statement of operations and comprehensive loss in the period they arise.

(e) Intangible assets and goodwill

Intangible assets are recorded at cost less accumulated amortization and impairment losses if any. The cost of an intangible asset acquired in a business combination is initially measured at fair value at the date of acquisition. Intangible assets are amortized on a straight-line basis as follows:

Health Canada license	7 years - term of underlying lease
U.S. cultivation and retail licenses	10 years - estimated useful life
Tradename	10 years - estimated useful life
Software	2 years - estimated useful life

Where applicable, estimated useful lives do not exceed the underlying contractual period associated with the intangible assets. The estimated useful lives, residual values and amortization methods are reviewed periodically and any changes in estimates are accounted for prospectively. Goodwill arises only in business combinations and represents the excess of the purchase price over the fair values of the net identifiable assets acquired and liabilities assumed. Goodwill is carried at cost less accumulated impairment losses and is not subject to amortization.

(f) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated based on a straight-line basis over the following estimated useful lives:

Buildings	25 years
Equipment	3 to 5 years
Furniture and fixtures	5 years
Computer equipment	3 years

Depreciation commences when the asset is available for use. An asset's useful life and residual value, if any, are reviewed periodically and adjusted on a prospective basis, if appropriate. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset. The difference is recognized as other income or expense, as applicable, in the consolidated statement of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of non-financial assets

Property and equipment and intangible assets are subject to an impairment test whenever there are indications that the carrying amount may not be fully recoverable. Goodwill is tested for impairment at least annually, and more often if events and circumstances indicate the carrying amount may not be recoverable.

Assets are tested individually unless they do not generate cash inflows that are largely independent of other assets. Where cash inflows are not independent, individual assets are grouped into the smallest group of assets that generates independent cash inflows (Cash Generating Units or "CGUs"). Goodwill is allocated to individual or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose, with the grouping of CGUs being no larger than an operating segment.

The recoverable amount of an asset, CGU or group of CGUs is the greater of its value in use and its fair value less cost of disposal. The Company determines fair value less cost of disposal based on the best information available to reflect the amount that could be obtained from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, net of estimates of the cost of the disposal. In assessing value in use, the estimated future cash flows of the asset, CGU or group of CGUs are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, CGU or group of CGUs.

An impairment loss is recognized if the carrying amount of an asset, CGU or group of CGUs exceeds its recoverable amount. Where an impairment loss arises on CGUs with allocated goodwill, the loss is allocated first to reduce the carrying amount of the goodwill and then to reduce the carrying amounts of the other assets in the CGUs on a pro-rata basis. Impairment losses are recognized immediately as a separate line item in the consolidated statement of operations and comprehensive loss.

A previous impairment of an asset with a definite life is subsequently assessed for any indications that the impairment is reduced or no longer exists. An impairment loss is reversed if there has been an increase in the recoverable amount of an asset compared to its current carrying value. Impairment losses are reversed only to the extent that the asset's carrying amount would not exceed the carrying amount that would have been reported if no impairment loss had been recognized. Impairment losses on goodwill are never reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Business combinations

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed at the date of closing. Identifiable assets acquired along with liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as of the acquisition date. The excess of the aggregate of (a) the consideration transferred to obtain control and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date. In the case of a bargain purchase (the amount in (b) exceeds the aggregate of the amounts in (a)), the Company recognizes the resulting amount in profit or loss on the acquisition date, after reassessing whether it has correctly valued and identified all the assets acquired and liabilities assumed. Expenses associated with business acquisitions, other than costs associated with the issuance of debt or equity, are expensed when incurred. The results of operations of acquired businesses are included in the consolidated statement of operations and comprehensive loss commencing on the acquisition date.

(i) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation and a corresponding right-of-use asset ("lease asset") are recognized at the commencement of the lease. The present value of the lease obligation is based on the future lease payments and is discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with similar characteristics. The lease asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs, on commencement of the lease. Depreciation is recognized on the leased asset over the shorter of the estimated useful life of the asset or the lease term.

Lease payments are allocated between the liability and interest expense. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation.

Management judgement is required to determine the discount rate used to calculate the present value of the lease obligation. The carrying amounts of the lease assets, lease obligations, and the resulting interest and depletion and depreciation expense are based on the implicit interest rate within the lease arrangement or if this information is unavailable the incremental borrowing rate. Incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset.

(j) Financial instruments

Financial assets

Financial assets are recognized and measured using a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets are based on the Company’s business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest (“SPPI”). Financial assets are initially measured at fair value and are subsequently remeasured at either (i) amortized cost, (ii) fair value through other comprehensive income (“FVTOCI”), or (iii) at fair value through profit or loss (“FVTPL”).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Financial assets that are subsequently remeasured at amortized cost are those assets that are held with the objective to collect contractual cash flows, and those contractual flows represent SPPI. Amortized cost is determined using the effective interest method. The Company measures its cash and cash equivalents, restricted cash accounts receivable and loan receivable (included in other assets) at amortized cost. Financial assets that are remeasured at amortized cost are assessed for impairment based on expected future credit losses. The Company measures expected future credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to debtors and other relevant factors.

Financial assets that are subsequently remeasured at FVTOCI are those assets that are held with the objective to both (i) collect contractual cash flows (and those contractual cash flows represent SPPI), and (ii) sell the financial asset. The fair value of these financial assets is remeasured at each reporting period date with the resulting changes included as other comprehensive income with no transfer to profit or loss of any gains or losses arising on the derecognition of the financial asset. The Company does not measure any financial instruments at FVTOCI.

Financial assets that are subsequently remeasured at FVTPL are those financial assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category generally includes debt instruments whose cash flow characteristics are not SPPI or are not held with the objective to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset. In addition, derivative instruments and certain equity instruments that are not designated as FVTOCI are included in this category. The Company measured certain accounts receivable due in connection with the Altitude reverse take-over (Note 4(d)(i)) at FVTPL.

Financial liabilities
Financial liabilities are initially measured at fair value and subsequently remeasured at amortized cost. The Company's financial liabilities include accounts payable, subscriptions received in advance, and notes payable.

Fair value determination
Financial assets and liabilities recorded at fair value in the consolidated statement of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. The levels are based on the amount of subjectivity associated with the inputs in the fair value determination and are as follows:

Level I – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II – Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date as observable market data is unavailable. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Common share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from share capital, net of any tax effects.

(m) Stock-based payments

The Company grants stock options and restricted share units (“RSU”) to acquire common shares of the Company to officers, employees, directors and consultants. Compensation expense associated with the issuance of stock options is based on the fair value of the option which is deferred and recognized in the consolidated statement of operations and comprehensive loss over the vesting period of the option with the offsetting credit to contributed surplus. The Company measures the fair value of stock options at the date of grant, using the Black-Scholes option-pricing model. When stock options are exercised, common share capital is increased by the total consideration paid to exercise the option. Grants issued under the Company’s RSU plan are initially measured at fair market value and are expensed over their vesting periods under the terms of their compensation arrangements. The fair value of RSUs is primarily based on the Company's share price at the date of grant. Upon exercise, the plan allows the holder of an award to receive common shares. In addition, the amount previously recorded as contributed surplus attributable to the exercised options is reclassified from contributed surplus to common share capital. The fair value of any stock options that are cancelled or expire remains in contributed surplus.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Foreign currency

Foreign currency transactions

Transactions denominated in a currency that is not the functional currency of an entity are translated at the exchange rate in effect at the time of the transaction, or in the case of non-monetary items measured at fair value, at the exchange rate in effect at the date the fair value is measured. Monetary items are subsequently re-translated into the entity's functional currency at the exchange rates in effect at each reporting period. Non-monetary items and revenues and expenses are not subsequently re-translated. All resulting foreign exchange differences are reported as other expenses in the consolidated statement of operations and comprehensive loss.

(o) Revenue recognition

The Company generates revenue through the sale of cannabis and cannabis-related products, largely on a point-of-sale basis. Revenue is recognized based on the following five-step process:

1. The parties have entered into a customer contract (written or oral).
2. The performance obligations associated with the contract are known.
3. The amount to be paid and the terms of the payment have been identified.
4. The Company's cash flows are expected to change as a result of fulfilling the contract.
5. The Company will probably collect the consideration to which it is entitled.

The Company recognizes revenue once all performance obligations are met. Performance obligations are met by the Company once the cannabis or cannabis-related products are transferred to the customer. The Company does not grant credit to customers related to the retail sale of cannabis and cannabis-related products, and therefore, delivery of the product does not occur unless cash is collected from the customer by the Company. Credit is granted to customers related to the sale of cannabis to wholesale distributors. However, the Company recognizes revenue at the time the cannabis is delivered to the wholesale distributor as a detailed credit assessment of each wholesale distributor is conducted before delivering the product.

The Company does not have any contracts to provide products or services to customers over a period of time or for which multiple performance obligations exist.

(p) Earnings (loss) per share

Basic (loss) earnings per share is computed by dividing net earnings (loss) attributable to the Company's shareholders by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net earnings (loss) attributable to the Company's shareholders by the weighted average number of shares outstanding after giving effect to the potential dilution that would occur if outstanding in-the-money stock options, warrants and similar instruments were exercised. The calculation of diluted earnings (loss) per share assumes that the proceeds received from the exercise of in-the-money stock options, warrants and similar instruments are used to repurchase the Company's common shares at average market prices during the period. In periods where the Company has realized a net loss, the impact of exercising outstanding in-the-money stock options, warrants and similar instruments would be anti-dilutive, and therefore, not disclosed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Adoption of recent accounting pronouncements
In October 2018, the IASB issued amendments to IFRS 3 "Definition of a Business" that narrowed and clarified the definition of a business. The amendments permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments are effective January 1, 2020, with earlier adoption permitted. The amendments apply to business combinations after the date of adoption. The Company prospectively adopted the amendments on January 1, 2020, and concluded this standard did not have a material impact on the consolidated financial statements.

In October 2018, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendments make minor changes to the definition of the term "material" and align the definition across all IFRS Standards. Materiality is used in making judgments related to the preparation of financial statements. The amendments are effective January 1, 2020, with earlier adoption permitted. The Company prospectively adopted the amendments on January 1, 2020, and has concluded this standard did not have a material impact on the consolidated financial statements.

(s) Future Accounting Pronouncements
The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023, and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The new guidance will be effective for annual periods beginning on or after January 1, 2022, and is to be applied to contracts that have unfulfilled obligations as of the beginning of that period. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

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

4. ACQUISITIONS

(a) NGEV Acquisition

(i) On June 12, 2020, the Company completed the acquisition of all outstanding shares of NGEV Inc. ("NGEV") 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.

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	(59,600)
Fair value of the net assets acquired	$ 587,235
Consideration:	
600,000 Common Shares issued	$ 132,000
Cash	111,184
	$ 243,184
Bargain purchase gain	$ 344,051

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 consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2020.

The transaction is accounted for as a business combination. 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 $855,722, the net effect of adjustments for biological assets of $106,821, and operating profits before taxes of $386,131 from the date of acquisition to December 31, 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 year ended December 31, 2020.

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

4. ACQUISITIONS (continued)

(ii) In 2018, the Company entered into a purchase and sale agreement with NGEV whereby the Company was to acquire all the issued and outstanding securities of NGEV. However, the acquisition of NGEV was conditional upon NGEV obtaining a license from the State of California to operate as a cannabis cultivation facility (the "NGEV License"). The NGEV License was not obtained and the NGEV purchase and sale agreement was terminated by the Company in May 2019.

Although the acquisition of NGEV was initially not completed, the Company funded the operations of NGEV through May 2019. Approximately $320,000 of expenses of NGEV were funded by the Company in 2019, which are included as other expenses in the consolidated statement of operations and comprehensive loss.

(b) CAHC Acquisition

On September 17, 2020, the Company acquired all the existing shares of Cathedral Asset Holding Corporation ("CAHC") in exchange for 669,398 common shares and 800,000 warrants with an exercise price of CAD $0.60 and expiring 12 months from closing. Vibe acquired licenses for the distribution and manufacturing of regulated cannabis products and a right of use asset. The assets acquired in the CAHC acquisition were not considered a business acquisition. The fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred are presented below:

	September 18, 2020
Net assets acquired:	
Cash	$ 2,038
Working capital, excluding cash	67,040
Right-of-use asset	133,346
Intangible assets	339,193
Lease obligations	(133,346)
Fair value of the net assets acquired	$ 408,271
Consideration:	
669,398 Common Shares issued	$ 284,677
Warrants	123,594
	$ 408,271

The fair value of the 800,000 warrants issued in the acquisition was estimated at $123,594 and was determined using the Black-Scholes option-pricing model with the following assumptions dividend yield – Nil, expected volatility 100%, risk-free rate of return 0.50%, weighted average life – 1.0 year.

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

4. ACQUISITIONS (continued)

(c) PAHC Acquisition

On November 11, 2020, the Company acquired all the existing shares of Portland Asset Holding Corporation ("PAHC") in exchange for 3,112,092 common shares and 1,200,000 warrants with an exercise price of CAD $0.62 and expiring 12 months from the effective date. PAHC operates a cannabis dispensary in Portland, Oregon. The acquisition was treated as a business combination with the allocation of the purchase price 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.

	November 11, 2020
Net assets acquired:	
Cash	$ 1,002,476
Working capital, excluding cash	(90,660)
Property and equipment	18,500
Right-of-use asset	352,296
Intangible assets	205,392
Goodwill	633,952
Deferred income taxes	(61,207)
Lease obligations	(352,296)
Fair value of the net assets acquired	$ 1,708,453
Consideration:	
3,112,092 Common Shares issued	$ 1,482,290
Warrants	226,163
	$ 1,708,453

The fair value of the 1,200,000 warrants issued in the acquisition was estimated at $226,163 and was determined using the Black-Scholes option-pricing model with the following assumptions dividend yield – Nil, expected volatility 100%, risk-free rate of return 0.50%, weighted average life – 1.0 year.

The acquisition contributed revenue of $120,042 and operating an operating loss before taxes of $27,398 from the date of acquisition to December 31, 2020. The Company estimates that had the acquisitions occurred on January 1, 2020, the increase in revenue would be approximately $656,900 and operating profit would have decreased by approximately $39,360 for the year ended December 31, 2020.

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

(d) Altitude Reverse Take-over

On March 25, 2019, Altitude, Newco and Vibe completed a three-cornered amalgamation whereby Vibe amalgamated with Newco and together completed the Reverse Take-over. The Reverse Take-over was completed by issuing 6.883 common shares of Altitude in exchange for each Class A common share of Vibe resulting in Vibe becoming a wholly-owned subsidiary of Altitude with the former shareholders of Vibe acquiring a controlling interest in the amalgamated company. The Company issued 2,197,992 common shares at a fair value of $850,620 ($0.39 per share) to complete the Reverse Take-over. In addition, certain former shareholders of Altitude are to receive $34,625 of cash to complete the Reverse Take-over. The total consideration paid in connection with the reverse take-over is applied to the fair value of net assets remaining of Altitude as follows:

	March 25, 2019
Net assets	
Accounts receivable - Proceeds from Atrum Shares *(i)*	$ 482,815
Accounts receivable - Proceeds from Palisades Assets *(ii)*	-
Accounts receivable - additional proceeds due *(iii)*	105,440
Accounts payable and accrued liabilities	(185,747)
Notes payable	(81,967)
Total net assets acquired	**320,541**
Listing fee	564,704
Total acquisition	**$ 885,245**
Consideration	
Fair value of common shares (2,197,992 common shares)	**$ 850,620**
Cash	34,625
Total consideration	**$ 885,245**

Prior to completion of the Reverse Take-over, Altitude did not operate an active business. Accordingly, the transaction does not constitute a business combination and is accounted for as a capital transaction in substance.

Certain mining and other assets included in Altitude immediately prior to the Reverse Take-over were sold to an entity owned by certain former shareholders of Altitude including the following:

(i) *Common shares of Atrum Coal Limited ("Atrum Shares")* Altitude owned 2,953,674 common shares of Atrum Coal Limited which is a publicly-traded entity on the Australian Stock Exchange. A condition of the Altitude Reverse Takeover was the proceeds of the sale of the Atrum Shares were due to the Company. The Atrum Shares were sold on May 6, 2019, for net proceeds totalling CAD $799,115 and the cash proceeds were remitted to the Company in August 2019. Prior to the Company receiving the proceeds from the sale of the Atrum Shares, the underlying receivable was recognized as a financial asset measured at fair value through profit and loss ("FVTPL"). Accordingly, the Company recorded a gain on the fair value measurement of the Atrum Share proceeds totalling $113,195 in 2019. The calculation of the gain on the Atrum Share proceeds due was based on Level 1 Inputs in the fair value hierarchy.

4. ACQUISITIONS (continued)

(d) Altitude Reverse Take-over (continued)

(ii) *Palisades mining assets.* Altitude owned certain partially developed mining assets in Alberta, Canada ("Palisades Assets"). The proceeds from the sale of the Palisades Assets are due to the Company; however, the Palisades Assets remain unsold at December 31, 2020. The fair value of the accounts receivable related to the sale of the Palisades Assets is determined to be $nil as there has not been any specific buyer identified to date, and it is unclear if a buyer will be found for the Palisades Assets in the near term.

(iii) *Additional cash proceeds due.* Altitude owned other mining assets in Alberta, Canada at various stages of development. The proceeds from the sale of the other mining assets total $105,440. The additional cash proceeds were collected in August 2019.

The Reverse Take-over was completed to provide the Company with a public listing on the Canadian Securities Exchange. Accordingly, the excess of the consideration paid over the acquired net assets, totalling $564,704, is expensed as listing costs in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2019

(e) Acquisition of U.S. Operating Assets

On February 18, 2019, the Company simultaneously acquired the issued and outstanding securities of (i) Port City, (ii) 8130 Alpine LLC ("8130 Alpine"), (iii) Alpine CNAA, and (iv) Alpine Alternative (collectively, the "U.S. Targets") and began operating its cannabis business on a combined basis. Before the U.S. Acquisition, the U.S. Operating Assets were under common control but had separate operating structures and business models that required separate acquisition structures and purchase and sale agreements for each of the U.S. Targets (except as described below). Accordingly, for financial statement purposes, the acquisition of each of the U.S. Targets is accounted for as a separate business combination requiring a separate allocation of the purchase price over each set of net assets acquired in accordance with the terms and conditions of each purchase and sale agreement (except as noted below). Each of the business combinations is described in detail below and reflects the share splits and consolidation referenced in Note 1.

The U.S. Targets acquired are as follows:

(i) *Port City.* The Company acquired all the issued and outstanding securities of Port City for a total consideration of $1,931,838 consisting of $984,321 in cash and the issuance of 2,420,300 common shares of the Company with a calculated value of $947,517. The total purchase price is allocated to the fair value of the net assets acquired as follows:

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

4. ACQUISITIONS (continued)

(e) Acquisition of U.S. Operating Assets (continued)

	February 18, 2019
Net assets acquired	
Cash	$ 124,987
Working capital deficit, excluding cash	(178,285)
Due from other U.S. Targets	173,839
Right-of-use asset	769,397
Property and equipment	70,991
Intangible assets	
License	960,000
Lease liability	(760,500)
Deferred income tax liability	(271,000)
Goodwill	1,042,409
	$ 1,931,838
Consideration	
Cash at closing	$ 1,046,000
Estimated cash to be paid for working capital adjustment	(61,679)
Total cash consideration	984,321
Common shares of the Company	947,517
	$ 1,931,838

The total consideration due in the Port City acquisition was subject to the final working capital adjustment that resulted in a $61,679 favourable adjustment to the total purchase price paid by the Company at closing. All amounts held in escrow pending settlement of the final working capital adjustment were distributed in 2019.

The Company previously acquired a 20% non-controlling interest in Port City for cash proceeds totalling $800,000 of which $250,000 and $550,000 were paid in December 2018 and January 2019, respectively. The fair value of the Company's 20% interest immediately before the Port City acquisition was $385,000 resulting in a loss on the original investment in Port City of $415,000 which is recorded in the consolidated statement of operations and comprehensive loss in the year ended December 31, 2019.

The Port City acquisition provides the Company with established, cash flow positive medical and adult recreational use dispensary operations in Stockton, California. Goodwill realized in the Port City acquisition is largely a result of the assembled workforce, customer networks and loyalty and synergies expected from fully combining and integrating the Port City operations with the operations of the other acquired U.S. Targets. None of the goodwill recognized is expected to be deductible for tax purposes.

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

4. ACQUISITIONS (continued)

(e) Acquisition of U.S. Operating Assets (continued)

(ii) Alpine CNAA and 8130 Alpine (collectively "Alpine Cultivation"). The Company entered into separate acquisition agreements with Alpine CNAA and 8130 Alpine. However, Alpine CNAA and 8130 Alpine operated in conjunction with each other before the acquisition and completed a merger immediately following the closing of the acquisition. Accordingly, the acquisition of each of Alpine CNAA and 8130 Alpine is considered one acquisition for financial statement purposes.

The Company acquired all the issued and outstanding securities of Alpine Cultivation for a total consideration of $2,644,878 consisting of $1,042,374 in cash and the issuance of 4,093,374 common shares of the Company with a calculated value of $1,602,504. The total purchase price is allocated to the fair value of the net assets acquired as follows:

	February 18, 2019
Net assets acquired	
Cash	$ -
Working capital, excluding cash and biological assets	68,119
Biological assets	89,494
Due to other U.S. Targets	(291,674)
Property and equipment	309,442
Intangible assets	
License	200,000
Trademark	78,500
Note payable	(18,963)
Deferred income tax liability	(105,000)
Goodwill	2,314,960
	$ 2,644,878
Consideration	
Cash at closing	$ 1,004,000
Estimated cash to be paid for working capital adjustment	38,374
Total cash consideration	1,042,374
Common shares of the Company	1,602,504
	$ 2,644,878

The total consideration due in the Alpine Cultivation acquisition was subject to the final working capital adjustment that resulted in additional consideration paid by the Company totalling $38,374. All amounts held in escrow pending settlement of the final working capital adjustment were distributed in 2019.

The Alpine Cultivation acquisition provides the Company with cannabis cultivation and manufacturing facilities in Sacramento, California that supports the Company's vertical integration strategy. Goodwill realized in the Alpine acquisition is largely a result of the assembled workforce and synergies expected from fully combining and integrating the Alpine operations with the operations of the other acquired U.S. Targets. None of the goodwill recognized is expected to be deductible for tax purposes.

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

4. ACQUISITIONS (continued)

(e) Acquisition of U.S. Operating Assets (continued)

(iii) Alpine Alternative. The Company acquired all the issued and outstanding securities of Alpine Alternative for total consideration of $2,842,825 consisting of $1,158,809 in cash and the issuance of 4,301,483 common shares of the Company with a value of $1,684,016. The total purchase price is allocated to the fair value of the net assets acquired as follows:

	February 18, 2019
Net assets acquired	
Cash	$ 174,162
Working capital deficit, excluding cash	(755,537)
Due from other U.S. Targets	117,835
Property and equipment	51,261
Intangible assets	
Licenses	1,660,000
Deferred income liability	(465,000)
Goodwill	2,060,104
	$ 2,842,825
Consideration	
Cash at closing	$ 1,750,000
Estimated cash to be paid for working capital adjustment	(591,191)
Total cash consideration	1,158,809
Common shares of the Company	1,684,016
	$ 2,842,825

The total consideration due in the Alpine Alternative acquisition was subject to a final working capital adjustment that resulted in a $591,191 favourable adjustment to the total purchase price paid by the Company at closing. All amounts held in escrow pending settlement of the final working capital adjustment that was distributed prior to December 31, 2019.

The Alpine Alternative acquisition provides the Company with established, cash flow positive medical and adult recreational use dispensary operations in Sacramento, California. Goodwill realized in the Alpine Alternative acquisition is largely a result of the assembled workforce, customer networks and loyalty and synergies expected from fully combining and integrating the Alpine Alternative operations with the operations of the other acquired U.S. Targets. None of the goodwill recognized is expected to be deductible for tax purposes.

The aforementioned acquisitions (Note 4e (i, ii and iii)) contributed revenue of $12,600,159 and $1,384,788 in operating profits before taxes from the dates of acquisition to December 31, 2019. The Company estimates that had the acquisitions occurred on January 1, 2019, the increase in revenue would be approximately $1,410,800 and operating profit would have increased by approximately $401,600 for the year ended December 31, 2019.

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

4. ACQUISITIONS (continued)

(f) EVR Managers LLC

On December 30, 2019, the Company acquired all the issued and outstanding securities of EVR Managers LLC in exchange for 964,284 common shares of the Company with a calculated value of $55,683 plus $109,244 advanced in early 2019. The assets acquired are a license and a right of use asset with respect to the property lease therefore the acquisition is not considered a business acquisition.

(g) Cash deposit

In addition to the $250,000 paid in connection with acquiring a non-controlling interest in Port City described in Note 4(e)(i), the Company also advanced $300,000 to the vendors of the U.S. Targets as a deposit on the final proceeds to be paid on closing the U.S. Acquisition. The total $550,000 cash paid was recorded as an investment on December 31, 2018, and became part of the total purchase price paid in the U.S. Acquisition on February 18, 2019.

(h) Transaction expenses

The Company incurred total transaction expenses in connection with the Altitude Reverse Take-over and the acquisition of the U.S. Operating Assets totalling $455,644 in 2019 and approximately $37,700 in 2020 with respect to the NGEV and PAHC acquisitions. Transaction expenses are disclosed separately in the consolidated statement of operations and comprehensive loss.

5. INVENTORY

The Company's inventory consists of the following:

	December 31, 2020	December 31, 2019
Harvested cannabis - raw materials	$ 267,173	$ 33,627
Work-in-progress	488,612	-
Cannabis related products and packaging	2,406,407	487,965
	$ 3,162,192	**$ 521,592**

Included in inventory is approximately $248,500 (2019 - $81,000) relating to the unrealized change in biological assets. Included in the cost of goods sold is approximately $177,000 related to the realized fair value included in inventory. 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 December 31, 2020 or 2019.

6. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants which were acquired in connection with the Alpine Cultivation and NGEV acquisitions. The changes in the carrying value of the biological assets are as follows:

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

6. BIOLOGICAL ASSETS (continued)

	December 31, 2020	December 31, 2019
Balance, beginning of year	**$ 176,767**	**$ -**
Biological assets acquired in acquisitions and business combinations	162,749	89,494
Changes in fair value less cost to sell due to biological transformation	346,438	79,593
Production costs	1,474,974	944,876
Transferred to inventory upon harvest	(1,890,638)	(937,196)
Balance, end of year	**$ 270,290**	**$ 176,767**

The Company values biological assets at the end of each reporting period at fair value less cost to sell ("FVLCS"). The determination of fair value less cost 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) = 14 weeks based on historical results.

(ii) Average selling price of whole flower = $3.50 per gram based on historical and expected future sales.

(iii) Average harvest yield of whole flower = 67 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 year ended December 31, 2020, as follows:

	Change in FVLCS at	
	December 31, 2020	December 31, 2019
Input		
Selling price per gram - 10% change	$ 32,500	$ 18,600
Harvest yield per plant - 10% change	$ 27,000	$ 16,600

At December 31, 2020, the average stage of completion of the biological assets is 50% based on the number of days remaining to harvest. The estimated FVLCS of dry cannabis at December 31, 2020, is $108 per plant and the expected total yield is approximately 31,000 grams of cannabis.

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

7. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill at 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	**$ 5,631,482**	**$ 192,472**	**$ 78,500**	**$ 5,417,473**	**$ 11,319,927**
Acquired in asset acquistion	339,193	-	-	-	339,193
Acquired in business acquisitions	405,392	-	-	633,952	1,039,344
Balance at December 31, 2020	**$ 6,376,067**	**$ 192,472**	**$ 78,500**	**$ 6,051,425**	**$ 12,698,464**
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	322,856	-	7,872	-	330,728
Balance at December 31, 2020	**$ 3,219,735**	**$ 192,472**	**$ 14,840**	**$ 2,729,960**	**$ 6,157,007**
Net book value at December 31, 2019	$ 2,734,603	$ -	$ 71,532	$ 2,687,513	$ 5,493,648
Net book value at December 31, 2020	**$ 3,156,332**	**$ -**	**$ 63,660**	**$ 3,321,465**	**$ 6,541,457**

The trademark intangible asset consists of the Hype Cannabis Co. ("Hype") which is a registered California trademark owned by Alpine Cultivation which was acquired in the Alpine Cultivation acquisition. The Hype product is sold in both 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 performed its annual impairment test as at December 31, 2020 and 2019. For the purpose of annual impairment testing, all intangible assets and goodwill are allocated to the CGU which is expected to benefit from the synergies of the business combinations from which goodwill arose. The recoverable amount of the CGU was determined based on value in use. The calculation used post-tax cash flows covering a five to seven year period based on a financial budget, forecast approved by management, using an expected average growth rate of 2% and inflation rate of 1% to 3%, a post-tax risk-adjusted discount rate of 20% (2019 - 25%) and a terminal growth rate of 3%. Key assumptions also include usual profit margins and growth within the California market determined by past experience. As at December 31, 2020 and 2019, the recoverable amount of the California and Oregon dispensary CGU's exceeded its carrying value. In 2019, the Company determined its cultivation CGU was impaired by $2,314,960. The cultivation impairment charge is due to a change in management's forecasted sales, scaled back

7. INTANGIBLE ASSETS AND GOODWILL (continued)

capital expansion plans due to capital constraints in the cannabis sector and profitability outlook.

If future results, in particular, future revenues, were to be significantly different from management's best estimates of key assumptions, the Company could potentially experience future impairment charges in respect of its intangible assets and goodwill.

As a result of current economic conditions in the Canadian cannabis sector and the Company's focus on United States operations with no capital has been allocated to the Canadian assets to support the operations in the last quarter of 2019 and, as a result, in 2019 the Company recognized a $2,336,858 intangible asset impairment charge related to the Health Canada permits, licenses and software that is no longer being utilized. The impairment was based on fair value less cost of disposal ("FVLCD"). The best indicator of FVLCD is the amount obtained from the sale of an asset in an arm's length transaction between knowledgeable, willing parties and as such the Company established FVLCD by reference to an estimated cost to obtain the Health Canada license. As a result, management has fully impaired the Canadian assets described above.

Goodwill resulted from the acquisition of the PAHC in November 2020 and the U.S. Operating Assets in February 2019 and is initially measured at the excess of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is not amortized but goodwill is subject to impairment tests at least annually. Prior to completing the acquisition of the U.S. Operating Assets, the Company purchased a 20% non-controlling interest in Port City for $800,000. At the time of the U.S. Target acquisition, it was determined that the $800,000 carrying value of the initial Port City investment was impaired and a loss of $415,000 was recognized in the consolidated statement of operations and comprehensive loss.

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

8. 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**
Acquired in business acquisitions	-	-	681,056	-	681,056
Purchases	-	-	362,401	254,876	617,277
Transfers from construction in process	-	-	359,470	(359,470)	-
Impact of foreign exchange	-	-	(146)	-	(146)
Balance at December 31, 2020	**$ 2,334,084**	**$ 800,000**	**$ 1,613,647**	**$ 254,876**	**$ 5,002,607**
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	47,984	-	182,099	-	230,083
Impact of foreign exchange	-	-	(107)	-	(107)
Balance at December 31, 2020	**$ 103,232**	**$ -**	**$ 231,213**	**$ -**	**$ 334,445**
Net book value at December 31, 2019	$ 2,278,836	$ 800,000	$ 161,645	$ 359,470	$ 3,599,951
Net book value at December 31, 2020	**$ 2,230,852**	**$ 800,000**	**$ 1,382,434**	**$ 254,876**	**$ 4,668,162**

The Company purchased land and buildings totalling $1,999,596 in 2019. The consideration paid to acquire the land and buildings consisted of $800,000 cash and the assumption of a note payable totalling $1,199,682 (Note 11). The buildings currently hold the cultivation and dispensary locations acquired in the Alpine Cultivation 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 property and equipment. The construction and upgrades are not yet complete and will not be subject to depreciation until the underlying asset is available for use.

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

8. PROPERTY AND EQUIPMENT (continued)

The Company did not dispose of any property and equipment in the year ended December 31, 2020 or 2019 and there were no impairments of property and equipment at December 31, 2020 or 2019.

9. 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	851,423	-	851,423
Acquired in business acquisitions	352,296	-	352,296
Acquired in asset acquisition	133,346	-	133,346
Balance at December 31, 2020	**$ 1,337,065**	**$ -**	**$ 1,337,065**
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	231,565	-	231,565
Balance at December 31, 2020	**$ 413,108**	**$ -**	**$ 413,108**
Net book value at December 31, 2019	$ 669,880	$ -	$ 669,880
Net book value at December 31, 2020	**$ 923,957**	**$ -**	**$ 923,957**

The Company initially adopted IFRS 16 effective January 1, 2019, whereby the amount recognized as a right-of-use asset was equal to the present value of the future lease payments due under outstanding leases as at January 1, 2019. The right-of-use assets are being depreciated on a straight-line basis over the remaining term of the underlying lease as there are no options to acquire or otherwise transfer ownership of the underlying asset to the Company at the end of the lease term. In October 2019, the Company terminated the warehouse lease with no penalties or costs.

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

10. LEASE OBLIGATIONS

Effective January 1, 2019, the Company recognized a discounted lease obligation of $133,304 on the initial adoption of IFRS 16. A reconciliation of the discounted lease obligation is set forth below:

	December 31, 2020	December 31, 2019
Balance, beginning of the year	$ 688,667	$ -
Initial adoption of new lease standard	-	133,304
Acquired in business acquisitions	352,296	760,500
Acquired in asset acquistion	133,346	82,026
Principal paid	(223,384)	(168,765)
Lease termination	-	(118,398)
Balance, end of the year	950,925	688,667
Less current portion of lease obligation	(308,186)	(210,645)
Lease obligations	**$ 642,739**	**$ 478,022**

The Company's warehouse lease had an initial term ending August 31, 2020, with monthly rent payments totalling CAD $2,750 through the term of the lease. In October 2019, the Company was able to terminate the lease with no penalties.

Neither the dispensary nor warehouse 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 $54,258 (2019 - $56,511) 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	$ 373,135
2 - 5 years	685,753
Thereafter	39,000
Total lease payments	1,097,888
Amount representing interest over the term	(146,963)
Present value of the net obligation	$ 950,925

The Company utilized certain IFRS 16 exemptions to exclude low-value right-of-use assets and short-term lease arrangements as leases. The Company has a variable lease agreement at NGEV whereby the rent is based on 10% of the net revenue. Variable lease arrangements are recognized as operating lease payments and totalled $68,196 and were recognized in costs of goods sold in the consolidated statements of operations during the year ended December 31, 2020.

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

11. NOTES PAYABLE

The Company's notes payable consists of the following:

	December 31, 2020	December 31, 2019
Note payable:		
Land and buildings *(1)*	$ 1,118,687	$ 1,162,182
Deferred rent *(2)*	131,666	-
Promissory note *(3)*	278,118	-
Vehicles *(4)*	89,849	15,316
Total notes payable	1,618,320	1,177,498
Less current portion:	(190,974)	(47,385)
Notes payable, long term	**$ 1,427,346**	**$ 1,130,113**

(1) The Company has a secured note payable outstanding related to the acquisition of land and buildings in Sacramento, California totalling $1,162,182 as at December 31, 2019 (Note 8). The note bears interest at 6% per year, requires monthly payments of principal and interest totalling $9,314 and matures in April 2036. Interest expense recognized in the 2019 fiscal year totaled $75,944 and principal repaid was $43,224. Principal repayments due in the next 12 months totalling $56,940 are recorded as current liabilities on the consolidated statement of financial position as at December 31, 2020.

(2) In conjunction with the acquisition of NGEV (Note 4(a)), 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 totalling $52,668 are recorded as current liabilities on the consolidated statement of financial position as at December 31, 2020.

(3) Pursuant to the acquisition of NGEV (Note 4(a)), 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 totalling $59,846 are recorded as current liabilities on the consolidated statement of financial position at December 31, 2020.

(4) The Company also has five vehicle acquisition notes payable. The notes payable bear interest ranging from 0% to 4.99% per year, require monthly payments of principal and interest totalling $1,864 and mature in January 2023, and June, July and September 2025. Principal repayments due in the next 12 months totalling $21,520 are recorded as current liabilities on the consolidated statement of financial position at December 31, 2020.

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

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

11. NOTES PAYABLE (continued)

	Notes payable				
	Land and Buildings	**Deferred Rent**	**Promissory Note**	**Vehicles**	**Total**
Amounts due					
Less than one year	$ 111,763	$ 52,668	$ 90,000	$ 22,371	**$ 276,802**
One to three years	$ 223,526	$ 78,998	$ 188,118	$ 39,761	**530,403**
Four to five years	$ 223,526	$ -	$ -	$ 27,717	**251,243**
Thereafter	$ 559,872	$ -	$ -	$ -	**559,872**
Total maturities at December 31, 2020	**$ 1,118,687**	**$ 131,666**	**$ 278,118**	**$ 89,849**	**$ 1,618,320**

12. INCOME TAXES

The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to income (loss) before income taxes. The principal reasons for differences between such "expected" income tax expense and the amount recorded are as follows:

	December 31, 2020	**December 31, 2019**
Income (loss) before taxes	$ 2,420,801	$ (7,920,748)
Combined corporate statutory tax rate (%)	27%	27%
Expected tax recovery at statutory rates	653,616	(2,138,602)
Tax differences		
Share based compensation	36,180	191,228
Impairment of goodwill	-	625,039
IRS 280E adjustments *(i)*	1,042,807	400,136
Bargain purchase gain	(92,894)	-
Other	(25,841)	127,057
Deferred tax benefits deemed not probable to be recovered	78,383	1,492,305
Total income tax recovery	$ 1,692,251	$ 697,163
Current income tax expense	$ 1,783,000	$ 751,083
Deferred income tax recovery	(90,749)	(53,920)
	$ 1,692,251	$ 697,163

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

12. INCOME TAXES (continued)

(i) *The Company's cannabis dispensaries are subject to the limits of Section 280E of the U.S. Internal Revenue Code under which only those expenses directly related to sales of cannabis can be deducted. Accordingly, each of the Company's dispensaries is effectively taxed at the gross margin level for federal income tax purposes. Further, although proper deductions for the cost of goods sold are generally allowed to determine gross income, the scope of such items has been the subject of debate, and deductions for significant costs may not be permitted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favourable to cannabis businesses.*

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's deferred income tax assets and liabilities are as follows:

As at	**December 31, 2020**	**December 31, 2019**
Deferred tax liability (asset)		
Property and equipment and intangible assets	$ 817,138	$ 787,080
Tax losses and other	1,207,000	367,283
Less deferred tax benefits deemed not probable to be recovered	(1,207,000)	(367,283)
	$ 817,138	$ 787,080

The Company's tax losses are largely due to operating losses arising out of the Canadian head office which is recorded in the accounts of Vibe, a Canadian incorporated entity. The likelihood that Vibe will generate sufficient future profits to utilize the tax losses is not currently probable. Accordingly, the entire balance of Vibe's Canadian tax losses estimated at $4,845,000 CAD has not been recognized as a deferred tax asset as of December 31, 2020. The losses will expire in 2032 and 2040.

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

13. 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:

	December 31, 2020	December 31, 2019
Balance, beginning of year	**77,577,212**	**53,535,586**
Issued in private placement *(i)*	-	9,856,242
Issued in acquisitions (Note 4(a, c and e))	3,712,092	10,815,157
Issued in Altitude Reverse Take-over (Note 4(d))	-	2,197,992
Issued in asset acquisitions (Note 4(b and f))	669,398	964,284
Issued in exchange for services rendered	455,036	-
Exercise of stock options	199,290	207,951
Balance, end of year	**82,613,028**	**77,577,212**

(i) The Company completed a private placement of common shares in February 2019 whereby 9,856,242 shares were issued at $0.39 per share. In December 2018, the Company received advances of $352,069 related to subscriptions to purchase the Company's common shares. The common shares were issued to the subscribers in February 2019 as part of the private placement.

(ii) The common shares issued in connection with the acquisition of the U.S. Targets and the Altitude Reverse Take-over are recorded at a calculated price of $0.39 per share, consistent with the private placement per share proceeds noted above.

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

13. SHAREHOLDERS' EQUITY (continued)

(b) Warrants

The Company has the following issued and outstanding warrants to acquire common shares:

	December 31, 2020	December 31, 2019
Balance, beginning of year	**125,810**	**125,810**
Issued in acquisitions (Note 4(c))	1,200,000	-
Issued in asset acquisitions (Note 4(b))	800,000	-
Expired	(125,810)	-
Balance, end of year	**2,000,000**	**125,810**

Date of Grant	Number Outstanding	Exercise Price (CAD $)	Weighted Average Remaing Contractual Life	Expiry Date
September 17, 2020	800,000	$ 0.60	0.71	September 17, 2021
November 11, 2020	1,200,000	$ 0.62	0.83	October 31, 2021
	2,000,000			

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

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

13. SHAREHOLDERS' EQUITY (continued)

(c) Stock Options (continued)

	December 31, 2020		December 31, 2019	
	Number of options	Weighted average exercise price (CAD $)	Number of options	Weighted average exercise price (CAD $)
Balance, beginning of year	**4,600,218**	**$ 0.62**	**3,626,154**	**$ 0.12**
Granted	495,000	0.49	5,763,999	0.83
Exchanged in Altitude Reverse Take-over	-	-	156,662	1.21
Exercised	(199,287)	0.006	(207,951)	0.006
Cancelled	(733,233)	0.61	(4,738,646)	0.42
Balance, end of year	**4,162,698**	**$ 0.77**	**4,600,218**	**$ 0.62**
Exercisable, end of year	**3,223,105**	**$ 0.83**	**3,033,398**	**$ 0.79**

In connection with the Altitude Reverse Take-over (Note 4(d)), the Company exchanged 156,662 fully vested stock options outstanding in Altitude for fully vested stock options of the Company.

The weighted average fair market value per option of approximately $0.31 (CAD) (2019 - $0.28 CAD) was estimated using the Black-Scholes option-pricing model with the following assumptions: dividend yield – nil, expected volatility 78% (2019 – 88% - 115%), risk-free rate – 1.00% (2019 – 1.47 - 2.21%), expected life 2 to 4 years (2018 – 2 to 4 years), an estimated forfeiture rate – 5% and utilizing the graded option method.

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

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

13. SHAREHOLDERS' EQUITY (continued)

(c) Stock Options (continued)

Date of Grant	Number Outstanding		Exercise Price (CAD $)	Weighted Average Remaing Contractual Life	Expiry Date	Number Exerciseable
August 2, 2018	186,290	$	0.006	2.59	August 2, 2023	186,290
January 15, 2019	173,293	$	0.96	0.54	July 15, 2021	173,293
February 14, 2019	1,732,929	$	1.15	0.12	February 14, 2021	1,732,929
March 12, 2019	303,262	$	0.52	1.16	February 28, 2022	151,631
March 12, 2019	303,262	$	0.52	0.95	December 12, 2021	151,631
March 25, 2019	45,832	$	0.96	0.41	May 30, 2021	45,832
March 25, 2019	55,832	$	1.20	0.41	May 30, 2021	55,832
March 25, 2019	54,998	$	1.44	0.41	May 30, 2021	54,998
May 30, 2019	362,000	$	0.52	2.41	May 30, 2023	120,669
October 1, 2019	150,000	$	0.20	2.75	October 1, 2023	150,000
October 9, 2019	100,000	$	0.20	0.77	October 9, 2021	100,000
October 9, 2019	200,000	$	0.20	0.97	December 31, 2021	200,000
April 8, 2020	100,000	$	0.15	0.97	December 19, 2021	100,000
October 8, 2020	245,000	$	0.56	3.77	October 8, 2024	-
December 16, 2020	150,000	$	0.60	3.96	December 16, 2024	-
	4,162,698					3,223,105

Subsequent to the year end, 200,000 options were exercised with an exercise price of CAD $0.20, 1,732,929 options expired with an exercise price of CAD $1.15 and 140,000 options were granted with an exercise price of $1.05 and 555,000 options were granted with an exercise price of $1.07.

(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 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. In October 2020, the Company issued 150,000 RSU's that remain outstanding as at December 31, 2020. The RSU's generally vest annually over two years. The weighted average fair value of RSUs granted during the year ended December 31, 2020, were $0.55 (CAD) per RSU was primarily based on the Company's share price at the date of grant. In March 2021, the Company granted 100,000 RSU's.

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

14. 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 except for the proceeds due on the sale of Atrum Shares included in accounts receivable were measured at FVTPL with the fair value calculated using Level 1 Inputs in the fair value measurement hierarchy (Note 4(d)). The Atrum Shares were sold in May 2019 and the proceeds from the sale were received by the Company in August 2019.

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 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 that 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 several 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	One to Three years	Four to Five years	Thereafter	Total
Financial liability					
Accounts payable	$ 2,853,930	$ -	$ -	$ -	$ 2,853,930
Notes payable	276,802	530,403	251,243	559,872	1,618,320
Lease obligations	373,135	470,766	214,987	39,000	1,097,888
Total contractual maturities	**$ 3,503,867**	**$ 1,001,169**	**$ 466,230**	**$ 598,872**	**$ 5,570,138**

14. 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 exploration and evaluation and 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 as at December 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 6 Biological Assets for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

15. 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:

	December 31, 2020	December 31, 2019
Notes payable, including current portion	$ 1,618,320	$ 1,177,498
Shareholders' equity	10,110,215	7,003,013
Total capital	**$ 11,728,535**	**$ 8,180,511**

15. CAPITAL MANAGEMENT (continued)

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.

16. 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 December 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 and Oregon 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. Also, the Company's assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

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)

17. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management personnel are its directors and executive officers. Key management personnel compensation is comprised of the following:

	December 31, 2020	December 31, 2019
Executive and Executive directors	$ 558,814	$ 368,972
Non-Executive Directors	56,528	31,655
Share-based compensation	56,148	516,394
Total remuneration	**$ 671,490**	**$ 917,021**

Personnel expenses are recorded in general and administrative expenses.

18. SEGMENTED DISCLOSURE

The Company has four reportable operating segments for the year ended December 31, 2020 and 2019: Dispensaries, Cultivation, Real Estate and Canada. 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 corporate segment is based in both Canada and the United States. The dispensaries, cultivation, distribution and real estate segments are all based in California.

The following tables show information regarding the Company's segments for the year ended and as at December 31, 2020 and 2019.

As at December 31, 2020	**Dispensaries**	**Cultivation**	**Distribution**	**Real Estate**	**Corporate**	**Consolidating Adjusmtents**	**Total**
Total current assets	$ 3,788,979	$ 1,614,566	$ 1,597,909	$ 20,690	$ 471,470	$ (1,285,000)	$ 6,208,614
Intangible assets and goodwill	5,797,145	414,784	329,528	-	-	-	6,541,457
Property and equipment	1,127,351	1,329,945	-	2,207,775	3,091	-	4,668,162
Right-of-use assets	793,671	-	130,286	-	-	-	923,957
Total assets	$ 11,507,146	$ 3,359,295	$ 2,057,723	$ 2,228,465	$ 474,561	$ (1,285,000)	$ 18,342,190
Total current liabilities	$ 2,745,287	$ 336,364	$ 1,285,642	$ 56,939	$ 2,205,520	$ (1,285,000)	$ 5,344,752
Notes payable	63,478	302,120		1,061,748	-	-	1,427,346
Lease obligations	543,979	-	98,760	-	-	-	642,739
Deferred tax liability	693,532	67,304	56,302	-	-	-	817,138
Total liabilities	$ 4,046,276	$ 705,788	$ 1,440,704	$ 1,118,687	$ 2,205,520	$ (1,285,000)	$ 8,231,975

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

18. SEGMENTED DISCLOSURE (continued)

As at December 31, 2019	Dispensaries	Cultivation	Real Estate	Corporate	Consolidating Adjustments	Total
Total current assets	$ 1,461,732	$ 456,506	$ 985	$ 891,378	$ -	$ 2,810,601
Intangible assets and goodwill	5,239,870	253,778	-	-	-	5,493,648
Property and equipment	520,596	822,251	2,256,030	1,074	-	3,599,951
Right-of-use assets	669,880	-	-	-	-	669,880
Total assets	$ 7,892,078	$ 1,532,535	$ 2,257,015	$ 892,452	$ -	$ 12,574,080
Total current liabilities	$ 2,526,615	$ 61,129	$ 47,944	$ 540,164	$ -	$ 3,175,852
Notes payable	-	11,155	1,118,958	-	-	1,130,113
Lease obligations	478,022	-	-	-	-	478,022
Deferred tax liability	711,455	75,625	-	-	-	787,080
Total liabilities	$ 3,716,092	$ 147,909	$ 1,166,902	$ 540,164	$ -	$ 5,571,067

For the year ended December 31, 2020	Dispensaries	Cultivation	Distribution	Real Estate	Corporate	Consolidating Adjustments	Total
Revenue	$ 23,117,411	$ 1,884,281	$ 246,182	$ -	$ -	$ (1,007,012)	$ 24,240,862
Cost of goods sold	15,103,041	1,474,974	227,316	-	-	(758,527)	16,046,804
Gross margin before biological asset adjustments	8,014,370	409,307	18,866		-	(248,485)	8,194,058
Net effect of adjustments for biological assets	-	346,438	-	-	-	-	346,438
Gross margin	8,014,370	755,745	18,866	-	-	(248,485)	8,540,496
Operating expenses							
General and administrative	1,598,360	289,656	28,563	14,467	1,038,737	-	2,969,783
Sales, security and marketing	2,481,399	129,357	12,000	-	-	-	2,622,756
Stock-based compensation	-	-	-	-	134,000	-	134,000
Depreciation and amortization	589,649	141,457	12,725	47,984	561	-	792,376
Imapairment of goodwill	-	-	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	-	-	-
	4,669,408	560,470	53,288	62,451	1,173,298	-	6,518,915
Other expenses (income)	(16,850)	(344,102)	-	63,819	(102,087)	-	(399,220)
Income (loss) before income taxes	3,361,812	539,377	(34,422)	(126,270)	(1,071,211)	(248,485)	2,420,801
Income tax expense (recovery)	(79,130)	(11,619)	-	-	1,783,000	-	1,692,251
Net income (loss) for the year	$ 3,440,942	$ 550,996	$ (34,422)	$ (126,270)	$ (2,854,211)	$ (248,485)	$ 728,550

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

18. SEGMENTED DISCLOSURE (continued)

	Dispensaries	Cultivation	Real Estate	Corporate	Consolidating Adjustments	Total
Revenue	$ 11,892,991	$ 707,168	$ -	$ -	$ -	$ 12,600,159
Cost of goods sold	7,014,635	1,047,471	-	-	-	8,062,106
Gross margin before biological asset adjustments	4,878,356	(340,303)		-	-	4,538,053
Net effect of adjustments for biological assets	-	(79,593)	-	-	-	(79,593)
Gross margin	4,878,356	(260,710)	-	-	-	4,617,646
Operating expenses						
General and administrative	891,125	181,568	9,632	1,909,972	-	2,992,297
Sales and marketing	1,542,784	13,889	-	-	-	1,556,673
Stock-based compensation	-	-	-	708,252	-	708,252
Depreciation and amortization	445,494	52,205	43,565	293,017	-	834,281
Imapairment of goodwill	-	2,314,960	-	-	-	2,314,960
Impairment of intangible assets	-	-	-	2,336,858	-	2,336,858
	2,879,403	2,562,622	53,197	5,248,099	-	10,743,321
Other expenses (income)	759,670	24,092	67,670	943,641	-	1,795,073
Income tax expense (recovery)	701,156	(3,993)	-	-	-	697,163
Net loss for the year	$ 538,127	$ (2,843,431)	$ (120,867)	$ (6,191,740)	$ -	$ (8,617,911)

19. SUBSEQUENT EVENTS

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

On March 16, 2021, the Company raised gross proceeds of CAD $15,954,535 via the issuance of 19,864,750 Units. Each Unit was priced at CAD $0.82 and is comprised of one common share and one-half share purchase warrant with a whole warrant exercisable at $1.06 until March 16, 2024. If the volume-weighted average price of the common shares on the Canadian Securities Exchange (or any such other stock exchange in Canada as the common shares may trade at the applicable time) is greater than or equal to CAD $2.12 per common share for a period of 10 consecutive trading days at any time following the date hereof, the Company may, in its sole discretion and upon giving notice to holders of warrants, accelerate the expiry of the warrants to the date that is 30 days following the date of such notice. The Company issued 1,331,736 broker warrants to the Underwriters and Agents exercisable at CAD $0.82 until March 16, 2024 and 408,000 Units as partial consideration for their commission.

Subsequent to the year end, 57,322 of the warrants issued in the CAHC (Note 4(b)) and PAHC (Note 4(c)) transactions were exercised.

On April 4, 2021, Vibe entered into a definitive agreement to purchase Desert Organic Solutions Collective, located in Palm Springs, California. Under the terms of the acquisition, Vibe will purchase the assets, inventory and lease for the 2,838-square-foot licensed, adult-use dispensary for a cash consideration of $380,000 and assumption of existing and estimated liabilities of $1.8-million. The closing of the transaction is subject to the satisfaction of certain conditions of the licence ownership transfer.