Vibe Growth Corporation

Consolidated Financial Statements

As at and for the Year Ended December 31, 2023 and 2022

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Vibe Growth Corporation

Opinion

We have audited the accompanying consolidated financial statements of Vibe Growth Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit 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 audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that as at December 31, 2023 the Company had a working capital deficit of $7,860,673, a deficit of $35,130,030 and incurred a net loss of $11,132,006 during the year then ended. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Non-Financial Assets

As described in Notes 6, 7 and 8 to the consolidated financial statements, the carrying amount of the Company's long term Non-Financial Assets was $11,743,475 as of December 31, 2023. As more fully described in Note 3 to the consolidated financial statements, management assesses Non-Financial Assets for indicators of impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

The principal considerations for our determination that the assessment of impairment indicators of the Non-Financial Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the Non-Financial Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to recover these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the Non-Financial Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the Non-Financial Assets through discussion and communication with management.
- Reviewing the Company's recent operating activity.
- Assessing compliance with licensing requirements.

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 Accounting Standards, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 29, 2024

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

As at	notes	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		**$ 1,173,734**	$ 4,546,259
Accounts receivable		**108,438**	141,409
Inventory	*4*	**2,935,005**	2,631,933
Biological assets	*5*	**10,660**	73,584
Other current assets		**307,583**	384,083
Total current assets		**4,535,420**	7,777,268
Intangible assets and goodwill	*6*	**1,807,694**	3,085,938
Property and equipment	*7*	**8,519,728**	12,856,651
Right-of-use assets	*8*	**1,416,053**	2,171,429
Total assets		**$ 16,278,895**	$ 25,891,286
Liabilities			
Current liabilities			
Accounts payable		**$ 4,544,391**	$ 3,455,948
Income taxes payable		**7,320,884**	6,174,884
Current portion of lease obligations and notes payable	*9, 10*	**530,818**	495,111
Total current liabilities		**12,396,093**	10,125,943
Notes payable	*10*	**931,406**	1,003,877
Lease obligations	*9*	**1,431,301**	1,880,568
Deferred tax liability	*11*	**441,342**	620,226
Total liabilities		**$ 15,200,142**	$ 13,630,614
Shareholders' equity			
Share capital	*12(a)*	**$ 31,047,437**	$ 32,245,305
Warrants	*12(b)*	**2,620,018**	2,620,018
Contributed surplus		**2,838,903**	2,763,805
Accumulated other comprehensive loss		**(297,575)**	(375,019)
Deficit		**(35,130,030)**	(24,993,437)
		1,078,753	12,260,672
Total liabilities and shareholders' equity		**$ 16,278,895**	$ 25,891,286

Nature of Operations (Note 1)

Going concern (Note 2(c))

Contingencies (Note 15)

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

	notes	For the year ended December 31, 2023	2022
Revenue		$ 14,149,174	$ 20,706,808
Cost of goods sold		8,902,874	13,703,592
Gross margin before biological asset adjustments		5,246,300	7,003,216
Net effect of fair value adjustments for biological assets	5	(73,053)	(509,553)
Gross margin		5,173,247	6,493,663
Operating expenses			
General and administrative		5,693,830	4,649,701
Sales, security and marketing		3,175,074	4,572,467
Stock-based compensation	12(c) and (d)	75,098	411,479
Depreciation and amortization	6,7,8	1,524,438	1,676,686
Impairment, intangible assets	6	869,644	3,321,465
Impairment, property and equipment & right-of-use assets	7 and 8	4,028,086	-
		15,366,170	14,631,798
Other expenses (income)			
Finance expense	9 and 10	221,075	187,895
Government grant	18	(906,723)	-
Provision	15(c)	669,000	-
Other (income) expense		(11,385)	(74,681)
		(28,033)	113,214
Loss before income taxes		(10,164,890)	(8,251,349)
Income tax expense (recovery)	11		
Current		1,146,000	1,345,000
Deferred		(178,884)	(146,095)
		967,116	1,198,905
Net loss for the period		(11,132,006)	(9,450,254)
Other comprehensive loss			
Foreign currency translation gain (loss)		77,444	(94,367)
Comprehensive loss for the period		$ (11,054,562)	$ (9,544,621)
Loss per share			
Basic and Diluted		$ (0.10)	$ (0.08)
Weighted average shares outstanding			
Basic and diluted		107,970,271	112,143,071

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

Vibe Growth Corporation
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, 2022	**$ 32,245,305**	**$ 2,620,018**	**$ 2,763,805**	**$ (375,019)**	**$ (24,993,437)**	**$ 12,260,672**
Stock-based compensation	-	-	75,098	-	-	75,098
Share buyback	(1,197,868)	-	-	-	995,413	(202,455)
Net loss	-	-	-	-	(11,132,006)	(11,132,006)
Comprehensive income	-	-	-	77,444	-	77,444
Balance at December 31, 2023	**$ 31,047,437**	**$ 2,620,018**	**$ 2,838,903**	**$ (297,575)**	**$ (35,130,030)**	**$ 1,078,753**
Balance at December 31, 2021	**$ 32,245,305**	**$ 2,620,018**	**$ 2,352,326**	**$ (280,652)**	**$ (15,543,183)**	**$ 21,393,814**
Stock-based compensation	-	-	411,479	-	-	**411,479**
Net loss	-	-	-	-	(9,450,254)	**(9,450,254)**
Comprehensive loss	-	-	-	(94,367)	-	**(94,367)**
Balance at December 31, 2022	**$ 32,245,305**	**$ 2,620,018**	**$ 2,763,805**	**$ (375,019)**	**$ (24,993,437)**	**$ 12,260,672**

* Accumulated other comprehensive income (loss)

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

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

	For the year ended December 31, 2023	2022
Operating activities		
Net loss for the year	**$ (11,132,006)**	$ (9,450,254)
Items not involving cash:		
Unrealized (gain) loss on changes in the fair value of biological assets	**73,053**	509,553
Stock-based compensation	**75,098**	411,479
Depreciation and amortization	**1,524,438**	1,676,686
Impairment of goodwill	**869,644**	3,321,465
Impairment, property and equipment & right-of-use assets	**4,028,086**	-
Unrealized foreign exchange gain (loss)	**(31,987)**	(119,216)
Gain on debt settlement	**-**	(97,160)
Deferred income tax recovery	**(178,884)**	(146,095)
	(4,772,558)	(3,893,542)
Change in non-cash working capital:		
Accounts receivable	**32,971**	(5,947)
Inventory	**(287,298)**	612,312
Biological assets	**9,598**	(516,421)
Other current assets	**76,500**	112,083
Accounts payable and accrued liabilities	**1,088,443**	541,402
Income taxes payable	**1,146,000**	1,183,512
Cash flow provided from (used in) operating activities	**(2,706,344)**	(1,966,601)
Investing activities		
Intangible assets purchased and developed	**-**	(72,747)
Purchases of property and equipment	**(71,798)**	(1,673,283)
Cash flow provided from (used in) investing activities	**(71,798)**	(1,746,030)
Financing activities		
Share buy backs	**(130,805)**	-
Repayment of lease obligation	**(368,993)**	(470,839)
Repayment of notes payable	**(95,750)**	(228,303)
Cash flow provided from (used in) financing activities	**(595,548)**	(699,142)
Effect of translation of cash held in foreign currencies	**1,165**	(140,443)
Increase (decrease) in cash and cash equivalents	**(3,372,525)**	(4,552,216)
Beginning cash and cash equivalents	**4,546,259**	9,098,475
Ending cash and cash equivalents	**$ 1,173,734**	$ 4,546,259
Supplemental cash flow information		
Interest paid in the year	**$ 221,075**	$ 187,895
Income taxes paid in the year	**$ -**	$ 161,484

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

1. NATURE OF OPERATIONS

Vibe Growth Corporation (the "Company" or "Vibe") 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 five dispensaries, one distribution center and one cultivation operation in the State of California plus one dispensary in Portland, Oregon. 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" and on the OTCQB under the symbol "VIBEF."

2. BASIS OF PRESENTATION

(a) Statement of compliance

The Company prepares its consolidated financial statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 29, 2024.

The material accounting policy information 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) Going concern

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, generate sufficient funds therefrom, and continue to obtain capital from investors sufficient to meet its current and future obligations. As at December 31, 2023, the Company had a working capital deficit of $7,860,673 ($7,329,855 exclusive of the current portion of lease obligations and notes payable), a deficit of $35,130,030 and incurred a net loss of $11,132,006 during the year then ended. The Company's cash position on December 31, 2023, is $1,173,734. Currently, some license conditions are not fully satisfied, but the Company is committed to satisfying the outstanding obligations. Management continues to focus its efforts on increasing revenues along with minimizing sales, security and marketing and general and administrative expenses, achieving profitability at the Ukiah dispensaries, suspending operations at the NGEV cultivation site and the Salinas dispensary, completing accretive transactions, raising additional capital through debt or equity financings and debt settlement transactions.

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

2. BASIS OF PRESENTATION (continued)

(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.	Nevada, U.S.A
Hype Bioscience Corporation ("Hype Canada")	Alberta, Canada
Hype Holdings, LLC ("Hype USA")	California, U.S.A
Port City Alternative of Stockton Inc. ("Port City")	California, U.S.A
Vibe Cultivation LLC ("Vibe Cultivation")	California, U.S.A
Alpine Alternative Naturopathic Inc. ("Vibe Sacramento")	California, U.S.A
EVR Managers LLC ("Redding")	California, U.S.A
NGEV Inc. ("NGEV" or "Crescent City")	California, U.S.A
Vibe Ukiah, LLC ("Ukiah")	California, U.S.A
Vibe Distribution Corporation ("Vibe Distribution")	California, U.S.A
Vibe Salinas, LLC ("Salinas")	California, U.S.A
Lyt Cannabis Co. ("Monterey Cultivation")	California, U.S.A
Desert Organic Solutions Inc. ("Palm Springs")	California, U.S.A
Portland Asset Holding Corporation ("PAHC")	Oregon, U.S.A
Vibe CBD, LLC ("Vibe CBD")	California, U.S.A

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

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 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); a component within equity.

2. BASIS OF PRESENTATION (continued)

(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.

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.

2. BASIS OF PRESENTATION (continued)

(f) Use of estimates and judgments (continued)

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 post-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.

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.

2. BASIS OF PRESENTATION (continued)

(f) Use of estimates and judgments (continued)

Impairment of non-financial assets
The Company evaluates each non-financial asset every reporting period to determine whether there are any indications of impairment. If any such indication exists, the Company estimates the recoverable amount using estimated future undiscounted cash flows from the related asset group and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some, or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the consolidated statement of loss.

Impairment testing compares the carrying values of the assets being tested with their recoverable amounts (the recoverable amount being the greater of an asset's value in use or its fair value less costs of disposal); Impairment losses are immediately recognized to the extent that the carrying value of an asset exceeds its recoverable amount.

3. MATERIAL ACCOUNTING POLICY INFORMATION

(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 represent amounts due to the Company from its customers. The Company performs ongoing credit evaluations of its customers to assess the probability of trade receivables collection. The Company records an allowance for expected credit loss related to accounts receivable that are uncollectible. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for credit loss.

(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. The Company accounts for its inventory using weighted average costing.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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:

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:

Asset type	
Buildings	25 years
Equipment	3 to 7 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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(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").

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.

Financial liabilities
Financial liabilities are initially measured at fair value and subsequently remeasured at amortized cost. The Company's financial liabilities include accounts payable 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:

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(j) Financial instruments (continued)

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.

(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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(l) 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. In unit financings, the Company uses the relative fair value method to value the warrants issued.

(m) Stock-based compensation

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.

(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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(o) Revenue recognition (continued)

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) Loss per share

Basic income (loss) 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 income (loss) per share is calculated by dividing net income (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 income (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.

(r) Recently Adopted and Announced Accounting Pronouncements

During the year ended December 31, 2023, the Company adopted amendments made to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* in which guidance and examples are provided to help entities apply materiality judgements to accounting policy disclosures. The adoption of this amendment did not have a material impact on the consolidated financial statements.

Certain pronouncements were issued by the IASB that are mandatory for accounting periods commencing on or after January 1, 2024. Many are not applicable and none are expected to have a significant impact to the Company.

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

4. INVENTORY

The Company's inventory consists of the following:

	December 31, 2023	December 31, 2022
Harvested cannabis - raw materials	$ 18,303	$ 28,422
Work-in-progress	493,288	646,609
Cannabis related products and packaging	2,423,414	1,956,902
	$ 2,935,005	**$ 2,631,933**
Changes in fair value less costs to sell of biological asset transformation (Note 4)	$ (73,053)	$ (551,183)
Realized fair value amounts included in inventory sold	-	41,630
Net adjustment due to the changes in biological assets	$ (73,053)	$ (509,553)

The Company regularly reviews slow-moving, obsolete, and redundant items and records a provision for such amounts to reflect inventory balances at net realizable value. There were approximately $Nil (2022 - $158,000) of slow-moving, obsolete, or redundant inventory items at December 31, 2023.

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

5. BIOLOGICAL ASSETS

The changes in the carrying value of the biological assets are as follows:

	December 31, 2023	December 31, 2022
Balance, beginning of year	**$ 73,584**	**$ 135,267**
Changes in fair value less cost to sell due to biological transformation	(73,053)	(551,183)
Production costs	1,252,528	1,223,618
Transferred to inventory upon harvest	(1,242,399)	(734,118)
Balance, end of year	**$ 10,660**	**$ 73,584**

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 = $0.75 per gram based on historical and expected future sales.

(iii) Average harvest yield of whole flower = 36 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, 2023 and 2022, as follows:

	Change in FVLCS at	
	December 31, 2023	December 31, 2022
Input		
Selling price per gram - 10% change	$ 1,900	$ 8,800
Harvest yield per plant - 10% change	$ 1,300	$ 8,400

At December 31, 2023, the average stage of completion of the biological assets is 41% based on the number of days remaining to harvest. The estimated FVLCS of dry cannabis at December 31, 2023, is $6 per plant and the expected total yield is approximately 13,900 grams of cannabis.

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

6. 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, 2021	**$ 4,466,057**	**$ -**	**$ 78,500**	**$ 3,321,465**	**$ 7,866,022**
Purchased and developed	72,747	-	-	-	72,747
Impairment	-	-	-	(3,321,465)	(3,321,465)
Balance at December 31, 2022 and December 31, 2023	**$ 4,538,804**	**$ -**	**$ 78,500**	**$ -**	**$ 4,617,304**
Accumulated amortization					
Balance at December 31, 2021	**$ 964,525**	**$ 192,472**	**$ 22,690**	**$ -**	**$ 1,179,687**
Adjustment	-	(192,472)	-	-	(192,472)
Amortization expense	536,300	-	7,851	-	544,151
Balance at December 31, 2022	1,500,825	-	30,541	-	1,531,366
Amortization expense	400,749	-	7,851	-	408,600
Impairment	869,644	-	-	-	869,644
Balance at December 31, 2023	**$ 2,771,218**	**$ -**	**$ 38,392**	**$ -**	**$ 2,809,610**
Net book value at December 31, 2022	$ 3,037,979	$ -	$ 47,959	$ -	$ 3,085,938
Net book value at December 31, 2023	**$ 1,767,586**	**$ -**	**$ 40,108**	**$ -**	**$ 1,807,694**

The trademark intangible asset consists of the Hype Cannabis Co. (“Hype”) which is a registered California trademark owned by Vibe Cultivation which was acquired in 2019. The Hype product is sold in both the Port City, Sacramento, Palm Springs, Ukiah 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.

Goodwill results from acquisitions 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.

The Company performed its annual impairment test as at December 31, 2022. 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. At the year-end, the market capitalization of the Company compared to its equity value was an indicator of impairment. 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 15% and a terminal growth rate of 3%. Key assumptions also include usual profit margins and growth based on past experience and historical results. In 2022, management impaired the goodwill related to the California CGU’s of $3,321,465.

In 2023, the Company conducted a review of the indications of impairment. Management impaired the Portland dispensary as the operating results did not meet the historical forecasts and the Salinas dispensary due to the suspension of operations.

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

6. INTANGIBLE ASSETS AND GOODWILL (continued)

If future results, in particular, future revenues and gross margins, 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.

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Buildings	Land	Equipment and other	Construction in process	Total
Cost					
Balance at December 31, 2021	**$ 2,705,875**	**$ 6,050,725**	**$ 2,238,073**	**$ 1,513,133**	**$ 12,507,806**
Purchases	-	-	311,532	1,361,751	1,673,283
Transfers from construction in process	-	-	1,557,606	(1,557,606)	-
Impact of foreign exchange	-	-	(363)	-	(363)
Balance at December 31, 2022	**$ 2,705,875**	**$ 6,050,725**	**$ 4,106,848**	**$ 1,317,278**	**$ 14,180,726**
Purchases	-	-	13,813	57,985	71,798
Transfers from construction in process	-	-	-	-	-
Impact of foreign exchange	-	-	129	-	129
Balance at December 31, 2023	**$ 2,705,875**	**$ 6,050,725**	**$ 4,120,790**	**$ 1,375,263**	**$ 14,252,653**
Accumulated amortization					
Balance at December 31, 2021	**$ 242,967**	**$ -**	**$ 436,568**	**$ -**	**$ 679,535**
Depreciation expense	106,575	-	538,287	-	644,862
Impact of foreign exchange	-	-	(322)	-	(322)
Balance at December 31, 2022	**349,542**	**-**	**974,533**	**-**	**1,324,075**
Depreciation expense	109,101	-	579,777	-	688,878
Impairment	-	1,412,778	1,373,770	934,407	3,720,955
Impact of foreign exchange	-	-	(983)	-	(983)
Balance at December 31, 2023	**$ 458,643**	**$ 1,412,778**	**$ 2,927,097**	**$ 934,407**	**$ 5,732,925**
Net book value at December 31, 2022	$ 2,356,333	$ 6,050,725	$ 3,132,315	$ 1,317,278	$ 12,856,651
Net book value at December 31, 2023	**$ 2,247,232**	**$ 4,637,947**	**$ 1,193,693**	**$ 440,856**	**$ 8,519,728**

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

7. PROPERTY AND EQUIPMENT (continued)

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 still need to be completed and will only be subject to depreciation once the underlying asset is available for use. In 2022, $1,557,606 was transferred from construction in progress from the indoor cultivation rooms at the Sacramento Cannabis Campus, the Ukiah dispensary and the Salinas dispensary. On December 31, 2023, $1,375,263 (2022 - $1,317,278) was classed as construction in progress related to the Monterey County, California, cultivation site.

The Company did not dispose of any property and equipment in the year ended December 31, 2023 or 2022 and there were no impairments of property and equipment at December 31, 2022. Due to market conditions, the Company recorded $2,347,185 of impairment related to the 10 acres of F40 zoned agricultural land in Monterey County, California, purchased in 2021 and $1,373,770 of impairments related to the suspension of operations at the NGEV cultivation site and the Salinas dispensary.

8. RIGHT-OF-USE ASSETS

Right-of-use assets consist of the following:

	Dispensary Leases
Balance at December 31, 2021	**$ 2,169,438**
Lease extension	1,341,004
Change in cash flow estimate	20,810
Balance at December 31, 2022	**3,531,252**
Change in cash flow estimate	(21,287)
Balance at December 31, 2023	**$ 3,509,965**
Accumulated depreciation	
Balance at December 31, 2021	**$ 872,150**
Depreciation expense	487,673
Balance at December 31, 2022	**1,359,823**
Depreciation expense	426,959
Impairment	307,130
Balance at December 31, 2023	**$ 2,093,912**
Net book value at December 31, 2022	$ 2,171,429
Net book value at December 31, 2023	**$ 1,416,053**

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

8. RIGHT-OF-USE ASSETS (continued)

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. The Company impaired the Salinas dispensary right-of use asset due to the suspension of operations in October 2023.

9. LEASE OBLIGATIONS

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

	December 31, 2023	December 31, 2022
Balance, beginning of year	$ 2,279,929	$ 1,388,952
Additions to leased assets	-	1,341,006
Principal paid	(368,993)	(470,839)
Change in cash flow estimate	(21,288)	20,810
Balance, end of the year	1,889,648	2,279,929
Less current portion of lease obligation	(458,347)	(399,361)
Lease obligations, long term	**$ 1,431,301**	**$ 1,880,568**

Neither the dispensary 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 2023, the Company incurred $160,780 (2022 - $117,953) 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	$ 597,145
2 - 5 years	1,315,185
Thereafter	400,484
Total lease payments	2,312,814
Amount representing interest over the term	(423,166)
Present value of the net obligation	$ 1,889,648

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 $95,312 and were recognized in costs of goods sold in the consolidated statements of operations during the year ended December 31, 2023.

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

10. NOTES PAYABLE

The Company's notes payable consists of the following:

	December 31, 2023	December 31, 2022
Note payable:		
Land and buildings *(1)*	$ 972,351	$ 1,024,077
Deferred rent *(2)*	-	26,334
Vehicles *(3)*	31,526	49,216
Total notes payable	1,003,877	1,099,627
Less current portion:	(72,471)	(95,750)
Notes payable, long term	**$ 931,406**	**$ 1,003,877**

(1) The Company has a secured note payable outstanding related to the acquisition of land and buildings in Sacramento, California totaling $972,351 as at December 31, 2023. 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 2023 fiscal year totaled $60,042 and principal repaid was $51,726. Principal repayments due in the next 12 months totaling $54,916 are recorded as current liabilities on the consolidated statement of financial position as at December 31, 2023.

(2) In conjunction with the acquisition of NGEV, the Company assumed an unsecured deferred rent note payable. The note is non-interest bearing, requires monthly payments of $4,389 and matured in July 2023.

(3) The Company also has five vehicle acquisition notes payable. The notes payable bear interest at 0% per year, require monthly payments of principal and interest totalling $1,475 and mature in June, July and September 2025. Principal repayments due in the next 12 months totalling $17,555 are recorded as current liabilities on the consolidated statement of financial position at December 31, 2023.

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

10. NOTES PAYABLE (continued)

The following table presents the contractual maturities of the notes payable as at December 31, 2023, on an undiscounted basis:

	Notes payable		
	Land and Buildings	**Vehicles**	**Total**
Amounts due			
Less than one year	$ 54,916	$ 17,555	**$ 72,471**
One to three years	223,526	13,971	**237,497**
Four to five years	223,526	-	**223,526**
Thereafter	470,383	-	**470,383**
Total maturities at December 31, 2023	**$ 972,351**	**$ 31,526**	**$ 1,003,877**

11. 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, 2023	**December 31, 2022**
Income (loss) before taxes	$ (10,164,890)	$ (8,251,349)
Combined corporate statutory tax rate (%)	27%	27%
Expected tax recovery at statutory rates	(2,744,520)	(2,227,864)
Tax differences		
Share based compensation	20,276	111,099
Impairment of goodwill and intangibles	-	996,796
IRS 280E adjustments *(i)*	1,583,658	2,188,937
Other	318,360	190,345
Adjustment to prior years provision versus statutory tax returns	(296,000)	(300,000)
Deferred tax benefits deemed not probable to be recovered	2,085,342	239,592
Total income tax recovery	$ 967,116	$ 1,198,905
Current income tax expense	$ 1,146,000	$ 1,345,000
Deferred income tax recovery	(178,884)	(146,095)
	$ 967,116	$ 1,198,905

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

11. 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 favorable 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, 2023**	**December 31, 2022**
Deferred tax liability (asset)		
Property and equipment and intangible assets	$ 441,342	$ 620,226
Right of use asset	442,000	(647,000)
Lease liability	(563,000)	647,000
Tax losses and other	(2,553,000)	1,594,000
Less deferred tax benefits deemed not probable to be recovered	2,674,000	(1,594,000)
	$ 441,342	$ 620,226

The Company's tax losses are primarily 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 $9,135,000 CAD has not been recognized as a deferred tax asset as of December 31, 2023. The losses will expire in 2037 and 2043.

The Company's California subsidiaries have net operating losses of approximately $6,827,000 available to reduce California state income and are not eligible to be carried back and reclaim historical taxes paid. The likelihood that Vibe will sufficient future profits to utilize the tax losses is not currently probable therefore, a deferred tax asset has not been recognized as of December 31, 2023. The losses will expire in 2042 and 2043.

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

12. 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, 2023	December 31, 2022
Balance, beginning of year	**112,143,071**	112,143,071
Share buy back	(4,172,800)	-
Balance, end of year	**107,970,271**	112,143,071

On December 2, 2022, the Company instituted a normal course issuer bid (NCIB) through the facilities of the Canadian Securities Exchange (CSE). Pursuant to the NCIB, Vibe may purchase on the Canadian Securities Exchange up to an aggregate of approximately 5,607,150 of Vibe's common shares, representing approximately 5 percent of Vibe's issued and outstanding common shares. The price Vibe will pay for any such common shares will be the market price at the time of the acquisitions. The actual number of common shares which may be purchased through the NCIB and the timing of any such purchases will be determined at the discretion of management. The average price paid for the shares during the period was CAD $0.042. As of December 31, 2023, the Company held 4,172,800 (2022 – NIL) common shares in treasury. The Company cancelled 4,172,800 subsequent to December 31, 2023.

(b) Warrants

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

Warrants

	December 31, 2023	December 31, 2022
Balance, beginning and end of year	**11,264,111**	11,264,111

Date of Grant	Number Outstanding	Exercise Price (CAD $)	Weighted Average Remaining Contractual Life	Expiry Date	
March 16, 2021	1,331,736	$ 0.82	0.21	March 16, 2024	*(i)*
March 16, 2021	9,728,375	$ 1.06	0.21	March 16, 2024	*(i)*
March 16, 2021	204,000	$ 1.06	0.21	March 16, 2024	*(i)*
	11,264,111				

(i) *The aforementioned warrants expired subsequent to December 31, 2023.*

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

12. SHAREHOLDERS' EQUITY (continued)

(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, 2023 and 2022 and changes during the respective periods ended on those dates is presented below:

	December 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price (CAD $)	Number of options	Weighted average exercise price (CAD $)
Balance, beginning of year	**5,342,497**	**$ 0.38**	**6,543,260**	**$ 0.46**
Cancelled / Expired	(612,497)	0.37	(1,200,763)	0.80
Balance, end of year	**4,730,000**	**$ 0.38**	**5,342,497**	**$ 0.38**
Exercisable, end of year	**3,399,165**	**$ 0.38**	**3,683,330**	**$ 0.38**

No options were granted in either 2023 or 2022.

The range of exercise prices for the options outstanding and exercisable at December 31, 2023, are as follows:

Date of Grant	Number Outstanding	Exercise Price (CAD $)	Weighted Average Remaing Contractual Life	Expiry Date	Number Exerciseable
October 8, 2020	155,000	$ 0.56	0.77	October 8, 2024	155,000
December 16, 2020	150,000	$ 0.60	0.96	December 16, 2024	150,000
March 25, 2021	25,000	$ 1.07	0.23	March 25, 2024	25,000
December 21, 2021	4,400,000	$ 0.36	1.98	December 24, 2025	3,699,996
	4,730,000				4,029,996

Subsequent to the year end, 475,000 options were cancelled with an average exercise price of $0.36 (CAD), and 25,000 options expired with an average exercise price of $1.07 (CAD).

12. SHAREHOLDERS' EQUITY (continued)

(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, directors, employees and consultants. 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") on the grant date. RSU expense is recognized over the vesting period with a related credit to contributed surplus. Vibe recognizes the expense based on the best available estimate of the number of RSUs expected to vest and revises the estimate if necessary. Upon redemption of RSUs, the contributed surplus balance is reduced through a credit to shareholders' capital. The Company has issued 850,000 RSUs that are outstanding at December 31, 2023. In March 2021, the Company granted 100,000 RSU's at $1.07 (CAD) per RSU and in February 2022, the Company granted 600,000 RSU's at $0.32 (CAD) per RSU. The RSU's granted were based on the Company's share price at the date of grant.

13. FINANCIAL INSTRUMENTS

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

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

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

The fair value of the notes payable approximates 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.

<u>Liquidity Risk</u>
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.

13. FINANCIAL INSTRUMENTS (continued)

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	$ 4,544,391	$ -	$ -	$ -	$ 4,544,391
Notes payable	72,471	237,497	223,526	470,383	1,003,877
Lease obligations	597,145	880,383	434,802	400,484	2,312,814
Total contractual maturities	**$ 5,214,007**	**$ 1,117,880**	**$ 658,328**	**$ 870,867**	**$ 7,861,082**

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

i) Foreign Currency Exchange Risk
The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currencies other than the United States Dollar. The Company is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in administrative costs in foreign currencies. The Company incurs expenditures in Canadian Dollars and United States Dollars and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place as at December 31, 2023 and December 31, 2022.

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 primarily operates in California. Should economic conditions deteriorate within that region, its results of operations and financial position would be negatively impacted.

iv) Price Risk
Price risk is the risk of variability in fair value due to movements in market prices. Please refer to Note 5 Biological Assets for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

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

14. 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, 2023	December 31, 2022
Notes payable, including current portion	$ 1,003,877	$ 1,099,627
Shareholders' equity	1,078,753	12,260,672
Total capital	**$ 2,082,630**	**$ 13,360,299**

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. The Company has not changed its capital management strategy in the year.

15. 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, 2023, 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.

15. CONTINGENCIES (continued)

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 managements 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.

The Company records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. There is inherent uncertainty in quantifying income tax positions, especially considering the complex tax laws and regulations for federal, state and foreign jurisdictions in which the Company operates. The Company has recorded tax benefits for those tax positions where it is more likely than not that a tax benefit will result upon ultimate settlement with a tax authority that has all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will result, no tax benefit has been recognized in the Consolidated Financial Statements.

From time to time, the Company may be involved in litigation or have claims sought against it in normal business operations. Management of the Company is aware of two outstanding claims.

a) On February 6, 2023, Vibe Cultivation, LLC was served with a complaint by a former employee alleging the following causes of action: (1) Harassment Based on Race in Violation of California Government Code § 12940(j) - Hostile Work Environment; (2) Discrimination Based on Race in Violation of California Government Code § 12940(a); (3) Retaliation for Complaining of Discrimination and Harassment on the basis of race in Violation of California Government Code § 12940(h); (4) Failure to Prevent Discrimination, Retaliation and Harassment in Violation of California Government Code § 12940(k); and (5) Wrongful Termination in Violation of Public Policy. No provision for the potential claim has been recorded as at December 31, 2023.

b) On March 27, 2023, Vibe was served with a class action complaint filed by three the individuals against us and six (6) other defendants, on behalf of themselves and those similarly situated, alleging nine (9) wage and hour causes of action. Specifically, they plead the following causes of action: (1) *Alleged* Unfair Competition in Violation of California Business and Professions Code § 17200 et seq.;(2) *Alleged* Failure to Pay Minimum Wages in Violation of California Labor Code § § 1194, 1197, and 1197.1; (3) *Alleged* Failure to Pay Overtime Wages in Violation of California Labor Code §§ 510, et seq.;(4) *Alleged* Failure to Provide Required Meal Periods in Violation of California Labor code §§ 226.7 & 512 and the Applicable Wage Order; (5) *Alleged* Failure to Provide Required Meal Periods in Violation of California Labor Code §§ 226.7 & 512 and the Applicable Wage Order; (6) *Alleged* Failure to Provide Wages When Due in Violation of California Labor Code §§ 201, 202, and 203; (7) *Alleged* Failure to Provide Accurate Itemized Wage Statements in Violation of California Labor Code § 226; (8) *Alleged* Failure to Reimburse employees for Required Expenses in Violation of California Labor Code § 2802; and (9) *Alleged* Violation of the Private Attorneys Genera Act [Labor Code §§ 2698 et seq.]. In their complaint, the Plaintiffs claim that the amount in controversy is under five million dollars. The Company is of the view that the potential claim is entirely without merit and will vigorously defend any action brought forth. No provision for the potential claim has been recorded as at December 31, 2023.

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

15. CONTINGENCIES (continued)

c) The Company is undergoing various audits by the California Department of Tax and Fee Administration ("CDTFA") related to excise taxes. In 2023, the Company received a notice of determination from the CDTFA of $828,149 for the audit period of January 2020 to December 2022 related to the Vibe Sacramento. The Company filed a petition as it disagrees with the notice of determination and has recorded a liability of $305,000, inclusive of estimated interest. In addition, the Company has recorded a liability of $364,000 related to the audits of Port City and Redding. The Company has not recorded any penalties, as it's more likely than not the penalties will be abated through the appeals process.

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.

16. 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, 2023	December 31, 2022
Executive and Executive directors	$ 1,008,302	$ 1,084,302
Non-Executive Directors	209,610	218,033
Share-based compensation	-	253,777
Total remuneration	**$ 1,217,912**	**$ 1,556,112**

Personnel expenses are recorded in general and administrative expenses. Included in accounts payable and accrued liabilities is $67,380 (2022 - $38,017) due to a director related to director numeration.

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

17. EXPENSES BY NATURE

The Company presents certain expenses in the consolidated statement of operations and comprehensive loss by function. The following table presents these expenses by nature for years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
General and administrative		
Salaries, benefits and other employee costs	$ 3,414,084	$ 3,324,653
Professional fees	462,348	468,551
Rent and utilities	293,490	136,109
Other	1,523,908	720,388
	$ 5,693,830	**$ 4,649,701**
Selling, security and marketing		
Salaries, benefits and other employee costs	$ 2,624,629	$ 3,605,179
Security services	43,092	220,685
Advertising and promotion	389,945	519,334
Other	117,408	227,269
	$ 3,175,074	**$ 4,572,467**

18. GOVERNMENT GRANT

In 2023, the Company received approximately $920,112 of Employee Retention Credit (“ERC”) funds through the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The ERC was established to provide eligible employers with a credit against certain employment taxes for qualified wages paid to employees retained during the COVID-19 pandemic. The ERC program requires the Company to comply with certain conditions, including maintaining certain levels of employment and not reducing the wages of certain employees.