

Vibe Growth Corporation

Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Nine Months Ended September 30, 2024
(In U.S. Dollars, Unless Otherwise Noted)

Notice for National Instrument 51-102

The accompanying unaudited interim condensed consolidated financial statements of Vibe Growth Corporation as at and for the three and nine months ended September 30, 2024, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed or audited by the Company's external auditors.



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



As at	notes	September 30, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents		\$ 1,138,369	\$ 1,173,734
Accounts receivable		603,041	108,438
Inventory	3	2,199,508	2,935,005
Biological assets	4	12,936	10,660
Other current assets		332,382	307,583
Total current assets		4,286,236	4,535,420
Intangible assets and goodwill	5	1,518,048	1,807,694
Property and equipment	6	8,205,463	8,519,728
Right-of-use assets	7	1,230,757	1,416,053
Total assets		\$ 15,240,504	\$ 16,278,895
Liabilities			
Current liabilities			
Accounts payable		\$ 4,383,087	\$ 4,544,391
Income taxes payable		7,762,884	7,320,884
Current portion of lease obligations and notes payable	8, 9	639,206	530,818
Total current liabilities		12,785,177	12,396,093
Notes payable	9	874,037	931,406
Lease obligations	8	1,148,056	1,431,301
Deferred tax liability		366,305	441,342
Total liabilities		\$ 15,173,575	\$ 15,200,142
Shareholders' equity			
Share capital	10(a)	\$ 31,047,437	\$ 31,047,437
Warrants	10(b)	-	2,620,018
Contributed surplus		5,475,662	2,838,903
Accumulated other comprehensive loss		(83,133)	(297,575)
Deficit		(36,373,037)	(35,130,030)
		66,929	1,078,753
Total liabilities and shareholders' equity		\$ 15,240,504	\$ 16,278,895

Nature of Operations (Note 1)

Going concern (Note 2(c))

Contingencies (Note 13)

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

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



	notes	For the three months ended September 30,		For the nine months ended September 30,	
		2024	2023	2024	2023
Revenue		\$ 3,264,605	\$ 3,396,007	\$ 9,293,143	\$ 11,090,258
Cost of goods sold		<u>1,967,216</u>	<u>1,336,435</u>	<u>5,082,961</u>	<u>6,301,043</u>
Gross margin before biological asset adjustments		1,297,389	2,059,572	4,210,182	4,789,215
Net effect of fair value adjustments for biological assets	4	<u>34,961</u>	<u>(10,624)</u>	<u>16,999</u>	<u>51,085</u>
Gross margin		1,332,350	2,048,948	4,227,181	4,840,300
Operating expenses					
General and administrative		645,851	925,989	2,202,264	3,019,324
Sales, security and marketing		661,907	851,911	1,978,939	2,542,161
Stock-based compensation	10(c) and (d)	5,549	18,794	16,741	58,156
Depreciation and amortization	5,6,7	258,893	393,179	792,421	1,202,428
Impairment, intangible assets		-	673,153	-	673,153
Impairment, property and equipment & right-of-use assets		-	1,069,381	-	1,069,381
		<u>1,572,200</u>	<u>3,932,407</u>	<u>4,990,365</u>	<u>8,564,603</u>
Other expenses (income)					
Gain on sale of assets	5 and 6	(15,785)	-	(15,785)	-
Finance expense	8 and 9	41,590	54,781	129,887	173,304
Government grant		-	(920,000)	-	(920,000)
Other (income) expense		<u>(2,581)</u>	<u>1,447</u>	<u>(1,242)</u>	<u>(12,984)</u>
		<u>23,224</u>	<u>(863,772)</u>	<u>112,860</u>	<u>(759,680)</u>
Loss before income taxes		(263,074)	(1,019,687)	(876,044)	(2,964,623)
Income tax expense (recovery)					
Current		(138,000)	386,000	442,000	1,036,000
Deferred		<u>(31,969)</u>	<u>(64,741)</u>	<u>(75,037)</u>	<u>(113,564)</u>
		<u>(169,969)</u>	<u>321,259</u>	<u>366,963</u>	<u>922,436</u>
Net loss for the period		(93,105)	(1,340,946)	(1,243,007)	(3,887,059)
Other comprehensive loss					
Foreign currency translation gain (loss)		<u>(31,744)</u>	<u>2,558</u>	<u>214,442</u>	<u>35,284</u>
Comprehensive loss for the period		\$ (124,849)	\$ (1,338,388)	\$ (1,028,565)	\$ (3,851,775)
Loss per share					
Basic and Diluted		<u>\$ (0.01)</u>	<u>\$ (0.12)</u>	<u>\$ (0.12)</u>	<u>\$ (0.35)</u>
Weighted average shares outstanding					
Basic and diluted		10,797,027	11,160,547	10,797,027	11,181,473

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

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



	Common share capital	Warrants	Contributed surplus	AOCI*	Deficit	Total shareholders' equity
Balance at December 31, 2023	\$ 31,047,437	\$ 2,620,018	\$ 2,838,903	\$ (297,575)	\$ (35,130,030)	\$ 1,078,753
Stock-based compensation	-	-	16,741	-	-	16,741
Warrant expiry	-	(2,620,018)	2,620,018	-	-	-
Net loss	-	-	-	-	(1,243,007)	(1,243,007)
Comprehensive income	-	-	-	214,442	-	214,442
Balance at September 30, 2024	<u>\$ 31,047,437</u>	<u>\$ -</u>	<u>\$ 5,475,662</u>	<u>\$ (83,133)</u>	<u>\$ (36,373,037)</u>	<u>\$ 66,929</u>
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	-	-	58,156	-	-	58,156
Share buyback	(492,513)	-	-	-	380,226	(112,287)
Net loss	-	-	-	-	(3,887,059)	(3,887,059)
Comprehensive loss	-	-	-	35,284	-	35,284
Balance at September 30, 2023	<u>\$ 31,752,792</u>	<u>\$ 2,620,018</u>	<u>\$ 2,821,961</u>	<u>\$ (339,735)</u>	<u>\$ (28,500,270)</u>	<u>\$ 8,354,766</u>

* Accumulated other comprehensive income (loss)

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



	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Operating activities				
Net loss for the period	\$ (93,105)	\$ (1,340,946)	\$ (1,243,007)	\$ (3,887,059)
Items not involving cash:				
Listing fee	-	-	-	-
Unrealized (gain) loss on changes in the fair value of biological assets	(34,961)	10,624	(16,999)	(51,085)
Stock-based compensation	5,549	18,794	16,741	58,156
Gain on sale	(15,785)	-	(15,785)	-
Depreciation and amortization	258,893	393,179	792,421	1,202,428
Impairment, intangible assets	-	673,153	-	673,153
Impairment, property and equipment & right-of-use assets	-	1,069,381	-	1,069,381
Unrealized foreign exchange gain (loss)	10,064	32,516	5,627	85,105
Deferred income tax recovery	(31,969)	(64,741)	(75,037)	(113,564)
	<u>98,686</u>	<u>791,960</u>	<u>(536,039)</u>	<u>(963,485)</u>
Change in non-cash working capital:				
Accounts receivable	(533,251)	58,222	(494,603)	47,594
Inventory	142,124	(1,291,638)	953,271	(854,571)
Biological assets	190,516	157,962	29,446	(46,853)
Other current assets	35,324	90,880	(24,799)	(195,919)
Accounts payable and accrued liabilities	386,381	(211,458)	(161,304)	(91,635)
Income taxes payable	(138,000)	386,000	442,000	1,036,000
Cash flow provided from (used in) operating activities	<u>181,780</u>	<u>(18,072)</u>	<u>207,972</u>	<u>(1,068,869)</u>
Investing activities				
Cash received on disposal of property and equipment	9,936	-	9,936	-
Intangible assets sold	40,000	-	40,000	-
Purchases of property and equipment	(5,107)	(17,289)	(107)	(50,463)
Cash flow provided from (used in) investing activities	<u>44,829</u>	<u>(17,289)</u>	<u>49,829</u>	<u>(50,463)</u>
Financing activities				
Share buy backs	-	(211,260)	-	(257,011)
Repayment of lease obligation	(77,940)	(98,562)	(223,460)	(293,531)
Repayment of notes payable	(36,592)	(17,391)	(72,403)	(78,158)
Cash flow provided from (used in) financing activities	<u>(114,532)</u>	<u>(327,213)</u>	<u>(295,863)</u>	<u>(628,700)</u>
Effect of translation of cash held in foreign currencies	5,772	(30,287)	2,697	2,174
Increase (decrease) in cash and cash equivalents	<u>117,849</u>	<u>(392,861)</u>	<u>(35,365)</u>	<u>(1,745,858)</u>
Beginning cash and cash equivalents	<u>1,020,520</u>	<u>3,193,262</u>	<u>1,173,734</u>	<u>4,546,259</u>
Ending cash and cash equivalents	<u>\$ 1,138,369</u>	<u>\$ 2,800,401</u>	<u>\$ 1,138,369</u>	<u>\$ 2,800,401</u>
Supplemental cash flow information				
Interest paid in the period	\$ 41,590	\$ 54,781	\$ 129,887	\$ 118,523
Income taxes paid in the period	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these condensed 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."

On June 3, 2024, the Company completed a 10:1 share consolidation. The statements present the number of shares and share prices as though the consolidation had occurred at the beginning of the comparative period.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. These financial statements were authorized for issue by the Board of Directors on November 26, 2024. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023. These condensed consolidated financial statements have been prepared using accounting policies consistent with those used in the annual consolidated financial statements.

(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 September 30, 2024, the Company had a working capital deficit of \$7,328,250 (exclusive of the current portion of lease obligations and notes payable), a deficit of \$36,373,037 and incurred a net loss of \$1,243,007 for the nine month period then ended. The Company's cash position at September 30, 2024 is \$1,138,369. 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 dispensary, suspending unprofitable operations, asset sales, 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.

(d) 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.

(e) Basis of consolidation

These condensed 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.

(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.

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.

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. INVENTORY

The Company's inventory consists of the following:

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Harvested cannabis - raw materials	\$ 33,026	\$ 18,303
Work-in-progress	114,474	493,288
Cannabis related products and packaging	<u>2,052,008</u>	<u>2,423,414</u>
	<u><u>\$ 2,199,508</u></u>	<u><u>\$ 2,935,005</u></u>

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. The Company impaired approximately \$75,000 of cannabis. There were no slow-moving, obsolete or redundant inventory items at September 30, 2024.

4. BIOLOGICAL ASSETS

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

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Balance, beginning of period	\$ 10,660	\$ 73,584
Changes in fair value less cost to sell due to biological transformation	16,999	(73,053)
Production costs	253,395	1,252,528
Transferred to inventory upon harvest	<u>(268,118)</u>	<u>(1,242,399)</u>
Balance, end of period	<u><u>\$ 12,936</u></u>	<u><u>\$ 10,660</u></u>

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 = \$0.79 per gram based on historical and expected future sales.
- (iii) Average harvest yield of whole flower = 30 grams per plant, net of expected wastage, based on historical results.
- (iv) Selling costs (shipping, order fulfillment, and labelling) = \$0.50 per gram based on historical results.

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

Input	Change in FVLCS at	
	September 30, 2024	December 31, 2023
Selling price per gram - 10% change	\$ 3,200	\$ 1,900
Harvest yield per plant - 10% change	\$ 1,300	\$ 1,300

At September 30, 2024, the average stage of completion of the biological assets is 69% based on the number of days remaining to harvest. The estimated FVLCS of dry cannabis at September 30, 2024 is approximately \$1.46 per plant and the expected total yield is approximately 16,845 grams of cannabis.

5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill consist of the following:

	Intangible assets			Goodwill	Total
	Licenses	Software	Trademark		
Cost					
Balance at December 31, 2023	<u>\$ 4,538,804</u>	<u>\$ -</u>	<u>\$ 78,500</u>	<u>\$ -</u>	<u>\$ 4,617,304</u>
Purchased and developed					
Disposals	-	-	(78,500)	-	(78,500)
Balance at September 30, 2024	<u>\$ 4,538,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,538,804</u>
Accumulated amortization					
Balance at December 31, 2022	<u>\$ 1,500,825</u>	<u>\$ -</u>	<u>\$ 30,541</u>	<u>\$ -</u>	<u>\$ 1,531,366</u>
Amortization expense	400,749	-	7,851	-	408,600
Impairment	869,644	-	-	-	869,644
Balance at December 31, 2023	<u>2,771,218</u>	<u>-</u>	<u>38,392</u>	<u>-</u>	<u>2,809,610</u>
Amortization expense	249,538	-	3,914	-	253,452
Disposals	-	-	(42,306)	-	(42,306)
Balance at September 30, 2024	<u>\$ 3,020,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,020,756</u>
Net book value at December 31, 2023	<u>\$ 1,767,586</u>	<u>\$ -</u>	<u>\$ 40,108</u>	<u>\$ -</u>	<u>\$ 1,807,694</u>
Net book value at September 30, 2024	<u>\$ 1,518,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,518,048</u>

The Company assesses whether there are events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below their carrying values and therefore, require goodwill and intangibles to be tested for impairment at the end of each period. As at September 30, 2024, no impairment indicators exist.

The Company disposed of its trademark license in July 2024 for a \$40,000 note payable from a company controlled by directors and officers. The note payable bears interest at 6% per annum and is due in July 2027. The Company reported a \$3,804 gain on the disposal.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Buildings	Land	Equipment and other	Construction in process	Total
Cost					
Balance at December 31, 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
Purchases	-	-	-	107	107
Transfers from construction in process	-	-	-	-	-
Disposals	-	-	(87,021)	-	(87,021)
Impact of foreign exchange	-	-	(112)	-	(112)
Balance at September 30, 2024	\$ 2,705,875	\$ 6,050,725	\$ 4,033,657	\$ 1,375,370	\$ 14,165,627
Accumulated amortization					
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
Depreciation expense	54,276	-	238,643	-	292,919
Disposals	-	-	(65,568)	-	(65,568)
Impact of foreign exchange	-	-	(112)	-	(112)
Balance at September 30, 2024	\$ 512,919	\$ 1,412,778	\$ 3,100,060	\$ 934,407	\$ 5,960,164
Net book value at December 31, 2023	<u>\$ 2,247,232</u>	<u>\$ 4,637,947</u>	<u>\$ 1,193,693</u>	<u>\$ 440,856</u>	<u>\$ 8,519,728</u>
Net book value at September 30, 2024	<u>\$ 2,192,956</u>	<u>\$ 4,637,947</u>	<u>\$ 933,597</u>	<u>\$ 440,963</u>	<u>\$ 8,205,463</u>

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. At September 30, 2024, \$440,963 (December 31, 2023 - \$440,856) was classed as construction in progress.

The Company disposed of its delivery vehicles during the period ended September 30, 2024. The Company recorded a \$11,981 gain on the sale and received \$9,936 of proceeds. There were no impairments of property and equipment at September 30, 2024.

7. RIGHT-OF-USE ASSETS

Right-of-use assets consist of the following:

	<u>Dispensary Leases</u>
Balance at December 31, 2022	\$ 3,531,252
Change in cash flow estimate	(21,287)
Balance at December 31, 2023	3,509,965
Lease extension	60,756
Balance at September 30, 2024	<u>\$ 3,570,721</u>
Accumulated depreciation	
Balance at December 31, 2022	\$ 1,359,823
Depreciation expense	426,959
Impairment	307,130
Balance at December 31, 2023	2,093,912
Depreciation expense	246,052
Balance at September 30, 2024	<u>\$ 2,339,964</u>
Net book value at December 31, 2023	<u>\$ 1,416,053</u>
Net book value at September 30, 2024	<u>\$ 1,230,757</u>

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.

8. LEASE OBLIGATIONS

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Balance, beginning of period	\$ 1,889,648	\$ 2,279,929
Additions to leased assets	63,637	-
Principal paid	(223,460)	(368,993)
Change in cash flow estimate	-	(21,288)
Balance, end of the period	1,729,825	1,889,648
Less current portion of lease obligation	(581,769)	(458,347)
Lease obligations, long term	<u>\$ 1,148,056</u>	<u>\$ 1,431,301</u>

Neither of the leases contains 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 2024, the Company incurred \$86,862 of interest with respect to the aforementioned leases. Subsequent to the period the Company renewed the lease at Vibe Distribution for 2 years with monthly rent payments of \$1,706 during the the first 12 months and \$2,132 for the remainder of the term.

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

Less than one year	\$ 715,173
2 - 5 years	1,117,555
Thereafter	<u>239,288</u>
Total lease payments	2,072,016
Amount representing interest over the term	<u>(342,191)</u>
Present value of the net obligation	<u>\$ 1,729,825</u>

The Company utilized certain IFRS 16 exemptions to exclude low-value right-of-use assets and short-term lease arrangements as leases.

9. NOTES PAYABLE

The Company's notes payable consists of the following:

	September 30, 2024	December 31, 2023
Note payable:		
Land and buildings (1)	\$ 931,474	\$ 972,351
Vehicles (2)	-	<u>31,526</u>
Total notes payable	931,474	1,003,877
Less current portion:	<u>(57,437)</u>	<u>(72,471)</u>
Notes payable, long term	<u>\$ 874,037</u>	<u>\$ 931,406</u>

(1) The Company has a secured note payable outstanding related to the acquisition of land and buildings in Sacramento, California totalling \$931,474 at September 30, 2024 (Note 6). 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 2024 nine month period totalled \$42,945 and principal repaid was \$40,877. Principal repayments due in the next 12 months totalling \$57,437 are recorded as current liabilities on the condensed consolidated statement of financial position at September 30, 2024.

(2) The Company had four vehicle acquisition notes payable, with the vehicles being sold in July 2024.

The following table presents the contractual maturities of the notes payable at September 30, 2024 on an undiscounted basis:

	Notes payable
	Land and Buildings
Amounts due	
Less than one year	\$ 57,437
One to three years	194,457
Four to five years	232,700
Thereafter	<u>446,880</u>
Total maturities at September 30, 2024	<u>\$ 931,474</u>

10. SHAREHOLDERS' EQUITY

(a) Share capital

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

The Company has the following issued and outstanding common shares:

	September 30, 2024	December 31, 2023
Balance, beginning and end of period	<u><u>10,797,027</u></u>	<u><u>10,797,027</u></u>

(b) Warrants

	September 30, 2024	December 31, 2023
Balance, beginning of period	<u>1,126,411</u>	1,126,411
Expired	<u>(1,126,411)</u>	<u>-</u>
Balance, beginning and end of period	<u><u>-</u></u>	<u><u>1,126,411</u></u>

(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 September 30, 2024 and December 31, 2023 and changes during the respective periods ended on those dates is presented below:

	September 30, 2024		December 31, 2023	
	Number of options	Weighted average exercise price (CAD \$)	Number of options	Weighted average exercise price (CAD \$)
Balance, beginning of period	<u>473,000</u>	<u>\$ 3.80</u>	<u>534,250</u>	<u>\$ 3.80</u>
Cancelled / Expired	<u>(56,000)</u>	<u>3.90</u>	<u>(61,250)</u>	<u>3.70</u>
Balance, end of period	<u><u>417,000</u></u>	<u><u>\$ 3.80</u></u>	<u><u>473,000</u></u>	<u><u>\$ 3.80</u></u>
Exercisable, end of period	<u><u>364,833</u></u>	<u><u>\$ 3.76</u></u>	<u><u>339,917</u></u>	<u><u>\$ 3.80</u></u>

The range of exercise prices for the options outstanding and exercisable at September 30, 2024, are as follows:

Date of Grant	Number Outstanding	Exercise Price (CAD \$)	Weighted Average Remaining Contractual Life	Expiry Date	Number Exercisable
October 8, 2020	15,500	\$ 5.60	0.02	October 8, 2024	15,500
December 16, 2020	15,000	\$ 6.00	0.21	December 16, 2024	15,000
December 21, 2021	386,500	\$ 3.60	1.23	December 24, 2025	334,333
	<u>417,000</u>				<u>364,833</u>

Subsequent to September 30, 2024, 15,500 options expired.

(d) Restricted Share Units

At the Company's September 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 85,000 RSUs as at September 30, 2024.

11. FINANCIAL INSTRUMENTS

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

Fair Value Measurements

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

The carrying value of cash and cash equivalents, 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. In the event sufficient cash flow is not available from operating activities, the Company may raise equity or debt capital from investors in order to meet liquidity needs. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations and future prospects. There can be no assurance that such financing will be available or will be on terms acceptable to the Company.

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

	<u>Less than one year</u>	<u>One to Three years</u>	<u>Four to Five years</u>	<u>Thereafter</u>	<u>Total</u>
Financial liability					
Accounts payable	\$ 4,383,087	\$ -	\$ -	\$ -	\$ 4,383,087
Notes payable	57,437	194,457	232,700	446,880	931,474
Lease obligations	715,173	694,984	422,571	239,288	2,072,016
Total contractual maturities	<u>\$ 5,155,697</u>	<u>\$ 889,441</u>	<u>\$ 655,271</u>	<u>\$ 686,168</u>	<u>\$ 7,386,577</u>

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 September 30, 2024 and December 31, 2023.

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 mortgage and notes payable bear 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 4 Biological Assets for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.



12. CAPITAL MANAGEMENT

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

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Notes payable, including current portion	\$ 931,474	\$ 1,003,877
Shareholders' equity	<u>66,929</u>	<u>1,078,753</u>
Total capital	<u>\$ 998,403</u>	<u>\$ 2,082,630</u>

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

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

In managing the Company's capital, management considers current economic conditions, the underlying assets' risk characteristics, 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 period.

13. CONTINGENCIES

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines or restrictions on its operations and losses of permits that could cause the Company to cease operations. While management believes that the Company is compliant with applicable local and state regulations at September 30, 2024, 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 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 three 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 September 30, 2024.

- b) On March 27, 2023, Vibe was served with a class action complaint filed by three individuals against us and nine 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 General 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 September 30, 2024.

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.

14. EXPENSES BY NATURE

The Company presents certain expenses in the consolidated statements of operations and comprehensive loss by function. The following table presents these expenses by nature for the three and nine month periods ended September 30, 2024 and 2023:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
General and administrative				
Salaries, benefits and other employee costs	\$ 300,207	\$ 696,583	\$ 1,193,891	1,799,540
Professional fees	45,750	30,672	172,031	213,650
Rent and utilities	88,512	94,681	215,566	233,386
Other	211,382	104,053	620,776	772,748
	<u>\$ 645,851</u>	<u>\$ 925,989</u>	<u>\$ 2,202,264</u>	<u>\$ 3,019,324</u>
Selling, security and marketing				
Salaries, benefits and other employee costs	\$ 515,462	\$ 758,710	\$ 1,598,095	2,114,275
Security services	14,284	18,927	24,778	30,188
Advertising and promotion	106,386	55,895	298,671	293,785
Other	25,775	18,379	57,395	103,913
	<u>\$ 661,907</u>	<u>\$ 851,911</u>	<u>\$ 1,978,939</u>	<u>\$ 2,542,161</u>