

PINEAPPLE EXPRESS, INC.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)**

	Page
Compilation Report of Independent Registered Public Accounting Firm	F-1
Condensed Consolidated Balance Sheets as of March 31, 2016 (unaudited) and December 31, 2015	F-2
Condensed Consolidated Statements of Operations for the three months ended March 31, 2016 and from January 29, 2015 (date of inception) through March 31, 2015 (unaudited)	F-3
Condensed Consolidated Statement of Stockholders' Equity (Deficit) for the three months ended March 31, 2016 (unaudited)	F-4
Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2016 and from January 29, 2015 (date of inception) through March 31, 2015 (unaudited)	F-5
Notes to Condensed Consolidated Financial Statements (unaudited)	F-6 ~ F-14

To Board of Directors of
Pineapple Express, Inc.
Los Angeles, CA

Management is responsible for the accompanying condensed consolidated financial statements of Pineapple Express, Inc., which comprise the condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015, and the related condensed consolidated statements of operations, stockholders' equity (deficit) and cash flows for the three months ended March 31, 2016 and the period from January 29, 2015 (date of inception) to March 31, 2015, in accordance with accounting principles generally accepted in the United States of America for interim financial information. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual financial statements. If the omitted disclosures were included in the financial statements, they might influence a user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

RBSM LLP
Larkspur, CA
July 20, 2016

PINEAPPLE EXPRESS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, <u>2016</u> (unaudited)	December 31, <u>2015</u>
ASSETS		
Current assets:		
Cash	\$ 106,201	\$ 1,234
Prepaid and other	1,492	-
Advances to suppliers	116,433	93,933
Deposits, short term	-	<u>12,000</u>
Total current assets	224,126	107,167
Property and equipment	3,706,599	3,653,025
Other assets:		
Trademarks	1,000,000	-
Domain name	1,250,000	-
Goodwill	153,757	-
Investments	162,214	162,214
Land acquisition costs	567,000	-
Security deposit	4,088	-
Total other assets	3,137,059	162,214
Total assets	<u>\$ 7,067,784</u>	<u>\$ 3,922,406</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 61,428	\$ 128,484
Due under purchase agreement	100,000	-
Notes payable, related party	750,000	42,000
Notes payable, net of debt discounts of \$189,931	1,097,569	-
Capital lease, short term	1,510,200	1,495,198
Advances on agreements	720,600	<u>750,000</u>
Total current liabilities	4,239,797	2,415,682
Long term debt:		
Capital lease	<u>1,629,171</u>	<u>1,761,993</u>
Total liabilities	5,868,968	4,177,675
Commitments and contingencies		
Put liability	266,190	-
Stockholders' equity (deficit):		
Preferred stock, \$0.0000001 par value, 20,000,000 shares authorized Series A Convertible Preferred stock, \$0.0000001 par value, 5,000,000 shares designated, none shares issued and outstanding	-	-
Common stock, \$0.0000001 par value, 500,000,000 shares authorized, 59,441,175 and 55,957,311 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	6	6
Common stock subscription	180,000	50,000
Additional paid in capital	2,624,764	882,833
Accumulated deficit	<u>(1,872,144)</u>	<u>(1,188,108)</u>
Total stockholders' equity (deficit)	932,626	<u>(255,269)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 7,067,784</u>	<u>\$ 3,922,406</u>

See accompanying notes to these unaudited condensed consolidated financial statements and compilation report

PINEAPPLE EXPRESS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31, 2016	From January 29, 2015 (Date of Inception) Through March 31, 2015
OPERATING EXPENSES:		
General and administrative	\$ 623,552	\$ 58,115
Depreciation	687	-
Total operating expenses	<u>624,239</u>	<u>58,115</u>
Loss from operations	(624,239)	(58,115)
Other income (expense):		
Other income	7,268	-
Interest expense	<u>(67,065)</u>	<u>-</u>
Total other income (expense):	(59,797)	-
Net loss before provision for income taxes	(684,036)	(58,115)
Provision for income taxes	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (684,036)</u>	<u>\$ (58,115)</u>
Net loss per common share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares, basic and diluted	<u>56,921,709</u>	<u>50,415,978</u>

See accompanying notes to these unaudited condensed consolidated financial statements and compilation report

PINEAPPLE EXPRESS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
THREE MONTHS ENDED MARCH 31, 2016
(unaudited)

	Common stock		Common	Additional	Accumulated	Total
	Shares	Amount	Stock	Paid In	Deficit	
			Subscriptions	Capital		
Balance, December 31, 2015	55,957,311	\$ 6	\$ 50,000	\$ 882,833	\$ (1,188,108)	\$ (255,269)
Shares issued for services	298,731	-	-	149,365	-	149,365
Sale of common stock	910,000	-	(50,000)	455,000	-	405,000
Shares issued to acquire THC Industries, Inc.	2,275,133	-	-	1,137,566	-	1,137,566
Proceeds from common stock subscription	-	-	180,000	-	-	180,000
Net loss	-	-	-	-	(684,036)	(684,036)
Balance, March 31, 2016	<u>59,441,175</u>	<u>\$ 6</u>	<u>\$ 180,000</u>	<u>\$ 2,624,764</u>	<u>\$ (1,872,144)</u>	<u>\$ 932,626</u>

See accompanying notes to these unaudited condensed consolidated financial statements and compilation report

PINEAPPLE EXPRESS, INC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31, 2016	From January 29, 2015 (Date of Inception) Through March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (684,036)	\$ (58,115)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	687	-
Amortization of debt discounts	22,569	-
Common stock issued for services	149,365	5
Changes in operating assets and liabilities:		
Advances to suppliers	(22,500)	-
Prepaid and other	(1,492)	-
Accounts payable	(67,057)	-
Deposits	(4,088)	-
Advances on agreements	(29,400)	-
Net cash used in operating activities	<u>(635,952)</u>	<u>(58,110)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire THC Industries, Inc.	(300,000)	-
Payment of land acquisition costs	(555,000)	-
Purchases of property and equipment	(54,261)	-
Net cash used in investing activities	<u>(909,261)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	405,000	-
Proceeds from common stock subscription	180,000	-
Proceeds from notes payable	475,000	-
Proceeds from related party notes payable	724,500	65,500
Repayments of capital leases	(117,820)	-
Repayments of related party notes payable	(16,500)	-
Net cash provided by financing activities	<u>1,650,180</u>	<u>65,500</u>
Net increase in cash	104,967	7,390
Cash, beginning of period	1,234	-
Cash, end of period	<u>\$ 106,201</u>	<u>\$ 7,390</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
Common stock issued to acquire THC Industries, Inc.	<u>\$ 1,137,566</u>	<u>\$ -</u>
Notes payable issued and purchase obligation to acquire THC Industries, Inc.	<u>\$ 700,000</u>	<u>\$ -</u>
Put liability in connection with THC Industries, Inc acquisition	<u>\$ 409,524</u>	<u>\$ -</u>

See accompanying notes to these unaudited condensed consolidated financial statements and compilation report

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Pineapple Express, Inc. (the “Company”) was incorporated under the laws of the State of Nevada on August 3, 1983 as “Global Resources, Ltd”. On April 12, 1999, the Company changed its name from Global Resources, Ltd. to Helixsphere Technologies, Inc. and on October 2, 2013 to New China Global Inc. On October 30, 2013, the Company filed Articles of Continuance with the Secretary of State in the State of Wyoming pursuant to which the Company re-domiciled from the State of Nevada to the State of Wyoming. On July 15, 2014, the Company filed an amendment to its Articles of Incorporation to change its name from New China Global Inc. to Globestar Industries.

On August 24, 2015, the Company entered into a Share Exchange Agreement (the “Agreement”) with Better Business Consultants, Inc. (“BBC”), a California Corporation incorporated under the laws of California on January 29, 2015 and Shane Oei, a majority shareholder of the Company at the time. Pursuant to the terms of the August 24, 2015 Agreement, BBC shareholders exchanged all of the issued and outstanding capital of BBC for an aggregate of 50,000,000 newly and duly issued, fully paid and non-assessable shares of common stock of the Company. Upon closing, BBC became a wholly owned subsidiary of the Company. In addition, Mr. Oei and Gary Stockport cancelled 100,000,000 and 500,000 shares of the Company’s common stock, respectively, in connection with the Agreement. Effective September 3, 2015, the Company changed its name from Globestar Industries to Pineapple Express, Inc. As the owners and management of BBC obtained voting and operating control of the Company after the share exchange and Globestar Industries was non-operating and did not meet the definition of a business, the transaction has been accounted for as a recapitalization of BBC, accompanied by the exchange of previously issued common stock for outstanding common stock of Globestar Industries, which was recorded at a nominal value. The accompanying financial statements and related notes give retroactive effect to the recapitalization as if it had occurred on January 29, 2015 (inception date) and accordingly all share and per share amounts have been adjusted.

Acquisition

THC Industries, Inc.

On February 12, 2016, the Company acquired THC Industries Inc., pursuant to the terms of that certain Agreement of Merger entered into between the Company and THC Industries, Inc. dated February 12, 2016.

Upon Closing, the Company acquired all of the outstanding shares of THC Industries, Inc. in exchange for 2,275,133 shares of the Company’s common stock, put liability of \$266,190 (see below and Note 10-Put Liability), cash payment of \$300,000 with an obligation to pay an additional \$150,000 upon settlement of certain litigation, and issuance of secured promissory notes payable in aggregate of \$600,000 for a total purchase price of \$2,403,757.

The secured promissory notes are non-interest bearing and are due two equal installments on the 60 and 90 day anniversaries of the closing and are secured by certain intellectual property acquired from THC Industries, Inc.

A summary of consideration is as follows:

Cash paid	\$ 300,000
Cash payment obligation	100,000
Put agreement	266,190
2,275,133 shares of the Company's common stock	1,137,567
Secured promissory notes	600,000
Total purchase price	\$ 2,403,757

There is not a sufficient viable market for the Company’s common stock to determine its fair value; therefore management is required to estimate the fair value to be utilized in determining acquisition costs. In estimating the fair value, management considers recent sales of its common stock to independent qualified investors. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management’s estimates.

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

Approximately 95% of the shares were issued to the main shareholder of THC Industries, Inc., Ramsey Salem, who along with all other shareholders receiving shares from the Company in this transaction have entered into two-year lockup agreements with the Company restricting any share sales during that period. Mr. Salem executed a five-year employment agreement and will serve as CEO of THC Industries, LLC, the Company’s new wholly owned subsidiary. The THC shareholders shall have the option to require the Company to purchase from them up to 1,478,836 shares at a price of \$0.68 per share for the period commencing on the 24 month anniversary of the closing and ending on the 30 month anniversary of the closing; provided however that they may only exercise this option if the Company’s stock price is below \$0.88 and trading volume is below 50,000 a day for a 90 day period prior to the put date.

THC Industries, Inc. owns the web domain www.thc.com, and the trademark THC®. THC has been an operating business and was incorporated in California since 1996, making THC one of the first internet based cannabis related businesses in the nation.

The following summarizes the current estimates of fair value of assets acquired and liabilities assumed:

Assets acquired	
Trademarks	\$ 1,000,000
Domain name	1,250,000
Goodwill	153,757
Liabilities assumed	-
Net Assets acquired	\$ 2,403,757

The purchase price allocation for the above acquisitions is subject to further refinement as management completes its assessment of the valuation of certain assets and liabilities.

The Company accounts for acquisitions in accordance with the provisions of ASC 805-10. The Company assigns to all identifiable assets acquired a portion of the cost of the acquired company equal to the estimated fair value of such assets at the date of acquisition. The Company records the excess of the cost of the acquired company over the sum of the amounts assigned to identifiable assets acquired as goodwill.

The Company does not amortize goodwill. The Company recorded goodwill in the aggregate amount of \$153,757 as a result of the acquisition of THC Industries, Inc. during the three months ended March 31, 2016.

The Company accounts for and reports acquired goodwill under Accounting Standards Codification subtopic 350-10, Intangibles-Goodwill and Other (“ASC 350-10”). In accordance with ASC 350-10, at least annually, the Company tests its intangible assets for impairment or more often if events and circumstances warrant. Any write-downs will be included in results from operations.

The Company, through its wholly owned subsidiaries, BBC and THC Industries, LLC, provides capital to canna-business clientele, purchase and leases real property to those canna-businesses and provides consulting services and technology to develop, enhance or expend existing and newly formed canna-businesses.

Basis of presentation:

The consolidated financial statements include the accounts of Pineapple Express, Inc. and its wholly owned subsidiaries, BBC and THC Industries, LLC (hereafter referred to as the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual financial statements.

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of March 31, 2016 and for the three months ended March 31, 2016 and from January 29, 2015 (date of inception) through March 31, 2015. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the operating results for the full year ending December 31, 2016, or any other period. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2015 and for the year then ended, which were filed with the OTC Markets (as restated) and are available on the Company's website www.pineappleexpress.com. As of March 31, 2016, the Company shares are quoted on the OTC Grey Market.

NOTE 2 – GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS

As of March 31, 2016, the Company had a cash balance of \$106,201 and a working capital deficit of \$4,015,671. During the three months ended March 31, 2016, the Company used net cash in operating activities of \$635,952. The Company has not generated significant revenues, and has incurred net losses since inception. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

During the three months ended March 31, 2016, the Company raised \$475,000 in cash proceeds from the issuance of notes, \$585,000 from the sale of common stock and subscriptions and \$750,000 through short term borrowings from related parties.

The Company's primary source of operating funds since inception has been cash proceeds from the private placements of common stock, and from issuance of short term notes. The Company intends to raise additional capital through private placements of debt and equity securities, but there can be no assurance that these funds will be available on terms acceptable to the Company, or will be sufficient to enable the Company to fully complete its development activities or sustain operations.

If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, reduce overhead, or scale back its current business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Accordingly, the accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the recoverability and useful lives of long-lived assets, the fair value of the Company's stock, stock-based compensation and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

Net Loss per Share

The Company computes basic net income (loss) per share by dividing net income (loss) per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” methods as applicable. The computation of basic and diluted loss per share as of March 31, 2016 and 2015 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period. As of March 31, 2016 and 2015, the Company did not have any potentially dilutive securities outstanding.

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by the Company in the same expense classifications in the consolidated statements of operations, as if such amounts were paid in cash.

Recent Accounting Pronouncements

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2016 and December 31, 2015 is summarized as follows:

	March 31, 2016	December 31, 2015
Land	\$ 1,662,417	\$ 1,662,417
Building	1,662,418	1,662,418
Improvements	372,053	320,276
Marketing displays	3,299	3,299
Office equipment and software	8,245	5,762
Subtotal	3,708,432	3,654,172
Less accumulated depreciation	(1,833)	(1,147)
Property and equipment, net	\$ 3,706,599	\$ 3,653,025

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 5 years and improvements over 10 years, or term of lease in the case of tenant buildout, whichever is shorter. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. As of March 31, 2016, the Company's facility has not yet been placed in service, no depreciation on building or improvements has been provided.

Depreciation expense for the three months ended March 31, 2016 and from January 29, 2015 through March 31, 2016 was \$687 and \$-0-, respectively.

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

NOTE 5 – LAND ACQUISITION COSTS

In March 2016, the Company entered into a purchase agreement to acquire an adjoining parcel to its existing land in the in the City of Desert Hot Springs for \$515,000. The Company has made payments totaling \$40,000 and issued an aggregate of \$475,000 notes payable to secure the property (See Note 7-Notes payable). In connection with the issuance of the one of the notes, the property was titled in the noteholder’s name and will be transferred to the Company upon note payoff.

In March 2016, the Company entered into a purchase agreement to acquire an additional adjoining parcel to its existing land in the in the City of Desert Hot Springs for \$400,000. The Company has made payments totaling \$10,000 and still owes \$390,000 to close the purchase, which is expected to occur in the third quarter of 2016.

NOTE 6 – NOTES PAYABLE-RELATED PARTY

Also, on March 10, 2016, the Company issued an unsecured promissory note for \$750,000 to Sky Island, Inc., a company owned by a related party. The promissory note is due and payable upon demand and bears interest of 10% per annum. If no demand is made, then payments of interest only shall be payable on the unpaid principal amount on the last day of each calendar quarter beginning December 31, 2016 and any and all remaining principal and interest due in full on December 31, 2021.

As of March 31, 2016, interest accrued to related party was \$4,315.

NOTE 7 – NOTES PAYABLE

Notes payable are comprised of the following as of March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
Promissory notes due May 2016	\$ 600,000	\$ -
Note payable, due March 2017, net of unamortized debt discount of \$60,243	127,257	-
Note payable, due June 2016, net of unamortized debt discount of \$129,688	370,312	-
Total	1,097,569	-
Less short term portion	(1,097,569)	-
Long term portion	\$ -	\$ -

In connection with the acquisition, the Company issued non-interest bearing secured promissory notes, due in two equal installments on the 60 and 90 day anniversaries of the closing of THC Industries, Inc. and are secured by certain intellectual property acquired from THC Industries, Inc.

On March 18, 2016, the Company issued an unsecured note payable for \$187,500 for net proceeds of \$125,000 after deduction of an original issue discount (“OID”) of \$62,500 and is due March 13, 2017.

On March 18, 2016, the Company issued a note payable for \$500,000 for net proceeds of \$350,000 after deduction of an OID of \$150,000 and is due June 22, 2016. As described in Note 5-Land Acquisition Costs, the noteholder holds title to land the Company acquired in connection with the issuance of the note.

The OID of the two issued notes is amortized ratably over each note’s term. For the three months ended March 31, 2016, \$22,569 was recorded as interest expense in the current period operations.

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

NOTE 8 – ADVANCES ON AGREEMENTS

In October 2015, the Company entered into a revenue sharing agreement with a third party for 20% of the rental fees generated by the lessee of its acquired Desert Hot Springs, California property for a one-time payment of \$750,000. Payments under the revenue sharing agreement are based on rental fees as collected.

In the event that, for the period from February 6, 2016 through the three year anniversary of the effective date of the revenue sharing agreement the Company fails to collect any minimum rents from the tenant, the Company is obligated to pay the third party an aggregate of \$825,000 as full settlement under the revenue sharing agreement.

During the three months ended March 31, 2016, the Company paid in advance to the third party an aggregate of \$29,400 reducing the obligation to \$720,600 as of March 31, 2016

NOTE 9 – CAPITAL LEASE

Capital lease as of March 31, 2016 and December 31, 2015 is as follows:

Lease-Desert Hot Springs, California	\$ 3,139,371	\$ 3,224,835
Accrued interest	-	32,356
Total	3,139,371	3,257,191
Short term portion	1,510,200	1,495,198
Long term portion	\$ 1,629,171	\$ 1,761,993

As more fully described in Note 4 above, On September 1, 2015, the Company entered into a purchase agreement to acquire three acres of real property, including 23,250 square feet of warehouse space, in Desert Hot Springs, California pursuant to a rent-to own agreement. Non-uniform payments are required through July 2017. In determining the present value of the future payments under the capital lease, the Company used a discount rate of 4% per annum.

Aggregate principal maturities of capital lease as of March 31, 2016:

	Amount
Nine months ended March 31, 2016	\$ 1,510,200
Year ended December 31, 2017	1,629,171
Total	\$ 3,139,371

NOTE 10 – PUT LIABILITY

In connection with the acquisition of THC Industries, Inc., the Company granted the THC shareholders an option to require the Company to purchase from them up to 1,478,836 shares at a price of \$0.68 per share for the period commencing on the 24 month anniversary of the closing and ending on the 30 month anniversary of the closing; provided however that they may only exercise this option if the Company's stock price is below \$0.88 and trading volume is below 50,000 a day for a 90 day period prior to the put date. The accounting treatment requires that the Company record fair value of the put liability as of the inception date and to fair value as of each subsequent reporting date.

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

NOTE 11 – STOCKHOLDERS’ EQUITY

The Company is authorized to issue 520,000,000 shares, of which 20,000,000 shares are reserved as preferred shares and 500,000,000 shares designated as common shares. Each share of common stock and preferred stock has a par value of \$0.0000001 per share. As of March 31, 2016 and December 31, 2015, there were 59,441,175 and 55,957,311 shares of common stock issued and outstanding, respectively. No shares of the preferred stock were outstanding as of March 31, 2016 and December 31, 2015.

Common stock

On January 29, 2016, the Company issued an aggregate of 10,000 shares of its common stock for services valued at \$5,000.

In January 2016 the Company issued 30,000 shares of our common stock to Nature’s Treatment, a related party of the Quad Cities, LLC as consideration for services. The estimated fair value of shares is \$15,000.

In February 2016, the Company sold an aggregate of 910,000 shares of its common stock for net proceeds of \$405,000 and previously received subscription of \$50,000.

On March 2, 2016, the Company issued 158,731 shares of its common stock for services valued at \$79,366.

On March 16, 2016, the Company issued an aggregate of 2,275,133 shares of its common stock to acquire THC Industries, Inc. (See Note 1-Nature of Operations and Basis of Presentation).

On March 16, 2016, the Company issued 100,000 shares of its common stock for services valued at \$50,000.

NOTE 12 – RELATED PARTY TRANSACTIONS

On January 13, 2016, the Company and NTI, NTQC Series I and NTQC Series II, entities founded by Matthew Feinstein, Chief Executive Officer, President, Secretary and Chairman of the Board (collectively, the “NTI Parties”) replaced their existing management and consulting agreement, effective upon approval by the Illinois Department of Financial and Professional Regulation, which has not yet been obtained. Pursuant to the new agreement, the Company shall provide certain services to the NTI Parties for compensation consisting of the lesser of (i) 5% of the gross profit of NTI or (ii) 15.18% of the after tax distributable net income of NTI and NTQC Series II. The compensation for each year shall be due and payable prior to June 30 of the following year. The services provided to the NTI Parties include consulting on licensing and applications with state and local municipalities, regulatory and land use (zoning) assistance, corporate compliance, and other corporate matters. In connection with entry into the original agreement, Mr. Feinstein had surrendered his \$162,214 capital investment in the NTI Parties and all membership interests in the NTI Parties.

On January 25, 2016, the Company entered into a five year services agreement with NTI whereby the Company will provide its “Top-Shelf Display Safe System” which allows dispensary operators to display, secure and weigh cannabis products, transmit real-time inventory data and authenticate transactions. NTI will provide the Company with feedback on the system and assist the Company in brand ambassadorship. As compensation, the Company shall issue an aggregate of 60,000 shares of the Company’s common stock: 30,000 shares within ten days of entry into the agreement and an additional 6,000 shares annually commencing on August 25, 2017 through August 21, 2021. In February 2016 the Company issued the initial 30,000 shares of our common stock to NTI (Note 11).

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

As described in Note 6 above, the Company issued a demand note to a related party for previous advances in the aggregate of \$750,000. As of March 31, 2016, \$750,000 was outstanding. The Company incurred interest of \$12,315 associated with the demand note.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Real estate purchase commitment

On September 1, 2015, the Company executed a purchase agreement for three acres of real property, including 23,250 square feet of warehouse space, in Desert Hot Springs, California pursuant to a rent-to own agreement. The Company will pay the seller of the property an aggregate of \$3,500,000 to purchase the property, of which \$100,000 was paid September 1, 2015 and \$1,000,000 scheduled to be paid in July 2016 has been extended to August 2016. \$4,000 was paid monthly rent from September 2015 through December 2015 and \$50,000 has been and is expected to be paid monthly from January 2016 until such time as the seller moves into the new facilities, contemplated between the parties to be July 2017, when the Company shall be obligated to complete the purchase and pay the remaining balance in full.

Employment agreements

In March 2016 the Company entered into one year employment agreements with Matthew Feinstein at a base salary of \$180,000 per year, Christopher Plummer at a base salary of \$150,000 per year and Theresa Flynt at a rate of \$120,000 per year. Ms. Flynt also was issued 100,000 shares of common stock in accordance with her employment agreement.

In March 2016, the Company entered into a three month consulting agreement with Sean Cunningham. Mr. Cunningham's compensation includes \$12,500 per month, \$50,000 worth of restricted common stock as well as 50,000 shares of common stock to be issued after one year of service. The Company will adjust Mr. Cunningham's annual compensation to \$175,000 and \$25,000 worth of restricted common stock, upon Company's "Pineapple Park" reaching the milestone of 75% leased and open for business (paying rent), or starting the date of January 1, 2017, whichever occurs first.

Litigation

The Company may be subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity. The Company had no other pending legal proceedings or claims as of March 31, 2016.

NOTE 14— SUBSEQUENT EVENTS

In April 2016, The OTC Markets advised the Company that due to the recent increase in trading activity in the Company's stock on the OTC Grey, OTC Markets has placed a "Caveat Emptor" advisory on the Company's OTC Markets information page, resulting from 'unusual or unexplained trading activity'. In connection with the forgoing, the Company has decided to limit its press releases and corporate communications until the advisory is removed. The Company has been, and will continue to be, in communication with OTC Markets regarding this designation.

The Company has advised OTC Markets that subsequent to the completion and issuance of the independent audit report, the Company intends to file a Form 10 with the U.S. Securities and Exchange Commission to initiate the process of becoming a fully reporting company.

On April 28, 2016, the Securities and Exchange Commission issued a temporary suspension of the trading of the Company's stock due to "due to market activity that raised concerns about the adequacy of publicly-available information regarding the Company". The Company's stock resumed trading on May 12, 2016.

PINEAPPLE EXPRESS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

In May 2016, The City of Desert Hot Springs approved the sale of 1.26 acres of land owned by it to the Company for approximately \$378,000.

In June 2016 Eric Kennedy was appointed to our board of directors and was issued 50,000 shares of common stock. He is a partner in the Los Angeles office of a national law firm where his practice focuses on commercial litigation. He specializes in class action defense and disputes involving contracts, fraud, unfair competition, real estate, fiduciary relationships, false advertising, trade secrets, and trademark and copyright infringement. Prior to joining his current firm in 2013, Mr. Kennedy was associated with two large international law firms.

In June 2016, the Company has appointed The Sharpe Company to develop the brand strategy and lifestyle merchandise for its cannabis brand for a monthly retainer of \$2,500, 35% of gross receipts from certain license agreements and a certain number of shares of common stock, the amounts of which have not been finalized. Through The Sharpe Company, the Company plans to re-introduce the THC brand to the cannabis community as well as to mainstream industries through fashion and lifestyle products.

On June 28, 2016, the Company hired Orr Builders to execute certain portions of Phase 1 of the Company's "Pineapple Park" project in the City of Desert Hot Springs, California. The Phase 1 of the project includes the build out of four buildings and will account for approximately 49,250 total square feet in total. However, Orr Builders is currently only contracted for the interior buildout of one of the Phase 1 buildings. As portions of the project are completed, inspected and approved, the Company will issue payment for the completed portions based on approved pricing contracts.

On July 15, 2016 the Company entered into a one-year employment agreement with Sean Cunningham to serve as Chief Financial Officer for the Company at a base salary of \$150,000, effective July 1, 2016. The agreement may be terminated by either party upon four weeks of notice, provided however, that the Company may terminate the agreement immediately for cause and upon six weeks of notice for disability. The base salary shall be increased to \$200,000 commencing on January 1, 2017 through the remaining term of his agreement. The Company issued Mr. Cunningham an aggregate of 425,000 shares of common stock in connection with his employment agreement and prior consulting agreement. Mr. Cunningham is not entitled to severance payments upon termination.

In June and July 2016, the Company sold an aggregate of 720,000 shares of its common stock for net proceeds of \$720,000.

Management has evaluated subsequent events through July 19, 2016, the date these condensed consolidated financial statements were available to be issued.