

PINEAPPLE EXPRESS, INC.
CONSOLIDATED FINANCIAL STATEMENTS

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PINEAPPLE EXPRESS, INC.
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2015

ASSETS

Current assets:	
Cash	\$ 1,120
Advances to suppliers	69,851
Total current assets	70,971
Property and equipment	396,063
Other assets:	
Investments	162,214
Deposits	100,000
Total other assets	262,214
Total assets	<u>\$ 729,248</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:	
Accounts payable	\$ 122,276
Notes payable, related party	42,000
Advances on agreements	750,000
Total current liabilities	914,276
Commitments and contingencies	
Stockholders' 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, 1,600,000 shares issued and outstanding	-
Common stock, \$0.0000001 par value, 500,000,000 shares authorized, 55,957,311 shares issued and outstanding	6
Common stock subscription	50,000
Additional paid in capital	4,284,365
Accumulated deficit	(4,519,399)
Total stockholders' deficit	(185,028)
Total liabilities and stockholders' deficit	<u>\$ 729,248</u>

The accompanying notes are an integral part of these financial statements

PINEAPPLE EXPRESS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS

	From January 29, 2015 (Date of Inception)
	Through December 31, 2015
OPERATING EXPENSES:	
General and administrative	\$ 4,518,252
Depreciation	<u>1,147</u>
Total operating expenses	4,519,399
Net loss from operations before income taxes	(4,519,399)
Provision for income taxes	<u>-</u>
NET LOSS	<u>\$ (4,519,399)</u>
Net loss per common share, basic and diluted	<u>\$ (0.09)</u>
Weighted average number of common shares, basic and diluted	<u>51,746,666</u>

The accompanying notes are an integral part of these financial statements

PINEAPPLE EXPRESS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FROM JANUARY 29, 2015 (DATE OF INCEPTION) THROUGH DECEMBER 31, 2015

	Preferred stock		Common stock		Common Stock	Additional Paid In	Accumulated	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Subscriptions</u>	<u>Capital</u>	<u>Deficit</u>	<u>Total</u>
Shares issued to founders	-	\$ -	50,000,000	\$ 5	\$ -	\$ -	\$ -	\$ 5
Effect of merger with Pineapple Express, Inc. (formerly known as Globestar Industries)	-	-	415,978	-	-	-	-	-
Series A Preferred shares issued for services	1,600,000	-	-	-	-	2,950,000	-	2,950,000
Shares issued upon conversion of debt	-	-	3,350,000	1	-	334,999	-	335,000
Shares issued for services	-	-	347,333	-	-	538,366	-	538,366
Sale of common stock	-	-	1,844,000	-	-	461,000	-	461,000
Proceeds from common stock subscription	-	-	-	-	50,000	-	-	50,000
Net loss	-	-	-	-	-	-	(4,519,399)	(4,519,399)
Balance, December 31, 2015	<u>1,600,000</u>	<u>\$ -</u>	<u>55,957,311</u>	<u>\$ 6</u>	<u>\$ 50,000</u>	<u>\$ 4,284,365</u>	<u>\$ (4,519,399)</u>	<u>\$ (185,028)</u>

The accompanying notes are an integral part of these financial statements

PINEAPPLE EXPRESS, INC
CONSOLIDATED STATEMENT OF CASH FLOWS

From January 29, 2015
(Date of Inception)
Through
December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (4,519,399)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,147
Series A preferred stock issued for services	2,950,000
Common stock issued for services	538,371
Changes in operating assets and liabilities:	
Advances to suppliers	(69,851)
Accounts payable	122,276
Deposits	(100,000)
Advances on agreements	750,000
Net cash used in operating activities	(327,456)

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments	(162,214)
Purchases of property and equipment	(397,210)
Net cash used in investing activities	(559,424)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from sale of common stock	461,000
Proceeds from common stock subscription	50,000
Proceeds from convertible notes payable	335,000
Proceeds from related party notes payable	305,000
Repayments of related party notes payable	(263,000)
Net cash provided by financing activities	888,000

Net increase in cash	1,120
Cash, beginning of period	-
Cash, end of period	<u>\$ 1,120</u>

Supplemental disclosures of cash flow information:

Cash paid during the period for interest	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>

Non cash investing and financing activities:

Common stock issued in settlement of convertible notes	<u>\$ 335,000</u>
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The accompanying notes are an integral part of these financial statements

PINEAPPLE EXPRESS, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

The Company, through its wholly owned subsidiary BBC provides capital to canna-business clientele, purchase and lease 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 subsidiary, BBC (hereafter referred to as the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 2 – GOING CONCERN AND MANAGEMENT’S LIQUIDITY PLANS

As of December 31, 2015, the Company had a cash balance of \$1,120 and a working capital deficit of \$843,305. During the period from January 29, 2015 (date of inception) through December 31, 2015, the Company used net cash in operating activities of \$327,456. The Company has not yet generated any 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 period from January 29, 2015 (date of inception) through December 31, 2015, the Company raised \$335,000 in cash proceeds from the issuance of convertible notes, \$501,000 from the sale of common stock and subscriptions and \$305,000 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, proceeds from private placements of convertible debt and proceeds 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.

PINEAPPLE EXPRESS, INC
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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.

Revenue Recognition

The Company recognizes revenue from rent, tent reimbursements, and other revenue sources once all of the following criteria are met in accordance with SEC Staff Accounting Bulletin 104, Revenue Recognition, ("SAB 104"): (a) the agreement has been fully executed and delivered; (b) services have been rendered; (c) the amount is fixed and determinable, and (d) the collectability of the amount is reasonably assured.

In accordance with FASB Statement of Financial Accounting Standards No. 13, Accounting for Leases ("SFAS 13"), as amended and interpreted, minimum rental revenue is recognized in rental revenues on a straight-line basis over the term of the related lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially read for its intended use, management evaluates whether the Company or tenant is the owner of the tenant improvements for accounting purposes. When management concludes that the Company is the owner of the tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that the Company is not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space.

When management concludes that the Company is the owner of tenant improvements, for accounting purposes, management records the cost to construct the tenant improvements as a capital asset. In addition, management records the cost of certain tenant improvements paid for or reimbursed by tenants as capital assets when management concludes that the Company is the owner of such tenant improvements. For these tenant improvements, management records the amount funded or reimbursed by tenants as deferred revenue, which is amortized as additional rental income over the term of the related lease. When management concludes that he tenant is the owner of the tenant improvements for accounting purposes, management records the Company's contribution towards those improvements as a lease incentive, which is amortized as reduction to rental revenue on a straight-line basis over the term of the lease.

PINEAPPLE EXPRESS, INC
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Cash

Cash consist of cash held in bank demand deposits. The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

The Company maintains cash in bank accounts located in the United States, which, at times, may exceed federally insured limits or be uninsured. The Company has not experienced any losses in such accounts.

Property and Equipment

Property and equipment consists of furniture and fixtures, equipment, leasehold improvements and construction in process. They are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

The estimated useful lives of the classes of property and equipment are as follows:

Construction in Progress	Not in service
Equipment	5 years
Office equipment	3 years

Research and Development

The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development (“ASC 730-10”). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. For the period from January 29, 2015 (date of inception) through December 31, 2015, the Company’s expenditures on research and product development were immaterial.

Fair Values

Accounting Standards Codification subtopic 825-10, Financial Instruments (“ASC 825-10”) requires disclosure of the fair value of certain financial instruments. ASC 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

PINEAPPLE EXPRESS, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed and is determined based on the lowest level input that is significant to the fair value measurement.

The carrying value of the Company's cash, , accounts payable, short-term borrowings (including convertible notes payable), and other current assets and liabilities approximate fair value because of their short-term maturity.

Investments

The Company has adopted Accounting Standards Codification subtopic 323-10, Investments-Other ("ASC 325-10) which requires the accounting for investments at the lower of cost or fair value where the Company cannot exert significant influence of a joint venture or equity investment. The Company accounted for its 15.18% ownership of Nature's Treatment of the Quad Cities, LLC, NTQC Series II ("Series II") utilizing the cost method of accounting.

Leases

The Company currently leases properties in locations that would be acceptable for regulatory purposes and acceptable to sub-lessees for the manufacturing and development of their products. The Company evaluates the lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. The Company currently has a number of leases, which are all classified as operating leases.

Minimum base rent for the Company's operating leases, which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. The initial rent term includes the build-out, or may include a short holiday period, for the Company's leases, where no rent payments are typically due under the terms of the lease.

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 December 31, 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.

Potentially dilutive securities excluded from the computation of basic and diluted net income (loss) per share are as follows:

Series A Preferred stock	16,000,000
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Advertising

The Company's advertising costs are expensed as incurred. Advertising expense was immaterial for the period from January 29, 2015 (date of inception) through December 31, 2015.

PINEAPPLE EXPRESS, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

Preferred Stock

The Company has adopted the guidance enumerated in ASC 480 “Distinguishing Liabilities from Equity” when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. The Company classifies conditionally redeemable preferred shares (if any) which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon occurrence of uncertain events no solely within the Company’s control, as temporary equity. All other times, it classified its preferred shares in stockholders’ equity. Preferred shares do not feature any redemption rights within the holders’ control or conditional redemption features not within the Company’s control. Accordingly, all issuances of preferred stock are presented as a component of the consolidated stockholders’ deficit.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of items that have been included or excluded in the financial statements or tax returns. Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts (“temporary differences”) at enacted tax rates in effect for the years in which the temporary differences are expected to reverse.

The Company adopted the provisions of Accounting Standards Codification (“ASC”) Topic 740-10, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company’s consolidated financial statements as of December 31, 2015. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

Recent Accounting Pronouncements

In November 2015, the FASB issued (ASU) 2015-17, *Balance Sheet Classification of Deferred Taxes*. Currently deferred taxes for each tax jurisdiction are presented as a net current asset or liability and net noncurrent asset or liability on the balance sheet. To simplify the presentation, the new guidance requires that deferred tax liabilities and assets for all jurisdictions along with any related valuation allowances be classified as noncurrent in a classified statement of financial position. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, and early adoption is permitted. The Company has adopted this guidance in the fourth quarter of the year ended December 31, 2015 on a retrospective basis. The adoption of this guidance did not have a material impact on the Company’s financial position, results of operations or cash flows, and did not have any effect on prior periods due to the full valuation allowance against the Company’s net deferred tax assets.

PINEAPPLE EXPRESS, INC
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In January 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this guidance.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Early application is permitted. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The company is currently evaluating the impact of adopting this guidance.

There were other 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 December 31, 2015 is summarized as follows:

Office equipment and software	\$ 5,762
Marketing displays	3,299
Leasehold improvements	388,149
Subtotal	397,210
Less accumulated depreciation	(1,147)
Property and equipment, net	\$ 396,063

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 leasehold improvements over 10 years, or term of lease, 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 December 31, 2015, the Company’s leased facility have not yet been placed in service, no amortization on leasehold improvements has been provided.

Depreciation expense was \$1,147 at December 31, 2015.

PINEAPPLE EXPRESS, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – INVESTMENTS

During the period from January 29, 2015 (date of inception) through December 31, 2015, the Company purchased a 15.18% ownership interest in Nature's Treatment of the Quad Cities, LLC NTQC Series II ("Series II") and Nature's Treatment of Illinois, Inc. ("NTI"), both companies founded by Matthew Feinstein, the Company's Chief Executive Officer, President, Secretary and Chairman of the Board, for an aggregate investment of \$162,214. Series II is expected to own a building that will house dispensary operations of NTI. Mr. Feinstein transferred his interests in NTQC and NTI to BBC in 2015 for \$50,000 which is still owed to Mr. Feinstein.

In connection with the investment, the Company, through its wholly owned subsidiary BBC, entered into a consulting agreement whereby the Company will provide consulting and managerial services in exchange for the lesser of 5% of NTI's gross profit or 15.18% of the after-tax distributable income of NTI. The consulting agreement has a five year term with an automatic five year renewal period unless terminated upon 30 days' notice prior to end of current term by either party.

Construction of the facility is expected to open in 2016.

NOTE 6 – NOTES PAYABLE-RELATED PARTY

From January 29, 2015 (date of inception) through December 31, 2015, the Company issued demand notes to related parties for advances in aggregate of \$305,000. As of December 31, 2015, \$42,000 was outstanding. The Company did not incur any interest or fees associated with the demand notes.

NOTE 7 – NOTES PAYABLE

From January 29, 2015 (date of inception) through December 31, 2015, the Company issued an aggregate of \$335,000 convertible notes payable due upon demand. The notes are convertible into shares of the Company's common stock at \$0.10 per share. On August 25, 2015, the Company issued an aggregate of 3,350,000 shares of its common stock in full settlement of the outstanding notes. The Company determined that there was no embedded beneficial conversion feature embedded in the convertible notes as they were issued prior to the recapitalization on August 24, 2015 (Note 1).

NOTE 8 – ADVANCES ON AGREEMENTS

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. Immediately following entry into the purchase agreement, the Company subleased the property to an experienced canna-business tenant who will be operating a licensed cannabis cultivation facility on the premises. The Company currently is remodeling the premises to make the space suitable for the sublease. The sublease has a term of 10 years which may be extended for an additional 5 years at the option of the parties.

The Company is scheduled to receive monthly rent of \$49,000 per month in year 1, \$98,000 per month in year 2 and \$122,500 in years 3 through 10, although actual rent received may vary. 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 will be paid in July 2016. \$4,000 was paid monthly from September 2015 through January 2016 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.

In October 2015, the Company entered into a revenue sharing agreement with a third party for 20% of the rental fees generated by the sublessee for a one-time payment of \$750,000.

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NOTE 9 – 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. As of December 31, 2015, there were 55,957,311 and 1,600,000 shares of \$0.0000001 per value common and preferred stock outstanding, respectively.

Preferred stock

On September 15, 2015, the Company designated 5,000,000 shares of its authorized preferred stock as Series A Convertible Preferred Stock, \$0.0000001 par value. Each share of Series A Preferred Stock is convertible into 10 shares of the Company's common stock.

On September 15, 2015, the Company issued an aggregate of 1,600,000 shares of its Series A Preferred stock for services rendered for an estimated fair value of \$2,950,000.

Common stock

On August 24, 2015, the Company issued an aggregate of 50,000,000 shares of the Company's common stock and 100,500,000 common shares were cancelled and returned to treasury in connection with the recapitalization (See Note 1)

On September 14, 2015, the Company issued an aggregate of 3,350,000 shares of its common stock in settlement of \$335,000 convertible notes payable.

On October 12, 2015, the Company issued an aggregate of 347,333 shares of its common stock for services valued at \$538,366.

On October 14, 2015, the Company sold 1,804,000 shares of its common stock for net proceeds of \$451,000.

On October 19, 2015, the Company sold 40,000 shares of its common stock for net proceeds of \$10,000.

NOTE 10 – RELATED PARTY TRANSACTIONS

As described in Note 5 above, the Company purchased a 15.18% ownership interest in ("Series II") and NTI, companies founded by Matthew Feinstein; the Company's Chief Executive Officer, President, Secretary and Chairman of the Board for an aggregate investment of \$162,214.

As described in Note 6 above, the Company issued demand notes to related parties for advances in the aggregate of \$305,000. As of December 31, 2015, \$42,000 was outstanding. The Company did not incur any interest or fees associated with the demand notes.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Operating leases

Corporate Facility. The Company leases office space at its corporate location in Los Angeles, California for approximately \$5,200 per month under a lease that expired in February 2016. The Company now rents the office space for approximately \$5742 per month, on a month to month basis.

From January 29, 2015 (date of inception) through December 31, 2015, rent expense was \$59,611

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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 will be paid in July 2016. \$4,000 was paid monthly from September 2015 through January 2016 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.

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 other than described above as of December 31, 2015.

NOTE 12 – LOSS PER SHARE

The following table presents the computation of basic and diluted losses per share:

Net loss available to Common stockholders	\$ (4,519,399)
Basic and diluted loss per share	\$ (0.09)
Weighted average common shares outstanding	51,746,666

NOTE 14 — INCOME TAXES

The Company follows Accounting Standards Codification subtopic 740, Income Taxes (“ASC 740”) which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under such method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse.

The difference between income tax expense computed by applying the federal statutory corporate tax rate and actual income tax expense is as follows:

Income taxes using U.S. federal statutory rate	\$ (340,510)
State income taxes, net of federal benefit	(58,373)
Change in Valuation Allowance	398,883
	<u>\$ -</u>

At December 31, 2015, the significant components of the deferred tax assets (liabilities) are summarized below:

Deferred tax assets:	
Stock Based Compensation	\$ 3,488,371
Net Operating Losses	972,887
Other	-
Total deferred tax assets	4,461,257
Deferred tax liabilities:	
Total deferred tax liabilities	-
Valuation allowance	4,461,257
Net deferred tax assets	<u>\$ -</u>

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As of December 31, 2015, the Company had U.S. federal net operating loss carryforwards of approximately \$973,000, which expire at in 2035. These net operating loss carryforwards may be used to offset future taxable income and thereby reduce the Company's U.S. federal income taxes. Section 382 of the Internal Revenue Code of 1986 (the "Code") imposes an annual limit on the ability of a corporation that undergoes a greater than 50% ownership change to use its net operating loss carry forwards to reduce its tax liability. If in the future the Company issues common stock or additional equity instruments convertible in common shares which result in an ownership change exceeding the 50% limitation threshold imposed by section 382 of the Code, the Company's net operating loss carryforwards may be significantly limited as to the amount of use in a particular years. In addition, all or a portion of the Company's net operating loss carryforwards may expire unutilized. As of December 31, 2015, the Company had net operating loss carryforwards for state income tax purposes of approximately \$973,000 which expire at 2035.

The Company has provided a full valuation allowance against its net deferred tax assets, since in the opinion of management based upon the earnings history of the Company; it is more likely than not that the benefits of these assets will not be realized.

The Company complies with the provisions of FASB ASC 740-10 in accounting for its uncertain tax positions. ASC 740-10 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely that not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Management has determined that the Company has no significant uncertain tax positions requiring recognition under ASC 740-10.

The Company is subject to income tax in the U.S., and certain state jurisdictions. The Company has not been audited by the U.S. Internal Revenue Service, or any states in connection with income taxes. The Company's tax years generally remain open to examination for all federal and state tax matters until its net operating loss carryforwards are utilized and the applicable statutes of limitation have expired. The federal and state tax authorities can generally reduce a net operating loss (but not create taxable income) for a period outside the statute of limitations in order to determine the correct amount of net operating loss which may be allowed as a deduction against income for a period within the statute of limitations.

The Company recognizes interest and penalties related to unrecognized tax benefits, if incurred, as a component of income tax expense.

NOTE 15 — SUBSEQUENT EVENTS

In January 2016 the Company issued 10,000 shares of common stock to consultants as compensation for services.

In January 2016 the Company issued 30,000 shares of common stock to Nature's Treatment of the Quad Cities, LLC as consideration for services.

In January 2016, the Company purchased 3.78 acres in Desert Hot Springs for a purchase price of \$3,500,000.

In January 2016, the Company purchased an adjoining parcel to its existing land in the in the City of Desert Hot Springs for \$600,000. The Company has made payments totaling \$40,000 and still owes \$560,000 to close the purchase, which is expected to occur in April 2016.

In February 2016 the Company issued 910,000 shares of common stock to accredited investors for an aggregate purchase price of \$455,000.

On February 12, 2016, the Company acquired all of the business and assets of THC Industries, LLC, a California corporation ("THC Parent"), through a two-step merger by and among the Company, THC Parent, the Company's wholly owned subsidiary THC Industries, a California limited liability company ("THC"), and the Company's former

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wholly owned subsidiary THCMergerCo., Inc., a California corporation. The Company acquired the THC business for consideration consisting of (i) a cash payment in the amount of \$400,000, (ii) 2,275,133 shares of common stock and (iii) a \$600,000 note secured by all of the purchased intellectual property that is payable in two equal installments on the 60 day and 90 day anniversaries of closing. \$150,000 of the initial cash payment shall be held in escrow to cover Mr. Salem's expected personal litigation costs related to trademark enforcement of the purchased intellectual property. 95% of the shares were issued to Mr. Salem, who, along with the other THC Parent shareholders, entered into two-year lockup agreements with the Company. The THC Parent shareholders 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 from February 12, 2018 through August 12, 2018; provided however that they may only exercise this option if, for a 90 day period, the Company's stock price is both less than \$0.88 and the average daily trading volume is below 50,000.

In March 2016, the Company purchased an 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 May 2016.

In March 2016, the Company purchased and closed on an adjoining parcel to its existing land in the in the City of Desert Hot Springs for \$515,000. The Company entered into an agreement with JJK, LLC pursuant to which JJK, LLC loaned the Company a total of \$350,000 to facilitate part of the purchase and the Company assigned the right to purchase the parcel to JJK, LLC. The Company has 90 days to return to JJK, LLC the initial loan amount, plus \$150,000 to transfer the title of the parcel into the Company's name. Joy DiPalma loaned the Company \$125,000 to facilitate the remaining portion of the purchase price. Prior to March 2017, the Company shall pay Ms. DiPalma \$3,750 in rent per month until the original loan amount, plus \$62,500 has been paid.

In March 2016 the Company issued 100,000 shares of common stock to an accredited investor for an aggregate purchase price of \$100,000.

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.