

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended September 30, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

VITALIBIS, INC.

(Exact name of registrant issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

30-0828224

(I.R.S. Employer Identification No.)

3960 Howard Hughes Parkway Suite 500
Las Vegas, NV 89169

(Address of principal executive offices)

702-944-9620

Registrant's phone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding twelve months (or shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Common Stock, \$.001 par value

Outstanding at November 9, 2020

227,439,998

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PART I - FINANCIAL INFORMATION
ITEM 1— FINANCIAL STATEMENTS

VITALIBIS, INC.
(Debtor-in-Possession)
BALANCE SHEETS
(UNAUDITED)

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 4,280	\$ 65,615
Accounts receivable, net	–	1,687
Prepaid expenses	35,744	86,390
Inventory	325,064	270,732
Total current assets	<u>365,088</u>	<u>424,424</u>
Long term assets		
Website development, net	46,334	90,378
Total assets	<u>\$ 411,422</u>	<u>\$ 514,802</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 72,625	\$ 77,933
Unsecured notes payable	–	13,617
Derivative liability	–	470,331
Current portion of convertible notes payable, net	–	922,690
Total current liabilities	<u>72,625</u>	<u>1,484,571</u>
Liabilities subject to compromise	1,830,290	–
Convertible notes payable, net	–	225,624
Total long term liabilities	<u>1,830,290</u>	<u>225,624</u>
Total liabilities	<u>1,902,915</u>	<u>1,710,195</u>
COMMITMENTS AND CONTINGENCIES		
Stockholders' deficit:		
Preferred stock; \$.001 par value, 5,000,000 shares authorized, none issued and outstanding		
Series A Preferred Stock, \$0.001 par value, 1,000,000 shares authorized, 1,000,000 issued and outstanding as of		
September 30, 2020 and December 31, 2019, respectively	1,000	1,000
Common stock; \$.001 par value, 495,000,000 shares authorized, 216,630,154 shares issued and 32,383,196 shares issued outstanding as of September 30, 2020 and December		
31, 2019, respectively	216,632	32,383
Additional paid-in capital	9,494,376	8,170,692
Accumulated deficit	(11,203,501)	(9,399,468)
Total stockholders' deficit	<u>(1,491,493)</u>	<u>(1,195,393)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	<u>\$ 411,422</u>	<u>\$ 514,802</u>

The accompanying notes are an integral part of these unaudited financial statements.

VITALIBIS, INC.
(Debtor-in-Possession)
STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 73,660	\$ 52,992	\$ 173,154	\$ 232,781
Cost of Goods Sold	(42,409)	(27,896)	(90,149)	(134,677)
Gross Profit	31,251	25,096	83,005	98,104
Operating expenses:				
Selling, general and administrative expenses	(55,756)	(293,501)	(326,203)	(3,498,323)
Professional fees	(49,338)	(39,674)	(94,050)	(169,215)
Total operating expenses	(105,094)	(333,175)	(420,253)	(3,667,538)
Loss from operations	(73,843)	(308,079)	(337,248)	(3,569,434)
Other income (expense)				
Reorganization costs	(9,592)	-	(171,033)	-
Other income	-	-	2,000	-
Interest expense	(92,551)	(796,899)	(947,131)	(920,026)
Derivative gain (loss)	170,752	(88,386)	(350,621)	(204,594)
Total other income (expense)	68,609	(885,285)	(1,466,785)	(1,124,620)
Loss before provision for income taxes	(5,234)	(1,193,364)	(1,804,033)	(4,694,054)
Provision for income taxes	-	-	-	-
Net loss	<u>\$ (5,234)</u>	<u>\$ (1,193,364)</u>	<u>\$ (1,804,033)</u>	<u>\$ (4,694,054)</u>
Net Loss per common share:				
Basic	<u>\$ (0.00)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.15)</u>
Diluted	<u>\$ (0.00)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.15)</u>
Weighted average common shares outstanding:				
Basic	<u>153,794,894</u>	<u>31,777,896</u>	<u>99,106,171</u>	<u>30,958,296</u>
Diluted	<u>935,773,946</u>	<u>31,777,896</u>	<u>99,106,171</u>	<u>30,958,296</u>

The accompanying notes are an integral part of these unaudited financial statements.

VITALIBIS, INC.
(Debtor-in-Possession)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

	Series A Preferred Stock		Common stock		Additional paid-in capital	Accumulated deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balance at December 31, 2019	1,000,000	\$ 1,000	32,383,196	\$ 32,383	\$ 8,170,692	\$ (9,399,468)	\$ (1,195,393)
Shares issued for services	-	-	50,000	50	62,095	-	62,145
Shares issued for conversion of notes payable and accrued interest	-	-	2,864,889	2,865	94,135	-	97,000
Extinguishment of derivative liability due to conversion	-	-	-	-	178,871	-	178,871
Net loss	-	-	-	-	-	(925,528)	(925,528)
Balance at March 31, 2020	1,000,000	1,000	35,298,085	35,298	8,505,793	(10,324,996)	(1,782,905)
Shares issued for services	-	-	-	-	4,022	-	4,022
Shares issued for conversion of notes payable and accrued interest	-	-	118,496,809	118,497	385,971	-	504,468
Extinguishment of derivative liability due to conversion	-	-	-	-	452,698	-	452,698
Net loss	-	-	-	-	-	(873,271)	(873,271)
Balance at June 30, 2020	1,000,000	1,000	153,794,894	153,795	9,348,484	(11,198,267)	(1,694,988)
Shares issued for conversion of notes payable and accrued interest	-	-	62,835,260	62,837	(6,654)	-	56,183
Extinguishment of derivative liability due to conversion	-	-	-	-	152,546	-	152,546
Net loss	-	-	-	-	-	(5,234)	(5,234)
Balance at September 30, 2020	1,000,000	\$ 1,000	216,630,154	\$ 216,632	\$ 9,494,376	\$ (11,203,501)	\$ (1,491,493)

	Share Capital		Common stock		Additional paid-in capital	Accumulated deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balance at December 31, 2018	-	\$ -	29,638,900	\$ 29,639	\$ 2,913,903	\$ (2,553,524)	\$ 390,018
Shares and warrants issued for services	-	-	857,500	857	2,230,534	-	2,231,391
Net loss	-	-	-	-	-	(2,448,499)	(2,448,499)
Balance at March 31, 2019	-	-	30,496,400	30,496	5,144,437	(5,002,023)	172,910
Shares and warrants issued for services	-	-	927,500	927	531,182	-	532,109
Net loss	-	-	-	-	-	(1,052,191)	(1,052,191)
Balance at June 30, 2019	-	-	31,423,900	31,423	5,675,619	(6,054,214)	(347,172)
Shares and warrants issued for services	-	-	160,000	160	160,093	-	160,253
Extinguishment of derivative liability due to conversion	-	-	-	-	131,945	-	131,945
Shares issued for conversion of notes payable	-	-	714,296	715	49,285	-	50,000
Net loss	-	-	-	-	-	(1,193,364)	(1,193,364)
Balance at September 30, 2019	-	\$ -	32,298,196	\$ 32,298	\$ 6,016,942	\$ (7,247,578)	\$ (1,198,338)

The accompanying notes are an integral part of these unaudited financial statements.

VITALIBIS, INC.
(Debtor-in-Possession)
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

	For the Nine Months Ended	
	September 30,	
	2020	2019
Cash flow from operating activities:		
Net loss	\$ (1,804,033)	\$ (4,694,054)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization expense	44,044	44,044
Amortization of debt discount, penalties and deferred financing costs	1,062,764	828,925
Derivative loss	350,621	204,594
Stock-based compensation	66,167	2,923,753
Changes in operating assets and liabilities:		
Accounts receivables	1,687	-
Inventory	(54,332)	(156,501)
Prepaid expenses	61,062	62,991
Deferred revenue	-	(105,159)
Accounts payable and accrued liabilities	86,344	(14,060)
Net cash used in operating activities	(185,676)	(905,467)
Cash flow from financing activities:		
Proceeds from convertible notes payable	78,000	1,019,000
Repayments on convertible notes payable	-	(209,000)
Proceeds from SBA Loan	68,300	-
Payment of deferred financing costs	(3,000)	(12,000)
Repayments on unsecured notes payable	(18,959)	-
Proceeds from equity issuance	-	(30,387)
Net cash provided by financing activities	124,341	767,613
NET CHANGE IN CASH	(61,335)	(137,854)
CASH AT BEGINNING OF PERIOD	65,615	171,979
CASH AT END OF PERIOD	\$ 4,280	\$ 34,125
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 446	\$ 69,870
Cash paid for income taxes	\$ -	\$ -
Non-cash transactions		
Discount on convertible notes payable	\$ 659,935	\$ 650,753
Common stock issued for conversion of notes payable and accrued interest	\$ 657,651	\$ 50,000
Extinguishment of derivative liability from conversion of notes payable	\$ 784,115	\$ 131,945
Note payable issued for prepaid expenses	\$ 10,416	\$ 43,187

The accompanying notes are an integral part of these unaudited financial statements.

VITALIBIS, INC.
(Debtor-in-Possession)
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – ORGANIZATION AND GOING CONCERN

Vitalibis (the “Company”) was formed on April 11, 2014 as a Nevada corporation, under the name of Crowd 4 Seeds, Inc. We plan to focus on the development, sale and distribution of hemp oil-based products that contain naturally occurring cannabinoids, including cannabidiol (“CBD”) and other products containing CBD-rich hemp oil (“Legal Hemp”). We leverage our proprietary technology platform to maximize our innovative micro-influencer sales model, which fosters engaged customer connections.

On January 18, 2018, our Board of Directors approved an agreement and plan of merger to merge with and into our wholly-owned subsidiary, Vitalibis, Inc., a Nevada corporation, and our name changed from Sheng Ying Entertainment Corp. to Vitalibis, Inc. Vitalibis, Inc. was formed solely to effect the change of name and conducted no operations.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses and generated negative cash flows from operations since inception. Due to these conditions, it raised substantial doubt about its ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with existing cash on hand, loans, loans from directors and, or, the sale of common stock. The financial statements do not include any adjustments that may result should the Company be unable to continue as a going concern.

Chapter 11 Proceedings

On June 15, 2020, Vitalibis, Inc. (the “Debtor”), filed a voluntary petition (the “Bankruptcy Petition”), for reorganization under chapter 11 of the United States Bankruptcy Code, (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Nevada (“Bankruptcy Court”). The Company continues to operate its business and manage its wellness and technology assets as a “debtor-in-possession” under the jurisdiction of the Court and in accordance with the Bankruptcy Code and orders of the Court. The Company has filed a number of customary “first day” motions seeking Court authorization to support its operations during the court-supervised process. The Company expects to receive Court approval for these requests shortly.

Effect of the Bankruptcy Proceedings

During the bankruptcy proceedings, the Debtor conducts normal business activities and was authorized to pay certain vendor payments, wage payments and tax payments in the ordinary course. In addition, subject to certain specific exceptions under the Bankruptcy Code, the Bankruptcy Petitions automatically stayed most judicial or administrative actions against the Debtors or their property to recover, collect, or secure a prepetition claim. For example, the Bankruptcy Petitions prohibited lenders or note holders from pursuing claims for defaults under the Debtors’ debt agreements during the pendency of the chapter 11 cases.

Fresh Start Accounting

ASC 852 requires that the financial statements for periods subsequent to the filing of the Chapter 11 Cases distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that are realized or incurred in the bankruptcy proceedings are recorded in “Reorganization costs” on our Statement of Operations (“Statement of Operations”) for the three and nine months ended September 30, 2020. In addition, prepetition unsecured or undersecured obligations that may be impacted by the bankruptcy reorganization process have been classified as “Liabilities subject to compromise” on our balance sheet as of September 30, 2020. These liabilities are reported at the amounts allowed or expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts.

In accordance with ASC 852, we anticipate we will be required to adopt fresh-start accounting upon our emergence from the Chapter 11 proceedings, becoming a new entity for financial reporting purposes (“successor”). In order to adopt fresh-start accounting, The Company will have to meet the following conditions: (1) holders of existing shares of the predecessor entity immediately before the effective date of the consummation of the Plan of Reorganization (the “Effective Date”) received, collectively, less than 50 percent of the voting shares of the successor entity and (2) the reorganization value of the successor is less than its post-petition liabilities and estimated allowed claims immediately before the Effective Date. As of September 30, 2020, we expect that these conditions will be met.

Financial Statement Classification of Liabilities Subject to Compromise

The Company's financial statements include amounts classified as liabilities subject to compromise, which represent liabilities that are being addressed in the chapter 11 case. The Plan, as confirmed, provides for the treatment of claims against the Debtors' bankruptcy estates, including prepetition liabilities. Certain claims may remain unimpaired under the Plan and may remain pending against the Debtors. Such claims may be material and will be addressed in the ordinary course.

The following table summarizes the components of liabilities subject to compromise included on the Company's balance sheets as of September 30, 2020:

	September 30, 2020
Accounts payable and accrued liabilities	\$ 68,653
Unsecured notes payable	5,073
U.S. Small Business Administration loan payable	68,300
Derivative liability	696,772
Convertible notes payable	991,492
Total liabilities subject to compromise	<u>\$ 1,830,290</u>

Reorganization Items

The Debtors have incurred significant costs associated with the reorganization, principally professional fees. The amount of these costs, which are being expensed as incurred, significantly affect the Company's results of operations.

The following table summarizes the components included in reorganization items in the Company's statements of operations for the three and nine months ended September 30, 2020:

	Three Months September 30, 2020	Nine Months September 30, 2020
Reorganization legal and professional fees	\$ 9,592	\$ 19,695
Deferred loan costs and debt discount expensed	-	151,338
Total reorganization costs	<u>\$ 9,592</u>	<u>\$ 171,033</u>

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the financial statements are as follows:

Basis of Presentation

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the United States Securities and Exchange Commission. Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of the Company's management, the accompanying unaudited financial statements contain all the adjustments necessary (consisting only of normal recurring adjustments) to present the financial position of the Company as of September 30, 2020 and the results of operations and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the operating results for the full fiscal year. These financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent year ended December 31, 2019 have been omitted.

Inventories

Inventory is manufactured at third party facilities. Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out method. The Company reviews its inventory for obsolescence and any inventory identified as obsolete is reserved or written off. The Company's determination of obsolescence is based on assumptions about the demand for its products, product expiration dates, estimated future sales, and management's future plans.

As of September 30, 2020 and December 31, 2019, inventory consists of the following components:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Raw materials and supplies	\$ 41,497	\$ 44,515
Finished products	283,567	226,217
Total inventory	<u>\$ 325,064</u>	<u>\$ 270,732</u>

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenue From Contracts With Customers. Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to in exchange for transferring those goods or services. Revenue is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Performance Obligations

Product sales are recognized all of the following criteria are satisfied: (i) a contract with an end user exists which has commercial substance; (ii) it is probable the Company will collect the amount charged to the end user; and (iii) the Company has completed its performance obligation whereby the end user has obtained control of the product. A contract with commercial substance exists once the Company receives and accepts a purchase order or once it enters into a contract with an end user. If collectability is not probable, the sale is deferred and not recognized until collection is probable or payment is received. Control of products typically transfers when title and risk of ownership of the product has transferred to the customer. Payment is received before shipment of the product. Net revenues comprise gross revenues less customer discounts and allowances, actual and expected returns. Shipping charges billed to customers are included in net sales. Various taxes on the sale of products and enrollment packages to customers are collected by the Company as an agent and remitted to the respective taxing authority. These taxes are presented on a net basis and recorded as a liability until remitted to the respective taxing authority. The Company allows for customers to return unopened products within 45 days. During the nine months ended September 30, 2020, there were a trivial amount of refunds processed for returned product.

During the nine months ended September 30, 2020, the Company also began generating revenue from licensing customers a proprietary software as a service (“SaaS”) application, hosting and technical services related to the e-commerce super affiliate platform it has developed. The Company enters into agreements with customers for the services, generally with a term of one year, with the ability of either party to terminate the contract with 60 days notice. SaaS services are billed monthly as the services are provided to the customer. Additional development work may be provided for agreed upon fees, which are billed and recognized as revenue as service is provided to the customer.

Contract Costs

Costs incurred to obtain a customer contract are not material to the Company. The Company elected to apply the practical expedient to not capitalize contract costs to obtain contracts with a duration of one year or less, which are expensed and included within cost of goods and services.

Contract Liabilities

The Company may at times receive payment by credit card at the time customer places an order. Amounts received for undelivered product are considered a contract liability and are recorded as deferred revenue. Revenue for SaaS and related services is charged to the customer at the beginning of the month and recognized on a pro rata basis each month. As of September 30, 2020 and December 31, 2019, the Company had no deferred revenue related to unsatisfied performance obligations.

Disaggregated Revenue Data

The following table presents revenue disaggregated by type of good or service for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Product sales	\$ 38,160	\$ 52,992	\$ 135,154	\$ 232,781
SaaS agreements and related services	35,500	–	38,000	–
Total revenue	<u>\$ 73,660</u>	<u>\$ 52,992</u>	<u>\$ 173,154</u>	<u>\$ 232,781</u>

Cost of Sales

Cost of sales includes all of the costs to purchase and assemble the Company's products. Products are manufactured for the Company by third-party contractors, such costs represent the amounts invoiced by the contractors. Additionally, shipping costs are included in Cost of Sales in the Statements of Operations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include advertising and promotional costs and research and development costs. Also included in Selling, general and administrative expenses are stock-based compensation, certain warehousing fees, non-manufacturing overhead, personnel and related expenses, rent on operating leases, and professional fees.

Advertising and promotional costs are expensed as incurred and totaled \$0 and \$276 in the three and nine months ended September 30, 2020, respectively and \$863 and \$35,385 in the three and nine months ended September 30, 2019, respectively. Research and development costs are expensed as incurred. There were no research and development costs during the nine months ended September 30, 2020 and 2019.

Website Development Cost

The Company capitalizes certain development costs associated with internal use software incurred during the application development stage. The Company expenses costs associated with preliminary project phase activities, training, maintenance and any post-implementation period costs as incurred. Capitalization of qualifying application development cost begins when management authorized and commits to funding the project and it is probable that the project will be completed for the function intended. Capitalized internal use software costs are normally amortized over estimated useful lives ranging from 2 to 5 years once the related project has been completed and deployed for customer use. At time the software is considered to have be an indefinite lived asset in which case it is evaluated for impairment at least annually. Capitalized costs are related to the development of our website and customer portal. The Company amortizes capitalized costs over an estimated useful life of three years. Amortization expense for the nine months ended September 30, 2020 and 2019 was \$44,044 and \$44,044, respectively.

Recently Issued Accounting Pronouncements

The Company does not believe that any recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying financial statements.

NOTE 3 –NOTES PAYABLE

In June 2020, the Company entered into an unsecured insurance financing arrangement for a value of \$10,416, bearing interest at 12.35%. The Company made a down payment of \$2,923 and is obligated to make monthly payments of \$876 through March 2021. The outstanding balance of this agreement was \$5,073 as of September 30, 2020.

Effective June 10, 2020, the Company received \$68,300 under the United States Small Business disaster loan program. The loan bears interest at 3.75%, and the Company is required to begin making monthly payments of \$334 commencing in June 2021 for a period of 30 years. The loan grants the SBA a security interest in all assets of the Company. The Company also received a \$2,000 assistant grant, which is included in other income on the Company's statements of operations.

NOTE 4 – CONVERTIBLE NOTES PAYABLE

On March 29, 2019, the Company entered into an unsecured convertible promissory note which allowed for up to \$750,000 of principal, with a total original issue discount of up to \$150,000, with a principal amount of \$250,000. In April 2019, the Company received net cash proceeds of \$200,000 after an original issue discount of \$50,000. In July 2019, the Company received additional proceeds of \$200,000 after an original issue discount of \$50,000, and received an additional \$200,000 of net proceeds after \$50,000 original issue discount in August 2019. The convertible note bears interest at 8% and all principal amounts matured on September 30, 2019, with interest accruing at a rate of 22% if the Company is in default. Beginning at the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is the lesser of \$2 or 70% of the lowest trading price during the 30 trading days prior to the conversion date. During the year ended December 31, 2019, the lender converted \$50,000 of principal into 714,296 shares of common stock in accordance with the terms of the agreement. During the nine months ended September 30, 2020, the lender converted \$192,986 of principal into 50,903,682 shares of common stock. The conversions were in accordance with the terms of the note and no gain or loss was recognized.

On March 13, 2020, the lender provided the Company with notice of default of the convertible promissory note. In accordance with the terms of the agreement, an additional \$349,534 of principal became due and payable, and the Company began accruing interest expense at the default rate of 22%. The additional principal was recorded as debt discount and amortized to interest expense immediately. As of September 30, 2020, there is \$856,549 of principal outstanding on this convertible promissory note in default.

On September 6, 2019, the Company entered into an unsecured convertible promissory note, with a principal amount of \$153,000. The Company received net cash proceeds of \$150,000 after payment of fees of \$3,000. The convertible note bears interest at 10% and matures on September 6, 2021, with interest accruing at a rate of 22% if the Company is in default. Beginning six months after the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is determined based on 65% of the lowest trading price during the 15 trading days prior to the conversion date. The Company determined that the conversion features should be accounted for as a derivative liability at the time the notes became convertible. During the nine months ended September 30, 2020, the holder converted \$153,000 of principal and \$7,650 of accrued interest into 20,101,064 shares of common stock. These conversions were in accordance with the terms of the note and no gain or loss was recognized. There is no outstanding balance on this convertible note payable as of September 30, 2020.

On November 25, 2019, the Company entered into an unsecured convertible promissory note, with a principal amount of \$78,000. The Company received net cash proceeds of \$75,000 after payment of fees of \$3,000. The convertible note bears interest at 10% and matures on November 25, 2021, with interest accruing at a rate of 22% if the Company is in default. Beginning six months after the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is determined based on 65% of the lowest trading price during the 15 trading days prior to the conversion date. On April 29, 2020, the Company received a notice of default from the holder of the September 6, 2019 convertible note payable, the November 25, 2019 convertible note payable with \$78,000 of principal and the February 7, 2020 convertible note payable, as a result of insufficient shares authorized to settle conversion of these notes payable. As a result of the default notice, each of these notes became due and payable immediately, interest is accrued at the default rate of 22%, and the principal balance outstanding at the time of default is doubled. The September 2019 note increase in principal by \$61,100 and the February 7, 2020 increase in principal by \$78,000 as a result of this default. During the nine months ended September 30, 2020 the lender converted the \$139,100 of principal and \$3,900 of accrued interest into 22,024,952 shares of common stock. These conversions were in accordance with the terms of the note and no gain or loss was recognized. There is no outstanding balance on this convertible note payable as of September 30, 2020.

On November 25, 2019, the Company entered into an unsecured convertible promissory note, with a principal amount of \$150,000. The Company received net cash proceeds of \$131,000 after an original issue discount of \$15,000 and fees of \$4,000. The convertible note bears interest at 5% and matures on November 25, 2020, with interest accruing at a rate of 15% if the Company is in default. The note is convertible upon issuance through the maturity date into shares of common stock at a fixed price of \$1.00 per share to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. Beginning six months after the issuance of the note, the holder may convert the note at any time, at a price based on the lower of the fixed price of \$1.00 per share or 75% of the lowest trading price during the 15 trading days prior to the conversion date. During the nine months ended September 30, 2020 the lender converted the \$89,966 of principal and \$7,200 of accrued interest and fees into 19,200,000 shares of common stock. These conversions were in accordance with the terms of the note and no gain or loss was recognized. There was \$60,034 of principal outstanding on this note as of September 30, 2020.

On December 10, 2019, the Company entered into an unsecured convertible promissory note, with a principal amount of \$110,000. The Company received net cash proceeds of \$97,000 after an original issue discount of \$10,000 and fees of \$3,000. The lender also received 35,000 shares of common stock as a deferred finance cost, with a fair value of \$8,407. The convertible note bears interest at 10% and matures on December 10, 2020, with interest accruing at a rate of 24% if the Company is in default. Beginning six months after the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is determined based on the lesser of 1) \$0.149, or 2) the lesser of 62% of the lowest trade price or the closing bid price during the 20 trading days prior to the conversion date. During the nine months ended September 30, 2020 the lender converted the \$59,600 of principal and \$4,250 of accrued interest into 71,967,260 shares of common stock. These conversions were in accordance with the terms of the note and no gain or loss was recognized. There was \$50,400 of principal outstanding on this note as of September 30, 2020.

On February 7, 2020, the Company entered into an unsecured convertible promissory note, with a principal amount of \$78,000. The Company received net cash proceeds of \$75,000 after payment of fees of \$3,000. The convertible note bears interest at 10% and matures on February 7, 2022, with interest accruing at a rate of 22% if the Company is in default. Beginning six months after the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is determined based on 65% of the lowest trading price during the 15 trading days prior to the conversion date. As a result of the default notice provided by the lender due to insufficient authorized shares, the principal balance on the note increased to \$156,000. There was \$156,000 of principal outstanding on this note as of September 30, 2020.

As a result of the Bankruptcy Petition, all unamortized debt discount and deferred finance costs were amortized to interest expense, with a total of \$151,338 included within reorganization costs on the statement of operations for the nine months ended September 30, 2020. Prior to the bankruptcy filing on June 15, 2020, the Company recognized amortization of debt discount and deferred finance costs of \$453,853 and \$819,082 during the three and six months ended June 30, 2020, respectively. The Company amortized an additional \$92,345 during the three months ended September 30, 2020 related to the February 7, 2020 note payable. An additional \$151,338 of debt discount was amortized to interest and classified as part of reorganization costs on the statement of operations, for total amortization of debt discount and deferred finance costs of \$1,062,765 during the nine months ended September 30, 2020. All unsecured debt is included in Liabilities Subject to Compromise on the Company's balance sheet as of September 30, 2020.

The following table summarizes outstanding convertible notes as of September 30, 2020 and December 31, 2019:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Convertible note dated March 29, 2019, maturing September 30, 2019	\$ 856,549	\$ 700,000
Convertible note dated September 6, 2019, maturing September 6, 2021	–	153,000
Convertible note dated November 25, 2019, maturing November 25, 2021	–	78,000
Convertible note dated November 25, 2019, maturing November 25, 2020	60,034	150,000
Convertible note dated December 10, 2019, maturing December 10, 2020	50,400	110,000
Convertible note dated February 7, 2020, maturing February 7, 2022	156,000	–
Total	<u>1,122,983</u>	<u>1,191,000</u>
Debt discount and deferred finance costs on long-term convertible notes	(131,491)	(5,376)
Debt discount and deferred finance costs on short-term convertible notes	–	(37,310)
Current convertible notes payable, net of discount	<u>–</u>	<u>(922,690)</u>
Total long-term convertible notes payable, net	<u>\$ 991,492</u>	<u>\$ 225,624</u>

The following table presents information about the Company's liabilities measured at fair value on a recurring basis and the Company's estimated level within the fair value hierarchy of those assets and liabilities as of September 30, 2020 and December 31, 2019:

Fair value measured at September 30, 2020				
	<u>Total carrying value at September 30, 2020</u>	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant Unobservable inputs (Level 3)</u>
Liabilities:				
Derivative liabilities	\$ 696,772	\$ –	\$ –	\$ 696,772
Fair value measured at December 31, 2019				
	<u>Total carrying value at December 31, 2019</u>	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant Unobservable inputs (Level 3)</u>
Liabilities:				
Derivative liabilities	\$ 470,331	\$ –	\$ –	\$ 470,331

The fair values of derivatives at the date of issuance during the nine months ended September 30, 2020 were estimated using a Black Scholes model and the following assumptions: volatility of between 53% and 78% based on a peer group of comparable companies, a dividend yield of 0%, an expected term of six months to one and a half years, an exercise price of between \$0.001 and \$0.068, and a risk-free rate of between 0.13% and 0.63%.

The fair value of derivatives as of September 30, 2020 was estimated using a Black Scholes model and the following assumptions: volatility of 55% and 62% based on a peer group of comparable companies, a dividend yield of 0%, an expected term of between two months and 1.5 years, an exercise price of \$0.0013 and \$0.0016 and, and a risk-free rate of 0.10%-0.12%. There were no transfers between Level 1, 2 or 3 during the nine months ended September 30, 2020. As of September 30, 2020, outstanding convertible debt principal is convertible into 747,312,672 shares of common stock.

The table below presents the change in the fair value of the derivative liability during the nine months ended September 30, 2020:

Fair value as of December 31, 2019	\$	470,331
Fair value on the date of issuance recorded as a debt discount		659,935
Fair value on the date of issuance recorded as a loss on derivative		504,479
Extinguishment of liability due to conversion to equity		(784,115)
Gain on change in fair value of derivatives		(153,858)
Fair value as of September 30, 2020	<u>\$</u>	<u>696,772</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Our principal office is part of a group of executive suites. We pay \$130 per month for our offices, on a month-to-month basis. In July 2018, the Company also began renting a shared office space for \$175 per month on a month to month basis.

During the year ended December 31, 2019, the Company entered an agreement whereby the Company pays a contractor \$2,000 per month for a six month term, and the contractor may also receive shares of common stock depending on certain performance targets as discussed in Note 6.

In April 2018, the Company entered into an agreement with a third party for a subscription to its e-commerce platform. The Company paid \$3,000 for implementation and pays \$2,000 per month, with an initial term of one year. After the initial term, the monthly fee may increase depending on the Company's level of sales through the platform.

NOTE 6 – STOCKHOLDERS' DEFICIT

Preferred Stock

The Company has 5,000,000 shares of Preferred Stock authorized. On November 18, 2019, the Company's Board of Directors designated 1,000,000 of those preferred shares as "Series A Preferred Stock." Each share of Series A Preferred Stock has voting rights equal to 250 shares of common stock, with a total of 250,000,000 votes available to holders of the Series A Preferred Stock. The Series A Preferred Stock has no conversion rights, no dividend rights and no liquidation preference. The Board of Directors concurrently authorized the issuance of 500,000 shares of Series A Preferred Stock each to Steven Raack, the Company's Chief Executive Officer, and Thomas Raack, the Company's Chief Financial Officer.

Common Stock

On November 22, 2019, a majority of the Company's shareholders approved an increase in the authorized common shares from 112,500,000 to 195,000,000. On May 29, 2020, a majority of the Company's shareholders approved an increase in the authorized common shares to 495,000,000.

During the years ended December 31, 2019 and 2018, the Company entered into various agreements with third parties to provide legal, consulting and marketing services. These agreements generally contain performance conditions such as the completion of certain milestones and sales targets through January 2021. Certain agreements contained service conditions grants of common stock upon signing the agreement, or at recurring periods of 90 days. The Company begins recognizing compensation cost for performance awards when the satisfaction of the performance milestone is considered probable. Any awards with service only conditions are recognized over the requisite service period. Certain of these agreements also awarded common stock warrants, which are disclosed below under “*Common Stock Warrants*”

The following table summarizes the common share activity related to these agreements for the nine months ended September 30, 2020:

	Nine Months Ended September 30, 2020
Common shares to be issued, beginning balance	1,747,500
Shares awarded for potential future issuance	50,000
Forfeited	(497,500)
Shares issued	(50,000)
Remaining shares to be issued, ending balance	<u>1,250,000</u>

In February 2020, the Company issued 50,000 shares of common stock to advisors under 2019 agreements. During the three and nine months ended September 30, 2020, the Company recognized expense of \$0 and \$66,167, respectively related to all stock-based compensation share awards. As of September 30, 2020, the Company expects to recognize a total of \$1,917,500 of expense related to the above shares that have not yet vested, assume all vest.

Bruce Lee Beverage Agreement

On December 31, 2018, the Company entered into a business alliance agreement with Bruce Lee Beverage, LLC. (“BLB”). Under the terms of the agreement, the parties will develop a new product utilizing the intellectual property of BLB, with an initial term of five years and automatic five-year renewals thereafter unless terminated by either party with 120 days’ prior written notice. The Company issued 150,000 shares of common stock to BLB on December 31, 2018, and an additional 350,000 shares in January 2019, which are included in the table above.

The Company also issued 1,500,000 warrants in January 2019, with an exercise price of \$1.01 per share, with 500,000 vesting upon issuance. BLB can receive up to an additional 1,000,000 shares of common stock, and vest in the remaining 1,000,000 warrants as follows:

- 500,000 shares of common stock and 500,000 warrants will vest upon approval of co-branded product formula, packaging and marketing strategy; execution of licensing agreement between the two parties; and commencement of a mutually agreed upon marketing campaign.
- 250,000 shares of common stock and 250,000 warrants will vest upon sale of 10,000 units of the new product.
- 250,000 shares of common stock and 250,000 warrants will vest upon sale of 30,000 units of the new product.

In June 2019, the Company and BLB executed the license agreement referred to in the first milestone above and the launch of the co-branded product, which began sales in July 2019. The license agreement has a term of 3 years, and specifies that the Company will pay royalties to BLB related to sales of the underlying product as follows:

- 20% of any net sales up to \$499 through BLB's customers;
- 25% of any net sales of between \$500 and \$999 through BLB's customers;
- 30% of any net sales exceeding \$1,000 through BLB's customers;
- 5% of net sales on sales up to \$2,499 by the Company's Level 1 Ambassadors;
- 7% of net sales on sales between \$2,500 and \$4,999 by the Company's Level 1 Ambassadors;
- 10% of net sales on sales exceeding \$5,000 by the Company's Level 1 Ambassadors;
- 5% of net sales on any sales by the Company's Level 2 Ambassadors.

Pursuant to the terms of milestone, the Company issued 500,000 shares of common stock and 500,000 warrants to BLB in June 2019.

During the nine months ended September 30, 2020 and 2019, the Company paid a total of \$1,645 and \$158, respectively, for royalties earned under the agreement.

Common Stock Warrants

Certain of the agreements noted above also awarded common stock purchase warrants to certain third parties. These warrants are earned upon the recipient earning certain performance metrics. Certain of the agreements issued warrants to the recipient upon execution of the agreement.

The following table summarizes warrant activity for the nine months ended September 30, 2020:

	Common Stock Warrants		
	Shares	Weighted Average Exercise Price	Weighted average Remaining Life in years
Outstanding at December 31, 2019	4,440,000	\$ 1.33	2.6
Granted	—	—	—
Cancelled	—	—	—
Expired	—	—	—
Exercised	—	—	—
Outstanding at September 30, 2020	<u>4,440,000</u>	<u>\$ 1.33</u>	<u>1.80</u>
Exercisable at September 30, 2020	<u>1,334,000</u>	<u>\$ 1.13</u>	<u>0.85</u>

As of September 30, 2020, the outstanding and exercisable warrants had no intrinsic value. The Company recognized no compensation expense during the three and nine months ended September 30, 2020, respectively related to the warrants. The Company expects to recognize a total of \$1,547,148 of expense related to all warrants that have not yet vested, assume all vest.

NOTE 7 – LOSS PER COMMON SHARE

The basic net loss per common share is calculated by dividing the Company's net loss available to common shareholders by the weighted average number of common shares during the year. The diluted net loss per common share is calculated by dividing the Company's net loss available to common shareholders by the diluted weighted average number of common shares outstanding during the year. The diluted weighted average number of common shares outstanding is the basic weighted number of common shares adjusted for any potentially dilutive debt or equity. As of September 30, 2020, diluted net earnings (loss) per common share excludes any impact from the 4,400,000 warrants outstanding (including 1,334,000 that were exercisable as of September 30, 2020 and 2019), and 4,166,667 shares of common stock issuable under notes payable that are convertible as of September 30, 2019, respectively, as their impact would be antidilutive.

	Three Months Ended		Nine Months Ended	
	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Numerator				
Basic net loss	\$ (5,234)	\$ (1,193,364)	\$ (1,804,033)	\$ (4,694,054)
Addback: interest expense on convertible debt	92,344	–	–	–
Addback: derivative gain	(170,752)	–	–	–
Diluted net loss	<u>\$ (83,642)</u>	<u>\$ (1,193,364)</u>	<u>\$ (1,804,033)</u>	<u>\$ (4,694,054)</u>
Denominator				
Basic and Diluted weighted average common shares	153,794,894	31,777,896	99,106,171	30,958,296
Adjustment for convertible debt	781,979,052	–	–	–
	<u>935,773,946</u>	<u>31,777,896</u>	<u>99,106,171</u>	<u>30,958,296</u>
Loss per common share				
Basic	<u>\$ (0.00)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.15)</u>
Diluted	<u>\$ (0.00)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.15)</u>

NOTE 8 – TRANSACTION WITH RELATED PARTIES

In March 2018, the Company entered into an Agreement with VOTOCAST, INC. dba newkleus, a California corporation formed and owned by Steven Raack, the President, CEO and a Director of the Company. The Company received an exclusive license in the cannabis industry for the state-of-the-art newkleus™ technology to (1) facilitate Vitalibis' micro-influencer sales model, and (2) enhance and compliment Vitalibis' social media strategy.

The Agreement grants Vitalibis an exclusive license for the newkleus patent-pending, user-generated content (UGC) technology for all applications in the cannabis industry. The integration of the newkleus technology allows Vitalibis to create an interactive digital community, while concurrently acquiring valuable user data and content, all of which Vitalibis anticipates will (1) increase customer acquisition and retention and (2) build direct, meaningful and loyal customer relationships.

The Company paid 200,000 shares upon execution of the agreement and a monthly fee ranging from \$0 to \$2,000 depending on volume of usage. In addition, newkleus provides operational and business development consulting services.

The Company has not paid any fees under this agreement to date.

NOTE 9 – SUBSEQUENT EVENTS

On October 19, 2020, the lender of the March 2019 convertible note payable converted \$13,620 of principal into 10,809,844 shares of common stock in accordance with the terms of the agreement.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains certain statements that may be deemed “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Report, including, without limitation, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements are not guarantees of future performance and involve risks, uncertainties and requirements that are difficult to predict or are beyond our control. Forward-looking statements speak only as of the date of this quarterly report. You should not put undue reliance on any forward-looking statements. We assume no responsibility to update the forward-looking statements contained in this quarterly report on Form 10-Q. The following should also be read in conjunction with the unaudited Financial Statements and notes thereto that appear elsewhere in this report.

Company Overview

The Company

Vitalibis® is a socially conscious brand focused on people, products and the planet. We are a technology-based formulator of premium, full spectrum phytocannabinoid rich hemp products with naturally occurring cannabidiol (CBD), along with safe personal care and nutritional products. Our Ambassador program combines critical elements of social selling, ecommerce and affiliate marketing into one highly focused business system which empowers our people and social mission-driven ecosystem.

Chapter 11 Proceedings

On June 15, 2020, Vitalibis, Inc. (the “Debtor”), filed a voluntary petition (the “Bankruptcy Petition”), for reorganization under chapter 11 of the United States Bankruptcy Code, (the “Bankruptcy Code”), in the United States Bankruptcy Court for the Southern District of Texas-Corpus Christi Division (“Bankruptcy Court”). As of September 30, 2020, certain conditions precedent to consummation of a Plan of Reorganization and emergence from the Chapter 11 proceedings had not yet been met, and, as a result, the Company continued to operate its business as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Effect of the Bankruptcy Proceedings

During the bankruptcy proceedings, the Debtor conducts normal business activities and was authorized to pay certain vendor payments, wage payments and tax payments in the ordinary course. In addition, subject to certain specific exceptions under the Bankruptcy Code, the Bankruptcy Petitions automatically stayed most judicial or administrative actions against the Debtors or their property to recover, collect, or secure a prepetition claim. For example, the Bankruptcy Petitions prohibited lenders or note holders from pursuing claims for defaults under the Debtors’ debt agreements during the pendency of the chapter 11 cases.

Operations

We market and sell consumer products containing full spectrum phytocannabinoid rich hemp oil with naturally occurring CBD under our Vitalibis® brand in a range of market sectors including wellness, and personal care. We currently distribute 8 Vitalibis® branded products and we expect to continue to add new products to our Vitalibis® portfolio to enhance our line of full spectrum phytocannabinoid rich hemp products with naturally occurring cannabidiol (CBD) and hemp-related consumer products. We also expect to develop and launch new brands under the Vitalibis® product development umbrella to more effectively market and sell certain products. We also sell water soluble full spectrum phytocannabinoid rich hemp powder with naturally occurring cannabidiol (CBD) acquired through our supply relationships in the United States to various customers that produce products for resale into the market. We also began offering non-exclusive leases of our proprietary Vitalibis® technology back-end, which is being offered as a Software as a Service (SaaS) platform.

We seek to take advantage of an emerging worldwide trend to re-energize the production of industrial hemp and to foster its many uses for consumers. Historically cultivated for industrial and practical purposes, hemp is used today for textiles, paper, auto parts, biofuel, cosmetics, animal feed, nutritional supplements, and much more. The market for hemp-derived products is expected to increase substantially over the next five years, and we believe Vitalibis® is well positioned to have a demonstrable impact on the rapidly emerging hemp industry.

Hemp-derived CBD is one of at least 80 cannabinoids found in hemp and is non-psychoactive. Our U.S. based supplier oversees our raw material supply chain and raw material processing. Our internal team manages product development and manufacturing, and sales and marketing. We will continue to scale-up our processing capability to accommodate new products in our pipeline.

During the third quarter of 2020, the Company also began generating revenue from licensing customers a proprietary software as a service (“SaaS”) application, hosting and technical services related to the e-commerce super affiliate platform it has developed. The Company enters into agreements with customers for the services, generally with a term of one year, with the ability of either party to terminate the contract with 60 days notice. SaaS services are billed monthly as the services are provided to the customer. Additional development work may be provided for agreed upon fees, which are billed and recognized as revenue as service is provided to the customer.

We expect to realize revenue to fund our working capital needs through the sale of finished products and raw materials to third parties, and through the license agreements for SaaS applications. However, in order to fund our development efforts, we will need to raise additional capital either through the issuance of equity and/or the issuance of debt. In the event we are unable to raise sufficient additional capital to fund our product development efforts, we may need to curtail or delay such activity.

We are an emerging growth company as defined in Section 2(a)(19) of the Securities Act. We will continue to be an emerging growth company until: (i) the last day of our fiscal year during which we had total annual gross revenues of \$1,000,000,000 or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act; (iii) the date on which we have, during the previous 3-year period, issued more than \$1,000,000,000 in non-convertible debt; or (iv) the date on which we are deemed to be a large accelerated filer, as defined in Section 12b-2 of the Exchange Act.

As an emerging growth company, we are exempt from:

Section 14A (a) and (b) of the Exchange Act, which requires companies to hold stockholder advisory votes on executive compensation and golden parachute compensation;

The requirement to provide in any registration statement periodic report or other report to be filed with the Securities and Exchange Commission, certain modified executive compensation disclosure under Item 402 of Regulation S-K or selected financial data under Item 301 of Regulation S-K for any period before the earliest audited period presented in our initial registration statement;

Compliance with new or revised accounting standards until those standards are applicable to private companies;

The requirement under Section 404(b) of the Sarbanes-Oxley Act of 2002 to provide auditor attestation of our internal controls and procedures; and

Any Public Company Accounting Oversight Board (“PCAOB”) rules regarding mandatory audit firm rotation, or an expanded auditor report and any other PCAOB rules subsequently adopted, unless the Securities and Exchange Commission determines the new rules are necessary for protecting the public.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the Jumpstart Our Business Startups Act.

Vitalibis, Inc. (the "Company") was formed on April 11, 2014, as a Nevada corporation, under the name Crowd 4 Seeds, Inc. On January 9, 2017, the Company filed a certificate of amendment to its Certificate of Incorporation with the Secretary of State of the State of Nevada in order to change its name to "Sheng Ying Entertainment Corp." On December 16, 2017, new management took over control of the Company and, on February 5, 2018, the Company filed a certificate of amendment to its Certificate of Incorporation with the Secretary of State of the State of Nevada in order to change its name to "Vitalibis, Inc".

As of September 30, 2020, and through current date, most of our resources and work have been devoted to adopting and integrating our new business plan, research and development, seeking capital to finance our operations and complying with our obligations under applicable securities laws, rules and regulations.

We are a public company and, as such, we have incurred and will continue to incur significant expenses for legal, accounting and related services. As a public entity, subject to the reporting requirements of the Exchange Act of 1934, we incur ongoing expenses associated with professional fees for accounting, legal and a host of other expenses including annual reports and proxy statements, if required. We estimate that these costs will range up to \$80,000 per year over the next few years and may be significantly higher if our business volume and transactional activity increases, based on our overall business volume (and financial transactions), and we will not yet be subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 until we exceed \$75 million in market capitalization (if ever). These obligations will certainly reduce our ability and resources to expand our business plan and activities. We hope to be able to use our status as a public company to increase our ability to use non-cash means of settling outstanding obligations (i.e. issuance of restricted shares of our common stock) and compensate independent contractors who provide professional services to us, although there can be no assurances that we will be successful in any of these efforts. We will also reduce compensation levels paid to management (if we attract or retain outside personnel to perform this function) if there is insufficient cash generated from operations to satisfy these costs.

On March 29, 2019, the Company entered into an unsecured convertible promissory note which allowed for up to \$750,000 of principal, with a total original issue discount of up to \$150,000, with a principal amount of \$250,000. In April 2019, the Company received net cash proceeds of \$200,000 after an original issue discount of \$50,000. In July 2019, the Company received additional proceeds of \$200,000 after an original issue discount of \$50,000, and received an additional \$200,000 of net proceeds after \$50,000 original issue discount in August 2019. The convertible note bears interest at 8% and all principal amounts matured on September 30, 2019, with interest accruing at a rate of 22% if the Company is in default. Beginning at the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is the lesser of \$2 or 70% of the lowest trading price during the 30 trading days prior to the conversion date. During the year ended December 31, 2019, the lender converted \$50,000 of principal into 714,296 shares of common stock in accordance with the terms of the agreement. During the nine months ended September 30, 2020, the lender converted \$192,986 of principal into 50,903,682 shares of common stock. The conversions were in accordance with the terms of the note and no gain or loss was recognized.

On March 13, 2020, the lender provided the Company with notice of default of the convertible promissory note. In accordance with the terms of the agreement, an additional \$349,534 of principal became due and payable, and the Company began accruing interest expense at the default rate of 22%. The additional principal was recorded as debt discount and amortized to interest expense immediately. As of September 30, 2020, there is \$856,549 of principal outstanding on this convertible promissory note in default.

On September 6, 2019, the Company entered into an unsecured convertible promissory note, with a principal amount of \$153,000. The Company received net cash proceeds of \$150,000 after payment of fees of \$3,000. The convertible note bears interest at 10% and matures on September 6, 2021, with interest accruing at a rate of 22% if the Company is in default. Beginning six months after the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is determined based on 65% of the lowest trading price during the 15 trading days prior to the conversion date. The Company determined that the conversion features should be accounted for as a derivative liability at the time the notes became convertible. During the nine months ended September 30, 2020, the holder converted \$153,000 of principal and \$7,650 of accrued interest into 20,101,064 shares of common stock. These conversions were in accordance with the terms of the note and no gain or loss was recognized. There is no outstanding balance on this convertible note payable as of September 30, 2020.

On November 25, 2019, the Company entered into an unsecured convertible promissory note, with a principal amount of \$78,000. The Company received net cash proceeds of \$75,000 after payment of fees of \$3,000. The convertible note bears interest at 10% and matures on November 25, 2021, with interest accruing at a rate of 22% if the Company is in default. Beginning six months after the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is determined based on 65% of the lowest trading price during the 15 trading days prior to the conversion date. On April 29, 2020, the Company received a notice of default from the holder of the September 6, 2019 convertible note payable, the November 25, 2019 convertible note payable with \$78,000 of principal and the February 7, 2020 convertible note payable, as a result of insufficient shares authorized to settle conversion of these notes payable. As a result of the default notice, each of these notes became due and payable immediately, interest is accrued at the default rate of 22%, and the principal balance outstanding at the time of default is doubled. The September 2019 note increase in principal by \$61,100 and the February 7, 2020 increase in principal by \$78,000 as a result of this default. During the nine months ended September 30, 2020 the lender converted the \$139,100 of principal and \$3,900 of accrued interest into 22,024,952 shares of common stock. These conversions were in accordance with the terms of the note and no gain or loss was recognized. There is no outstanding balance on this convertible note payable as of September 30, 2020.

On November 25, 2019, the Company entered into an unsecured convertible promissory note, with a principal amount of \$150,000. The Company received net cash proceeds of \$131,000 after an original issue discount of \$15,000 and fees of \$4,000. The convertible note bears interest at 5% and matures on November 25, 2020, with interest accruing at a rate of 15% if the Company is in default. The note is convertible upon issuance through the maturity date into shares of common stock at a fixed price of \$1.00 per share to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. Beginning six months after the issuance of the note, the holder may convert the note at any time, at a price based on the lower of the fixed price of \$1.00 per share or 75% of the lowest trading price during the 15 trading days prior to the conversion date. During the nine months ended September 30, 2020 the lender converted the \$89,966 of principal and \$7,200 of accrued interest and fees into 19,200,000 shares of common stock. These conversions were in accordance with the terms of the note and no gain or loss was recognized. There was \$60,034 of principal outstanding on this note as of September 30, 2020.

On December 10, 2019, the Company entered into an unsecured convertible promissory note, with a principal amount of \$110,000. The Company received net cash proceeds of \$97,000 after an original issue discount of \$10,000 and fees of \$3,000. The lender also received 35,000 shares of common stock as a deferred finance cost, with a fair value of \$8,407. The convertible note bears interest at 10% and matures on December 10, 2020, with interest accruing at a rate of 24% if the Company is in default. Beginning six months after the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is determined based on the lesser of 1) \$0.149, or 2) the lesser of 62% of the lowest trade price or the closing bid price during the 20 trading days prior to the conversion date. During the nine months ended September 30, 2020 the lender converted the \$59,600 of principal and \$4,250 of accrued interest into 71,967,260 shares of common stock. These conversions were in accordance with the terms of the note and no gain or loss was recognized. There was \$50,400 of principal outstanding on this note as of September 30, 2020.

On February 7, 2020, the Company entered into an unsecured convertible promissory note, with a principal amount of \$78,000. The Company received net cash proceeds of \$75,000 after payment of fees of \$3,000. The convertible note bears interest at 10% and matures on February 7, 2022, with interest accruing at a rate of 22% if the Company is in default. Beginning six months after the issuance of the note, the holder may convert the note at any time through the maturity date into shares of common stock, to the extent and provided that no holder of these notes was or will be permitted to convert such notes to the extent that the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's common stock after such conversion. The conversion price is determined based on 65% of the lowest trading price during the 15 trading days prior to the conversion date. As a result of the default notice provided by the lender due to insufficient authorized shares, the principal balance on the note increased to \$156,000. There was \$156,000 of principal outstanding on this note as of September 30, 2020.

As a result of the Bankruptcy Petition, all unamortized debt discount and deferred finance costs were amortized to interest expense, with a total of \$151,338 included within reorganization costs on the statement of operations for the nine months ended September 30, 2020. Prior to the bankruptcy filing on June 15, 2020, the Company recognized amortization of debt discount and deferred finance costs of \$453,853 and \$819,082 during the three and six months ended June 30, 2020, respectively. The Company amortized an additional \$92,345 during the three months ended September 30, 2020 related to the February 7, 2020 note payable. An additional \$151,338 of debt discount was amortized to interest and classified as part of reorganization costs on the statement of operations, for total amortization of debt discount and deferred finance costs of \$1,062,765 during the nine months ended September 30, 2020. All unsecured debt is included in Liabilities Subject to Compromise on the Company's balance sheet as of September 30, 2020.

Results of Operations

Three months ended September 30, 2020 compared to three months ended September 30, 2019

Revenue and Gross Profit

During the three months ended September 30, 2020, the Company generated \$73,660 in revenue and \$31,251 in gross profit. During the three months ended September 30, 2019, the Company generated \$52,992 in revenue and \$25,096 in gross profit. The increase in revenue and gross profit is primarily related to new SaaS agreement revenue that began during the current period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to \$55,756 and \$293,501, respectively for the three months ended September 30, 2020 and 2019, a decrease of \$237,745. The decrease was primarily due to lower stock-based compensation and lower executive officer compensation in the current period.

Professional fees

Professional fees amounted to \$49,338 and \$39,674, respectively for the three months ended September 30, 2020 and 2019. The increase of \$9,664 was primarily due to increased accounting fees associated with the Bankruptcy Petition filed on June 15, 2020.

Reorganization Costs

Reorganization costs for the three months ended September 30, 2020 were \$9,592 and consisted of legal fees related to the Petition.

Interest expense

Interest expense was \$92,551 for the three months ended September 30, 2020 compared to \$796,899 for the three months ended September 30, 2019. The interest expense primarily relates to the Company's recently issued convertible notes, including amortization of discount and deferred financing fees of \$92,344 and \$726,069 during the three months ended September 30, 2020 and 2019, respectively.

Derivative Gain/Loss

Derivative gains were \$170,752 and derivative losses \$88,386 for the three months ended September 30, 2020 and 2019, respectively.

Nine months ended September 30, 2020 compared to nine months ended September 30, 2019

Revenue and Gross Profit

During the nine months ended September 30, 2020, the Company generated \$173,154 in revenue and \$83,005 in gross profit. During the nine months ended September 30, 2019, the Company generated \$232,781 in revenue and \$98,104 in gross profit. The increase in revenue and gross profit is primarily related to a bulk product sale to a single customer in the prior period that did not occur in the current year, partially offset by the SaaS revenues that the Company began recognizing during the current period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to \$326,203 and \$3,498,323, respectively for the nine months ended September 30, 2020 and 2019, a decrease of \$3,172,120. The decrease was primarily due to lower stock-based compensation and lower executive officer compensation in the current period.

Professional fees

Professional fees amounted to \$94,050 and \$169,215, respectively for the nine months ended September 30, 2020 and 2019. The decrease of \$75,165 was primarily due to write downs of certain accounts payable associated with the Bankruptcy Petition filed on June 15, 2020 and decreased legal fees due to the Company's S-1 filing in the prior period.

Reorganization Costs

Reorganization costs for the nine months ended September 30, 2020 were \$171,033 and consisted primarily of \$151,338 of amortization of deferred finance costs and debt discount on convertible notes subject to compromise under the Bankruptcy Petition, and certain legal fees related to the Petition.

Interest expense

Interest expense was \$947,131 for the nine months ended September 30, 2020 compared to \$920,026 for the nine months ended September 30, 2019. The interest expense primarily relates to the Company's recently issued convertible notes, including amortization of discount and deferred financing fees of \$911,427.

Derivative loss

Derivative losses were \$350,621 and \$204,594 for the nine months ended September 30, 2020 and 2019, respectively.

Liquidity and Capital Resources

The following is a summary of the Company's cash flows used in operating activities for the nine months ended September 30, 2020 and 2019:

	<u>Nine Months ended September 30, 2020</u>	<u>Nine Months ended September 30, 2019</u>
Net cash used in operating activities	\$ (185,676)	\$ (905,467)
Net cash provided by financing activities	124,341	767,613
Net effect on cash	<u>\$ (61,335)</u>	<u>\$ (137,854)</u>

Operating Activities

The cash used in operating activities of \$185,676 and \$905,467 for the nine months ended September 30, 2020 and 2019, respectively, was primarily due to selling, general and administrative costs as the Company increased its operations related to producing and marketing its new inventory products, and uses of working capital.

Financing Activities

The cash provided by financing activities of \$124,341 during the nine months ended September 30, 2020 was primarily from one convertible debt issuance, which provided proceeds of \$78,000, proceeds from an SBA loan of \$68,300, partially offset by payments of debt issuance costs of \$3,000 and payments on unsecured notes payable of \$18,959. During the nine months ended September 30, 2019, the cash provided by financing activities of \$767,613 was primarily from four convertible debt issuances, which provided proceeds of \$1,019,000, offset by repayments on those notes of \$209,000, payments of debt issuance costs of \$12,000 and payments on unsecured notes payable of \$30,387.

We are a public company and as such we have incurred and will continue to incur significant expenses for legal, accounting and related services. As a public entity, subject to the reporting requirements of the Exchange Act of 1934, we incur ongoing expenses associated with professional fees for accounting, legal and a host of other expenses including annual reports and proxy statements, if required. We estimate that these costs will increase over the next few years and may be significantly higher if our business volume and transactional activity increases but we will not yet be subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 until we exceed \$75 million in market capitalization (if ever). These obligations will certainly reduce our ability and resources to expand our business plan and activities. We hope to be able to use our status as a public company to increase our ability to use noncash means of settling outstanding obligations (i.e. issuance of restricted shares of our common stock) and compensate independent contractors who provide professional services to us, although there can be no assurances that we will be successful in any of these efforts. We will also reduce compensation levels paid to management (if we attract or retain outside personnel to perform this function) if there is insufficient cash generated from operations to satisfy these costs.

We hope to be able to use our status as a public company to enable us to use non-cash means of settling obligations and compensate persons and/or firms providing services to us, although there can be no assurances that we will be successful in any of those efforts. However, these actions, if successful, will result in dilution of the ownership interests of existing shareholders, may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control of the Company because the shares may be issued to parties or entities committed to supporting existing management. The Company may offer shares of its common stock to settle a portion of the professional fees incurred in connection with its registration statement. No negotiations have taken place with any professional and no assurances can be made as to the likelihood that any professional will accept shares in settlement of obligations due to them.

As of September 30, 2020, total liabilities increased to \$1,902,915 from \$1,710,195 as of December 31, 2019, mainly due to the convertible debt issuances by the Company during the current period and the increase in the associated derivative liability. Of these liabilities, \$1,830,290 are classified as liabilities subject to compromise as part of the Company's Bankruptcy Petition.

Going Concern

Our auditor has issued a "going concern" qualification as part of its opinion in the Audit Report for the year ending December 31, 2019, and our unaudited financial statements for the nine months ended September 30, 2020, including a "going concern" note disclosing that our ability to continue as a going concern is contingent on us being able to raise working capital to grow our operations and generate revenue.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. We believe that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions.

Recently Issued Accounting Pronouncements

The Company does not believe that any other recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying financial statements.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

Contractual Obligations

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term “disclosure controls and procedures”, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2020, that our disclosure controls and procedures are not effective at a reasonable assurance level and are designed to provide reasonable assurance that the controls and procedures will meet their objectives due to the material weaknesses described below. However, it should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The internal controls for the Company are provided by executive management’s review and approval of all transactions. Our internal control over financial reporting also includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of September 30, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission in Internal Control-Integrated Framework. Management’s assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of these controls.

Based on this assessment, management has concluded that as of September 30, 2020, our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles due to the existence of the following material weaknesses:

- Lack of segregation of duties
- Lack of audit committee and independent directors
- Lack of well established procedures to authorize and approve related party transactions

Although we are unable to meet the standards under COSO because of the limited resources available to a company of our size, we are committed to improving our financial organization. As funds become available, we will undertake to: (1) create a position to segregate duties consistent with control objectives, (2) increase our personnel resources and technical accounting expertise within the accounting function (3) appoint one or more independent directors to our board of directors who shall be appointed to a Company audit committee resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures; and (4) prepare and implement sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements.

We will continue to monitor and evaluate the effectiveness of our disclosure controls and procedures and our internal control over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not a party to any legal proceeding or litigation.

Item 1A. Risk Factors.

As a “smaller reporting company”, we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14 and 15d-14.
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14 and 15d-14.
32.1	Certification of the Company's Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Company's Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 16, 2020

VITALIBIS, INC.

By: /s/ Steven Raack

Steven Raack
Chief Executive Officer

VITALIBIS, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13A-14(A) or RULE 15D-14 (A)

I, Steven Raack, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vitalibis, Inc.:
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2020

By: /s/ Steven Raack
Steven Raack
Chief Executive Officer

VITALIBIS, INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13A-14(A) or RULE 15D-14 (A)

I, Thomas Raack, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vitalibis, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2020

By: /s/ Thomas Raack
Thomas Raack
Chief Financial Officer

VITALIBIS, INC.

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18,
UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of Title 18, United States Code), the undersigned officer of Vitalibis, Inc. (the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), to the best of the undersigned's knowledge that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 16, 2020

By: /s/ Steven Raack
Steven Raack
Chief Executive Officer

VITALIBIS, INC.

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18,
UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of Title 18, United States Code), the undersigned officer of Vitalibis, Inc. (the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), to the best of the undersigned's knowledge that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 16, 2020

By: /s/ Thomas Raack
Thomas Raack
Chief Financial Officer