

CABBAY HOLDINGS CORP.

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2017 and 2016
(Unaudited – Prepared by Management)

Cabbay Holdings Corp.

Interim Financial Statements

Period ended March 31, 2017 and 2016

(Unaudited - prepared by management)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the interim financial statements for the period ended March 31, 2017

CABBAY HOLDINGS CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	March 31, 2017	December 31, 2016
ASSETS		
Current		
Cash	\$ 3,885	\$ 88
Advances	400	-
	4,285	
Non-Current		
Other receivable (Note 4)	1	1
	4,286	89
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	5,422	6,396
Loans payable (Note 5)	198,246	248,539
Due to related parties (Note 6)	111,762	186,252
	315,430	441,187
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	127,027	1,000
Subscriptions received (Note 7, Note 10)	5,710	-
Equity reserve (Note 7)	340	5
Deficit	(444,221)	(442,103)
Total equity	(311,144)	(441,098)
	\$ 4,286	\$ 89

Nature and continuance of operations (Note 1)

Approved by the directors:

"Doug Unwin"

"Derick Sinclair"

CABBAY HOLDINGS CORP.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Three months ended March 31, 2017	Period from incorporation on March 6, 2016 to March 31, 2016
Expenses:		
Accounting fees (Note 6)	\$ 4,000	\$ 420
Audit fees	-	5,250
Bank charges	36	8
Consulting fees (Note 6)	4,500	-
Office and administration	971	-
Share-based compensation (Note 7)	335	-
Transfer agent and filing fees	3,026	-
Total expenses	(12,868)	(5,678)
Forgiveness of loans payable (Note 5)	10,750	-
Net loss and comprehensive loss for the period	\$ (2,118)	\$ (5,678)
Earnings (loss) per share – Basic and diluted	\$ -	\$ (5,678)
Weighted average number of common shares outstanding	1,439,360	1

CABBAY HOLDINGS CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2017	Period from incorporation on March 6, 2016 to March 31, 2016
Operating Activities		
Net loss for the period	\$ (2,118)	\$ (5,678)
Items not involving cash:		
Share-based compensation	335	-
Forgiveness of loan payable	(10,750)	-
	<u>(12,533)</u>	<u>(5,678)</u>
Changes in non-cash working capital item related to operations:		
Advances	(400)	-
Accounts payable and accrued liabilities	(973)	5,670
Cash from operating activities	<u>(13,906)</u>	<u>(8)</u>
Financing Activities		
Proceeds from issuance of Common Share	-	1
Share subscriptions received	5,710	-
Due to related parties	11,993	100
Cash provided by financing activities	<u>17,703</u>	<u>101</u>
Increase in cash during the period	3,797	93
Cash, beginning of the period	88	-
Cash, end of the period	\$ <u>3,885</u>	\$ <u>93</u>
Significant non-cash investing and financing transactions:		
Conversion of loans payable into shares (Note 5, Note 7)	<u>\$ 126,027</u>	<u>\$ -</u>

CABBAY HOLDINGS CORP.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Expressed in Canadian dollars)

	Number of Shares	Share Capital \$	Subscript ions received \$	Equity Reserve \$	Deficit \$	Total \$
Balance, December 31, 2016	1,379,887	1,000	-	5	(442,103)	(441,098)
Conversion of loans payable to shares (Note 5, Note 7)	84,017	126,027	-	-	-	126,027
Subscriptions received (Note 7)	-	-	5,710	-	-	5,710
Share-based compensation (Note 7)	-	-	-	335	-	335
Loss for the period	-	-	-	-	(2,118)	(2,118)
Balance, March 31, 2017	1,463,904	127,027	5,710	340	(444,221)	(311,144)

	Number of Shares	Share Capital \$	Subscript ions received \$	Equity Reserve \$	Deficit \$	Total \$
Balance, March 6, 2016 (date of incorporation)	-	-	-	-	-	-
Common shares issued (Note 7)	1	1	-	-	-	1
Loss for the period	-	-	-	-	(5,678)	(5,678)
Balance, March 31, 2016	1	1	-	-	(5,678)	(5,677)

Cabbay Holdings Corp.

Notes to the Financial Statements

Period ended March 31, 2017 and 2016

1. Nature of Operations

Cabbay Holdings Corp. (the "Company") was incorporated on March 6, 2016 under the BC Business Corporations Act as a wholly-owned subsidiary of Pacific Therapeutics Inc. ("PT"), a public company the common shares of which trade on the Canadian Securities Exchange ("CSE"). The head office of the Company is located at Suite 1735 – 555 Burrard Street Vancouver, B.C. V7X 1M9. The registered and records office of the Company is located at the same address. The Company is a holding company, its major holding is an agreement with ForwoRx Therapeutics Inc. for the further development of a combination therapy for Fibrosis.

On April 18, 2016 the Company entered into a Plan of Arrangement (the "Plan of Arrangement") with PT whereby the Company becomes the holder of certain contingent assets due from ForwoRx Therapeutics Inc. ("ForwoRx") formerly Forge Therapeutics Inc. ("Forge"). These contingent assets were acquired from Forge by PT in return for the rights to intellectual property, patents, and technology related to PT's fibrosis and erectile dysfunction ("ED") drug development programs.

On October 3, 2016, the Plan of Arrangement with PT was completed. The Company acquired \$1,000 and the asset purchase agreement with ForwoRx (Note 4) and issued 1,379,887 shares to shareholders of PT. In connection with the arrangement, \$435,360 of indebtedness was assigned to and assumed by the Company. The Company recorded a financing fee of \$435,359 as a result of the transaction.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2017, the Company has no source of revenue, does not generate cash flows from operating activities other than a \$50,000 annual maintenance fee from ForwoRx included in the asset purchase agreement with ForwoRx (Note 4). The Company had a net loss for the period ended March 31, 2017 of \$2,118 (December 31, 2016: \$442,103) and an accumulated deficit at March 31, 2016 of \$444,221 (December 31, 2016: \$442,103).

The Company is currently subject to risks and uncertainties related to the negotiation and regulatory approval surrounding the Plan of Arrangement. On completion of the Plan of Arrangement the Company will become subject to risks and uncertainties common to drug discovery companies, including technological change, potential infringement on intellectual property of and by third parties, new product development, regulatory approval and market acceptance of its products, activities of competitors and its limited operating history. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cabbay Holdings Corp.

Notes to the Financial Statements

Period ended March 31, 2017 and 2016

2. Statement of Compliance and Basis of Presentation

(a) Statement of Compliance and Basis of Preparation

These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited interim financial statements have been prepared on an accrual basis.

They are based on historical costs, modified where applicable. They are presented in Canadian dollars, which is the Company's functional currency.

The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2016.

(b) Use of Estimates

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of management estimates and assumptions relate to assumptions used in valuing options in share-based compensation, deferred income tax, and collection of the annual maintenance fee from ForwoRx (Note 4). Actual results could be different from those estimates.

3. Significant accounting policies

New accounting standards and interpretations

At the date of authorization of these financial statements, the IASB and International Financial Reporting Committee ("IFRIC") have issued the following revised and new standards, amendments and interpretations which are not yet effective during the year ended December 31, 2017:

Cabbay Holdings Corp.

Notes to the Financial Statements

Period ended March 31, 2017 and 2016

3. Significant accounting policies (continued)

Effective for periods beginning on or after January 1, 2018

- **IFRS 9, *Financial Instruments – Classification and Measurement***

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

- **IFRS 15, *Revenue from Contracts with Customers***

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

Effective for periods beginning on or after January 1, 2019

- **IFRS 16, *Leases***

IFRS 16 applies to the recognition, classification, measurement and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease is for a term of 12 months or less or the underlying asset has a low value. IFRS 16 supersedes IAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases – Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

Cabbay Holdings Corp.

Notes to the Financial Statements

Period ended March 31, 2017 and 2016

4. Asset Purchase Agreement

Pursuant to the Plan of Arrangement (Note 1) the Company acquired rights associated with a definitive Asset Purchase Agreement between PT and ForwoRx, whereby PT transferred its patents in the area of the development of therapies for fibrosis and erectile dysfunction to ForwoRx for further development of the technologies by ForwoRx.

Proceeds from the sale were a commitment by ForwoRx to issue 15,000,000 common shares.

Subject to the terms of the Agreement, if the 15,000,000 shares are not issued to the Company within 3 years, then the Company may trigger the issuance of the shares, and if at the end of 5 years the shares have not been issued, then ForwoRx must return the assets to the Company. In the event of a sale by ForwoRx to a third party of the assets purchased under the agreement, the Company will receive 6% of the value of that transaction, subject to certain conditions. The Company has assessed that the fair value of the right to receive the shares from ForwoRx is not determinable and has accordingly recorded a nominal value of \$1.

A condition of the sale was that ForwoRx will pay to the Company an annual maintenance fee of \$50,000. In the Company's judgment, no portion of this amount will be recognized until collection can be assured.

5. Loans Payable

Loans payable consists of debt assumed by the Company in connection with the Plan of Arrangement (Note 1). The balances are non-interest bearing and have no set terms of repayment.

During the period ended March 31, 2017 the Company converted \$126,027 into 84,017 common shares of the company at a conversion rate of \$1.50 worth of debt per common share. Also during the period ended March 31, 2017, \$10,750 worth of debt owing to a consultant of the Company was forgiven.

6. Related Party Transactions

During period ended March 31, 2017, the Company paid accounting fees of \$4,000 (March 31, 2016: \$nil) and consulting fees of \$4,500 (March 31, 2016: \$Nil) to a director. As of March 31, 2017, the Company has \$12,500 (December 31, 2016: \$4,000) owing to the aforementioned director.

As of March 31, 2017 the Company has \$165,696 (December 31, 2016: \$166,201) owing to the CEO and director of the Company, \$19,950 (December 31, 2016: \$19,950) owing to a director of the Company, and \$100 (December 31, 2016: \$100) owing to a former director of the Company. The amounts do not bear interest and have no set terms of repayment.

Cabbay Holdings Corp.

Notes to the Financial Statements

Period ended March 31, 2017 and 2016

7. Share Capital

The Company has authorized an unlimited amount of Class A common shares without par value. As at March 31, 2017 the Company has 1,463,904 common shares issued and outstanding.

During the period ended March 31, 2017:

On January 27, 2017, the Company converted \$126,027 into 84,017 common shares of the company at a conversion rate of \$1.50 worth of debt per common share.

As at March 31, 2017, the Company collected share subscriptions totaling \$5,710 (Note 10). No common shares have been issued for these subscriptions as at March 31, 2017.

During the year ended December 31, 2016:

On October 13, 2016 the Company repurchased 1 common share from PT for a price of \$1.

On October 3, 2016, pursuant to the Plan of Arrangement (Note 1), the Company issued 1,379,887 common shares to the shareholders of PT. A total value of \$1,000 was assigned to the shares.

On March 6, 2016 the Company issued 1 common share to PT for proceeds of \$1.

Stock options and share based payments

As at March 31, 2017 the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price \$	31-Mar-17
31-Oct-21	0.10	100,000
18-Jan-22	0.10	25,000

During the period ended March 31, 2017:

On January 18, 2017, the company issued 25,000 options to purchase common shares to a consultant of the Company. The options have an exercise price of \$0.10 per share and are exercisable for a period of five years from the date of grant with immediate vesting.

During the year ended December 31, 2016:

On October 31, 2016, the company issued 100,000 options to purchase common shares to the Company's directors. The options have an exercise price of \$0.10 per share and are exercisable for a period of five years from the date of grant with immediate vesting.

Cabbay Holdings Corp.

Notes to the Financial Statements

Period ended March 31, 2017 and 2016

7. Share Capital (continued)

The options outstanding and exercisable as at March 31, 2017 have a remaining contractual life of 4.6 years. Stock option activity was as follows:

	March 31, 2017	
	Options outstanding	Exercise Price \$
Balance beginning of period	100,000	\$0.10
Issued	25,000	\$0.10
Balance at period end	125,000	\$0.10

The fair value of share based awards is determined using the Black-Scholes Option Pricing Model. The model utilizes certain subjective assumptions including the expected life of the option and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's stock options. The Company used the Black-Scholes Option Pricing Model for its stock option grant in 2017. During the period ended March 31, 2017, the Company issued 25,000 5 year options with an exercise price of \$0.10.

The assumptions used in the black-scholes pricing model were:

	March 31, 2017	December 31, 2016
Expected volatility	100%	100%
Risk free interest rate	1.10%	0.69%
Expected life in years	5 years	5 years
Grant date fair value per share	\$0.025	\$0.001
Forfeiture rate	0.00%	0.00%

Warrants

As at March 31, 2017 the following share purchase warrants were issued and outstanding:

Expiry Date	Exercise Price \$	31-Dec-17
08-Oct-19	3.00	72,000
18-Oct-19	3.00	66,000
05-Nov-19	3.00	224,333
		362,333

There was no warrant activity during the period ended March 31, 2017.

Cabbay Holdings Corp.

Notes to the Financial Statements

Period ended March 31, 2017 and 2016

7. Share Capital (continued)

During the year ended December 31, 2016:

On November 30, 2016 PT warrant holders exchanged 362,333 warrants of PT for warrants of the Company on a 1:1 basis. The warrants of the Company expire in 2019 and have an exercise price of \$3.00.

The warrants outstanding and exercisable as at December 31, 2016 have a weighted average remaining contractual life of 2.5 years. Warrant activity was as follows:

	December 31, 2016	
	Options	Exercise Price \$
	outstanding	
Balance December 31, 2016 and March 31, 2017	362,333	\$3.00

8. Capital Disclosures

The Company considers its capital under management to be comprised of shareholders' deficiency and any debt that it may issue. The Company's objectives when managing capital are to continue as a going concern and to maximize returns for shareholders over the long term. The Company is not subject to any capital restrictions. There has been no change in the Company's objectives in managing its capital since incorporation.

9. Financial Instruments and Risk

As at March 31, 2017, the Company's financial instruments consist of cash, advances, accounts payable and accrued liabilities, loans payable, and due to related parties.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

The Company's financial liabilities consist of \$5,422 (December 31, 2016: \$6,396) in accounts payable and accrued liabilities, \$198,246 (December 31, 2016: \$248,539) in loans payable and \$111,762 (December 31, 2016: \$186,252) in due to related parties. The Company manages liquidity risk through management of its capital resources discussed above.

Foreign Exchange Risk

The Company is not exposed to foreign exchange risk on its financial instruments.

Cabbay Holdings Corp.

Notes to the Financial Statements

Period ended March 31, 2017 and 2016

9. Financial Instruments and Risk (continued)

Interest Rate Risk

At March 31, 2017, the Company is not exposed to significant interest rate risk as it has no interest bearing debt.

Fair Value

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

Cash is measured using level 1 fair value inputs.

10. Subsequent Event

On April 24, 2017 the Company closed a private placement by issuing 725,500 shares for proceeds of \$14,510. As at March 31, 2017 the Company had collected \$5,710 cash share subscriptions towards the private placement.