CABBAY HOLDINGS CORP.

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED September 30, 2017 and 2016

(Unaudited – Prepared by Management)

Cabbay Holdings Corp.

Interim Financial Statements

Period ended September 30, 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 September 30, 2017

CABBAY HOLDINGS CORP.

STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	September 30, 2017	December 31, 2016
ASSETS		
Current		
Cash	$ 111,994	$ 88
Advances	1,792	-
Subscriptions receivable (Note 6, Note 7)	200	-
	113,986	88
Non-Current		
Other receivable (Note 4)	1	1
Property, plant and equipment (Note 5)	1,675	-
	115,662	89
LIABILITIES		
Current		
Accounts payable and accrued liabilities	6,734	6,396
Loans payable (Note 6)	35,623	248,539
Due to related parties (Note 7)	21,566	186,252
	63,923	441,187
Non-Current		
Loans payable (Note 6)	56,000	-
Due to related parties (Note 7)	76,642	-
	196,565	441,187
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 8)	442,041	1,000
Equity reserve (Note 7, Note 8)	51,180	5
Deficit	(574,124)	(442,103)
Total equity	(80,903)	(441,098)
	$ 115,662	$ 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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Period from incorporation on March 6, 2016 to September 30, 2016
Expenses:				
Accounting fees (Note 7)	$ 2,200	$ -	$ 8,200	$ 420
Audit fees	-	-	5,250	5,250
Bank charges	199	33	361	94
Consulting fees (Note 7)	26,250	-	37,050	-
Depreciation	267	-	267	-
Legal fees	10,580	-	10,580	-
Management fees (Note 7)	23,625	-	23,625	-
Office and administration	4,068	-	6,623	-
Share-based compensation (Note 8)	27,482	-	27,817	-
Transfer agent and filing fees	6,226	-	12,097	-
Travel	4,972	-	4,972	-
Total expenses	(105,869)	(33)	(136,842)	(5,764)
Expense reimbursement	-	5,659	-	5,659
Forgiveness of loans payable (Note 6)	-	-	10,750	-
Assumption of debt (Note 6)	-	-	(5,929)	-
Net loss and comprehensive loss for the period	$ (105,869)	$ 5,626	$ (132,021)	$ (105)
Earnings (loss) per share – Basic and diluted	$ (0.02)	$ 5,626	$ (0.04)	$ (105)
Weighted average number of common shares outstanding	6,943,275	1	3,743,927	1

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

	Nine Months Ended September 30, 2017	Period from incorporation on March 6, 2016 to September 30, 2016
Operating Activities		
Net loss for the period	$ (132,021)	$ (105)
Items not involving cash:		
Depreciation	267	-
Share-based compensation	27,817	-
Forgiveness of loan payable	(10,750)	-
Assumption of debt	5,929	-
	(108,758)	(5,731)
Changes in non-cash working capital item related to operations:		
Advances	(1,792)	-
Prepaid expenses	-	-
Accounts payable and accrued liabilities	339	111
Cash from operating activities	(110,211)	6
Investing Activities		
Acquisition of property, plant and equipment	(1,942)	-
Cash provided by investing activities	(1,942)	-
Financing Activities		
Proceeds from issuance of Common Shares	218,310	1
Due to related parties	5,749	-
Cash provided by financing activities	224,059	1
Increase in cash during the period	111,906	7
Cash, beginning of the period	88	-
Cash, end of the period	$ 111,994	$ 7
Significant non-cash investing and financing transactions:		
Share subscriptions receivable	$ 200	$ -
Conversion of loans payable into shares (Note 6,Note 8)	152,117	-
Conversion of due to related parties into shares (Note 7, Note 8)	70,414	-
Interest benefit on related party loan	$ 23,358	$ -

CABBAY HOLDINGS CORP.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Expressed in Canadian dollars)

	Number of Shares	Share Capital $	Equity Reserve $	Deficit $	Total $
Balance, December 31,2016	1,379,887	1,000	5	(442,103)	(441,098)
Common shares issued for cash	3,624,517	218,510	-	-	218,510
Conversion of debt to shares (Note 6, Note 7, Note 8)	2,850,220	222,531	-	-	222,531
Share-based compensation (Note 8)	-	-	27,817	-	27,817
Interest benefit on related party loan (Note 7)	-	-	23,358	-	23,358
Loss for the period	-	-	-	(132,021)	(132,021)
Balance, September 30, 2017	7,854,624	442,041	51,180	(574,124)	(80,903)

	Number of Shares	Share Capital $	Equity Reserve $	Deficit $	Total $
Balance, March 6, 2016 (date of incorporation)	1	1	-	-	1
Loss for the period	-	-	-	(105)	(105)
Balance, September 30, 2016	1	1	-	(105)	(104)

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 September 30, 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 September 30, 2017 of $132,021 (December 31, 2016: $442,103) and an accumulated deficit at September 30, 2017 of $574,124 (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.

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 period ended December 31, 2017:

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 and 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.

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. **Equipment**

Costs

		Computers		Total
Balance December 31, 2016	$	-	$	-
Additions		1,942		1,942
Balance September 30, 2017	**$**	**1,942**	**$**	**1,942**

Accumulated Depreciation

		Computers		Total
Balance December 31, 2016	$	-	$	-
Depreciation		267		267
Balance September 30, 2017	**$**	**267**	**$**	**267**

Net Carrying Amount

		Computers		Total
Balance December 31, 2016	$	-	$	-
Balance September 30, 2017	**$**	**1,675**	**$**	**1,675**

6. **Loans Payable**

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

On September 12, 2017, the Company signed a debt assumption agreement which resulted in reclassification of a loan totaling $56,000 as long-term debt. The debt is now due on September 30, 2019 and accrues interest at 1% per month, payable quarterly. Interest accrued at September 30, 2017 is negligible.

During the period ended June 30, 2017 the Company converted $3,250 into 130,000 common shares of the Company at a conversion rate of $0.025 worth of debt per common share. Also during the period the Company converted $22,840 into 456,800 common shares at a conversion rate of $0.05 worth of debt per common share.

On June 8, 2017, the Company assumed an additional debt balance of $5,929 from PT.

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.

7. **Related Party Transactions**

During the period ended September 30, 2017, the Company accrued accounting fees of $2,100 (September 30, 2016: $nil) to a company controlled by a director.

As of September 30, 2017, the Company has $2,100 (December 31, 2016: $nil) owing to the aforementioned company, and $nil (December 31, 2016: $4,000) owing to the director included in accrued liabilities.

During the period ended September 30, 2017, the Company incurred management fees totalling $23,625 (September 30, 2016: $nil) with the CEO and director of the Company.

As of September 30, 2017 the Company has $98,108 (December 31, 2016: $166,201) owing to the CEO and director of the Company. On September 20, 2017 the CEO and director signed an agreement which resulted in reclassification of $100,000 of his payable as long-term. The aforementioned amount is due January 1, 2020 and does not bear interest. An interest benefit of $23,358 was recorded as an equity reserve upon reclassification. The remaining balance has no set terms of repayment and does not bear interest.

As of September 30, 2017, the Company $nil (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.

On August 22, 2017 the Company converted $14,486 of debt owing to directors of the Company to 144,860 shares at a conversion rate of $0.10 per share

7. **Related Party Transactions (continued)**

On June 30, 2017 the Company converted $5,928 of debt owing to directors of the Company to 118,560 shares at a conversion rate of $0.05 per share.

On June 1, 2017 the Company converted $50,000 of debt owing to directors of the Company to 200,000 shares at a conversion rate of $0.025 per share.

8. **Share Capital**

The Company has authorized an unlimited amount of Class A common shares without par value. As at September 30, 2017 the Company has 7,854,624 common shares issued and outstanding.

During the period ended September 30, 2017:

On August 22, 2017 the Company closed a private placement and issued 1,594,860 common shares for gross proceeds of $159,486. Of that amount, $145,000 was cash proceeds and $14,486 was debt converted.

During the period ended June 30, 2017:

On April 27, 2017 the Company closed a private placement and issued 725,500 common shares at $0.02 per share for gross proceeds of $14,510. Included in accounts receivable is $200 related to the private placement.

On June 1, 2017 the Company closed a private placement and issued 2,500,000 common shares at $0.025 per share for gross proceeds of $62,500. Of that amount, $9,250 was cash proceeds and $53,250 was debt converted.

On June 30, 2017 the Company closed a private placement and issued 1,570,360 common shares at $0.05 per share for gross proceeds of $78,518. Of that amount, $49,750 was cash proceeds and $28,768 was debt converted.

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 per common share.

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.

8. **Share Capital (continued)**

Stock options and share based payments

As at September 30, 2017 the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price $	30-Sep-17
31-Oct-21	0.10	100,000
18-Jan-22	0.10	25,000
10-Jul-22	0.10	340,000
21-Sep-22	0.10	220,000

During the period ended September 30, 2017:

On September 21, 2017, the Company issued 220,000 stock options to purchase common shares to directors 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.

On July 10, 2017, the Company issued 340,000 options to purchase common shares to directors 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 period ended June 30, 2017:

There was no stock option activity during the period ended June 30, 2017.

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.

8. **Share Capital (continued)**

The options outstanding and exercisable as at September 30, 2017 have a remaining contractual life of 4.72 years. Stock option activity was as follows:

	September 30, 2017	
	Options outstanding	**Exercise Price $**
Balance, December 31, 2016	100,000	$0.10
Issued	25,000	$0.10
Balance March 31, 2017 and June 30, 2017	125,000	$0.10
Issued	560,000	$0.10
Balance September 30, 2017	685,000	$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 grants in 2017 and 2016.

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

	September 30, 2017	December 31, 2016
Expected volatility	**100%**	**100%**
Risk free interest rate	**1.10% - 1.81%**	**0.69%**
Expected life in years	**5 years**	**5 years**
Grant date fair value per share	**$0.025 - $0.10**	**$0.001**
Forfeiture rate	**0.00%**	**0.00%**

Warrants

As at September 30, 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

8. **Share Capital (continued)**

There was no warrant activity during the periods ended March 31, 2017, June 30, 2017, and September 30, 2017.

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 September 30, 2017 have a weighted average remaining contractual life of 2.07 years. Warrant activity was as follows:

	Options outstanding	**Exercise Price $**
Balance December 31, 2016 and September 30, 2017	362,333	$3.00

9. **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.

10. **Financial Instruments and Risk**

As at September 30, 2017, the Company's financial instruments consist of cash, advances, subscriptions receivable, 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 and advances. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

10. **Financial Instruments and Risk (continued)**

Liquidity Risk

The Company's financial liabilities consist of $6,734 (December 31, 2016: $6,396) in accounts payable and accrued liabilities, $35,623 (December 31, 2016: $248,539) in short-term loans payable, $56,000 (December 31, 2017: $nil) in long-term loans payable, $21,566 (December 31, 2016: $186,252) in short-term due to related parties, and $76,642 (December 31, 2017: $nil) in long-term due to related parties. The Company manages liquidly 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.

Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk the Company will realize such a loss is limited because the Company's interest bearing note payable has a fixed rate of interest.

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. As at September 30, 2017, the Company believes that the carrying values of its cash, advances, subscriptions receivable, accounts payable and accrued liabilities, due to related parties, and loans payable approximate their fair values because of their nature and relatively short maturity dates or durations.

11. **Subsequent Event**

On October 4, 2017 the Company announced that it entered into a non-binding letter of intent to acquire certain assets of a medicinal cannabis dispensary business.