

## **CABBAY HOLDINGS CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**For the Nine Months Ended September 30, 2017**

#### **Overview**

This MD&A has been prepared as of November 29, 2017 and the following information should be read in conjunction with the Issuer's un-audited financial statements for the nine months ended September 30, 2017 together with the notes thereto. The Issuer's financial statements for the period have been prepared in accordance with International Financial Reporting Standards (IFRS).

This discussion contains forward-looking statements that involve certain risks and uncertainties. Statements regarding future events, expectations and beliefs of management and other statements that do not express historical facts are forward-looking statements. In this discussion, the words "believe", "may", "will", "estimate", "continue", "anticipate", "intend", "expect", "plan", "predict", "potential" and similar expressions, as they relate to the Issuer, its business and management, are intended to identify forward looking statements. The Issuer has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting the financial condition of the business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Except as may be required by applicable law or regulation, the Issuer undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If the Issuer updates one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements. Additional information relating to the Issuer, is available by accessing the SEDAR website at [www.sedar.com](http://www.sedar.com).

#### ***Business Overview and Strategy***

The Issuer is currently a holding company. It's major holding is an agreement with ForwoRx Therapeutics Inc. regarding the development of therapies to treat fibrosis and pulmonary arterial hypertension. The agreement covers the lead compound for Fibrosis, PTL-202 is a combination of already approved drugs which have well established safety profiles. PTL-202 has completed a phase 1 drug/ drug interaction clinical trial.

#### ***Overall Performance***

The Issuer's plan is to continue as a holding company unless and until it completes the acquisition of a business or assets related to a business which it can operate and generate revenues.

## Corporate Highlights

During the nine month period ended September 30, 2017 the Issuer accomplished the following:

- On January 18, 2017, the Issuer issued 25,000 options to buy common shares of the Company 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.
- On April 13, 2017 Mark van der Horst was appointed as a director of the Issuer
- On April 27, 2017, the Issuer closed a financing, issuing 725,500 common shares at \$0.02 per share for total proceeds of \$14,510.
- On June 1, 2017 the Issuer issued 2,500,000 common shares for total proceeds of \$9,250 in cash and \$53,250 in debt settlements with directors all at a price of \$0.025 per share.
- On June 30, 2017 the Issuer 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 proceed and \$28,768 was debt converted.
- At a board meeting on June 26<sup>th</sup>, 2017, the Board approved the issuance of issued 340,000 options to buy common shares of the Issuer to directors of the Issuer. The options may be exercised for a price of \$0.10 per share for a period of 5 years.
- On August 22, 2017 the Issuer issued 1,594,860 common shares for total proceeds of \$145,000 in cash and \$14,486 in debt settlements with directors all at a price of \$0.10 per share.
- On September 21, 2017 the Issuer announced the issuance of 220,000 options to buy common shares to directors under the 2017 stock option plan. The options may be exercised for a price of \$0.10 for a period of 5 years.

## Selected Financial Information

The financial information reported here has been prepared in accordance with IFRS. The Issuer uses the Canadian dollar (CDN) as its reporting currency. Selected un-audited financial data for interim operations of the Issuer for the nine months ended September 30, 2016 and for the nine months ended September 30, 2017 are presented:

### *Selected Statement of Operations Data*

<b>Period ended</b>	<b>Three Months Ended September 30 2017</b>	<b>Three Months Ended September 30 2016</b>	<b>Nine Months Ended September 30 2017</b>	<b>Period from Incorporation on March 6 2016 to September 30 2016</b>
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net Income / (Loss)	\$(105,869)	\$5,626	\$(132,021)	\$(105)
Earnings/(loss) per share – Basic and Diluted	\$(0.02)	5,626	\$(0.04)	(105)
Weighted average shares	6,943,275	1	3,743,927	1

### *Selected Balance Sheet Data*

<b>Period ended</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Cash & Equivalents	\$111,994	\$88
Current Assets	\$113,986	\$88
Total Assets	\$115,662	\$89
Current liabilities	\$63,923	\$441,187
Non-Current liabilities	\$132,642	\$Nil
Total liabilities	\$196,565	\$441,187
Working Capital	\$50,063	\$(441,098)

### **Comparison of the Quarters ending September 30, 2017 and September 30, 2016**

#### *Revenues*

The Issuer is a holding company. Its major holding is an agreement with ForwoRx Therapeutics Inc. (“ForwoRx”) (*see Business Overview and Strategy*). Under this agreement ForwoRx is to pay to the Issuer \$50,000 per year in maintenance fees. These fees for 2016 and 2017 have not been paid and the Issuer will not recognize it as revenue until such time that management is confident of its payment. The Issuer has no other revenue and does not expect to have any revenues for the foreseeable future.

#### *Expenses*

For the three months ended September 30, 2017 total expenses were \$105,869. For the period ended September 30, 2016 the only expense was \$33 in bank charges. The increases in all categories of expenses for the three months ended September 30, 2017 when compared to the three months ended September 30, 2016 were related to increased business activity researching other potential business opportunities, including costs associated with the Issuer’s efforts to improve the balance sheet. Other costs included expenses relating to maintaining the Issuer’s reporting status with relevant regulatory authorities in Canada.

### ***Research & Development Expense***

The Company does not conduct any research or development.

### ***General and Administrative Expenses***

General and administrative costs consist primarily of consulting and management fees, accounting costs and other professional and administrative costs associated with general corporate activities.

The general and administrative costs for the three months ended September 30, 2017 was \$105,869, (September 30, 2016, \$33). Share based compensation due to the issuance of stock options for the period ended September 30, 2017 was \$27,482 (September 30, 2016, \$Nil).

### ***Intellectual Property and Intangible Assets***

The Issuer has no costs associated with the maintenance of patents or intellectual property under the asset purchase agreement with ForwoRx Therapeutics Inc.

### ***Interest Expense/(Income)***

The interest expense in the three month period ended September 30, 2017 was \$Nil (September 30, 2016, \$Nil), except for a negligible amount of interest accrued on long-term debt.

### ***Profits***

At this time, the Issuer is not anticipating profit from operations. The Issuer will report an annual deficit and quarterly deficit and will rely on its ability to obtain equity or debt financing and maintenance fees from the Asset Purchase Agreement to fund on-going operations. For information concerning the business of the Issuer, please see “*Business Overview and Strategy*”.

### ***Stock Based Compensation***

For the three month period ended September 30, 2017 stock based compensation was \$27,482 (September 30, 2016, \$Nil). The increase was due the issuance of 560,000 options with an exercise price of \$0.10 and a 5 year life.

## Selected Quarterly Information

	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016	From Inception March 6, 2016 to March 31, 2016,
	\$	\$	\$	\$	\$	\$	\$
<b>Total Revenues</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net Income (Loss)</b>	(105,869)	(24,034)	(2,118)	(441,998)	5,626	(53)	(5,678)
<b>Income (Loss) per Share basic and diluted</b>	\$0.02	(0.01)	Nil	Nil	5,626	(53)	(5,678)
<b>Cash</b>	111,994	43,413	3,885	88	7	40	93
<b>Total Assets</b>	115,662	53,538	4,286	89	7	40	93
<b>Current Liabilities</b>	63,923	238,898	315,430	441,187	111	5,770	5,770

### *Liquidity and Capital Resources*

At September 30, 2017, the Issuer had cash and cash equivalents of \$111,994, (December 31, 2016, \$88) and working capital of \$50,063, (December 31, 2016, \$(441,099)). Working capital improved during the nine months ended September 30, 2017 by \$491,162 when compared to the year ended December 31, 2016. This improvement was mostly due to the settlement of \$222,531 in loans payable being settled by the issuance of 2,934,238 common shares of the Issuer and the issuance of 3,540,499 common shares for proceeds of \$218,510. On September 12, 2017, the Issuer 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. On September 1, 2017 the Company signed an agreement resulting in reclassification of a related party loan totaling \$100,000 as long-term debt. The amount is now due on January 1, 2020. An interest benefit of \$23,358 was recorded upon reclassification. Working capital is defined as current assets less current liabilities.

The Issuer's cash flows from financing activities for the nine months ended September 30, 2017 consisted of \$218,310 in proceeds from the issuance of common shares (September 30, 2016, \$1) and an decrease of amounts owed to related parties of \$5,749 (September 30, 2016, \$Nil).

Cash flows from Investing activities consisted of \$(1,942) (September 30, 2016: \$nil) used to purchase equipment.

Cash utilized in operating activities during the nine months ended September 30, 2017 was \$(110,211) (September 30, 2016: \$6).

At September 30, 2017 share capital was \$442,041 comprised of 7,854,624 issued and outstanding common share (December 31, 2016: \$1,000, comprised of 1,379,887 shares).

Equity Reserves at September 30, 2017, was \$51,180, an increase of \$51,175 as compared to the year ended December 31, 2016. The increase was due to the issuance of an additional 585,000 options and a change to the Black Scholes estimate inputs. The changes included increasing the current share price from \$0.001 at December 31, 2016 to \$0.025-\$0.10 and a change in the risk free rate to 1.10%. A \$23,358 interest benefit was also recorded under equity reserves resulting from reclassification of a related party loan.

As a result of the net loss for the nine months ended September 30, 2017 of \$132,021 the deficit at September 30, 2017 increased to \$574,124 from \$441,098 for the year ended December 31, 2016.

At present, the Issuer's operations do not generate cash inflows and its financial success after September 30, 2017 is dependent on the asset purchase agreement with ForwoRx Therapeutics Inc. The research and development process can take many years and is subject to factors that are beyond the Issuer's control.

In order to finance the Issuer's future administrative and overhead expenses in the coming years the Issuer will need to raise money through equity sales. Many factors influence the Issuer's ability to raise funds, including the Issuer's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of research activities at ForwoRx Therapeutics Inc. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. Should those risks fully materialize, it may not be able to raise adequate funds to continue its operations.

### ***Off Balance Sheet Arrangements***

There are currently no off balance sheet arrangements which could have an effect on current or future results or operations or the financial condition of the Issuer.

### ***Transactions with Related Parties***

- During the period ended September 30, 2017, the Issuer accrued accounting fees of \$2,100 (September 30, 2016: \$nil) to a company controlled by a director.
- As of September 30, 2017, the Issuer 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 Issuer incurred management fees totalling \$23,625 (September 30, 2016: \$nil) with the CEO and director of the Company.
- As of September 30, 2017 the Issuer has \$98,108 (December 31, 2016: \$166,201) owing to the CEO and director of the Issuer. 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 Issuer \$nil (December 31, 2016: \$19,950) owing to a director of the Issuer, and \$100 (December 31, 2016: \$100) owing to a former director of the Issuer. The amounts do not bear interest and have no set terms of repayment.
- On August 22, 2017 the Issuer converted \$14,486 of debt owing to directors of the Issuer to 144,860 shares at a conversion rate of \$0.10 per share.
- On June 30, 2017 the Issuer converted \$5,928 of debt owing to directors of the Issuer to 118,560

- shares at a conversion rate of \$0.05 per share.
- On June 1, 2017 the Issuer converted \$50,000 of debt owing to directors of the Issuer to 200,000 shares at a conversion rate of \$0.025 per share.

### ***Subsequent Events***

### ***Proposed Transactions***

As at the date of this Management Discussion and Analysis there are no transactions currently contemplated by the Issuer other than those contemplated in the non-binding letter of intent respecting the potential acquisition of certain assets of one of Vancouver's leading medicinal cannabis dispensaries. The issuer continues to investigate various aspects of a potential transaction with the dispensary.

### ***Financial Instruments and Other Instruments***

The Issuer's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and amounts due to shareholders. Unless otherwise noted, it is management's opinion that the Issuer is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

### ***Disclosure of Outstanding Share Data***

As at September 30, 2017, the Issuer had an unlimited number of authorized common shares with 7,854,624 common shares issued and outstanding.

As at September 30, 2017 the issuer had 685,000 options outstanding. Each option has an exercise price of \$0.10.

As at September 30, 2017 the Issuer had 362,333 warrants outstanding. Each warrant has an exercise price of \$3.00.