CABBAY HOLDINGS CORP.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017 AND
PERIOD FROM INCORPORATION ON MARCH 6, 2016
TO DECEMBER 31, 2016
(Expressed in Canadian Dollars)

SAM S. MAH INC.
Chartered Professional Accountant
SUITE 2001
1177 WEST HASTINGS STREET
VANCOUVER, BC, V6E 2K3

T: 604-617-8858
F: 604-688-8479

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Cabbay Holdings Corp.

I have audited the accompanying financial statements of Cabby Holdings Corp. which comprise the statement of financial position as at December 31, 2017 and December 31, 2016 the statement of comprehensive loss, the statement of changes in shareholders' equity and statement of cash flows for the year ended December 31, 2017 and the period from incorporation on March 6, 2016 to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and for the period from incorporation on March 6, 2016 to December 31, 2016 then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Sam S. Mah Inc."

Chartered Professional Accountant

Vancouver, Canada
April 6, 2018

CABBAY HOLDINGS CORP.

STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	As at December 31, 2017	As at December 31, 2016
ASSETS		
Current		
Cash	$ 49,752	$ 88
Advances	3,053	-
Subscriptions receivable (Note 9)	200	-
	53,005	88
Non-Current		
Other receivable (Note 5)	1	1
Property, plant and equipment (Note 6)	1,408	-
	54,414	89
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	21,758	6,396
Loans payable (Note 7)	37,639	248,539
Due to related parties (Note 8)	6,441	186,252
	65,838	441,187
Non-Current		
Loans payable (Note 7)	56,000	-
Due to related parties (Note 8)	95,203	-
	217,041	441,187
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	442,041	1,000
Equity reserve (Note 8, Note 9)	54,918	5
Deficit	(659,586)	(442,103)
Total equity	(162,627)	(441,098)
	$ 54,414	$ 89

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

Approved by the directors:

"Doug Unwin" *"Derick Sinclair"*

CABBAY HOLDINGS CORP.

STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Year ended December 31, 2017	Period from incorporation on March 6, 2016 to December 31, 2016
Expenses:		
Accounting and audit fees (Note 8)	$ 16,475	$ 9,670
Consulting fees (Note 8)	58,050	-
Depreciation	534	-
Interest and bank charges	4,778	113
Legal fees	29,014	-
Management fees (Note 8)	47,250	-
Office and administration	10,300	231
Share-based compensation (Note 9)	27,817	5
Transfer agent and filing fees	13,145	2,384
Travel	14,941	-
Total expenses	(222,304)	(12,403)
Expense reimbursement	-	5,659
Forgiveness of loans payable (Note 7)	10,750	-
Assumption of debt (Note 7)	(5,929)	-
Arrangement financing fee (Note 1)	-	(435,359)
Net loss and comprehensive loss for the year	$ (217,483)	$ (442,103)
Earnings (loss) per share – Basic and diluted	$ (0.05)	$ (1.08)
Weighted average number of common shares outstanding	4,782,894	409,367

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

	Year ended December 31, 2017	Period from incorporation on March 6, 2016 to December 31, 2016
Operating Activities		
Net loss for the year	$ (217,483)	$ (442,103)
Items not involving cash:		
Depreciation	534	-
Share-based compensation (Note 8)	27,817	5
Forgiveness of loan payable	(10,750)	-
Assumption of debt	5,929	-
	(193,953)	(442,098)
Changes in non-cash working capital item related to operations:		
Advances	(3,054)	-
Subscriptions receivable	(200)	-
Accounts payable and accrued liabilities	15,362	6,396
Cash from operating activities	(181,845)	(435,702)
Investing Activities		
Acquisition of property, plant and equipment	(1,942)	-
Purchase of agreement (Note 5)	-	(1)
	(1,942)	(1)
Financing Activities		
Proceeds from issuance of common shares (Note 1)	218,510	1,000
Assumption of loans payable (Note 1)	2,039	248,539
Advances from related parties (Note 1, Note 7)	12,902	186,252
Cash provided by financing activities	233,451	435,791
Increase in cash during the year	49,664	88
Cash, beginning of the year	88	-
Cash, end of the year	$ 49,752	$ 88

CABBAY HOLDINGS CORP.

STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Equity Reserve $	Deficit $	Total $
Balance, March 6, 2016 (date of incorporation)	1	1	-	-	1
Shares issued for acquisition of purchase agreement (Note 1)	1,379,887	1,000	-	-	1,000
Shares cancelled	(1)	(1)	-	-	(1)
Share-based compensation (Note 9)	-	-	5	-	5
Loss for the period	-	-	-	(442,103)	(442,103)
Balance, December 31, 2016	1,379,887	1,000	5	(442,103)	(441,098)
Common shares issued for cash	3,540,499	218,510	-	-	218,510
Conversion of debt to shares (Note 7, Note 8, Note 9)	2,934,238	222,531	-	-	222,531
Share-based compensation	-	-	27,817	-	27,817
Interest benefit on related party loans (Note 8)	-	-	27,096	-	27,096
Loss for the year	-	-	-	(217,483)	(217,483)
Balance, December 31, 2017	7,854,624	442,041	54,918	(659,586)	(162,627)

1. Nature and Continuance 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 1735 555 Burrard St. Vancouver, BC V7X 1M9. The registered and records office of the Company is located at the same address. The Company is a development stage company its sole holding is an agreement with ForwoRx Therapeutics Inc. for further commercialization of PT's technology focused on repurposing and reformulating existing approved drugs as well as developing proprietary drug technologies from late stage pre-clinical testing thru phase 2 clinical trials.

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 5) 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 December 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 5). The Company had a net loss for the year ended December 31, 2017 of $217,483 (2016: $442,103) and an accumulated deficit at December 31, 2017 of $659,586 (2016: $442,103).

The Company is 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

These financial statements of the Company for the year ended December 31, 2017, and period from incorporation on March 6, 2016 to December 31, 2016 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 financial statements were approved and authorized for issue by the board of directors on April 6, 2018.

(b) Basis of Presentation

These financial statements were prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Significant Accounting Policies

(a) Use of Estimates

The Company makes estimates and assumptions about the future that affect the reported amount of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is measured prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions, relate to the following key estimates:

Share-based payments and compensation

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services.

3. Significant Accounting Policies (continued)

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimated fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option, volatility and dividend yield and making assumptions about them. The fair value of the underlying common shares is assessed as the most recent issuance price per common share for cash proceeds. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in note 8.

Deferred income tax

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances (see Note 6).

Going Concern

The assumption is that the Company is a going concern and will continue into the foreseeable future. The factors considered by management are disclosed in Note 1.

(b) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(c) Property, plant and equipment

Property, plant and equipment is recorded at cost. Amortization is provided on a declining balance basis at the following annual rates:

Computer equipment	55%

In the year of acquisition only one-half the normal rate is applied.

3. Significant Accounting Policies (continued)

(d) Loss per share

Basic loss per share is calculated based on the weighted average number of shares outstanding during the period. The treasury stock method is used for determining the dilutive effect of options and warrants issued in calculating the diluted earnings per share. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants, and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the year ended December 31, 2017, this calculation proved to be anti-dilutive and therefore diluted per share amounts do not differ from basic per share amounts.

(e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

(f) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity reserve. Consideration received on the exercise of stock options is recorded as share capital and the related amount in equity reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payments reserve. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

(g) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

3. Significant Accounting Policies (continued)

(h) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss (“FVTPL”), loans and receivables, and available-for-sale (“AFS”). The classification depends on the purpose for which the financial assets were acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

The Company has classified its cash at fair value through profit or loss. The company’s receivables are classified as loans and receivables.

3. Significant Accounting Policies (continued)

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset could be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company’s accounts payable and accrued liabilities, loans payable, and due to related parties are classified as other financial liabilities.

4. Recent Accounting Pronouncements

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, 2016:

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.

5. 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 it's 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. As of December 31, 2017, $100,000 of maintenance fees were due. In the Company's judgment, no portion of this amount will be recognized until collection can be assured.

6. Equipment

Costs

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

Accumulated Depreciation

	Computers	Total
Balance December 31, 2016	$ -	$ -
Depreciation	534	534
Balance December 31, 2017	**$** 534	**$** 534

Net Carrying Amount

	Computers	Total
Balance December 31, 2016	$ -	$ -
Balance December 31, 2017	**$ 1,408**	**$ 1,408**

7. 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 December 31, 2017 is $2,016.

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

On January 18, 2017, debt totaling $10,750 owing to a consultant of the Company was forgiven.

During the year ended December 31, 2017, the Company converted $3,250 into 130,000 common shares of the Company at a conversion rate of $0.025 per common share; converted $22,840 into 456,800 common shares at a conversion rate of $0.05 per common share; and converted $126,027 into 84,017 common shares of the company at a conversion rate of $1.50 per common share.

8. Related Party Transactions

Transactions with related parties are as follows:

	December 31, 2017	December 31, 2016
Accounting fees to a director	$ 4,000	$ 4,000
Accounting fees to a Company controlled by a director	7,225	-
Consulting fees to a director	4,500	-
Management fees to the CEO and director	47,250	-
	$ 62,975	$ 4,000

As of December 31, 2017, the Company has $2,184 (2016: $166,201) classified as short-term liabilities, and $78,940 (2016: $nil) classified as long-term liabilities owing to the CEO and director of the Company. The short-term balance has no set terms of repayment and does not bear interest.

8. Related Party Transactions (continued)

On September 20, 2017 the CEO and director signed an agreement which resulted in reclassification of $100,000 of the payable as long-term. The debt is due January 1, 2020 and does not bear interest. The initial fair value of the long-term debt was recorded at $76,642 using a discount rate of 12%. An interest benefit of $23,358 was recorded as an equity reserve upon reclassification. As at December 30, 2017, the unamortized discount on the debt was $21,059 and the carrying value was $78,940.

As of December 31, 2017, the Company has $16,262 (2016: $nil) of long-term debt owing to a family member of the CEO and director. On December 18, 2017 the CEO assigned $20,000 of debt to this individual, which resulted in reclassification of the payable as long-term. The debt is due on September 30, 2019 and does not bear interest. The initial fair value of the debt was recorded at $16,262 using a discount rate of 12%. An interest benefit of $3,738 was recorded as an equity reserve upon reclassification.

As of December 31, 2017, the Company has $1,352 (2016: $nil) in due to related parties and has $nil (2016: $4,000) included in accrued liabilities owing to a director. The Company has $2,625 (2016: $nil) in due to related parties and $2,500 (2016: $nil) included in accrued liabilities owing to a Company controlled by the director. The amounts do not bear interest and have no set terms of repayment.

As of December 31, 2017, the Company has $nil (2016: $19,950) owing to a director and $100 (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.

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 2,000,000 shares at a conversion rate of $0.025 per share.

9. Share Capital

The Company has authorized an unlimited amount of Class A common shares without par value. As at December 31, 2017 the Company has 7,854,624 (2016: 1,379,887) common shares issued and outstanding.

During the year ended December 31, 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.

9. Share Capital (continued)

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.

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.

Stock options and share based payments

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

Expiry Date	Exercise Price $	31-Dec-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 year ended December 31, 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. The options were assigned a value of $16,460 using the Black-Scholes pricing model.

9. Share Capital (continued)

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. The options were assigned a fair value of $11,022 using the Black-Scholes pricing model.

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. The options were assigned a fair value of $335 using the Black-Scholes pricing model.

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.

The options outstanding and exercisable as at December 31, 2017 have a remaining contractual life of 4.5 years. Stock option activity was as follows:

	Options outstanding	**Exercise Price $**
Balance, March 6, 2016 (incorporation	-	-
Issued	100,000	0.10
Balance, December 31, 2016	100,000	0.10
Issued	25,000	0.10
Issued	340,000	0.10
Issued	220,000	0.10
Balance, December 31, 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 Option Pricing Model were:

	December 31, 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 December 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

During the year ended December 31, 2017:

There was no warrant activity during the year ended December 31, 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 December 31, 2016 have a weighted average remaining contractual life of 1.8 years. Warrant activity was as follows:

	December 31, 2016	
	Options outstanding	Exercise Price $
Balance, March 6, 2016 (incorporation)	-	-
Issued	362,333	$3.00
Balance, December 31, 2016 and 2017	362,333	$3.00

10. Income Taxes

The reconciliation of income tax attributable to continuing operations computed at the statutory tax rate of 26% to income tax expense is:

	2017	2016
	$	$
Income (loss) for the year	(217,483)	(442,103)
Expected income tax (recovery)	(56,546)	(114,947)
Permanent and other differences	8,774	113,202
Change in benefit not recognized	47,772	1,744
Total income tax expense (recovery)	-	-

Deferred taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Deferred tax assets are evaluated periodically and if realization is not considered likely, a valuation allowance is provided.

	2017	2016
	$	$
Deferred tax assets (liabilities)		
Non-capital loss carry forwards	51,105	1,744
Capital assets	139	-
Unrecognized deferred tax assets	51,244	1,744

The Company has non-capital losses of $196,560 (2016: $6,709) which, if unused, will expire as follows:

	$
2036	6,709
2037	189,851
	196,560

11. 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.

12. Financial Instruments and Risk

As at December 31, 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. 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 $21,758 (December 31, 2016: $6,396) in accounts payable and accrued liabilities, $37,639 (December 31, 2016: $248,539) in short-term loans payable, $56,000 (December 31, 2017: $nil) in long-term loans payable, $6,441 (December 31, 2016: $186,252) in short-term due to related parties, and $95,203 (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.

12. Financial Instruments and Risk (continued)

	Level 1	Level 2	Total
	$	$	$
December 31, 2016			
Cash	88	-	88
Loans payable	-	-	-
Due to related parties	-	-	-
	88	-	88
December 31, 2017			
Cash	49,472	-	49,742
Loans payable	-	56,000	56,000
Due to related parties	-	95,203	95,203
	49,472	151,203	200,945

Cash is measured using level 1 fair value inputs. The fair value of long-term due to related parties and long-term loans payable are determined based on level 2 inputs and estimated using the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. As at December 31, 2017, the Company believes that the carrying values of its cash, advances, subscriptions receivable, accounts payable and accrued liabilities, short-term due to related parties, and short-term loans payable approximate their fair values because of their nature and relatively short maturity dates or durations.

13. Supplemental Cash Flow Information

Investing and financing activities that do not have an impact on current cash flows are excluded from the statements of cash flow. During the year ended December 31, 2017, the following transactions were excluded from the statement of cash flow:

- Conversion of loans payable balances of $126,027 into 84,018 shares at $1.50 per share, balances of $3,250 into 130,000 shares at $0.025 per share, and balances of $22,840 into 456,800 shares at $0.05 per share.
- Conversion of due to related party balances of $50,000 into 2,000,000 shares at $0.025 per share, balances of $5,928 into 118,560 shares at $0.05 per share, and balances of $14,486 into 144,860 shares at $0.10 per share.
- Interest benefits of $27,096 recorded on reclassification of related party loans as long-term recorded under equity reserves.

14. Subsequent Events

Private Placement

The Company intends by way of a private placement, to raise up to $1,750,000 through the issuance of 7,000,000 units at a price of $0.25 per unit. Each unit consists of one common share and one half non-transferable share purchase warrant, each whole warrant entitles the holder

14. Subsequent Events (continued)

to purchase one additional common share in the capital of the Company up to a period of 2 years at a purchase price of $0.35 per share. If, prior to the expiry date of the warrants, and once the warrants are free from the statutory resale restrictions (4 months plus one day), and the date is not less than 12 months after the closing date, and if the common shares are listed on a securities exchange, and the closing price of the common shares of the Company on the listing exchange if it equals or exceeds $0.60 for a period of not less than 10 consecutive trading days, the Company may force conversion in 30 days at the purchase price of $0.35 per share.

Letter of Intent

The company has signed a letter of intent to lease land on the Samson Cree First Nations lands in Alberta for the development of a 200,000 sq. ft. greenhouse to cultivate cannabis.

Incorporation

The company has incorporated a wholly owned subsidiary named Alta-Sun Samson Holdings Corp. on March 26, 2018.