

*A copy of this amended and restated preliminary Prospectus has been filed with the securities regulatory authority in British Columbia but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary Prospectus may not be complete and may have to be amended.*

*This amended and restated preliminary Prospectus is not related to a public offering. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

**Amended and restated preliminary prospectus dated September 25, 2018 amending and restating the preliminary prospectus dated June 18, 2018**

**Non Offering**

**September 25, 2018**



**CABBAY HOLDINGS CORP.  
(the “Issuer”)**

No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the British Columbia Securities Commission for the purpose of complying with the listing requirements of the Canadian Securities Exchange (the “CSE”). Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised, and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Issuer.

**No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.**

**There is no market through which the securities of the Issuer may be sold. This may affect the pricing of the Issuer’s securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See ‘Risk Factors’**

The Issuer plans to apply to list its Class A common shares (the “Common Shares”) on the CSE. Listing of the Commons Shares will be subject to the Issuer fulfilling all of the listing requirements of the CSE.

As at the date of this Prospectus, the Issuer does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

**Cabbay Holdings Corp.**  
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## GLOSSARY OF TERMS

“**ACMPR**” means the Access to Cannabis for Medical Purposes Regulations (Canada) issued pursuant to the CDSA.

“**Alta-Sun**” means the Issuer’s wholly owned subsidiary, Alta-Sun Samson Holdings Corp. Mr. Douglas Unwin the President and CEO of the Issuer is the President and sole director of Alta-Sun.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended from time to time.

“**Bill C45**” means the proposed legislation to legalize the adult non-medical use of cannabis in Canada.

“**Board**” means the board of directors of the Issuer.

“**Cannabis**” has the meaning given to such term in the ACMPR.

“**Cannabis Act**” means Bill C45 of the Canadian government which covers all the laws and regulations related to Cannabis cultivation, processing and sale and is scheduled to become law on October 17, 2018.

“**Cannabis oil**” has the meaning given to such term in the ACMPR.

“**CTLS**” means the Cannabis Tracking and Licensing System, which enables the tracking of high-level movements of cannabis to help prevent diversion from and inversion into the regulated supply chain. The system will also be used by applicants to apply to Health Canada for a cannabis licence.

“**CDSA**” means the *Controlled Drugs and Substances Act* (Canada).

“**Certificate of Possession**” means Interest of Individual First Nations right to use and occupy a parcel of First Nations Band reserve land.

“**Common Shares**” means the Class A common shares without par value of the Issuer.

“**CSE**” means the Canadian Securities Exchange.

“**Cultivation License**” means the license to be issued by Health Canada to Alta-Sun, if granted, designating Alta-Sun as a Licensed Producer, allowing Alta-Sun to produce marijuana.

“**Effective Date**” means the date of the issue of the final receipt issued by the Securities Commission for this Prospectus.

“**Escrow Agent**” means Computershare Investor Services Inc..

“**Escrow Agreement**” means the escrow agreement to be entered into between the Issuer, the Escrow Agent and certain shareholders of the Issuer.

“**ForwoRx**” means ForwoRx Therapeutics Inc. (formerly Forge Therapeutics Inc.)

“**ForwoRx Agreement**” means the asset purchase agreement dated July 23, 2015 between Tower One and ForwoRx which was transferred from Tower One to the Issuer as part of the Plan of Arrangement.

“**HC**” means Health Canada.

“**Insider**” means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of the Issuer that is an Insider of a subsidiary of the Issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

“**Issuer**” means Cabbay Holdings Corp., a company incorporated under the laws of the Province of British Columbia.

“**Licensed Producer**” means a person that has been issued a license to cultivate cannabis under the ACMPR.

“**LP**” means a Licensed Producer which is a producer licensed by health Canada under ACMPR

“**Medical Cannabis**” means the use of cannabis to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications

“**Minister**” means the Federal Minister of Health (Canada).

“**MMPR**” means the *Marihuana for Medical Purposes Regulations* (Canada).

“**NI 58-101**” means National Instrument 58-101, *Disclosure of Corporate Governance Practices*.

“**NP 58-201**” means National Policy 58-201, *Corporate Governance Guidelines*.

“**Options**” means the incentive stock options granted by the Issuer to directors, officers, employees and consultants from time to time to purchase Common Shares of the Issuer pursuant to the Issuer’s Stock Option Plan.

“**Person**” means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual, or an individual.

“**Plan of Arrangement**” means the plan of arrangement between Tower One and the Issuer which closed on October 3, 2016.

“**Preferred Shares**” means the Class B preferred shares without par value of the Issuer.

“**Principal**” means, with respect to the Issuer:

- (a) the directors and senior officers of the Issuer;

- (b) promoters of the Issuer during the two years preceding the date the Issuer becoming a reporting company;
- (c) persons who own or control more than 10% of the Issuer's voting securities immediately before and immediately after the date the Issuer becoming a reporting company if they also have elected or appointed or have the right to elect or appoint a director or senior officer of the Issuer;
- (d) persons who own or control more than 20% of the Issuer's voting securities immediately before and immediately after the Issuer becoming a reporting company; and
- (e) associates and affiliates of any of the above.

**“Propagation”** means the breeding of strains of cannabis by natural processes from the parent stock, such as the propagation of plants by root cuttings or other means.

**“Prospectus”** means this Prospectus of the Issuer.

**“RFI”** means a request for information submitted to an applicant under ACMPR by HC during the application process.

**“Sales License”** means the license to be issued by Health Canada to Alta-Sun, if granted, designating Alta-Sun as a Licensed Producer, allowing it to sell marijuana.

**“Samson Agreement”** means the agreement dated May 25, 2018 between the Issuer and Alta-Sun, Rod Saddleback, and Myron Sparklingeyes.

**“Samson Facility”** means the proposed facility to be established on the Samson Site to grow cannabis, including processing building.

**“Samson FN”** means the Samson Cree Nation located in Maskwacis, Alberta, approximately 75 kilometers south of Edmonton.

**“Samson LOI”** means the letter of intent dated February 21, 2018 with Rod Saddleback of the Samson FN.

**“Samson Site”** means the proposed site of the Samson Facility located at Maskwacis, Alberta.

**“Securities Commission”** means the British Columbia Securities Commission.

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval, as located on the internet at [www.sedar.com](http://www.sedar.com).

**“Shares”** means the Common Shares and Preferred Shares.

**“Shenyang”** means Shenyang and Tsingtao Investments Inc., a consultant to the cannabis industry.

**“Standard Cultivation License”** means a license under the Cannabis Act to grow Cannabis on an area larger than 200 metres square.

**“Stock Option Plan”** means the stock option plan adopted by the Issuer.

**“Off-Take Agreement”** means an agreement between the Issuer and a LP, where the Issuer agrees to sell a specific amount of Cannabis flower to the LP for a specific price, for specific length of time.

**“Tower One”** means Tower One Wireless Corp.

**“Transfer Agent”** means Computershare Investor Services Inc.

**“TSX-V”** means the TSX Venture exchange

**“Warrants”** means the non-transferable common share purchase warrants of the Issuer that have been issued from time to time as part of previous financings.

**“Warrant Shares”** means the previously unissued Common Shares that will be issued upon exercise of the Warrants.

## **GENERAL MATTERS**

Unless otherwise noted or the context indicates otherwise “we”, “us”, “our” or the “Issuer” refer to Cabbay Holdings Corp.

Readers should rely only on the information contained in this Prospectus. We have not authorized any other person to provide you with additional or different information. If anyone provides you with additional or different or inconsistent information, including information or statements in media articles about the Issuer, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate only as at its date. The Issuer’s business, financial conditions, results of operations and prospects may have changed since that date.

## **CURRENCY PRESENTATION**

In this Prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “\$” and “dollars” are to Canadian dollars. All references to “US\$”, “USD” or “United States dollars” are to United States currency.

## **FORWARD LOOKING STATEMENTS**

Certain statements included in this Prospectus constitute forward-looking information or statements (collectively, “forward-looking statements”), including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “may”, “should” and similar expressions to the extent they relate to the Issuer or its management. The forward-looking statements are not historical facts but reflect current expectations regarding future results or events. This Prospectus contains forward looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

Forward-looking statements in this Prospectus include, but are not limited to, statements relating to:

- information with respect to the Issuer’s future financial and operating performance;
- the Issuer’s adequacy of financial resources;
- the Issuer’s development of the Samson Facility;
- the Issuer’s ability to acquire appropriate licenses and permits from several levels of government;
- the Issuer’s development of its products; and
- statements with respect to the Issuer’s anticipated executive compensation.

The risk factors described in this Prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Issuer’s forward-looking statements. In addition, any forward-looking statements represent the Issuer’s estimates only as of the date of this Prospectus and should not be relied upon as representing the Issuer’s estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in this Prospectus include: (a) execution of the Issuer’s existing plans which may change due to changes in the objectives of the Issuer, or if new information arises which makes it prudent to change such plans; and (b) the accuracy of current interpretation of ACMPR licensing rules, since new information or new interpretation of existing information may result in changes in the Issuer’s expectations. Forward looking



statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: (i) industry trends in cannabis production, (ii) the outcome of the Issuer's research and development, (iii) the ability of the Issuer to finance greenhouse development at the Samson Site, (iv) the Issuer's ability to profitably cultivate and sell cannabis and products and (v) the ability of the Issuer to have its products approved by regulatory authorities in Canada, the European Union, the United States and other jurisdictions. Readers should not place undue reliance on the Issuer's forward-looking statements, as the Issuer's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Issuer's business, or if the Issuer's estimates or assumptions prove inaccurate; therefore, the Issuer cannot provide any assurance that such forward-looking statements will materialize. The Issuer does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws. For a description of material factors that could cause the Issuer's actual results to differ materially from the forward-looking statements in this Prospectus, see "*Risk Factors*".

### **MARKET AND INDUSTRY DATA**

This Prospectus includes market and industry data that has been obtained from third party sources, including publications from various industries, and where appropriate, certain numbers, including dollar amounts, have been rounded out by us to avoid lengthy numbers. We believe that this industry data is accurate and that its estimates and assumptions are reasonable; however, there are no assurances as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable; however, there are no assurances as to the accuracy or completeness of included information. Although the data is believed to be reliable, we have not independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

## SUMMARY OF PROSPECTUS

### The Issuer

Cabbay Holdings Corp. (the “**Issuer**”) was incorporated on March 6, 2016 under the BC Business Corporations Act as a wholly owned subsidiary of Tower One Wireless Corp. (“**Tower One**”) (formerly Pacific Therapeutics Ltd.), a public company, the common shares of which trade on the CSE. The Issuer became a reporting issuer in British Columbia on October 3, 2016 as the result of a plan of arrangement (the “**Plan of Arrangement**”) between Tower One and the Issuer. As part of the Plan of Arrangement, the Issuer acquired certain rights held by Tower One under an asset purchase agreement with ForwoRx Therapeutics Inc. (formerly Forge Therapeutics Inc.) (the “**ForwoRx Agreement**”). The Issuer is not currently listed on any stock exchange. See “*Description of the Business*”.

### The Principal Business of the Issuer

The Issuer is seeking to establish a cannabis cultivation business in Alberta, Canada in partnership with the First Nations leaders and communities comprising the Samson Cree First Nation (the “**Samson FN**”). This partnership will develop Cannabis cultivating facilities on Samson FN land and utilize low cost inputs into cannabis cultivation with the goal of being a low-cost producer in the industry.

The Issuer, through its subsidiary, Alta-Sun Samson Holdings Corp., will apply for a cannabis production license on First Nations lands at the Samson location (the “**Samson Site**”).

The Issuer plans to apply to for a Standard Cultivation license under Bill C45 the Cannabis Act to be a licensed producer of Cannabis (a “**Licensed Producer**”) and build the Samson Facility, comprised of a 1.3 million sq. ft. of outdoor cannabis grow and ancillary facilities, at the Samson Site.

Harvested cannabis will be sent wet to near-by LP for drying and curing. The Issuer has not signed an agreement for the drying and curing.

### Use of Available Funds

As at August 31, 2018 the Issuer had working capital of \$341,374.

The Issuer anticipates using its available funds to advance an application by Alta-Sun under the Cannabis Act to grow cannabis at the Samson Site.

Management anticipates applying its available funds of • in the following manner:

Cannabis Act Standard Cultivation License	
Health Canada Fees	15,000
Legal and Filings	30,000
Standard Operating Procedures	27,500
Consulting & Design	25,000
Security analysis and Planning	10,000
Surveying	5,000
Cultivation License Application Expense:	112,500
Construction Costs	
Fencing	•
Security Equipment	•
Build and Equip administration building	•
Equipment	•
Operating Expense	
General & Administration <sup>(1)</sup>	300,000
Cannabis Cultivation	
Operating Expense:	•
Land Lease	17,500
Interest	7,920
CSE Listing Fees	10,000
Unallocated Working Capital	•
<b>Total</b>	•

For a more detailed discussion on the proposed expenditures see “Use of Proceeds”.

### **Directors and Officers**

Douglas H. Unwin B.Sc., MBA – Director, President & CEO

Robert Charlton CPA, CA – Director, CFO

Derick G. Sinclair CPA, CA – Director

Mark van der Horst – Director

Harold Forzley CPA, CA - Director

### **Risk Factors**

Whether actual results, performance or achievements will conform to the Issuer’s expectations and predictions is subject to several known and unknown risks, uncertainties, assumptions and other factors, including those listed under “Risk Factors”, which include:

- the Issuer is at an early stage of development, it has not submitted a license application or received an application number or security clearances from Health Canada;
- the Issuer has yet to begin construction of a growing facility, which needs to be constructed and operational prior to the initial inspection step of the licensing process;
- the Samson Agreement has been signed, however the specific piece of CP land has not been leased. The fact that a lease has not been signed, band approval by way of a band resolution has not been obtained and the Minister of Crown-Indigenous Relations and Northern Affairs has not approved the lease are all risk factors;
- the Issuer does not have an agreement with the Samson FN to supply employees although the Issuer has agreed to give a preference to hiring Samson FN members;
- the Issuer's business plan is dependent on being able to purchase a suitable supply of disease free, pathogen free, pest free, mold and mildew free seedlings at a price that will allow the Issuer to achieve profitability;
- if seedlings enter the growing facility are diseased or have other pathogens, the pathogens may cause the crop to fail affecting profitability negatively;
- the Issuer is dependent on Rod Saddleback to provide a list of eligible persons, over the age of eighteen (18), who would be ready, willing and able to work at the buildout and operate the Samson Facility;
- the issuer is a development stage company with little operating history, a history of losses and the Issuer cannot assure profitability;
- the Issuer's actual financial position and financial performance may differ materially from the expectations of the Issuer's management;
- the Issuer remains under constant working capital pressures, the amount of available funds is close to fully allocated and only allows for minimal working capital reserves;
- the Issuer expects negative operating cash flows for the foreseeable future;
- the Issuer expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance;
- future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Issuer's operations and increased;
- the Issuer may be subject to unanticipated costs or delays that would accelerate its need for additional capital or increase the costs of construction;
- the Issuer is subject to several risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of the Samson Facility;
- there can be no assurance that current or future construction plans implemented by the Issuer will be successfully completed on time, within budget and without design defect;
- there can be no assurance that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects;
- there can be no assurance that the Issuer will be able to obtain all necessary governmental approvals and permits;
- there can be no assurance that the completion of the construction, the start-up costs and the ongoing operating costs will not be significantly higher than anticipated by the Issuer;
- the Samson Facility is expected to become integral to the Issuer's business and adverse changes or developments affecting the Samson Facility may impact the Issuer's business;
- to date, the Issuer's activities and resources have been primarily focused on the Samson Facility and the Issuer expects to continue to be focused on licensing and development of the Samson Facility for the foreseeable future until completion of the construction;
- the Issuer is dependent upon receipt of a Standard Cultivation license for its ability to grow, store and sell cannabis and other products derived therefrom and the cultivation license would be subject to ongoing compliance, reporting requirements and renewal;

- the Issuer's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis, changes to such laws, regulations and guidelines may cause material adverse effects on the operations of the Issuer;
- the current federal government plans to implement the Cannabis act on October 17, 2018, however, it is unknown if this regulatory change will be implemented at all;
- the inability of the Issuer to access sufficient additional capital for its operations could have a material adverse effect on the Issuer's financial condition, results of operations or prospects;
- the Issuer does not have a history of earnings or profit, has never had any products available for commercial sale and has not generated any revenue from product sales;
- Upon receipt of the final Prospectus, the Issuer's directors and officers will own approximately 24.52% of the issued and outstanding Common Shares of the Issuer, as a result, the officers and directors of the Issuer, together will have the ability to control or influence the outcome of most corporate actions requiring shareholder approval;
- in order to successfully commercialize dried cannabis and cannabis-based products, the Issuer must enter into collaborations with partners to develop a capable sales, marketing and distribution infrastructure;
- if the Issuer is unable to develop collaborations with one or more partners to purchase its product, it may not be able to successfully commercialize its products, which could cause the Issuer to cease operations;
- the Issuer may never receive approval from Health Canada to sell medical cannabis or when legal, recreational cannabis;
- If the Issuer cannot successfully develop, manufacture and distribute its products, the Issuer may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Issuer's ability to effectively enter the market;
- a failure by the Issuer to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Issuer's commercialization plans and the Issuer's business, prospects, results of operations and financial condition;
- any failure to obtain approval to sell the Issuer's cannabis, and successfully commercialize it, would have a material and adverse impact on the Issuer's business;
- the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced, adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Issuer;
- there can be no assurance that the Issuer's or third-party estimates are accurate or that the market size is sufficiently large for its business to grow as projected, accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Issuer;
- failure in the demand for cannabis products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Issuer;
- available funds have been specifically allocated, investors will in large part entrust their funds to the directors, management, and other professional advisors in whose judgment investors must depend;
- the Issuer's inability to retain employees and attract and retain sufficient additional employees or engineering, cultivation and technical support resources could have a material adverse effect on the Issuer's business, results of operations, sales, cash flow or financial condition;
- if the Issuer is unable to contract the correct personnel to continue its expansion and operation, it may be unable to implement or complete its construction and product development programs, resulting in the inability to commercialize its cannabis product;

- the future success of the Issuer is very dependent upon the ongoing availability and commitment of its directors, officers and advisor consultants, not all of whom are or will be bound by formal contractual employment agreements;
- environmental regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, there is no assurance that future changes in environmental regulation, if any, will not adversely affect the Issuer's operations;
- Government environmental approvals and permits are currently and may in the future be required in connection with the Issuer's operations;
- Failure of the Issuer to comply with applicable environmental laws, regulations and permitting requirements may result in, the Issuer being required to compensate those suffering loss or damage due to its operations;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks;
- The Issuer may not receive a license to grow cannabis from Health Canada if the Issuer fails to demonstrate that its proposed cultivation facilities meet regulatory requirements, consequently, failure to obtain necessary approvals could result in delays to the Issuer's grow out development efforts and revenues;
- there is no assurance that the Issuer will ever receive regulatory approval to grow or sell its dried cannabis. If such regulatory approval is not obtained, the Issuer may never become profitable;
- the Issuer may not receive a license to sell cannabis from Health Canada if the Issuer fails to demonstrate that the product is safe, consequently, failure to obtain necessary approvals could result in delays to the Issuer's product development efforts;
- if the Issuer is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Issuer's sales and operating results could be adversely affected;
- the success of its product candidates will depend on their acceptance by physicians and patients and potential reimbursement by health insurance companies and provincial medical plans, among other things;
- the Issuer faces competition from other cannabis cultivation business' where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business;
- The cannabis industry is in its early stages and it is likely that the Issuer and its competitors will seek to introduce new products in the future, the Issuer may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, which may have a material adverse effect on the Issuer's business, financial condition and results of operations;
- if any of the Issuer's products are recalled due to an alleged product defect or for any other reason, the Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall;
- the Issuer's commercial success may depend, in part, on obtaining and maintaining patent protection, trade secret protection and regulatory protection of its future proprietary technology, products, procedures and information;
- The Issuer relies on trade secrets to protect its methods and technology, especially where the Issuer does not believe patent protection is appropriate or obtainable, if the Issuer is not able to maintain patent or trade secret protection on its methods, technologies and product candidates, then the Issuer may not be able to exclude competitors from developing or marketing competing products;

- other parties may own patent rights that the Issuer might infringe with its cannabis product candidates, methods, products or other activities and, some of the Issuer's potential competitors could bring claims against the Issuer causing substantial litigation expenses and, if successful, these parties may require payment of substantial damages;
- the Issuer may be required to pay license fees or royalties or both to obtain licenses to know how, patents and other intellectual property, and there is no guarantee that such licenses will be available on acceptable terms, if at all;
- without protection for the intellectual property that is licensed, other companies may be able to offer substantially similar products for sale, the Issuer may not be able to market or sell the planned products or generate any revenues;
- Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Issuer;
- Certain of the directors and officers of the Issuer will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including cannabis companies) and, as a result of these and other activities, such directors and officers may become subject to conflicts of interest;
- The Issuer's business will be subject to risks typical of an international business including, but not limited to, differing tax structures, regulations and restrictions and general foreign exchange rate volatility;
- if the Issuer's Common Shares become listed to trade on a stock exchange, there can be no assurance that continual fluctuations in price will not occur;
- there is no public market for the Issuer's Common Shares;
- in the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities, this risk is especially relevant for the Issuer because cannabis, biotechnology, specialty pharmaceutical and biopharmaceutical companies have experienced significant stock price volatility in recent years;
- achievement of the Issuer's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals, any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Issuer;
- the Issuer has no history of paying dividends, an increase in the market price of the Issuer's Common Shares, which is uncertain and unpredictable, may be an investor's sole source of gain from an investment in the Issuer's Common Shares;
- the impact of the issuance of a significant number of Common Shares from the exercise of the Issuer's outstanding warrants and options could place downward pressure on the market price of the Common Shares;
- the Issuer cannot be certain that additional funding will be available on acceptable terms, or at all, to the extent that the Issuer raises additional funds by issuing equity securities, its shareholders may experience significant dilution;
- future sales of the Issuer's currently outstanding Shares could cause the market price of the Issuer's Common Shares to decrease significantly, even if its business is doing well, the perception among the public that such sales may occur could have the same effect; and
- no guarantee on the use of available funds by the Issuer.

## SUMMARY OF SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected financial information for the Issuer for the periods indicated. The following summary of selected financial information is derived from and should be read in conjunction with and is qualified in its entirety by reference to the Issuer’s [unaudited financial statements for the six-month period ended June 30, 2018] and audited annual financial statements for the year ended December 31, 2017 and the period from incorporation (March 6, 2016) to December 31, 2016. See “*Management’s Discussion and Analysis*” for MD&A of the Issuer for the year ended December 31, 2017 and the period from incorporation (March 6, 2016) to December 31, 2016 as well as the six-month period ended June 30, 2018, which are attached to this Prospectus as Schedule A.

	Six Month Period ended June 30, 2018 (unaudited)	Year ended December 31, 2017 (audited)	Period from Incorporation (March 6, 2016) to December 31, 2016 (audited)
<b>Statements of Operations Data</b>			
Total Revenues	\$NIL	\$NIL	\$NIL
Total Expenses	\$247,782	\$228,233	\$6,744
Arrangement Financing Fee	\$NIL	\$NIL	\$435,359
Net Income (Loss)	\$247,782	(\$217,483)	(\$442,103)
Net Income (Loss) per Share – Basic and Fully Diluted	(\$0.03)	(\$0.05)	(\$1.09)
<b>Balance Sheet Data</b>			
Total Assets	\$503,290	\$54,414	\$89
Total Liabilities	\$131,020	\$217,041	\$441,187
Shareholder’s Equity	\$372,270	(\$659,586)	(\$442,103)



## CORPORATE STRUCTURE

### Name, Address and Incorporation

The Issuer was incorporated on March 6, 2016 under the *Business Corporations Act* (British Columbia).

The head office and the registered and records office of the Issuer are located at Suite 1735 – 555 Burrard Street Vancouver, B.C. V7X 1M9. The Issuer is currently a reporting issuer in British Columbia.

### Inter-corporate Relationships

The Issuer has one wholly owned subsidiary, Alta-Sun Samson Holdings Corp. (“**Alta-Sun**”), which was incorporated on March 26, 2018 under the BCBCA. Douglas Unwin the Issuers President and CEO is the President and sole director of Alt-Sun.

## DESCRIPTION OF THE BUSINESS

### General Development of the Business

The Issuer was incorporated as a wholly owned subsidiary of Tower One Wireless Corp. (“**Tower One**”) in order to facilitate a plan of arrangement with Tower One, a public company whose common shares trade on the CSE. As part of the Plan of Arrangement which closed on October 3, 2016, Tower One transferred its interest in the ForwoRx Agreement and \$1,000 to the Issuer. As a result of the Plan of Arrangement, the Issuer became a reporting issuer in British Columbia. In connection with the Plan of Arrangement, \$435,360 of indebtedness was assigned to and assumed by the Issuer. The Issuer recorded a financing fee of \$435,359 as a result of the transaction. Also, in connection with the Arrangement during the fiscal year ended December 31, 2017 \$5,929 of indebtedness was assigned to and assumed by the Issuer and during the current fiscal year \$4,179 of indebtedness was assigned to and assumed by the Issuer.

On closing of the Plan of Arrangement, the Issuer was a holding company with major holding being an asset purchase agreement with ForwoRx Therapeutics Inc. (the “**ForwoRx Agreement**”) regarding the purchase of therapies to treat fibrosis, erectile dysfunction and pulmonary arterial hypertension. The ForwoRx Agreement covers the lead compound for Fibrosis, PTL-202, a combination of already approved drugs which have well established safety profiles. PTL-202 has completed a phase 1 drug/ drug interaction clinical trial. In addition, the agreement covers the purchase of a sublingual formulation of sildenafil citrate for use as a treatment for erectile dysfunction and pulmonary arterial hypertension. Neither of these programs is currently being funded.

The ForwoRx Agreement was originally entered into between Tower One (formerly Pacific Therapeutics Ltd.) and ForwoRx (formerly Forge Therapeutics Inc.) on July 23, 2015 pursuant to which Tower One agreed to sell certain of its technology assets (the “**Assets**”) to ForwoRx. In consideration, ForwoRx agreed to issue to Tower One 15,000,000 of ForwoRx shares (the “**ForwoRx Shares**”). Pursuant to the terms of the ForwoRx Agreement, subject to certain conditions, between the closing of the asset sale, which occurred on July 23, 2015, and the issuance of the ForwoRx Shares, ForwoRx is to pay to Tower One an annual maintenance fee of \$50,000 until the ForwoRx Shares have been issued. Currently ForwoRx is in arrears \$100,000 of these maintenance fees. If the ForwoRx Shares are not issued before July 23, 2018, Tower One may at any time prior to July 23, 2020 [the fifth anniversary of the Closing Date], provide notice to ForwoRx of its election to trigger the issuance of the ForwoRx Shares (in whole and not in part), in which case ForwoRx will issue the ForwoRx Shares to the Vendor within 10 business

days of receipt of such notice. If ForwoRx has not issued the ForwoRx Shares to Tower One on or before July 23, 2020 [the fifth anniversary of the Closing Date], and Tower One has not earlier provided notice of its election to receive the ForwoRx Shares, ForwoRx is required to promptly transfer and assign the Assets back to Tower One, free and clear of all encumbrances other than permitted encumbrances. As at the date of this Prospectus, the Issuer has not received any ForwoRx Shares.

From the completion of the Plan of Arrangement the Issuer has been engaged in improving its balance sheet and seeking additional business opportunities, primarily related to the cultivation, marketing and/or distribution of medical cannabis and, when legal, cannabis products for recreational purposes.

On March 26, 2018, the Issuer incorporated a British Columbia corporation Alta-Sun Samson Holdings Corp. (Alta-Sun). Alta-Sun is to be the developer and future operator of the Samson Facility. Alta-Sun will pursue the licensing, construction and operation of a cannabis growing facility on Samson FN lands. Under the Samson Agreement upon meeting specific milestones, Alta-Sun will issue common shares resulting in the following ownership percentages: Cabbay Holdings Corp. 49%; Rod Saddleback 49%; Myron Sparklingeyes 2% (see "*Material Contracts*")

On October 3, 2016, pursuant to the Plan of Arrangement, the Issuer issued 1,379,887 Common Shares to the shareholders of Tower One. A total value of \$1,000 was assigned to the shares

On January 27, 2017, the Issuer converted \$126,027 of debt into 84,017 common shares of the Issuer at a conversion rate of \$1.50 per common share. None of the debt holders were control persons, officers or directors of the Issuer. The debt that was converted had previously being assigned to and assumed by the Issuer from Tower One.

On April 27, 2017, the Issuer closed a private placement and issued 725,500 common shares at a price of \$0.02 per share for gross proceeds of \$14,510.

On June 1, 2017, the Issuer closed a private placement and issued 2,500,000 common shares at a price of \$0.025 per share for gross proceeds of \$62,500. Of that amount, \$9,250 was cash proceeds and \$53,250 was debt converted to shares. \$3,250 of the debt was converted by an existing arms length shareholder. The remainder of the debt was converted by Douglas Unwin, Derick Sinclair and Robert Charlton all directors of the Company. Of the \$53,250 of debt converted to shares \$37,500 was debt that had been assigned to and assumed by Issuer from Tower One, \$12,500 was for accounts payable for accounting services owed to a firm controlled by Robert Charlton the Issuers CFO.

On June 30, 2017, the Issuer closed a private placement and issued 1,570,360 common shares at a price of \$0.05 per share for gross proceeds of \$78,518. Of that amount, \$49,750 was cash proceeds and \$28,768 was debt converted. Of the \$28,768 of debt converted to shares, \$22,840 was converted by arms length shareholders of the Issuer. The remaining \$5,928 was converted by Douglas Unwin and Derick Sinclair, both directors of the Issuer. All of the debt had been assigned to and accept by the Issuer from Tower One.

On August 22, 2017, the Issuer closed a private placement and issued 1,400,000 common shares at a price of \$0.10 per share for gross proceeds of \$140,000. The Issuer also issued 144,860 common shares at a deemed price of \$0.10 per share to settle \$14,486 of debt. \$10,000 of the debt was converted by Derick

Sinclair and \$4,486 was converted by Douglas Unwin both directors of the Issuer. All of the debt had been assigned to and accepted by the Issuer from Tower One.

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 from September 21, 2018.

On February 21, 2018 the Issuer signed a letter of intent to lease land on the Samson Cree First Nations (“Samson FN”) land in Maskwacis Alberta to establish a 200,000 sq. ft. greenhouse for the cultivation of cannabis;

On April 4, 2018, the Issuer assumed \$4,179 of debt from Tower One, the amount is non-interest bearing and has no set terms of repayment;

On April 12, 2018, the Issuer issued 3,228,716 units for total proceeds of \$807,179. Each unit consists of one common share of the Issuer and one half of one purchase warrant. Each whole warrant grants the holder the right to purchase one share for \$0.35 for up to two years following the issuance date. \$163,000 of the proceed relates to subscriptions received during the period ended March 31, 2018.

On May 25, 2018 the Issuer signed an additional agreement on the lease and use of the Samson FN land.

The Issuer has applied to have its Common Shares listed on the CSE.

Further details about the business are provided below in the “*Narrative Description of the Business.*”

### **Significant Acquisitions and Dispositions**

Other than as described herein, the Issuer has not completed any acquisitions or dispositions since its date of incorporation and is not currently in negotiations with respect to any potential material acquisitions or dispositions.

### **Trends**

Apart from the risk factors noted under the heading “*Risk Factors*”, management is not currently aware of any other trends, commitments, events or uncertainties that would have a material adverse effect on the Issuer’s business or financial condition.

### **Narrative Description of the Business**

The Issuer’s goal is to establish itself as a low-cost producer of cannabis flower in the cannabis industry using a unique business model, location and relationships, while growing a high-quality product and reducing the risk of pesticide use and potential for mold and mildew contamination. In addition, the business model will reduce the requirement for skilled labour that is in high demand and short supply in the cannabis industry.

The Issuer will use a business model unique in the Cannabis industry in Canada. Instead of using valuable land, capital and other resources for propagation of cannabis plants, the Issuer will purchase seedlings from a nurseery to grow out to flowering plants in its own facility. Utilizing this model, reduces the risk of pathogens being passed from one crop to another due to problems in the Issuers propagation area. This model will also reduce capital costs as there will be no need to build the mother rooms and growing rooms for seedlings. In addition, propagation is a very labour-intensive operation requiring a large staff of skilled workers as well as grower expertise that is different from growing out flower. Propagation also

requires additional management and systems. Utilizing this model reduces capital cost, reduces the risk of cross contamination, reduces the need for skilled labour and reduces the risk of crop failure in propagation. The cost to purchase seedlings in the next 12 months is \$• at full production the cost of seedlings will reach \$• per year.

The Issuer's grow out facility will be designed as an independent outdoor growing area of 30 acres equal to 1.3 million sq. ft., large enough in scale to secure a significant market share and have the economy of scale to provide growing costs low enough to establish the Issuer as a low-cost producer in the cannabis industry. The facility will be fully secured with a high perimeter fence, video surveillance and secure access control to all areas, meeting the requirements of the Issuer's potential license under the Cannabis Act. The details of the growing process and monitoring are commercially sensitive and valuable and will not be disclosed.

The Issuer plans to send mature cannabis wet to a near-by drying and curing facility operated by a licensed producer. This plan eliminates the capital cost of constructing a drying and curing facility that would only operate for about 8 weeks out of the year as well as the need for skilled staff to manage the drying and curing facility.

Advanced tracking software and barcode scanning will be utilized allowing data capture from seed to sale.

The Samson Facility plans to use power, heat and CO<sup>2</sup> from natural gas-powered cogeneration facilities that will be owned and operated by a third party and located with the Samson Facilities resulting in reduced growing costs.

The grow out facilities design and operations will solve the issues of low quality, high cost cannabis with the risk for pesticide and mold contamination by incorporating the following:

- standard operating procedures will be developed to prevent cross contamination from pathogens;
- standard operating procedures will be developed to prevent security risks associated with an outdoor grow;
- elimination of propagation at the facility:
  - will reduce cross contamination;
  - will reduce the need for skilled nursery workers;
  - will reduce capital costs;
- use of co-generation of electricity and heat with back up grid supplied electricity will reduce costs and provide back ups at times of power outages protecting crops;
- elimination of the drying and curing facility:
  - will reduce the need for skilled management and workers for the drying and curing facility;
  - will reduce capital costs, eliminating the construction cost of the drying and curing facility;
  - leave additional growing space for crops
- collection of CO<sup>2</sup> from the co-generation plant will reduce costs
- utilization of the annual average of 320 sunny days in the Samson FN area eliminating the high cost of electricity for artificial lighting; and
- low cost pathogen free well water will be available on site.

## Alberta Cultivation

On February 21, 2018, the Issuer entered into a letter of intent with Rod Saddleback of the Samson FN on the development of a 200,000 sq. ft. green house to cultivate cannabis (the “**Samson LOI**”). On May 25, 2018 the Issuer and Alta-Sun entered into a new agreement with Rod Saddleback of the Samson FN on the development of a larger 250,000 sq. ft. green house (the “**Samson Agreement**”). On September 10, 2018 the Issuer signed an amended agreement with Rod Saddleback and Myron Sparkelingeeyes for the development of the Samson Facility. See “*Material Contracts*”

Alta-Sun has contracted Cannabis Compliance Inc. to assist it in the application to Health Canada for a Standard Cultivation License under the Cannabis Act. See “*Business Objectives and Milestones*”, “*Material Contracts*”

Alta-Sun has contracted Shenyang to assist it in the design of the Samson Facility and financial projections required for the Issuers business development. See “*Business Objectives and Milestones*”, “*Material Contracts*”

Construction of the facilities is planned to begin in q4 of 2018 with the installation of the security fence around the property and installation of the security equipment. The initial test crop is planned to be planted in June of 2019, if the Issuer has received approval from HC by that time.

The Samson Facility plan is to produce dry cannabis for sale to other LP’s.

## Overview of the Issuer

The Issuer is preparing an application to Health Canada for a Standard Cultivation License under the Cannabis Act, with the assistance of Cannabis Compliance Inc. for the Samson Facility. The Samson Agreement provides for Rod Saddleback of the Samson Cree First Nation to provide Certificate of Possession reserve land (“**CP Land**”) for the purpose of constructing a 250,000 sq. ft., cannabis growing facility, with an option to expand to a further 1,000,000 sq. ft.. CP Land is land allotted to a member of a First Nation. An allotment is the right to use and occupy a parcel of reserve land. Allotments must be approved by the Band Council and the Minister of Crown-Indigenous Relations and Northern Affairs. Once approved, the individual allotment holder has "lawful possession" of a parcel of land and may be issued a Certificate of Possession as evidence of their right. However, the legal title to the land remains with the Crown.

An individual may transfer his or her allotment to the band or another band member, may lease the allotment to a third party, and may leave the allotment to another band member in his or her will. All these transfers of individual allotments must be approved by the Minister of Crown-Indigenous Relations and Northern Affairs. If the "lawful possession" holder ceases to be a band member, his or her allotment must be transferred to the band or another band member.

Upon Rod Saddleback and or Myron Sparkelingeeyes providing the following documentation for the site:

- a. Evidence of approval of the allotment of the CP land by Samson Band Council and the Minister of Crown-indigenous Relations of Northern Affairs to the CP holder;
- b. Evidence from Band Council and the Minister of Crown-indigenous Relations of Northern Affairs that RS has lawful possession of the CP land by way of a lease from the CP land holder;

- c. Certificate of Possession;
- d. Proof of Rod Saddlebacks position of the land
- e. Letter of Support from the Samson FN Band Council addressed to HC; and
- f. Samson FN band council resolution approving the Samson Facility.

New common shares shall be issued by Alta-sun for the nominal sum of \$0.001 per share resulting in the following share ownership: Rod Saddleback has 49% and the Issuer has 49% and Myron Sparkelingeyes has 2% of all the issued common shares of Alta-Sun. Rod Saddleback and the Issuer shall each appoint a director to the Alta-Sun Board of directors.

The Issuer will make an initial payment on the head lease for CP land of \$40,000 to Rod Saddleback, the CP Land holder. \$22,500 of this initial payment has been made to Rod Saddleback, leaving a balance of \$17,500 to be paid. Annual lease payments have yet to be determined.

The Issuer has hired consultants, Shenyang and CCI for the design, of the facility with an estimated 30 acres of growing area. The total estimated capital cost projected by Shenyang is \$• for the grow out facility. Additional facilities for housing mechanical systems and other ancillary components will have a capital cost of \$•

As per the Samson Agreement, the Issuer will hold a 49% interest and Rod Saddleback will hold a 49% interest, Myron Sparklingeyes will hold the remaining 2% interest of Alta-Sun, which will involve the direct production, manufacturing, processing and sale of cannabis. Upon completion of the construction of the Samson Facility, the Issuer will move from being a virtual operation and increase its staff to reflect the requirements of operating the facility in conjunction with its consultants to supply management and staffing to Alta-Sun. Under the terms of the Samson Agreement, Saddleback will provide a list of eligible persons, over the age of eighteen (18), who would be ready, willing and able to work at the buildout and to operate the Samson Facility, supplying a significant contingent of employees from the Samson community. While experience in growing cannabis may be helpful, the nature of growing cannabis does not differ substantially from growing other agricultural products. These skills are generally available in Alberta. The issuer expects to have • fulltime employees and • part-time employees.

*The Issuer does not have any formal agreements with Samson FN to provide employees.*

Under the Samson Agreement, the Issuer has agreed to:

- provide the necessary expertise to commence developing, building out, sourcing material and constructing a licensed grow facility in all aspects, in particular, those that are required by the Federal and Provincial regulators, pursuant to legislation that is yet to be finalized;
  - the issuer will provide this expertise thru its contracts with Shenyang and CCI
  - Shenyang’s principals have expertise in greenhouse design and operations as well as project management
  - CCI has expertise in submitting applications to become an LP, cannabis cultivation and in the design of drying, curing and processing facilities
- attend and assist Rod Saddleback with Government applications for the purpose of obtaining Federal, Provincial and Municipal, or any other licensing, or permits that are required for the purposes of giving effect to the Samson Facility;

- attend to executing all such documentation as are contemplated or necessary to give full force and effect to the Samson Agreement;
- assign and designate those persons who will sit upon the Operating Committee and the replacement of those individuals when, and if necessary;
- oversee the development, buildout, management, operation and marketing of the cannabis and by-products from the Samson Facility, with the assistance of consultants as required, for the term of the Samson Agreement including any extensions or renewals of the Samson Agreement; and
- establish policies and provide advice concerning the Samson Facility addressing the concerns of Samson Chief and Council and Elders, with respect to the operations, business, and image of the Samson Facility, relative to the Samson First Nation members, elders, and persons related to the said First Nation who may be affected by the growing, delivery, production and marketing of cannabis and its derivatives to the public at large.

Rod Saddleback has agreed to:

- forthwith provide, in writing, a location dedicated as the site upon which Alta-Sun may commence its Samson Facility as soon as reasonably possible;
- the property will be located on CP land allotted to or leased by Rod Saddleback;
- permit free and open access to the Samson Facility site and exit from the Samson Facility site in order to permit the buildout of the grow facility and the delivery of cannabis and other derivatives from the Samson Facility to market;
- provide, thru relationships with third parties, the necessary water, electricity, natural gas, heat, carbon dioxide and power to the Samson Facility at a reasonable cost to Alta-Sun, to be negotiated between the parties, at a price to be mutually beneficial to all of the parties;
- provide a list of eligible persons, over the age of eighteen (18), who would be ready, willing and able to work at the buildout and operate the Samson Facility;
- attend regularly scheduled meetings for the purpose of discussing all aspects of the Samson Facility buildout and operations;
- attend to and execute all such further and other documents as are necessary to carry out and to complete all aspects of this Samson Agreement including licensing, finance, permits and other matters that are relevant to give full force and effect to the Samson Agreement; and
- assign and designate those persons who will sit upon the Operating Committee and those replacement of individuals when, and if necessary.

Other than agreed to in the Samson Agreement Mr. Saddleback is not expected to have any responsibilities in the general administration and operations of the Samson Facility other than the appointment of a director to the board of Alta-Sun.

**The Samson Agreement provides for the following financial arrangements and considerations:**

The estimated cost to develop, build out and stock the Samson Facility is \$\* for a 30 acre grow out facility and ancillary buildings;

- the Issuer plans to commence the construction and finance 50% of the Samson Facility as soon as reasonably possible, all funds provided to Alta-Sun by the Issuer will be by way of a loan and considered a contribution to the Alta-Sun debt account;
- Rod Saddleback will make reasonable best efforts to attempt to contribute or arrange 50% of the capital to contribute to the construction and operation of the Samson Facility. This capital contribution may be by way of a loan from a third party to Alta-Sun. In the event that Rod Saddleback plans to finance a 50% portion of the Samson Facility, he must do so as soon as reasonably possible. All funds provided to Alta-Sun by Rod Saddleback or arranged to be loaned to Alta-Sun by Rod Saddleback will be by way of a loan and considered a contribution to the Alta-Sun debt account;
- the Issuer agrees that they shall use their reasonable best efforts to pay for the development, building, and stocking of the Samson Facility, less whatever financial contribution that has been made by Rod Saddleback, as referenced in the preceding paragraph;
- for each \$100,000 (one hundred thousand) dollars contributed to the Alta-Sun debt account by the Issuer and Rod Saddleback, Alta-Sun will issue 1 (one) Class B Preferred share to the contributing party;
- the Issuer and Rod Saddleback and Alta-Sun further covenant and agree that the Issuer or its assignee shall be paid 10% of total gross revenue of Alta-Sun, per annum, as a management fee prior to any distribution of profits for the duration of this agreement and any extensions to it, as consideration for their overseeing and management of the buildout and operation of the Samson Facility;
- the debt or contributions incurred by the parties for the development, buildout, and stocking of the Samson Facility, shall be paid back first from the profits of Alta-Sun, until that debt or contribution is paid in full according to the terms below:
  - In the event that, Rod Saddleback contributes or arranges 50% of the capital required to buildout and stock the Samson Facility, the net profit of Alta-Sun, after the first full harvest and after the debt or contributions from the parties plus interest per annum of 18% have been paid back, shall be paid out as follows:
    - Rod Saddleback will receive a bonus of ten (10%) percent of net profit of Alta-Sun for the initial period of TEN (10) years on each 250,000 square foot buildout of the Samson Facility;
    - On the TENTH (10) anniversary of the debt or contributions plus interest having been paid back, and into perpetuity, Rod Saddleback will receive his prorated share of dividends declared on the Alta-Sun Class B Preferred Shares
  - In the event that, Rod Saddleback contributes or arranges less than 50% of the capital required to buildout and stock the Samson Facility, the net profit of Alta-Sun, after the first full harvest and after the debt or contributions from the parties plus interest per annum of 18% have been paid back, shall be paid out as follows:
  - Rod Saddleback will receive a bonus of two (2%) percent of net profit of Alta-Sun for the initial period of TEN (10) years on each 250,000 square foot buildout of the Samson Facility.
  - On the TENTH (10) anniversary of the debt or contributions plus interest having been paid back, and into perpetuity, Rod Saddleback will receive his pro-rata share of dividends declared on the Alta-Sun Class B Preferred Shares.

all repayments dictated in this paragraph shall be paid simultaneously to the contributing parties, at their proportionate rate contributed.



The term of Samson Agreement is 49 years, and the parties have the option to renew the Agreement for a further term of 25 years, and such other term as the parties agree to be reasonable in all the circumstances. The Samson Agreement will terminate on December 31, 2018, if Rod Saddleback is unable to provide the documents required in the agreement.

## History

The Issuer signed a non-binding LOI with Rod Saddleback of the Samson FN on February 21, 2018 for the pursuit of a cultivation license under the ACMPR (“**Samson LOI**”). The Issuer subsequently signed an additional agreement with Rod Saddleback on May 25, 2018 (the “**Samson Agreement**”). The Issuer subsequently signed an amended agreement with Rod Saddleback and Myron Sparklingeyes on September 10, 2018. The Issuer’s initial goal is to develop a business model which positions itself as a low cost producer of cannabis providing high quality cannabis in sufficient quantity to support a growing distribution channel. See “*Narrative Description of the Business*”

## Changing Regulatory Landscape

The medical cannabis industry in Canada has changed considerably between 2014 and 2018. Prior to the Issuer’s date of incorporation, the Canadian Government introduced the MMPR. Under the MMPR, Licenced Producers were initially licensed to sell dried cannabis only, and no other forms of cannabis such as oils and extracts were permitted. The Supreme Court of Canada judgment in R v Smith (2015 SCC 34) found this restriction to be contrary to the Canadian Charter of Rights and Freedoms (Charter) and struck down portions of the Controlled Drugs and Substances Act (Canada) (“**CDSA**”) to the extent that these portions of the CDSA prevent a person with a medical authorization from possessing cannabis derivatives for medical purposes. While R v Smith was considered in the context of the previous *Marihuana Medical Access Regulations* (Canada) (the “**MMAR**”) the exemption under the CDSA is equally applicable to the MMPR. In response to R v Smith, Health Canada issued a class exemption under section 56 of the CDSA for Licenced Producers who met defined criteria and issued corresponding supplementary licenses for production and sale of cannabis oil to Licenced Producers who met the criteria.

Health Canada released a statement with details to this effect on July 7, 2015. This Health Canada statement included requirements that essentially prevent production of cannabis oil suitable for vaporization or smoking. The only permitted dosage form for cannabis oil is a capsule or similar dosage form (sale of liquid oil in a container – i.e. no dosage form, is also permitted). The sale of foods or beverages infused with cannabis oil was not permitted under this Health Canada statement. The sale of cannabis oil, including restrictions to dosage forms, is now expressly provided for in the ACMPR.

Following the hearing of the constitutional challenge to the MMPR, the Federal Court rendered its decision on February 24, 2016 in R v Allard (2016 FC 236). The Court repealed the MMPR as contrary to the plaintiff’s Charter rights by unduly restricting access to medical cannabis. The repeal of the MMPR was suspended for six months to allow the Government of Canada to amend the MMPR or issue new regulations. On August 24, 2016, the ACMPR came into force, replacing the MMPR as the regulations governing Canada’s medical cannabis program. The ACMPR essentially combined the MMPR, the MMAR and the section 56 class exemptions relating to cannabis oil (including Health Canada’s restrictions preventing smokable or vaporizable oil and preventing sale of infused foods or beverages) into one set of regulations. The ACMPR further sets out the process for license applicants, such as the Issuer, to obtain Licenced Producer status.

According to the health Canada web site (<https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/licensed-producers/application-process-becoming-licensed-producer.html>), as of May 25, 2017:

1665 ACMPR applications have been received;  
265 have been refused;  
428 applications are in progress;  
69 have been withdrawn; and  
858 were incomplete and have been returned.

Of the 1,665 applications less than 10%, 116 licenses have been issued to August 31, 2018, of those only 10 are cGMP.

### Anticipated Legalization of the Adult-Use Recreational Cannabis

Recreational use of cannabis is not currently legal in Canada. In April 2016, the Federal Government announced its intention to introduce legislation to legalize adult-use recreational cannabis in Canada by the summer of 2017. On June 30, 2016, the Federal Government announced the establishment of the Task Force on Cannabis Legalization and Regulation (the “Task Force”) to seek input on the design of a comprehensive system to legalize, regulate and restrict access to cannabis. The Task Force issued its final report, titled “A Framework for the Legalization and Regulation of Cannabis in Canada”, on November 30, 2016. The report contains more than 80 recommendations including the establishment of a minimum age of access, restrictions on advertising and promotion and the establishment and enforcement of a well-regulated production, manufacturing and distribution regime that includes standards for testing, packaging and labeling. The report also noted the need to improve the public’s understanding of cannabis, including risks to youth and impaired driving. The report may be viewed online on Health Canada’s website. Bill C-45 and Legislation to Legalize Recreational Use of Cannabis on December 13, 2016, the Task Force published its report outlining its recommendations. On April 13, 2017, the Federal Government released Bill C-45, An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts (“Bill C-45”), which proposes the enactment of the Cannabis Act (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. The passage of Bill C-45 would allow adults to legally possess and use cannabis for recreational purposes. The following is intended to be of a summary nature, and the full text of Bill C-45 should be referred to for complete details with respect to the proposed legalization of recreational cannabis in Canada.

Bill C-45, the Cannabis Act, would allow all Canadians over the age of 18, subject to additional age limits imposed by provincial governments, to purchase cannabis by mail and in either private retail outlets or provincially regulated retail spaces. Individuals would also be permitted to grow up to four plants in their residence, subject to any further restrictions implemented by the respective provincial legislation. The possession limit of dried cannabis would be set at 30 grams. Bill C-45 does not provide for the regulation of edible cannabis products. Part 3 of Bill C-45 provides for the establishment of the legal framework for licenses and permits that will govern the importation, exportation, production, testing, packaging, labelling, sending, delivery, transportation, sale, possession or disposal of cannabis or any class of cannabis. Section 61 of Bill C-45 provides the government with the power to establish a framework for applications for such licenses and permits. Part 12 of Bill C-45 provides transitional provisions with respect to applications for licenses submitted under the MMPR and ACMPR. Applications submitted under the ACMPR will continue to be processed under the ACMPR as Bill C-45 moves through the legislative process. The effect of Bill C-45, should it be passed into law, would be the creation of a market for recreational cannabis in Canada. Bill C-45 would significantly expand the class of individuals who are legally permitted to purchase and consume cannabis in Canada.

While the production of cannabis will be under the regulatory oversight of the Government of Canada under Bill C-45, the distribution of adult-use recreational cannabis will be the responsibility of the provincial and territorial governments.

Recent Regulatory Developments on November 21, 2017, Health Canada released a consultation paper entitled “Proposed Approach to the Regulation of Cannabis” (the “Proposed Regulations”). Recognizing the Federal Government’s commitment to bringing the Cannabis Act (Canada) into force, the Proposed Regulations, among other things, seek to solicit public input and views on the appropriate regulatory approach to a recreational cannabis market by building upon established regulatory requirements that are currently in place for medical cannabis. The Proposed Regulations are divided into the following seven major categories:

1. Licenses, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging and Labelling;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

On March 19, 2018, Health Canada published comments received during public consultation on the Proposed Regulations. Respondents were generally in favour of the proposed sets of licenses and permits, the proposed tracking system, proposals regarding medical cannabis and health products and cosmetics containing cannabis. In respect of security clearances, the majority of respondents were in favour of persons with non-violent or low-risk criminal history being able to obtain a license. Support varied with respect to proposals surrounding edibles and other cannabis related products. Health Canada had published specific details regarding packaging and labelling requirements. Some respondents suggested additional requirements to include more information on the label, with mixed reviews regarding packaging and branding restrictions. In response to the comments, Health Canada clarified what labelling requirements would be, with the resulting labelling and branding requirements being closer to the strict, plain tobacco packaging than more relaxed ruled regarding alcohol packaging.

On June 20, 2018, Bill C-45, the Cannabis Act received royal assent. The federal government has announced that the Cannabis act will become law on October 17, 2018. The Issuer plans to apply for a Standard Cultivation License under the Cannabis Act.

## Regulatory Requirements for the Issuer to Execute its Business Plan

### *Application Process*

Under the Cannabis Act the licensing process has been modified from the licensing process under ACMPR. In addition to the six-step licensing process under ACMPR described below, HC has developed the Cannabis Tracking and Licensing System (CTLS) to implement provisions of the Cannabis Act. CTLS enables the tracking of high-level movements of cannabis to help prevent diversion from and inversion into the regulated supply chain. The system will also be used by applicants to apply to Health Canada for a cannabis licence under the Cannabis act.

The first step to create a license application under the Cannabis Act is to set up an individual user account in the CTLS (i.e., for the applicant who is the individual or the person who will be setting up the application for an organization). To request an account, basic information is required including full name and salutation, email, phone number, date of birth, language preference and security information. Health

Canada will then provide an access code that can be used to enter the CTLS. Once an account is established, the user will have an Account ID in the CTLS.

User accounts for a Standard Cultivation License application are required for:

Responsible Person – Douglas Unwin;  
Alternate Responsible Person – Bob Maddigan;  
Head of Security – John Lyons;  
Master Grower - ;  
Derick Sinclair – Director of The Issuer;  
Robert Charlton – Director of The Issuer;  
Mark van der Horst – Director of The Issuer;  
Harold Forzley – Director of the Issuer.

All of the above individuals require security clearance and must submit their security clearance application form before a licence application can be submitted in the CTLS. The security review of these individuals may take up to 9 months at a cost of \$1,654 per review

License applicants that are corporations will also need to create a corporate profile on CTLS. Once a corporate profile is created, the individual who creates the corporate profile will have access to an Account ID for the corporation. When creating a corporate profile, the individual will list and link (using their respective Account ID) all the Directors and Officers of the corporation. Once a corporate profile is created in the CTLS, an applicant can use that profile to create an application.

Once the above steps have been completed the Issuer can submit an application for the Standard Cultivation license.

After Submitting the application the following six steps to licensing are taken.

#### 1. Intake and Initial Screening

When an application is received, it undergoes an assessment by Health Canada for completeness. If an application appears to be complete, it will progress to the detailed review and initiation of security clearance step.

The Initial Screening includes an assessment of:

the proposed business plan;  
the Security Clearance Application Form, and  
record-keeping methods pertaining to security, Good Production Practices (“GPP”), inventory, and destruction methods.

If an application is not complete, depending on the information that is missing, applicants may be contacted by Health Canada to obtain the missing information or the application may be returned to the applicant.

The Issuer is preparing a Standard Cultivation license application with assistance of Cannabis Compliance Inc. on behalf of Alta-Sun to submit its own application to Health Canada for a license to grow cannabis under the Cannabis Act. The issuer plans to submit the application shortly after Bill C45 comes in to law on October 17, 2018. The intake and initial screening are estimated to take up to 6 weeks at a cost of \$3,276.

Health Canada will also verify that applicants have provided notices to the senior officials with the local government where their proposed site is located. Alta-Sun plans to notify local officials in formal correspondence prior to submitting its application.

The Issuer entered into the Samson LOI and Samson Agreement with Rod Saddleback of the Samson FN for the lease of CP land held by Rod Saddleback of the Samson Cree First Nation for land to construct and operate a 250,000 sq. ft. greenhouse with an option for land to construct an addition 1,000,000 sq. ft. of greenhouse located on Samson First Nations lands in Alberta for a lease term of 49 years with an option on an additional 25 years and an initial payment of \$40,000 less any payments that have been previously made to Rod Saddleback of the Samson Cree First Nation, see “*Use of Proceeds*” with a lease rate to be determined based on a third-party assessment at the time of commencement.

The Issuer believes the support of First Nations partners may be helpful in processing the application because, ***On April 13th, 2017, Health Canada announced that Aboriginal Applicants will be given priority to obtain commercial licenses for “production and distribution”.*** Under the terms of the Samson LOI Rod Saddleback has committed to requesting a support letter from the Samson First Nation to Health Canada in support of the project.

## 2. Detailed Review and Initiation of Security Clearance Process

All information submitted to Health Canada, and any other relevant information, is reviewed by Health Canada to:

- complete the assessment of the application to ensure that it meets the requirements of the regulations;
- establish that the issuance of the licence is not likely to create risks to public health, safety or security, including the risk of cannabis being diverted to an illicit market or use; and
- establish that there are no other grounds for refusing the application.

Health Canada thoroughly reviews the application to ensure the level of detail included in the application is sufficient to assess the requirements of the Cannabis Act and validate the information provided.

Consideration is also given by Health Canada to the proposed security measures including those required by the Cannabis Act:

- the description of the storage area for cannabis as required by the Security Directive; and
- the details listed in the quality assurance report relating to premises, equipment and sanitation program.

Physical security plans are reviewed and assessed in detail at this stage.

## 3. Issuance of License to Produce

Once Health Canada confirms that the requirements of the Cannabis Act have been met, and the applicant successfully completes the Detailed Review and Initiation of Security Clearance Process stage, a licence to produce will be issued. The Samson Facility may be financed through a combination of debt, grants and equity. See “*Risk Factors*”

Licensed Producers are required to comply with all applicable provincial/territorial and municipal laws, including zoning restrictions, fire and electrical safety, and environmental legislation (e.g. waste management).

#### 4. Introductory Inspection (as cultivation begins)

At this stage of the application process the construction of the Samson Facility will be complete and operational. Once application review is completed by Health Canada (HC), LP receives a conformation of readiness letter to demonstrate compliance with all provisions of the Cannabis Act and security directive. In response to conformation of readiness letter, LP will submit an evidence package which includes documentation, photos and videos of site and building plans showing evidence of all physical security measures and Good Production Practices (“GPP”).

Once received, the evidence package will be reviewed by Health Canada reviewers; it takes approximately one week for HC to acknowledge package. After review, HC will issue RFIs (Request for information) for any additional material required. This can be a back and forth process until reviewer of evidence package is satisfied. Once evidence package is accepted and all RFIs are responded to, evidence package is forwarded to the senior panel for review. Additional RFIs may be requested from the senior panel. Acceptance of evidence package from senior panel triggers issuance of cultivation licence.

This process can take up to 3 months from submission of evidence package to issuance of cultivation licence depending upon RFIs, quality of site completeness, quality of security installation, reviewer assigned, etc.

#### 5. Pre-Sales Inspection

Once a cultivation licence is issued, starter materials can be ordered and brought to LP facility. A notification must be sent to HC as cultivation starts. It may take from 1 to 2 months for HC to visit for the introductory inspection. This inspection is to verify that LP is meeting the requirements of the Cannabis Act i.e. physical security for site, record keeping, GPP etc. and to confirm that the activities being conducted correspond to those indicated on the licence and as presented in the evidence package.

Once LP is ready with two batches, the licence can be amended for sale of final product and HC will schedule a pre-sale inspection

#### 6. Issuance of License to Sell

Once a cultivation licence is issued, an amendment application will be submitted to HC for the sales activity of cannabis. To complete the assessment of the requirements of the ACMPR and establish that adding the activity of sale of cannabis products is not likely to create a risk to public health, safety or security, and to confirm that there are no other grounds for refusing the amendment application, Health Canada reviews the following information:

- results of the pre-sale inspection;
- information submitted in the amendment application to add the activity of sale to the licence; and any other relevant information (ex: previous inspection results).

When the review is completed, an amended licence, including the activity of sale, is issued to the Issuer.

Once an amended licence is issued, the Issuer can begin supplying cannabis products other LP's. Health Canada issues separate licences for dried marijuana, plants and/or cannabis oil.

## **Changes to Applications**

*Changes to personnel (adding new personnel or replacing individuals):*

Applications will be returned to the Detailed Review and Initiation of Security Clearance Process stage for processing.

*Changes to Quality Assurance Person or Program, record keeping method, security proposal, and/or floorplans:*

Application will be returned to the Detailed Review and Initiation of Security Clearance Process stage for assessment.

*Changes to the Issuer's site location/address:*

Applicants at the Detailed Review and Initiation of Security Clearance Process stage must submit a new application in its entirety for assessment; the previous application will be closed. The new application will be returned to the Detailed Review and Initiation of Security Clearance Process stage. This change may have a significant impact on processing time. Alternatively, the Issuer may withdraw the current application and submit the new site application.

## **Proposed Samson Facilities**

The contents of Alta-Sun's submissions to Health Canada is expected to include detailed applicant information, proposed personnel, security clearance application forms, a detailed description of the activities and substances to be specified on the license, proposed site information and building details, property ownership detail, a site and physical security plan, notices to and approval by local government, police and fire authorities, a quality assurance pre-licensing report, a description of record keeping methods, and supporting appendixes.

During the Detailed Review and Initiation of Security Clearance Process stage, the application is thoroughly reviewed to validate the information provided to Health Canada. The physical security plans are also reviewed and assessed in detail. Even though an application is at the Detailed Review and Initiation of Security Clearance Process stage, security clearances will not be issued until the Licenced Producer is licensed, which occurs following Health Canada's review of the pre-license inspection results in conjunction with all the information submitted for the application.

Health Canada may also consider relevant information brought to its attention by external sources when assessing an application. Health Canada has also stipulated that changes to the application (i.e. changes in key personnel, physical security measures, etc.) may result in additional processing time and the processing time is dependent on the quality, completeness and complexity of the application. The Samson facility is planned as a 1.3 million sq. ft. of outdoor grow area plus ancillary facilities.

The Samson Facility is expected to harvest mature cannabis, dried and cured under contract at another LP, to be sold to other licensed producers ( See "*Alberta Cultivation*")

## **Canadian Cannabis Market Environment**

As of the date of this Prospectus, the only legal way to purchase cannabis in Canada is by mail order from a LP for medical use. The only products that may be sold by Licensed Producers are dried leaf and oils. There is currently no legal way to purchase cannabis for recreational use in Canada, but the federal government has stated that its goal is to pass Bill C45, the Cannabis Act into law by October 17, 2018. Also, the Canadian government may restrict the sale of cannabis infused edibles which includes

beverages and hashish for an additional year. According to recent estimates from Marijuana Business Daily, an industry publication, annual sales for Canada's recreational marijuana market could range between \$2.3 billion and \$4.5 billion by 2021, this estimate does not include the medical cannabis market. In a survey of 1,087 people, the researchers found that 46 per cent of Canadians would try cannabis-infused food products such as baked goods, oils and spices if they were commercially available) *Cannabis-infused food and Canadian consumers' willingness to consider recreational marijuana as a food ingredient* - Dr. Sylvain Charlebois, Dr. Simon Somogyi, Dalhousie University).

Canadian sales could soon be worth between C\$7 billion and C\$12 billion a year, Beacon Securities Limited estimates. The U.S. legal market is expected to reach \$75 billion in sales by 2030, almost as large as North America's soft drink market, according to research firm Cowen & Co.

### *Trends in the Cannabis Market*

- Cannabis use in Canada is expected to increase in coming years as cannabis use becomes more “mainstream” and governments in North America legalize cannabis for medical and recreational use. Since Colorado first allowed recreational marijuana use in 2014, sales have tripled from \$17 million in the first quarter of 2014 to \$53 million in the third quarter of 2016 (Forbes.com, July 19, 2017).
- Marijuana consumption in Canada has risen 72% since the first quarter of 2001 according to Statistics Canada, Cannabis Economic Account.
- VIII Capital forecast the Canadian cannabis market at \$12 billion (VIII Capital, Cannabis Sector, July 2017).
- Another indication of how cannabis use is becoming mainstream is the recent listing on NASDAQ of Cronos Group, one of Canada's largest vertically integrated medical marijuana companies and a \$5 billion investment by international beverage maker Constellation Brands into Canopy Growth Corporation.
- Cannabis will be in short supply from licensed producers upon legalization of recreational use in Canada after October 17, 2018. Industry estimates put current licensed annual production capacity in in Canada in the range of 60,000-120,000 kilograms. However, Canada's Parliamentary Budget Office estimates that Canadians will consume between 378,000 kilograms and 1.01 million kilograms of cannabis next year, with a midpoint estimate of 655,000 kilograms. This demand may be even higher, as industry consultants pegged the Canadian market for cannabis at 900,000 kilograms in a presentation MJBIZCON in Las Vegas in November 2017. This shortage may be alleviated in 2 to 3 years as current expansion plans of Licenced Producer's eventually produce an oversupply of product. Funded capacity to grow Cannabis vs estimated market size would translate into 1.2 million to 1.4 million kilograms in annual oversupply (Sean Williams, The Motley Fool, April 21, 2018). However, this calculation does not take into consideration the export of cannabis to other countries, which may consume a large portion of Canadian production.
- The future oversupply in Canada emphasizes the need Alta-Sun to be a low-cost producer of quality product.
- Legitimate sales of cannabis both medical and recreational will not immediately eliminate the black market. Industry experts stated at MJBIZCON in Las Vegas in November 2017 that the maximum market penetration by cannabis produced by Licenced Producers in Canada will only



reach 60% of the total market for the first 2 years. The remaining 40% will be supplied by the illicit market.

## **Legal Environment**

In Canada the only legal way to purchase Cannabis is by mail order from a Licensed Producer for medical use. There is no legal way to purchase cannabis infused products in Canada.

### Current Federal Legislation

- In order to have cannabis on premises for research and development a company must be licensed by health Canada
- The federal Liberal government made it an election promise to legalize recreational use of cannabis
- Bill C45 to legalize recreational use of cannabis has received Royal Assent and Health Canada has issued draft regulations for the legalization of Cannabis
- In bill C45 an individual may possess 30 grams of dried leaf or equivalent
- The expected date for the legalization of recreational Cannabis is October 17, 2018
- The initial expected date for the legalization of Cannabis infused products was July 1, 2019, this date may be moved forward

### Provincial Legislation

- Under Bill C45 the provincial governments in Canada will be charged with establishing the regulations on the distribution and sale of cannabis within their province once the federal legislation is passed
- Ontario and New Brunswick have declared that the provincial government in those provinces will be the wholesalers and retailers of cannabis, a scenario that will leave the majority of the market available to the black market as retail availability will be limited
- Alberta has stated that the government will be the wholesaler and private shops will be the retailers, cannabis will not be sold in pharmacies or liquor outlets in Alberta,
- In Manitoba the government will be the wholesaler and they have chosen 4 companies for private retailing
- Saskatchewan has announced that it will not be involved in either the retail or wholesale of Cannabis but will have a selection process to license retailers
- The BC government has state that they will be the wholesalers of recreational cannabis and both government and private retailers will be established. Cannabis will not be sold in liquor stores in BC.

## **Economics**

### Trends US

In 2016, U.S. medical cannabis consumers on average shopped once every 10 days and spent \$136 USD per transaction. In contrast, recreational consumers shopped once every 14 days and spent \$49 USD per transaction. (<http://www.thecannabist.co/2017/04/26/marijuana-shopping-trends-2017-report/78480/>).

The Issuer intends to exploit the higher spending by medical users of cannabis by marketing a healthy medical product.

The rate of middle-age cannabis users in the United States has doubled over nearly a decade. Use by older adults has seen a seven-fold increase in that period (Journal of Drug and Alcohol Dependence, September 2018).

### Opportunity

As the consumption of cannabis increases and the smoking of cannabis decreases, and consumers look to other methods to consume cannabis, the edibles and beverages markets will grow. This growth will create an opportunity for the innovative products from Licenced Producer's, specifically target markets in healthy, luxury branded medical products will be a very profitable niche. Alta-Sun will seek to be a supplier of cannabis to this lucrative value chain.

### **Manufacturing**

The Issuer has limited experience in, and does not own facilities for, cultivating cannabis, extracting cannabinoids, manufacturing any products or product candidates. The issuer will initially operate virtually utilizing consultants for its Standard Cultivation license application as well as ancillary facility design, construction and operational expertise. As the business develops the Issuer will move towards a less virtual mode and hire additional internal expertise for cultivating cannabis. The Issuer does not intend to develop any drying, curing, extraction or manufacturing facilities.

### **Sales, Marketing and Distribution**

The Issuer currently has no sales or distribution capabilities and limited marketing capabilities. In order to commercialize its products, the Issuer must develop sales, marketing and distribution capabilities or make arrangements with other parties to perform these services. The Issuer's intention is to sell its products to other Licensed Producers using Off-Take agreements. These Licensed Producers may use the Issuers flower to make oils and extracts or obtain licenses to operate cannabis dispensaries as well as partner with retailers and provincial governments for the distribution of cannabis products. It is anticipated the partners will have the capability to market, sell and distribute the Issuer's products.

### **Economic Dependence**

The Issuer's business is substantially dependent on contracts to purchase the major part of its requirements for design and development services for the Cannabis Act application and facilities design upon which its business depends. The issuer has contracted with Cannabis Compliance Inc. to assist the Issuer in assembling its application under the Cannabis Act, developing standard operating procedures and designing security protocols. In addition, the Issuer has contracted Shenyang to:

- Assist in identifying a suitable site in Alberta, based upon site climate and light data;
- Prepare a site layout, pro forma financial projections and any other information required for proposed facilities on the identified property for the purpose of applications under the Cannabis Act.;
- Work with CCI in developing strategy for licensing including operations, growing, training, and other Standard Operating Procedures.;
- To prepare proforma financial information suitable for inclusion in the Cabbay prospectus including estimates of capital costs.

Shenyang’s principals include:

Peter Cummings - Mr. Cummings is recognized as a leader in modelling greenhouse projects around the world. He was a Canadian Chartered Accountant until 2010 and the CFO of the Houweling Group of companies until 2012. Mr. Cummings has worked with Mr. Houweling for over 20 years. Both are currently employed with several cannabis companies in Canada.

Casey Houweling - Mr. Houweling is Chairman of one of the most technically-advanced and environmentally-friendly greenhouse operations in the world – the Houweling Group of companies. Presently, he oversees the successful operation of three large-scale greenhouses in California, Utah and British Columbia. Over his career, he has successfully designed intellectual property for the greenhouse industry which has lowered costs, improve yields, and reached the highest standard of product. Mr. Houweling will incorporate commercial techniques and systems gained for his greenhouse experience in Canada and the USA and apply them to the Samson Greenhouse project.

David Parry - Mr. Parry is Co-founder of Solaris Nutraceuticals Pty Ltd (“Solaris”) an Australian based company which has submitted plans to build 1.2 million sq. Ft. medicinal cannabis greenhouse, the largest in the southern hemisphere. Solaris has received a \$2,500,000 grant from the Australian Government as part of the Regional Jobs Investment Program. He is also Managing Director of Natures Hemp Ltd in Canada which is developing food-based Hemp products with the University of Manitoba and the Ontario Government.

The issuer also intends to enter contracts for drying and curing its mature crop and, into Off-Take agreements were by the Issuer will sell its product to Licenced Producers for sale as dried leaf, oils or other products.

The Issuer expects that its business will be affected in the current financial year by the negotiation of new contracts and renegotiation or termination of contracts or sub-contracts. See “*Material Contracts*”

## Employees

As of December 31, 2017, and December 31, 2016 the Issuer had the following number of employees and contractors:

Location	Full Time Employees		Contractors	
	2017	2016	2017	2016
Vancouver, British Columbia	Nil	Nil	2	1
Edmonton, Alberta	Nil	Nil	1	Nil

The Issuer utilizes consultants and contractors to carry on many of its activities and, in particular, to design and develop plans and documentation for its license to Cultivate application and facilities. It is currently more cost-effective to outsource these functions due to the Issuer’s sporadic requirements. As the Issuer expands its activities, it is probable that it will hire additional employees. In addition, contractors and employees may move between locations from time to time as conditions and business opportunities warrant.

## Bankruptcy and Similar Procedures

There are no bankruptcies, receivership or similar proceedings against the Issuer, nor is the Issuer aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by the Issuer since its incorporation.

## Reorganization

Please see “*Inter-corporate Relationships*” and “*Significant Acquisitions and Dispositions*” for additional information concerning reorganizations completed by the Issuer since its incorporation.

## Social or Environmental Policies

The Issuer has not adopted any specific social or environmental policies that are fundamental to its operations. However, the Issuer’s management, with the assistance of its contractors and advisors, ensures its ongoing compliance with local environmental laws in the jurisdictions in which it does business.

## Stage of Development – Principal Products and Services

Significant Development Milestones for Samson Facility:

	2018			2019			Budget
Development Activity	Q2	Q3	Q4	Q1	Q2	Q3	
Health Canada Fees							\$15,000
Legal & Filings							\$20,000
Standard Operating Procedures							\$27,500
Consulting & Design							\$25,000
Security Analysis & Planning							\$10,000
Surveying							\$5,000
Fencing							
Administration Building							
Security Equipment							
Cannabis Cultivation							

## **Additional Steps required for Commercialization**

The business model of the Issuer involves purchasing seedlings to be grown outdoors in Alberta in conjunction with first nations communities that have sufficient natural gas and electricity generation capabilities to contribute to the low-cost production of cannabis in Canada. The licensing process the may take 12 to 18 months or more and, the Issuer will need to enter into contracts with consultants, engineers, surveyors, builders', shippers and others to build the facilities, hire staff for the various functions for construction and operations, develop partnerships for distribution, marketing and sales.

The construction cost of the Samson Facility is estimated at \$•, including ancillary facilities.

The Issuer may need to raise additional capital to complete these additional steps. The Issuer may not be able to raise the required capital to complete the commercialization as planned see *Risk Factors*.

## **USE OF AVAILABLE FUNDS**

### **Proceeds**

This is a non-offering Prospectus. The Issuer is not raising any funds in conjunction with this Prospectus. Accordingly, there are no proceeds to the Issuer in connection with the filing of this Prospectus.

### **Funds Available**

As at August 31, 2018 the Issuer had working capital of \$341,374.

The Issuer anticipates using its available funds to advance an application by Alta-Sun under the Cannabis Act to grow cannabis at the Samson Site.

Management anticipates applying its available funds of • in the following manner:

Cannabis Act Standard Cultivation License	
Health Canada Fees	15,000
Legal and Filings	30,000
Standard Operating Procedures	27,500
Consulting & Design	25,000
Security analysis and Planning	10,000
Surveying	5,000
Cultivation License Application Expense:	112,500

Construction Costs	
Fencing	•
Security Equipment	•
Build and Equip administration building	•
Equipment	•

Operating Expense	
General & Administration <sup>(1)</sup>	300,000
Cannabis Cultivation	
	Operating Expense:
	•
Land Lease	17,500
Interest	7,920
CSE Listing Fees	10,000
Unallocated Working Capital	•
<b>Total</b>	<b>•</b>

- (1) General & administration expenses are for 12 months and include: accounting fees (\$8,800), audit fees (\$10,000), bank charges (\$1,200), Consulting Fees (\$111,000), legal fees (\$20,000), management fees (\$96,000), office and administration (\$20,000), transfer agent and filing fees (\$13,000), Travel (\$20,000)

**The Issuer intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons a reallocation of the funds available may be necessary.**

The Issuer had negative operating cash flow for its most recent interim financial period and financial year. To the extent the Issuer has negative cash flows in future periods, the Issuer may use a portion of any unallocated working capital to fund such negative cash flows.

The Issuer may require funding from other sources to assist with construction and equipping of its growing facilities and to continue operations beyond the current year. Such additional funds would likely be raised through a private placement of securities. There is no assurance that such funding will be available.

### **Business Objectives and Milestones**

The primary business objectives for the Issuer over the next 12 months are:

- 1) Finalize the lease of the land at Samson Cree First Nations in Alberta in Q3 of 2018:
  - a. A prerequisite to signing the lease with Rod Saddleback for the CP land on the Samson Cree First Nations land is a band council resolution in support of and approval of the development of a greenhouse to grow cannabis on the Samson lands;
  - b. Survey of the land for application to Minister of Crown-Indigenous Relations and Northern Affairs a to lease the CP land at cost of \$5,000;
  - c. The initial payment for the lease is \$40,000 less any funds that have been previously advanced to Rod Saddleback, to the date of this prospectus the Issuer has paid Rod Saddleback \$22,500;
  - d. Confirmation of approval of the allotment of the CP land by Samson Band Council and the Minister of Crown-indigenous Relations of Northern Affairs to the CP holder;
  - e. Confirmation from Band Council and the Minister of Crown-indigenous Relations of Northern Affairs that Rod Saddleback has lawful possession of the CP land by way of a lease from the CP land holder;
  - f. Obtain a copy of the Certificate of Possession; and

- g. Letter of Support from the Samson FN Band Council addressed to HC.
- 2) Hiring of key personnel and consultants;
- a. As the Issuer plans to operate as virtually as possible and does not have the fulltime staff or expertise to initiate the Cannabis Act application process, develop standard operating procedures or design the cannabis growing facilities, the Issuer has contracted consultants for various services;
  - b. Cannabis Compliance Inc. (“CCI”) has been contracted to write and submit the application under Bill C45 rules and regulations at a cost of \$105,000 of which 50% has been already paid;
  - c. CCI has been contracted to develop standard operating procedures for the Samson Facility;
  - d. Shenyang and Tsingtao Investments Inc. whose principals have expertise in greenhouse design, operations and economics as well as cannabis cultivation have been hired at a rate of \$14,000 per month to initially:
    - i. Assist in identifying a suitable site in Alberta, based upon site climate and light data;
    - ii. Prepare a site layout, pro forma financial projections and any other information required for proposed facilities on the identified property for the purpose of applications under the Cannabis Act.;
    - iii. Work with CCI in developing strategy for licensing including operations, growing, training, and other Standard Operating Procedures.;
    - iv. Prepare proforma financial information suitable for inclusion in the Cabbay prospectus including estimates of capital costs.
    - v. Act as project manager to Cabbay’s Alta-Sun Samson Cannabis Project in Alberta.
    - vi. Provide a recommended design including operating specifications suitable to for an outdoor Cannabis growing operation.
    - vii. Work with architects and engineers on design and systems.
    - viii. Conduct an operational and financial feasibility study for the identified property in collaboration with project partners and financial planning resources.
- 3) Advance the Cannabis Act licensing application process for the Samson Facility at an estimated additional cost of \$112,500. Cannabis Compliance Inc. estimates the time to complete and submit the application at 16 weeks from initiation, the Issuer estimates that the application will be filed shortly after October 17, 2018 under the rules included in Bill C45. The fee associated with screening new license applications for completeness prior to undergoing an in-depth review is estimated at \$3,276.
- 4) Initial screening of application by Health Canada:
- a. it is thoroughly reviewed; physical plans are assessed in detail as well as GPP areas and record keeping system;
  - b. they will begin the required security checks of the personnel designated to key positions by the Issuer, this process and approvals of personnel will take up to 9 months from the time the application is accepted;

- c. In essence all the sections of application are reviewed thoroughly;
  - d. The time line for the review process varies in months depending on the application, however, the standard timeline as per Health Canada for licensing is anywhere between 12 – 18 months.
- 5) Security checks:
- a. Security Clearance application forms are reviewed for completeness by Health Canada;
  - b. Request is submitted to the RCMP to conduct a check;
  - c. Information submitted to Health Canada is disclosed to RCMP;
  - d. RCMP works with local police to obtain the relevant information;
  - e. The costs associated with the screening, processing and issuance or denial of security clearances for applicants seeking a cultivation, processing and federal sales licence is \$1,654 per screening, the issuers cost for this screening is estimated at \$13,232.
- 6) Obtain necessary permits for construction and operation of the Samson Facility
- 7) Enter into Drying and Curing agreement:
- a. Research and Short list possible partners;
  - b. Negotiation of agreement;
  - c. Finalize documentation;
- 8) Enter into Off-Take agreement:
- a. Research and Short list possible partners;
  - b. Negotiation of Off-Take agreement;
  - c. Finalize documentation;
- 9) Enter into co-generation agreement:
- a. Research and short list potential partners;
  - b. Negotiate terms of co-location of co-generation facilities;
  - c. Finalize documentation;
- 10) Complete final design of Samson Facility;
- 11) Install perimeter fencing and security equipment
- 12) Erect and equip the administration building

There can be no assurances the above objectives will be completed. See “Risk Factors”.

## **DIVIDENDS**

The Issuer has neither declared nor paid any dividends on its Common Shares. The Issuer intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future. The payment of dividends on the Common Shares in the future is unlikely and will depend on the earnings and financial conditions of the Issuer and such other factors as the Board may consider appropriate.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Issuer's MD&A provides an analysis of the Issuer's financial results for the interim period ended June 30, 2018, the year ended December 31, 2017 and the period from incorporation on March 6, 2016 to December 31, 2016 and is included in Schedule "A" to this Prospectus.

### DESCRIPTION OF SHARE CAPITAL

#### Authorized and Issued Share Capital

The authorized capital of the Issuer consists of an unlimited number of Common Shares without par value and an unlimited number of Class B Preferred Shares without par value. As at the date of this Prospectus there are 11,083,340 Common Shares issued and outstanding as fully paid and non-assessable shares. No Preferred Shares have been issued.

#### Common Shares

The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Issuer and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Issuer. The holders of the Common Shares are entitled to receive dividends as and when declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Common Shares, to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Issuer.

#### Warrants

As of the date of this Prospectus, there are 1,976,691 warrants of the Issuer issued and outstanding. See "Options to Purchase Securities".

#### Options

As of the date of this Prospectus, there are 685,000 stock options issued or outstanding. See "Options to Purchase Securities".

### CONSOLIDATED CAPITALIZATION

The following table sets forth information respecting the capitalization of the Issuer as at the dates specified below.

Designation of Security	Amount authorized	Amount outstanding as of December 31, 2017 (audited)	Amount outstanding as of June 30, 2018 (unaudited)	Amount outstanding as of the date of this Prospectus (unaudited)
Common Shares	Unlimited	7,854,624 <sup>(1)(2)</sup>	11,083,340 <sup>(1)(2)</sup>	11,083,340 <sup>(1)(2)</sup>

(1) See "Prior Sales"

(2) On an undiluted basis. Does not include any Common Shares issuable upon exercise of the Warrants or incentive stock options.

As at the date of this Prospectus, the Issuer has no outstanding loans or other debt obligations other than those described in its financial statements and there has been no material change in the loan capital of the Issuer since the date of its most recent balance sheet contained in the Prospectus.

### Fully Diluted Share Capitalization

Common Shares	Number of Shares	Percentage
Issued and outstanding as at the date of the Prospectus	11,083,340	80.64
Common Shares reserved for issuance upon exercise of Warrants	1,976,691	14.38
Common Shares reserved for issuance upon exercise of the options	685,000	4.98
<b>Total Fully Diluted Share Capitalization</b>	<b>13,745,031</b>	<b>100.00</b>

### OPTIONS TO PURCHASE SECURITIES

As of the date of this Prospectus, the Issuer has granted options to purchase up to 685,000 Common Shares at exercise price of \$0.10 and expiring on dates ranging from October 31, 2021 to September 21, 2022. All these options vested immediately.

The following table sets out details of the Issuer's stock options outstanding as of the date of this Prospectus:

Holders (current and former positions)	No. of Shares Under Option	Exercise Price	Expiry Date
Directors (including directors which are also officers)			
Douglas H. Unwin	50,000	\$0.10	October 31, 2021
(CEO & President, Director)	200,000	\$0.10	July 10, 2022
	70,000	\$0.10	September 21, 2022
Robert G. Charlton	25,000	\$0.10	October 31, 2021
(CFO, Director)	40,000	\$0.10	July 10, 2022
	50,000	\$0.10	September 21, 2022
Directors (who are not also Officers)			
Derick G. Sinclair	25,000	\$0.10	October 31, 2021
(Director)	40,000	\$0.10	July 10, 2022

	50,000	\$0.10	September 21, 2022
Mark van der Horst (Director)	60,000	\$0.10	July 10, 2022
	50,000	\$0.10	September 21, 2022
Consultants			
Monita Farris (Consultant)	25,000	\$0.10	May 1, 2022
<b>Total Options</b>	685,000		

### Stock Option Plan

The Issuer's board of directors adopted a stock option plan in October 2016, the purpose of which is to provide incentives to attract, retain and motivate executive officers, directors and employees whose present and future contributions are important to the Issuer. Subject to regulatory approval, the maximum number of the Issuer's Common Shares reserved for issuance pursuant to stock options granted under the stock option plan will, at any time, be 10% of the number of Common Shares then outstanding. The number of the Issuer's Common Shares that may be issued to any one person shall not exceed 5% of the Common Shares issued and outstanding on a non-diluted basis. The price at which the Issuer's Common Shares may be issued under the stock option plan will be determined from time to time by the Issuer's board of directors in compliance with the rules and policies of any stock exchange upon which the Issuer's Common Shares are listed. The vesting of options granted under the stock option plan will be determined by the board of directors at the time of the grant. Options granted under the stock option plan may be exercisable over a maximum period of 5 years. They will generally have a term of 5 years and vest immediately. The board of directors may amend the terms of the stock option plan from time to time, to the extent permitted by the stock option plan and any rules and policies of any stock exchange on which the Common Shares are listed or terminate it at any time. If the Issuer accepts any offer to amalgamate, merge or consolidate with any other company (other than a wholly-owned subsidiary) or if holders of greater than 50% of the Issuer's Common Shares accept an offer made to all or substantially all of the holders of the Issuer's Common Shares to purchase in excess of 50% of our current issued and outstanding Common Shares, any then-unvested options will automatically vest in full. The stock option plan was approved by the shareholders at the Issuer's annual general meeting on July 13, 2017.

### PRIOR SALES

No securities are being distributed under this Prospectus. The following table summarizes the details of the issuances of securities of the Issuer during the twelve-month period prior to the date of this Prospectus.

Date	Description of Securities	Number of Securities	Issue price per security(\$)
June 1, 2017	Shares	370,000 <sup>(1)</sup>	0.025
June 1, 2017	Shares	2,130,000 <sup>(2)</sup>	0.025
June 30, 2017	Shares	995,000 <sup>(1)</sup>	0.05

June 30, 2017	Shares	575,360 <sup>(2)</sup>	0.05
August 22, 2017	Shares	1,450,000 <sup>(1)</sup>	0.10
August 22, 2017	Shares	144,860 <sup>(2)</sup>	0.10
April 12, 2018	Units	2,832,000 <sup>(1)</sup>	0.25
April 12, 2018	Units	396,716 <sup>(2)</sup>	0.25

(1) These securities were issued pursuant to various private placements. See “Business of the issuer – Description and General Development”.

(2) These securities were issued to settle debt transferred from Tower One pursuant to the terms of the Plan of Arrangement. See “Business of the issuer – Description and General Development”.

## ESCROWED SECURITIES

### Escrowed Securities

Designation of class	Number of securities held in escrow	Percentage of class
Common Shares	2,717,353	24.52% <sup>(1)</sup>

(1) The Escrowed Common Shares will represent 24.52% of the total issued and outstanding Common Shares.

In connection with the proposed listing of the Issuer’s Common Shares on the CSE, the Issuer expects to enter into an escrow agreement with Computershare in accordance with National Policy 46-201 – *Escrow for Initial Public Offerings* (“NP 46-201”). Although pursuant to section 2.2 of NP 46-201 the policy generally does not apply to a prospectus that does not offer securities to the public, such as a prospectus an issuer files with a securities regulator only to become a “reporting issuer”, the CSE requires securities to be escrowed pursuant to NP 46-201 as part of its listing criteria.

Equity securities owned or controlled by Principals, including Shares and Shares issued on the exercise of previously issued options are subject to escrow requirements. A total of 2,717,353 Common Shares representing 24.52% of the issued and outstanding Common Shares will be deposited into escrow.

The Issuer will be classified as an “emerging company” under National Policy 46-201. An “emerging company” is one that does not meet the “established company” criteria, based on the Issuer being an “emerging company”, the Escrowed Securities will be subject to a three-year escrow.

If the Issuer achieves “established company” status during the term of the Escrow Agreement, it will ‘graduate’, resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18-month schedule applicable to established companies as if the Issuer had originally been classified as an established company.

Upon obtaining a receipt from the Securities Commission for the final Prospectus, the Principals of the Issuer will enter into an escrow agreement among the Issuer, the Transfer Agent and the Principals of the Issuer, (collectively with the Principals, the “**Escrow Holders**”), the Escrow Holders will agree to deposit in escrow their Shares (the “**Escrowed Securities**”) with the Transfer Agent. Under the Escrow Agreement, 10% of the Escrowed Securities will be released from escrow on the Listing Date (the

“Initial Release”) and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

Pursuant to the terms of the proposed Escrow Agreement, the Escrowed Securities may not be transferred or otherwise dealt with during the term of the Escrow Agreement unless the transfers or dealings within escrow are:

- (1) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Issuer or of a material operating subsidiary, with approval of the Issuer’s Board;
- (2) transfers to an RRSP, TFSA or similar trustee plan provided that the only beneficiaries are the transferor or the transferor’s spouse, children or parents;
- (3) transfers upon bankruptcy to the trustee in bankruptcy; and
- (4) pledges to a financial institution as collateral for a *bona fide* loan, provided that upon a realization the securities remain subject to escrow.

Tenders of Escrowed Securities to a take-over bid are permitted provided that, if the tenderer is a Principal of the successor corporation upon completion of the take-over bid, securities received in exchange for tendered Escrow securities are substituted in escrow on the basis of the successor corporation’s escrow classification.

The following table sets out, as at the date of this Prospectus, the number of Common Shares of the Issuer which are to be held in escrow:

Name and Municipality of Residence	Common Shares	Number of Common Shares held in Escrow <sup>(1)</sup>	Percentage of Common Shares <sup>(3)</sup>
Douglas H. Unwin North Vancouver	811,287	811,287	7.32
Donna Armstrong North Vancouver <sup>(2)</sup>	83,327	83,327	0.75
Derick G. Sinclair North Vancouver	624,139	624,139	5.63
Robert G. Charlton North Vancouver	698,600	698,600	6.30
Mark van der Horst North Vancouver	500,000	500,000	4.51
Harold Forzley Gibsons Landing, BC	Nil	Nil	Nil
<b>Total</b>	<b>2,717,353</b>	<b>2,717,353</b>	<b>24.52%</b>

<sup>(1)</sup> Common Shares subject to the Escrow Agreement will be released pro rata to the shareholders as to 10% on the Listing Date and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months.

- (2) Donna Armstrong is the spouse of Douglas H. Unwin, the Issuer's CEO. 33,327 of the Common Shares controlled by Donna Armstrong were issued as part of the Plan of Arrangement and 50,000 were purchased for cash at \$0.02 per share.
- (3) Based on 11,083,340 common shares outstanding as of the date of the Prospectus.

Where the Common Shares of the Issuer which are required to be held in escrow are held by a non-individual (a "holding company"), each holding company pursuant to the Escrow Agreement, has agreed, or will agree, not to carry out any transactions during the currency of the Escrow Agreement which would result in a change of control of the holding company, without the consent of the Exchange. Any holding company must sign an undertaking to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities could reasonably result in a change of control of the holding company. In addition, the Exchange may require an undertaking from any control person of the holding company not to transfer the shares of that company.

The complete text of the Escrow Agreement will be available for inspection at the head office of the Issuer, Suite 1735, 555 Burrard Street, Vancouver, British Columbia, during normal business hours for a period of 30 days after receipt of the Final Prospectus by the Securities Commission.

### TRADING PRICE AND VOLUME

The Common Shares are not currently listed for trading on any stock exchange.

### PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Issuer, as of the date of this Prospectus no persons beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the issued Common Shares of the Issuer.

### DIRECTORS AND OFFICERS

#### Name, Address, Occupation and Security Holdings

The following is a list of the current directors and officers of the Issuer, their municipality and province/state of residence, their current positions with the Issuer, their principal occupations during the past five years. As of the date of this Prospectus, the directors and officers of the Issuer, as a group, beneficially own, directly or indirectly, 24.52% of the issued and outstanding Common Shares of the Issuer.

Name and Municipality of Residence and Position	Principal Occupation for Past Five Years	Date of Appointment to Office
Douglas H. Unwin North Vancouver, BC President, CEO, Director <sup>(1)</sup>	President of the Issuer since September 2017, CEO of the Issuer since May 2018, President & CEO Pacific Therapeutics Ltd. September 2005 – August 2015, Managing Partner Douglas Cove Capital since October 2003	September 12, 2016
Derick G. Sinclair, CPA, CA North Vancouver, BC Director <sup>(1)</sup>	Owner / Manager of DR Financial Services	September 9, 2016

<b>Name and Municipality of Residence and Position</b>	<b>Principal Occupation for Past Five Years</b>	<b>Date of Appointment to Office</b>
Robert G. Charlton, CPA, CA Vancouver, BC CFO, Director	Managing Partner of Charlton & Company	September 9, 2016
Mark van der Horst <sup>(1)</sup> North Vancouver, BC Director	President of Gale Capital Corporation since January 1993, President / Director Copper Point Mining November 2012 – November 2014	February 10, 2017
Harold Forzley Gibsons Landing, BC Director	President, Director of Pacific Cascade Minerals Inc. since December 2006	July 7, 2018

(1) Member of the Audit Committee.

The term of office of the directors expires annually at the time of the Issuer's annual general meeting. The term of the office of the officers expires at the discretion of the Issuer's directors.

### **Management:**

The following is a brief description of the background of the key management, directors and the promoters of the Issuer:

#### **Douglas H. Unwin, B.Sc., MBA**

**President and Chief Executive Officer & Director** - Mr. Unwin, 62, has served as President since September 2017, he was appointed CEO in May 2018. Mr. Unwin was the Chief Executive Officer and President of Pacific Therapeutics Ltd., (now Tower One) the Issuer's former parent, from inception in September 2005 until August 2015. Mr. Unwin graduated from the University of British Columbia with a B.Sc. in Biology in 1981. In 1985 he graduated from the University of Saskatchewan with a master's in business administration. He devotes the majority of his working hours to the Issuer's business. Mr. Unwin is responsible for the Issuer's overall strategic direction and the implementation of that strategy. Mr. Unwin is an experienced executive with 30 years of diverse experience as an entrepreneur in life sciences, aquaculture and telecommunications. He has spent the last 16 years focused on life science start-ups, technology commercialization and venture capital financing. Prior to founding Pacific Therapeutics Ltd. now Tower One, Mr. Unwin was the CEO of Med BioGene Inc. a start-up medical device company, that trades on the TSX Venture Exchange (the "TSX-V"). Mr. Unwin developed the business model for a BC based biotechnology company that traded on NASDAQ and was sold to a large pharmaceutical company for over \$900 million. Mr. Unwin expects to devote approximately 80% of his time to the business of the Issuer.

#### **Derick G. Sinclair, B.Comm., CPA, CA**

**Director** - Mr. Sinclair, 62, is an experienced director having worked with US and Canadian public and private companies for over 20 years. He is a contractor and devotes approximately 5% of his time to the Issuer. Mr. Sinclair began his accounting career in 1982 as an auditor with KPMG Peat Marwick Thorne. He received his CA designation in 1985 and his Bachelor of Commerce (Honours) University of Windsor in 1982. From 1985 to 2003, Mr. Sinclair was employed by BC Rail and its subsidiaries and their successors. He began at BC Rail as a Manager in General Accounting rising in 1998 to the role of CFO & VP of Administration of Westel Telecommunications Ltd. Mr. Sinclair currently operates DR Financial Services Limited focused on providing controller services to small and medium size public companies. He is currently the CFO of JDF Explorations Inc. and Viscount Mining Corp., exploration companies

listed on the CSE and TSX-V, respectively. Mr. Sinclair expects to devote approximately 5% of his time to the business of the Issuer.

### **Robert G. Charlton, CPA, CA**

*Director/CFO* – Mr. Charlton, 60, qualified as a Chartered Accountant in 1990. He has extensive public company experience and has been the Managing Partner of Charlton & Company, Chartered Professional Accountants, since 1992. From October 2015 to December 2015 he served as a director of Moag Copper Gold Resources Inc., a company listed on the CSE. Mr. Charlton expects to devote approximately 5% of his time to the business of the Issuer.

### **Mark van der Horst**

*Director* - Mr. van der Horst, 52, is the founder of Gale Capital Corporation, a consulting firm providing corporate communications and financial support to small and mid-sized growth companies since 1993. Prior to the founding of Gale Capital, Mr. van der Horst worked in various capacities in the brokerage business. Mr. van der Horst has extensive experience in aquaculture and mining. Mr. van der Horst expects to devote approximately 25% of his time to the business of the Issuer.

### **Harold Forzley, CPA, CA**

*Director* - Mr. Harold Forzley, also known as Hardy, is a Chartered Accountant and holds a Bachelor of Arts degree in Commerce from Simon Fraser University and has been involved in the building of numerous companies in the mining sector for 20 years. Mr. Forzley is on the Board of Directors at Pacific Cascade Minerals, Inc. Mr. Forzley was previously employed as an Independent Director by Canada Strategic Metals, Inc., Chief Financial Officer, by TransAct Energy Corp., Chief Financial Officer & Director by Grande Portage Resources Ltd., an Independent Director by Canada Gold Corp.

### **Other Reporting Company Experience**

The following table sets out the directors, officers and promoters of the Issuer that are, or have been within the last five years, directors, officers or promoters of other companies that are or were reporting Companies in any Canadian jurisdiction:

<b>Name of Director, Officer or Promoter</b>	<b>Name of Reporting Company</b>	<b>Exchange</b>	<b>Position</b>	<b>Period</b>
Douglas H. Unwin	Tower One Wireless Corp. (formerly Pacific Therapeutics Ltd.)	CSE	CEO & President	September 2005 – August 2015
Derick G. Sinclair	Rizal Resources Corporation (formerly Cadan Resources Corporation)	TSX-V	CFO	May 2007 – November 2017
	Madeira Minerals Ltd.	TSX-V	CFO/Director	November 2009 – January 2016
	Tower One Wireless	CSE	CFO/Director	October 2008 –



<b>Name of Director, Officer or Promoter</b>	<b>Name of Reporting Company</b>	<b>Exchange</b>	<b>Position</b>	<b>Period</b>
	Corp. (formerly Pacific Therapeutics Ltd.)			April 2016
	JDF Explorations Inc.	CSE	CFO/Director	September 2009 - Present
	Viscount Mining Corp.	TSX-V	CFO	August 2010 - Present
Robert G. Charlton	Moag Copper Gold Resources Inc.	CSE	Director	October 2015 – December 2015
Mark van der Horst	Copper Point Mining Corp.	Reporting Company not listed	President/Director	November 2012 – November 2014
Harold Forzley	Pacific Cascade Minerals Inc.	TSX-V	President/Director	December 2006 - Present
	Grande Portage Resources	TSX-V	Director/CFO	September 2006 – April 2016

### **Aggregate Ownership of Securities**

The directors and officers of the Issuer, as a group, beneficially own, directly or indirectly, 2,717,353 Common Shares representing 24.52% of the issued and outstanding Common Shares of the Issuer.

### **Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

For the purposes of this section, “order” means a cease trade order; an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation, any of which was in effect for a period of more than 30 consecutive days.

Other than as disclosed below, no director or executive officer of the Issuer is, or has been within the ten years prior to the date of this Prospectus, a director, chief executive officer or chief financial officer of any company (including the Issuer) that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as disclosed below, no director or executive officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer (a) is, or has been within the past ten years, a director or executive officer of any company (including the Issuer) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of the Application, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Other than as disclosed below, no director or executive officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, has been subject

to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

There are potential conflicts of interest to which some or all the directors, officers, Insiders and Promoters of the Issuer will be subject to in connection with the operations of the Issuer. The directors and officers of the Issuer will not be devoting all their time to the affairs of the Issuer. Some of the directors and officers of the Issuer are directors and officers of other companies. See “*Other Reporting Company Experience*”. Accordingly, situations may arise where some or all the directors, officers, Insiders or Promoters of the Issuer will be in direct competition with the Issuer. The directors and officers of the Issuer are required by law to act in the best interests of the Issuer. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Issuer may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Issuer to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Issuer. Such conflicting legal obligations may expose the Issuer to liability to others and impair its ability to achieve its business objectives. Conflicts will be subject to the procedures and remedies as provided for under the BCBCA.

## **EXECUTIVE COMPENSATION**

### **Interpretation**

For the purpose of this Executive Compensation:

“**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Issuer or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the Issuer or any of its subsidiaries;

“**external management company**” includes a subsidiary, affiliate or associate of the external management company;

“**NEO**” or “**named executive officer**” means each of the following individuals:

- (a) each individual who, in respect of the Issuer, during any part of the most recently completed financial year, served as chief executive officer (“**CEO**”) including an individual performing functions similar to a CEO;
- (b) each individual who, in respect of the Issuer, during any part of the most recently completed financial year, served as chief financial officer (“**CFO**”) including an individual performing functions similar to a CFO;
- (c) in respect of the Issuer and its subsidiaries, the most highly compensated executive officer other than the individual identified in paragraphs (a) and (b) at the end of the most

recently completed financial year whose total compensation was more than \$150,000 for that financial year; and

- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the Issuer, and was not acting in a similar capacity, at the end of that financial year.

“**plan**” includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons;

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

### Named Executive Officers

During the fiscal year ended December 31, 2017, Douglas H. Unwin, the President and former Chief Financial Officer of the Issuer was the only NEO of the Issuer.

### Director and Named Executive Officer Compensation, Excluding Compensation Securities

The following table sets forth all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Issuer or its subsidiaries, to each NEO and director of the Issuer, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct or indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or a director of the Issuer for services provided and for services to be provided, directly or indirectly, to the Issuer or its subsidiaries in the two most recently completed financial years ended December 31, 2017 and December 31, 2016.

Table of Compensation Excluding Compensation Securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$) <sup>(1)</sup>	Value of all other compensation (\$)	Total compensation (\$)
Douglas H. Unwin, President, CEO <sup>(2)</sup> , Director	2017	47,250	Nil	Nil	Nil	13,965	61,215
	2016	Nil	Nil	Nil	Nil	3	3
Derick G. Sinclair <sup>(3)</sup> , Director	2017	Nil	Nil	Nil	Nil	4,289	4,289
	2016	Nil	Nil	Nil	Nil	1	1

Robert G. Charlton <sup>(3)</sup> , CFO, Director	2017	15,725	Nil	Nil	Nil	4,289	20,014
	2016	4,000	Nil	Nil	Nil	1	4,001
Mark van der Horst <sup>(4)</sup> , Director	2017	Nil	Nil	Nil	Nil	4,938	4,938
	2016	Nil	Nil	Nil	Nil	Nil	Nil
Harold Forzley <sup>(6)</sup> ,  Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil

- (1) “Perquisites” include perquisites provided to an NEO or director that are not generally available to all employees and that, in aggregate, are: (a) \$15,000, if the NEO or director’s total salary for the financial year is \$150,000 or less, (b) 10% of the NEO or director’s salary for the financial year if the NEO or director’s total salary for the financial year is greater than \$150,000 but less than \$500,000, or (c) \$50,000 if the NEO or director’s total salary for the financial year is \$500,000 or greater.
- (2) Mr. Unwin was appointed a director on September 12, 2016. He ceased to be the CFO on May 18, 2018 and was appointed CEO the same day.
- (3) Derick G. Sinclair and Robert G. Charlton were appointed as directors of the Issuer on September 9, 2016. Mr. Charlton was appointed CFO on May 18, 2018.
- (4) Mark van der Horst was appointed as a director of the Issuer on February 10, 2017.
- (5) Mr. Charlton’s compensation in 2017, includes \$7,225 for bookkeeping and accounting which was paid to Charlton and Company, a company owned 100% by Mr. Charlton.
- (6) Harold Forzley was appointed as a director of the Issuer on July 7, 2018.

### External Management Companies

The Issuer does not presently have any arrangements with any external management company to provide executive management services to the Issuer. Management functions of the Issuer are substantially performed by directors or senior officers of the Issuer.

### Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each director and NEO by the Issuer or any subsidiary thereof in the financial year ended December 31, 2017 for services provided, or to be provided, directly or indirectly, to the Issuer or any subsidiary. The Issuer does not grant any share-based awards. During the most recently completed financial year, 560,000 options were granted to directors and NEOs under the Issuer’s Stock Option Plan and all options vested immediately.

<b>Compensation Securities</b>							
<b>Name and position</b>	<b>Type of Compensation security</b>	<b>Number of compensation securities, number of underlying securities, and percentage of class <sup>(6)</sup></b>	<b>Date of issue or grant (m/d/y)</b>	<b>Issue, conversion or exercise price (\$)</b>	<b>Closing price of security or underlying security on date of grant (\$) <sup>(1)</sup></b>	<b>Closing price of security or underlying security at year end (\$) <sup>(1)</sup></b>	<b>Expiry date (m/d/y)</b>
Douglas H. Unwin, President, CEO <sup>(2)</sup> , Director	Stock Options	200,000 (1.8%)	07/10/2017	0.10	N/A	N/A	07/10/2022
		70,000 (0.63%)	09/21/2017	0.10	N/A	N/A	09/21/2022
Derick G. Sinclair <sup>(3)</sup> , Director	Stock Options	40,000 (0.36%)	07/10/2017	0.10	N/A	N/A	07/10/2022
		50,000 (0.45%)	09/21/2017	0.10	N/A	N/A	09/21/2022
Robert G. Charlton <sup>(4)</sup> , CFO, Director	Stock Options	40,000 (0.36%)	07/10/2017	0.10	N/A	N/A	07/10/2022
		50,000 (0.45%)	09/21/2017	0.10	N/A	N/A	09/21/2022
Mark van der Horst <sup>(5)</sup> , Director	Stock Options	60,000 (0.54%)	07/10/2017	0.10	N/A	N/A	07/10/2022
		50,000 (0.45%)	09/21/2017	0.10	N/A	N/A	09/21/2022

- (1) The Common Shares of the Issuer are not listed on any stock exchange.
- (2) As at December 31, 2017, Mr. Unwin held a total of 320,000 options exercisable at a price of \$0.10 per share of which 50,000 options expire on October 31, 2021, 200,000 options expire on July 10, 2022 and 70,000 options expire on September 21, 2022.
- (3) As at December 31, 2017, Mr. Sinclair held a total of 115,000 options exercisable at a price of \$0.10 per share of which 25,000 options expire on October 31, 2021, 40,000 options expire on July 10, 2022 and 50,000 options expire on September 21, 2022.
- (4) As at December 31, 2017, Mr. Charlton held a total of 115,000 options exercisable at a price of \$0.10 per share of which 25,000 options expire on October 31, 2021, 40,000 options expire on July 10, 2022 and 50,000 options expire on September 21, 2022.
- (5) As at December 31, 2017, Mr. van der Horst held a total of 110,000 options exercisable at a price of \$0.10 per share of which 60,000 options expire on July 10, 2022 and 50,000 options expire on September 21, 2022.
- (6) Based on 11,083,340 Common Shares issued and outstanding as at the date of this prospectus.

### **Exercise of Compensation Securities by Directors and NEOs**

No director or NEO exercised any compensation securities during the year ended December 31, 2017.

### **Stock Option Plans and Other Incentive Plans**

See “Options to Purchase Securities”.

### **Employee Agreements, Termination and Change of Control Benefits**

Mr. Unwin’s employment agreement provides for an annual salary of \$96,000 plus monthly compensation shares of \$2,500. The Issuer does not have any contracts, agreements, plans or

arrangements that provides for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in an NEO's responsibilities other than as part of his Employment Agreement the Corporation entered into with Mr. Unwin effective as of May 18, 2018. Mr. Unwin may terminate his Employee Agreement with the Issuer with a notice period from 0 (zero) to 3 (three) months depending on his length of service. The Issuer may terminate Mr. Unwin's employment without cause or following a material adverse change without his prior written consent, in his title, status, position, job function, compensation or reporting responsibilities (referred to as a constructive dismissal) by paying the following amounts:

- (a) at any time after the 12<sup>th</sup> month and before the 24<sup>th</sup> month of engagement, without cause, or by constructive dismissal by providing Mr. Unwin with a lump sum or continuance of salary of 9 months of his base salary and any accrued bonus payable at the time of his dismissal and a continuance of benefits for 1 year or until he becomes employed which ever is first;
- (b) at any time after the 24<sup>th</sup> month of engagement, without cause, or by constructive dismissal by providing Mr. Unwin with a lump sum or continuance of salary of 24 months of his base salary and any accrued bonus payable at the time of his dismissal, and a continuance of his benefits for 1 year or until he becomes employed which ever is first. In addition, if the Issuer is not listed on a stock exchange, the Issuer is required to purchase from Mr. Unwin, at the fair market value, all shares, rights, options or warrants to acquire shares of the Issuer owned by him as well as pay on demand any accrued salary or shareholder loans owed to him at the time of his dismissal.

In the event a change of control of the Issuer occurs that involves 50% or more of the Issuer's voting shares, and within 12 months of any such change of control, the Employee may elect to be terminated by the Issuer in accordance with the provisions above. All non-vested stock options granted to the Employee by the Issuer shall automatically vest in the event of a change of.

### **Oversight and Description of Director and NEO Compensation**

The Board has created and appointed a compensation committee. All tasks related to developing and monitoring the Issuer's approach to the compensation of NEOs and directors are performed by the members of the Board. The compensation of NEOs, directors and the Issuer's employees or consultants, if any, is reviewed, recommended and approved by the Board without reference to any specific formula or criteria. NEOs that are also directors of the Issuer are involved in discussions relating to compensation, but disclose their interest in, and abstain from voting on, decisions relating to their respective compensation.

The overall objective of the Issuer's compensation strategy is to offer short, medium and long-term compensation components to ensure that the Issuer has in place programs to attract, retain and develop management of the highest calibre, and has in place a process to provide for the orderly succession of management, including receipt on an annual basis of any recommendations of the CEO, if any, in this regard. The Issuer currently has a short-term compensation component in place, which includes the accrual and/or payment of salaries and management fees to certain NEOs, and a long-term compensation component in place, which may include the grant of stock options under the Plan. The Issuer intends to further develop these compensation components. The Board may in the future consider, on an annual basis, an award of bonuses to key executives and senior management. The amount and award of such bonuses is expected to be discretionary, depending on, among other factors, the financial performance of the Issuer and the position of the executive. The Board considers that the payment of such discretionary

annual cash bonuses may satisfy the medium-term compensation component.

The objectives of the Issuer's compensation policies and procedures are to align the interests of the Issuer's employees with the interests of the stockholders. Therefore, a significant portion of total compensation granted by the Issuer, being the grant of stock options, is based upon overall corporate performance. The Issuer relies on Board discussion without formal objectives, criteria and analysis, when determining executive compensation. There are currently no formal performance goals or similar conditions that must be satisfied in connection with the payment of executive compensation.

### **Pension Plan Benefits**

The Issuer does not have any pension plans that provide for payments or benefits to NEOs or directors at, following, or in connection with retirement, including any defined benefits plan or any defined contribution plan. The Issuer does not have a deferred compensation plan with respect to any NEO or director.

## **CORPORATE GOVERNANCE**

### **General**

National Policy 58-201 – *Corporate Governance Guidelines* (“NP 58-201”) establishes corporate governance guidelines which apply to all public companies. The Corporation has reviewed its own corporate governance practices in light of these guidelines. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) mandates disclosure of corporate governance practices which disclosure is set out below.

### **Composition of the Board**

The Board facilitates its exercise of independent supervision over management by ensuring that the Board is composed of a majority of independent directors. Directors are considered to be independent if they have no direct or indirect material relationship with the issuer. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. The Board has five directors, three of which are considered to be independent. Messrs. Sinclair, Forzley and van der Horst are considered to be independent directors for the purposes of NI 58-101, and Mr. Unwin and Mr. Charlton are not considered to be independent as they are also senior officers.

The mandate of the Board is to act in the best interests of the Issuer and to supervise management. The Board is responsible for approving long-term strategic plans and annual operating budgets recommended by management. Board consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions. Any responsibility which is not delegated to management or to the committees of the Board remains with the Board. The Board meets on a regular basis consistent with the state of the Issuer's affairs and also from time to time as deemed necessary to enable it to fulfill its responsibilities.

The Chairman of the Board is Mr. Douglas Unwin, who is not an independent director.

## Directorship

The following is a list of each director of the Issuer who is also a director of other reporting companies (or equivalent) in a Canadian or foreign jurisdiction as of the date of this Prospectus:

Name of Director	Name of Reporting Company	Exchange	Position	Period
Derick G. Sinclair CPA, CA	JDF Explorations Inc.	CSE	CFO/Director	September 2009 – Present
Harold Forzley CPA, CA	Pacific Cascade Minerals Inc.	TSX-V	President / Director	December 2006 - Present

## Position Descriptions

The Board has not developed written position descriptions for the chair or the chair of any board committees or for the CEO. Given the size of the Issuer's infrastructure and the existence of only a small number of officers, the Board does not feel that it is necessary at this time to formalize position descriptions in order to delineate their respective responsibilities.

## Meetings of Independent Directors

The Board has appointed two committees, the Audit Committee and the Compensation Committee. The Audit committee is comprised of a majority of independent directors and meets regularly. Additional information concerning the committee is found in 'Audit Committee' above and in the disclosure below in this 'Corporate Governance' section.

The Compensation Committee is comprised of two independent directors plus the CEO. This committee meets as required. The members of the Compensation Committee are Messrs. Unwin, Sinclair and van der Horst.

## Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Issuer's technologies, product candidates, business and industry and on the responsibilities of directors. New directors also receive historical public information about the Issuer and the mandates of the committees of the Board. Board meetings may also include presentations by the Issuer's management and employees to give the directors additional insight into the Issuer's business. In addition, new directors are encouraged to visit and meet with management on a regular basis and to pursue continuing education opportunities where appropriate.

## Ethical Business Conduct

The Board has approved a Code of Business Conduct and Ethics (the "Code") to be followed by the Issuer's directors, officers, employees and principal consultants and those of its subsidiaries. The Code is also to be followed, where appropriate, by the Issuer's agents and representatives, including consultants where specifically required. The purpose of the Code is to, among other things, promote honest and ethical conduct, avoid conflicts of interest, protect confidential or proprietary information and comply with the applicable government laws and securities rules and regulations. If a director, officer or employee departs from the Code, the Issuer is authorized to file a material change report. The board does



not actively monitor compliance with the Code but requires prompt notification of apparent or actual breaches so that it may investigate and take action. The Code has been circulated to all employees.

When proposed transactions or agreements in which directors or officers may have an interest, material or not, are presented to the Board, such interest is disclosed and the persons who have such an interest are excluded from all discussion on the matter and are not allowed to vote on the proposal.

### **Nomination of Directors**

The Issuer does not have a formal process or committee for proposing new nominees for election to the Board of Directors. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members.

### **Compensation**

The Board has established a compensation committee. The Compensation Committee is responsible for reviewing the adequacy and form of compensation paid to the Issuer's executives and key employees and ensuring that such compensation realistically reflects the responsibilities and risks of such positions. In fulfilling its responsibilities, the Board evaluates the performance of the chief executive officer and other senior management in light of corporate goals and objectives and makes recommendations with respect to compensation levels based on such evaluations.

### **Other Board Committees**

Other than the Audit Committee and Compensation Committee, the Board has no other committees.

### **Assessments**

The Board regularly assesses its own effectiveness and the effectiveness and contribution of each Board committee member and Director.

## **AUDIT COMMITTEE**

The audit committee has various responsibilities as set forth in National Instrument 52-110 ("NI 52-110"). The Audit Committee oversees the accounting and financial reporting practices and procedures of the Issuer and the audits of the Issuer's financial statements. The principal responsibilities of the Audit Committee include: (i) overseeing the quality, integrity and appropriateness of the internal controls and accounting procedures of the Issuer, including reviewing the Issuer's procedures for internal control with the Issuer's auditors and Chief Financial Officer; (ii) reviewing and assessing the quality and integrity of the Issuer's internal and external reporting processes, its annual and quarterly financial statements and related management discussion and analysis, and all other material continuous disclosure documents; (iii) establishing separate reviews with management and external auditors of significant changes in procedures or financial and accounting practices, difficulties encountered during auditing, and significant judgments made in management's preparation of financial statements; (iv) monitoring compliance with legal and regulatory requirements related to financial reporting; (v) reviewing and pre-approving the engagement of the auditor of the Issuer and independent audit fees; and (vi) assessing the Issuer's accounting policies, and considering, approving, and monitoring significant changes in accounting principles and practices recommended by management and the auditor.

## **Audit Committee Charter**

A copy of the Issuer's Audit Committee Charter is attached to this Prospectus as Schedule "B".

## **Composition of the Audit Committee**

The members of the audit committee are Douglas H. Unwin, Derick G. Sinclair and Mark van der Horst. Messrs. Sinclair and van der Horst are considered independent pursuant to NI 52-110. Mr. Unwin is not considered independent as he is an executive officer of the Issuer. All members of the Audit Committee are financially literate.

A member of the audit committee is *independent* if the member has no direct or indirect material relationship with the Issuer. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

A member of the audit committee is considered *financially literate* if the member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Issuer.

## **Relevant Education and Experience**

### **Douglas H. Unwin, B.Sc., MBA**

Mr. Unwin is an experienced executive with 30 years of diverse experience. As part of his course work related to obtaining his Master of Business Administration (University of Saskatchewan, 1985) Mr. Unwin completed graduate level courses in financial accounting, cost accounting and management accounting. These courses provided him with the skills required to keep accounting records and analyse completed financial statements as well as apply accounting principals for estimates, accruals and provisions. As an employee of an international accounting firm Mr. Unwin assisted in the development of accounting systems for government, oil and gas exploration and development and mining. In order to develop these systems Mr. Unwin completed numerous in-house courses providing him with a strong understanding of the accounting principals required for a company to produce its financial statements and control its accounting records. In addition, the above assignments required Mr. Unwin to recognize the rules that needed to be applied to properly account for accruals and resource estimates. Mr. Unwin was an Associate with Neuro Discovery Inc., a venture capital company focused on investing in development of drugs for neurological disorders. During his tenure, Mr. Unwin reviewed numerous business plans, analysed financial statements, completed due diligence assignments and assisted in the structuring of investments. Part of the due diligence process always included an analysis of the potential investee's internal controls. Prior to founding the Tower One (formerly Pacific Therapeutics Ltd.), Mr. Unwin was the CEO of Med BioGene Inc., a start-up medical device company. His duties there included assisting in the production of the Issuer's financial statements and working with external accounting professionals on the final statements.

### **Derick G. Sinclair, CPA, CA**

Mr. Sinclair, is an experienced CFO and director having worked with US and Canadian public and private companies for over 20 years. Mr. Sinclair began his accounting career in 1982 as an auditor with KPMG Peat Marwick Thorne. He received his CA designation in 1985 and his Bachelor of Commerce (Honours) University of Windsor in 1982. From 1985 to 2003, Mr. Sinclair was employed by BC Rail and its subsidiaries and their successors. He began at BC Rail as a Manager in General Accounting rising

in 1998 to the role of CFO & VP Administration Westel Telecommunications Ltd. Mr. Sinclair currently operates DR Financial Services Limited focused on providing controller services to small and medium size public companies.

### **Mark van der Horst**

Mr. van der Horst is the principal of Gale Capital Corp., a financial consulting firm founded in 1993. Mark has provided quality financial services to publicly traded companies globally since 1993. Numerous clients have benefited from Marks expertise, resulting in broadened share ownership and enhanced liquidity. Marks financial education started at BCIT, during his career he has completed numerous courses developing his skill set including, The Canadian Securities Course & Registered Representative Course, Canadian Futures Course, Canadian Investment Finance Course Parts I & II and Fellowship of the Canadian Securities Institute designation (#1536).

### **Audit Committee Oversight**

The audit committee has not made any recommendations to the Board to nominate or compensate any external auditor.

### **Reliance of Certain Exemptions**

The Issuer's auditors have not provided any material non-audit services.

The Issuer is relying on the exemptions provided for in Section 6.1 of NI 52-110 in respect of the composition of its audit committee and in respect of certain of its reporting obligations under NI 52-110.

### **Pre-Approval Policies on Certain Exemptions**

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services.

### **Expectations of Management**

The Board expects management to operate the business of the Issuer in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Issuer's business plan and to meet performance goals and objectives.

## External Auditor Services Fees

The audit committee has pre-approved the nature and amount of the services provided by Sam S. Mah Inc., Chartered Accountants, to the Issuer to ensure auditor independence. Fees incurred for audit services in the last two fiscal years are outlined below:

Nature of Services	Fees Billed by Auditor in Year Ended December 31, 2017	Fees Billed by Auditor from Incorporation on March 6, 2016 to December 31, 2016
Audit Fees <sup>(1)</sup>	\$5,250	\$5,659
Audit Related Fees <sup>(2)</sup>	-	-
Tax Fees <sup>(3)</sup>	-	-
All Other Fees <sup>(4)</sup>	-	-
Total	\$5,250	\$5,659

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Issuer's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees", included the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than those included in "Audit Fees", "Audit-Related Fees" and "Tax Fees"

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The directors and officers hold Common Shares and have been granted Options. See "*Directors, Officers and Promoters*" and "*Options to Purchase Securities*". Save and except for their interest in the subscription for treasury shares and as disclosed in "*Executive Compensation*", the directors, officers and principal shareholders of the Issuer, or any associate or affiliate of the foregoing, have had no material interest, direct or indirect, in any transactions in which the Issuer has participated since incorporation up to the date of this Prospectus, or will have any material interest in any proposed transaction, which has materially affected or will material affect the Issuer.

Certain officers and directors of the Issuer may also be officers and directors of other cannabis, life science, pharmaceutical or biotechnology companies from time to time. See "*Risk Factors – Conflicts of Interest*".

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Issuer or any associate or affiliate of them was indebted to the Issuer as at the date of this Prospectus.

## PLAN OF DISTRIBUTION

No securities are being offered or sold pursuant to this Prospectus. This Prospectus is being filed by the Issuer with the Securities Commission for the purposes of meeting certain listing requirements of the CSE. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised, and no agent or underwriter is involved.

The Issuer plans to make an application for listing of the Issuer's Common Shares on the CSE by filing a listing statement. Listing will be subject to the Issuer fulfilling all the listing requirements of the CSE.

There can be no assurance that the Common Shares of the Issuer will be listed on the CSE or any other securities exchange.

## RISK FACTORS

*An investment in the Common Shares of the Issuer must be considered highly speculative due to the nature of the Issuer's business. The risk and uncertainties below are not the only risks and uncertainties facing the Issuer. Additional risks and uncertainties not presently known to the Issuer or that the Issuer currently considers immaterial may also impair the business, operations and prospects of the Issuer and cause the price of the Common Shares to decline. If any of the following risks occur, the business of the Issuer may be harmed, and its financial condition and results of operations may suffer significantly. In addition to the risks described elsewhere and the other information in this Prospectus, the Issuer notes the following risk factors:*

Company Risk - risks that are specific to the Issuer

### **Early Stage of Development**

The issuer is at an early stage of development, it has not submitted an ACMPR application or received an application number or security clearances or completed any of the 6 steps in the licensing process. The Issuers development may be delayed at any stage of the licensing process causing additional expense before the Issuers operations reach profitability if they ever do.

### **Lack of Growing Facility**

The Issuer has yet to begin construction of the Samson Facility. A growing facility needs to be constructed and operational prior to the initial inspection step of the ACMPR licensing process. The Issuer may not be able to raise the required capital in a timely manner or never have the capital to build the Samson Facility which would delay the construction and increase expenses required to get the Samson Facility licensed and operational. If the Issuer is unable to achieve and sustain profitability, the market price of its Common Shares may significantly decrease.

### **Lack of Drying and Curing Facility**

The issuer does not plan to build its own curing and drying facility as it is only required for 8 weeks out of the year. Instead the Issuer plans to ship its mature cannabis wet to another LP for drying and curing. The Issuer may not be able to enter into such a contract. If the Issuer is unable to enter into a contract for drying and curing of its cannabis it will need to build its own drying and curing facility. If the issuer needs to build its own drying and curing facility it will need to raise additional funds, the issuer may not be

able to raise these funds on reasonable terms or at all. If the Issuer is unable to raise the funds it may not achieve profitability and its share price may decline.

### **Lack of Off-Take Agreement to Sell Cannabis**

The issuer does not plan to build its own marketing and sales group, but to enter into off-take agreements with other LPs to sell its Cannabis. The Issuer may not be able to enter into such a off-take agreement. If the Issuer is unable to enter into a off-take agreement it will need to build its own marketing and sales group. If the issuer needs to build its own marketing and sales group it will need to raise additional funds, the issuer may not be able to raise these funds on reasonable terms or at all. If the Issuer is unable to raise the funds it may not achieve profitability and its share price may decline.

### **Insufficient Funds to Accomplish the Issuer's Business Objectives**

The Issuer remains under constant working capital pressures. The amount of available funds is close to fully allocated and only allows for minimal working capital reserves. When the current funding has been expended, the Issuer will require and is planning to raise additional funding. There is no assurance that this funding will be available when required by the Issuer and/or available on suitable terms. Furthermore, the Issuer expects negative operating cash flows for the foreseeable future.

### **Substantial Capital Requirements for infrastructure, growth, regulatory compliance and operations**

The Issuer expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Issuer's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Issuer. The Issuer's efforts to grow its business may be costlier than expect, and the issuer may not be able to increase revenue enough to offset higher operating expenses. The Issuer may incur significant losses in the future for a number of reasons, including the other risks described in this prospectus, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Issuer is unable to achieve and sustain profitability, the market price of its Common Shares may significantly decrease.

### **Unanticipated Costs and Delays**

The Issuer may be subject to unanticipated costs or delays that would accelerate its need for additional capital or increase the costs of construction. If the Issuer is unable to raise additional capital when required or on acceptable terms, it may have to significantly delay, scale back or discontinue the development and/or construction of the Samson Facilities. The Issuer may also be required to seek collaborators for development of its growing facilities on terms that are less favourable than might otherwise be available. Additional factors that may increase costs and cause delays are:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;

- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- disputes with the Samson First Nations and Rod Saddleback;
- delays in gaining support from the Samson FN
- Delays in getting the land lease at Samson FN approved by the Minister of Crown-Indigenous Relations and Northern Affairs
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, storms, hail or physical attacks.

### **Construction Risk Factors**

The Issuer is subject to several risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of the Samson Facility. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Issuer is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the construction and start-up of the Samson Facility.

There can be no assurance that current or future construction plans implemented by the Issuer will be successfully completed on time, within budget and without design defect; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Issuer will be able to obtain all necessary governmental approvals and permits; or that the completion of the construction, the start-up costs and the ongoing operating costs will not be significantly higher than anticipated by the Issuer. Any of the foregoing factors could adversely impact the operations and financial condition of the Issuer.

### **Samson Facility**

The Samson Facility is expected to become integral to the Issuer's business and adverse changes or developments affecting the Samson Facility may impact the Issuer's business, financial condition and results of operations. The Issuer's activities and resources are currently focused on the Samson Facility. The ACMPR License application will be specific to the Samson Facility. Adverse changes or developments affecting the Samson Facility, including but not limited to a force majeure event or a breach of security, could have a material adverse effect on the Issuer's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Issuer's ability to continue operating as a Licensed Producer or the prospect of renewing the License or would result in a revocation of the License. However, no assurance can be given that Health Canada will approve the Samson Facility License. If the Issuer is unable to secure the Samson Facility License, the expectations of management with respect to future cultivation and growing capacity may not be borne out, which could have a material adverse effect on the Issuer's business, financial condition and results of operations. Further, construction delays or cost over-runs in respect of the build-

out of the Samson Facility, howsoever caused, could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### **Samson Agreement**

The Samson Agreement has been signed, however the specific piece of CP land has not been leased. The fact that a lease has not been signed, band approval by way of a band resolution has not been obtained and the Minister of Crown-Indigenous Relations and Northern Affairs has not approved the lease are all risk factors. If Saddleback is unable to provide the land under the agreement in a timely matter, the Issuer will not be able to submit its application to Health Canada and the development of the Issuers business will be delayed until suitable land is found if any land is found at all. If a band resolution is not obtained from the Samson Cree First Nation band council the project will not proceed at Samson and an alternate location will be required. The issuer may not be able to find a suitable location on reasonable terms if at all, a situation which would delay the Issuers plans or force it out of business. If the Minister of Crown-Indigenous Relations and Northern Affairs fails to approve the lease of the CP land at Samson FN, then the Issuer may have to renegotiate the terms of the lease on less favourable terms than it currently has. There is no guarantee that the Issuer will be able to negotiate the terms to the lease that are economic, and the Issuer may have to look for other land on better terms. The Issuer may not be able to find land on terms to meet its objectives and be forced out of business.

### **Reliance on Employees from the Samson First Nation**

In the Samson Agreement with Rod Saddleback, he is to provide a list of eligible employees from the Samson FN. The Issuer does not have an agreement with the Samson FN to supply employees although the Issuer has agreed to give a preference to hiring Samson FN members. If the Issuer is not able to hire Samson FN band members it may not be able to staff the Samson Facility. This situation may prevent the Samson Facility from reaching maximum capacity and planned revenue reducing the issuers profits. If the Issuer is unable to achieve and sustain profitability, the market price of its Common Shares may significantly decrease.

### **Reliance on a Single Facility**

To date, the Issuer's activities and resources have been primarily focused on the Samson Facility and the Issuer expects to continue to be focused on licensing and development of the Samson Facility for the foreseeable future until completion of the construction. A delay in the construction, permitting and initiation of operations may cause cost overruns and delay the Issuer achieving profitability. If the Issuer is unable to achieve and sustain profitability, the market price of its Common Shares may significantly decrease

### **Reliance on Receiving a Cultivation License**

The Issuer is dependent upon receipt of a License under ACMPR for its ability to grow, store and sell medical cannabis and other products derived therefrom and the License would be subject to ongoing compliance, reporting requirements and renewal. Should the Issuer fail to comply with the requirements of the License or should Health Canada not renew the License when required or renew the License on different terms or revoke the License, there would be a material adverse effect on the Issuer's business, financial condition and results of operations. Government licenses are currently, and in the future may be, required in connection with the Issuer's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits, and approvals are required and not obtained, the



Issuer may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### **Changes in Canadian Cannabis Laws, Regulations and Guidelines**

The Issuer's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Issuer may cause material adverse effects business, financial condition and results of operations of the Issuer. The Issuer endeavours to comply with all relevant laws, regulations and guidelines.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. On December 13, 2016, the Task Force completed its review and published a report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use, with a target implementation date to occur in 2018. The current federal government plans to implement the Cannabis act on October 17, 2018. However, it is unknown if this regulatory change will be implemented at all. Several recommendations from the Task Force reflected in the Cannabis Act including, but not limited to, permitting home cultivation, potentially easing barriers to entry into a Canadian recreational marijuana market and restrictions on advertising and branding, could materially and adversely affect the future business, financial condition and results of operations of the Issuer. Their advice will be considered by the Government of Canada as a new framework for recreational marijuana is developed and it is possible that such developments could significantly adversely affect the future business, financial condition and results of operations of the Issuer. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Issuer anticipates.

### **Uncertainty of Additional Financing**

The Issuer expects that its existing capital resources will be sufficient to fund operations to complete the ACMPR licensing application process and cover general and administrative expenses for 12 months. The Issuer anticipates that it will need to raise additional capital, through private placements or public offerings of its equity or debt securities, in addition to the capital on hand, to complete the long-term development and construction of its greenhouses. The inability of the Issuer to access sufficient additional capital for its operations could have a material adverse effect on the Issuer's financial condition, results of operations or prospects. In particular, failure to obtain such financing on a timely basis could cause the Issuer to miss certain acquisition opportunities and reduce or terminate its business.

### **No History of Sales or Profits**

The Issuer does not have a history of earnings or profit, has never had any products available for commercial sale and has not generated any revenue from product sales. The Issuer does not anticipate that it will generate revenue from the sale of products for the foreseeable future and has not applied for a license to grow or sell cannabis. The Issuer continues to incur licensing and general and administrative expenses related to development of its future cannabis cultivation operations. There is no assurance that in the future the Issuer will develop revenues, operate profitably or provide a return on investment. Therefore, investors should not invest on the expectation of receiving dividends or any guaranteed return

on their investment of any nature. The Issuer is expected to continue to incur losses for the foreseeable future and expects these losses to increase as it continues development of its grow out facilities, seeks regulatory approvals for cultivation, and acquires rights to additional property for development. If the Samson Facilities do not gain regulatory approval, or if its product candidates do not achieve market acceptance, the Issuer may never become profitable. Even if the Issuer achieves profitability in the future, it may not be able to sustain profitability in subsequent periods.

### **Influence of Principal Shareholders**

Upon receipt of the final Prospectus, the Issuer's directors and officers will own approximately 24.52% of the issued and outstanding Common Shares of the Issuer. To the knowledge of the directors and officers no one person controls over 10% of the issued and outstanding Common Shares of the Issuer. As a result, the officers and directors of the Issuer, together will have the ability to control or influence the outcome of most corporate actions requiring shareholder approval, including the election of directors of the Issuer and the approval of certain corporate transactions. The concentration of ownership of the Issuer may also have the effect of delaying or preventing a change in control of the Issuer.

### **Commercializing of Product Candidates**

In order to successfully commercialize dried cannabis and cannabis-based products, the Issuer must enter into collaborations with partners to develop a capable sales, marketing and distribution infrastructure. The Issuer intends to enter into Take-off Agreements to commercialize products in most markets. However, the Issuer may not be able to enter into Take-off Agreements on acceptable terms, if at all, and may face competition in its search for partners with whom to enter into take-off Agreements. If the Issuer is unable to develop collaborations with one or more partners to purchase its product, it may not be able to successfully commercialize its products, which could cause the Issuer to cease operations. If the Issuer is unable to achieve and sustain profitability, the market price of its Common Shares may significantly decrease.

### **Dependence on the Success of Medical Cannabis**

Once the Issuer has obtained a license to grow cannabis from Health Canada, it will still need to grow a crop and receive a license to sell from Health Canada. The Issuer may never receive approval from Health Canada to sell medical cannabis or when legal, recreational cannabis.

If the Issuer cannot successfully develop, manufacture and distribute its products, or if the Issuer experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Issuer may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Issuer's ability to effectively enter the market. A failure by the Issuer to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Issuer's commercialization plans and the Issuer's business, prospects, results of operations and financial condition.

Any failure to obtain approval to sell the Issuer's medical cannabis, and successfully commercialize it, would have a material and adverse impact on the Issuer's business, which could cause the Issuer to cease operations.

### **Dependence on Supply of Suitable Seedlings**

The Issuers business plan is dependent on being able to purchase a suitable supply of disease free, pathogen free, pest free, mold and mildew free seedlings at a price that will allow the Issuer to achieve profitability. If the Issuer is unable to attain suitable seedlings it may not be able to execute its plans or achieve or sustain profitability. If the Issuer is unable to achieve and sustain profitability, the market price of its Common Shares may significantly decrease.

#### Dependence on Pathogen Free Seedlings

If seedlings enter the growing facility are diseased or have other pathogens, the pathogens may cause the crop to fail affecting profitability negatively. The pathogens may be transferred to other crops in the greenhouse causing them to fail affecting profits negatively. Crop failure may delay the Issuers ability to reach profitability or sustain profitability. If the Issuer is unable to achieve and sustain profitability, the market price of its Common Shares may significantly decrease.

#### **Publicity or Consumer Perception**

The Issuer believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Issuer's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Issuer's products and the business, results of operations, financial condition and the Issuer's cash flows. The Issuer's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Issuer, the demand for the Issuer's products, and the business, results of operations, financial condition and cash flows of the Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Issuer's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

#### **Uncertain Demand**

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Issuer and, few, if any, established companies whose business model the Issuer can follow or upon whose success the Issuer can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Issuer. There can be no assurance that the Issuer's or third-party estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

#### **Difficulties with Forecasts**

The Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or

other factors could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

### **Reliance on the Issuer's management**

While the available funds have been specifically allocated, investors will in large part entrust their funds to the directors, management, and other professional advisors in whose judgment investors must depend with only limited information about their specific evaluation of the "sound business reasons" on which any reallocation of funds would be based. The Issuer's financing and enterprise acquisition/development policies and practices may be changed at the discretion of the Board of Directors. Persons who are not willing to rely on the Issuer's management or Directors should not purchase the Issuer's Shares.

### **Attraction and Retention of the Issuer's Management**

The Issuer's success has depended and continues to depend upon its ability to attract and retain key management, including the Issuer's CEO, CFO, technical experts and consultants. The Issuer will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Issuer's inability to retain employees and attract and retain sufficient additional employees or engineering, cultivation and technical support resources could have a material adverse effect on the Issuer's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Issuer, results of operations of the business and could limit the Issuer's ability to develop and market its cannabis. The loss of any of the Issuer's senior management or key employees could materially adversely affect the Issuer's ability to execute its business plan and strategy, and the Issuer may not be able to find adequate replacements on a timely basis, or at all. The Issuer does not maintain key person life insurance policies on any of our employees.

### **Use of Contract Personnel**

From time to time the Issuer will need to contract additional personnel to continue its expansion and operation. The Issuer will need to rely on cannabis industry, security, cultivation, scientific, engineering, clinical and regulatory advisors extensively to assist in formulating its development and sales strategies, negotiations with first nations, applications to Health Canada and facilities development. These advisors may not be the Issuer's employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to the Issuer. In addition, these advisors may have arrangements with other companies to assist those companies in developing products or technologies that may compete with the Issuer's. If the Issuer is unable to contract the correct personnel, it may be unable to implement or complete its construction and product development programs, resulting in the inability to commercialize its cannabis product or generate sufficient revenue to continue in business.

### **Dependence on key employees, suppliers or agreements**

Executive management of the Issuer's business is primarily provided by the Issuer's CEO, CFO, and Board of Directors. At this stage of its corporate development, the Issuer has necessarily limited the establishment of extensive administrative and operating infrastructure. Instead, the Issuer may rely, for necessary skills, on external adviser/consultants with extensive senior level management experience in such fields as construction, engineering, greenhouse operations, cannabis cultivation, government regulations, finance, manufacturing, marketing, law, and investment. The future success of the Issuer is very dependent upon the ongoing availability and commitment of its directors, officers and advisor consultants, not all of whom are or will be bound by formal contractual employment agreements. The absence of these formal contractual relationships may be considered to represent an area of risk.

## **Dependence on Samson First Nation to Supply Employees**

Under the Samson Agreement, Saddleback is to provide a list of eligible persons, over the age of eighteen (18), who would be ready, willing and able to work at the buildout and operate the Samson Facility. If Saddleback is unable to provide this list of potential employees or employees from the Samson Nation are unavailable the lack of employees may adversely affect the Issuer's ability to execute its business plan and strategy, and the Issuer may not be able to find adequate replacements on a timely basis, or at all, delaying production from the Samson Facility or causing the Samson Facility to cease production. The issuer does not have an agreement with the Samson FN to supply employees. The absence of an agreement with the Samson FN to supply employees may be considered to represent an area of risk.

## **Environmental Regulation**

Environmental regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Issuer's operations.

Government environmental approvals and permits are currently and may in the future be required in connection with the Issuer's operations. To the extent such approvals are required and not obtained, the Issuer may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Issuer may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

## **Cultivation Risks**

The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others. The Issuer's future business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases, mold, mildew and similar agricultural risks. Although the Issuer expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

## **Transportation Risk**

The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks. In order for customers of the Issuer to receive their product, the Issuer will rely on third party transportation services. This can cause logistical problems with and delays in customers obtaining their orders and cannot be directly controlled by the Issuer. Any delay by third party transportation services may adversely affect the Issuer's financial performance. Moreover,

security of the product during transportation to and from the Issuer's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Issuer's business, financials and prospects. Any such breach could impact the Issuer's future ability to continue operating under its Licenses or the prospect of renewing its Licenses.

*Industry Risk - risks faced by the Issuer because of the industry in which it operates*

**Failure to Receive Regulatory Approval for Cannabis Cultivation**

The Issuer may not receive a license to grow cannabis from Health Canada if the Issuer fails to demonstrate that its proposed cultivation facilities meet regulatory requirements. Consequently, failure to obtain necessary approvals could result in delays to the Issuer's greenhouse development efforts and revenues.

**Regulatory Risk and Market Approval**

Any products that the Issuer develops will be subject to extensive government regulations relating to development, clinical trials, manufacturing and commercialization. There is no assurance that the Issuer will ever receive regulatory approval to grow or sell its dried cannabis. If such regulatory approval is not obtained, the Issuer may never become profitable.

**Failure to Receive Regulatory Approval for Product Sales**

The Issuer may not receive a license to sell cannabis from Health Canada if the Issuer fails to demonstrate that the product is safe. Consequently, failure to obtain necessary approvals could result in delays to the Issuer's product development efforts.

**Restrictions on Marketing Activities**

The development of the Issuer's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Issuer's ability to compete for market share in a manner similar to other industries. If the Issuer is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Issuer's sales and operating results could be adversely affected.

**Market Acceptance of the Issuer's Products**

Even if the Issuer receives the necessary regulatory approvals to commercially sell its cannabis, the success of its product candidates will depend on their acceptance by physicians and patients and potential reimbursement by health insurance companies and provincial medical plans, among other things. If the Issuer's Cannabis products fail to gain market acceptance, it may be unable to achieve or sustain profitability and the Issuers share price may decline.

**Competition**

The Issuer faces competition from other cannabis cultivation business' where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business. An increase in the companies competing in this industry could limit the ability of the Issuer to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, more

expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Issuer cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Issuer could have a material adverse effect on its business, operating results and financial condition. In addition, despite Canadian federal, Provincial and Municipal legalization of marijuana, illicit or “black-market” operations remain abundant and present substantial competition to the Issuer. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Issuer must comply with to conduct business, and accordingly may have significantly lower costs of operation.

### **New Product Development**

The cannabis industry is in its early stages and it is likely that the Issuer and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Issuer will need to expend significant amounts of capital in order to successfully develop and generate revenues from, new products. The Issuer may also be required to obtain additional regulatory approvals from Health Canada and other applicable authorities which may take significant time. The Issuer may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the court of such product development and regulatory approval processes, may have a material adverse effect on the Issuer’s business, financial condition and results of operations.

### **Product Liability**

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Issuer’s products are recalled due to an alleged product defect or for any other reason, the Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Issuer will have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Issuer’s significant brands were subject to recall, the image of that brand and the Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Issuer’s products and could have a material adverse effect on the results of operations and financial condition of the Issuer. Additionally, product recalls may lead to increased scrutiny of the Issuer’s operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

### **Intellectual Property Rights**

The Issuer’s commercial success may depend, in part, on obtaining and maintaining patent protection, trade secret protection and regulatory protection of its future proprietary technology, products, procedures and information as well as successfully defending third-party challenges to its proprietary technology, products, procedures and information. The Issuer will be able to protect its proprietary technology and information from use by third parties only to the extent that valid and enforceable patents, trade secrets or regulatory protection cover them, and the Issuer has exclusive rights to utilize them. The ability of the Issuer’s licensors, collaborators and suppliers to maintain their patent rights against third-party challenges to their validity, scope or enforceability will also play an important role in determining the Issuer’s future.

## **Reliance on Trade Secrets**

The Issuer relies on trade secrets to protect its methods and technology, especially where the Issuer does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. While the Issuer seeks to protect confidential information, in part, through confidentiality agreements with employees, consultants, contractors, or scientific and other advisors, they may unintentionally or wilfully disclose the Issuer's confidential information to competitors. Enforcing a claim against a third party related to the illegal acquisition and use of trade secrets can be expensive and time consuming, and the outcome is often unpredictable. If the Issuer is not able to maintain patent or trade secret protection on its technologies and product candidates, then the Issuer may not be able to exclude competitors from developing or marketing competing products, and the Issuer may not be able to operate profitably.

## **Intellectual Property Infringement Claims**

There has been, and there will continue to be, significant litigation and demands for licenses in the life sciences industry regarding patent and other intellectual property rights. Although the Issuer anticipates having a valid defence to any allegation that its future product candidates, production methods and other activities infringe the valid and enforceable intellectual property rights of any third parties, the Issuer cannot be certain that a third party will not challenge this position in the future. Other parties may own patent rights that the Issuer might infringe with its cannabis product candidates, methods, products or other activities, and the Issuer's competitors or other patent holders may assert that the Issuer's products and the methods employed are covered by their patents. These parties could bring claims against the Issuer causing substantial litigation expenses and, if successful, may require payment of substantial damages. Some of the Issuer's potential competitors may be better able to sustain the costs of complex patent litigation, and depending on the circumstances, the Issuer could be forced to stop or delay its development, manufacturing or sales activities. Any of these costs could cause the Issuer to go out of business.

## **Licensed Patent Rights**

The Issuer may license patents and plans to license technologies and other patents if it believes it is necessary or useful to use third party intellectual property to develop the Samson Facilities or products, or if its product development threatens to infringe upon the intellectual property rights of third parties. The Issuer may be required to pay license fees or royalties or both to obtain such licenses, and there is no guarantee that such licenses will be available on acceptable terms, if at all. Even if the Issuer is able to successfully obtain a license, the rights may be non-exclusive, which would give the Issuer's competitors' access to the same intellectual property it has rights to, which could prevent the Issuer from commercializing a product.

The Issuer's licensors may terminate the license. Without protection for the intellectual property that is licensed, other companies may be able to offer substantially similar products for sale, the Issuer may not be able to market or sell the planned products or generate any revenues.

## **Production Inputs**

The Issuer's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as natural gas, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Issuer. Any inability to secure required supplies and services or to do so on appropriate terms could



have a materially adverse impact on the business, financial condition and operating results of the Issuer. The ability of the Issuer to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Issuer will be successful in maintaining the required supply of skilled labour, equipment, parts and components. It is also possible that any expansion plans contemplated by the Issuer may cost more than anticipated, in which circumstance the Issuer may curtail, or extend timeframes for completing the expansion plans. This could have a material adverse effect on the financial results and operations of the Issuer.

### **Conflicts of Interest**

Certain of the directors and officers of the Issuer will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including cannabis companies) and, as a result of these and other activities, such directors and officers may become subject to conflicts of interest. The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the Issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. To the knowledge of the management of the Issuer, there are no existing or potential material conflicts of interest between the Issuer and a proposed director or officer of the Issuer except as otherwise disclosed herein.

### **Foreign Currency Risk**

A substantial portion of the Issuer's expenses and future revenues may be incurred in foreign currencies. The Issuer's business will be subject to risks typical of an international business including, but not limited to, differing tax structures, regulations and restrictions and general foreign exchange rate volatility. Fluctuations in the exchange rate between the Canadian dollar and such other currencies may have a material effect on the Issuer's business, financial condition and results of operations and could result in downward pressure for the Issuer's products or in losses from currency exchange rate fluctuations. The Issuer does not actively hedge against foreign currency fluctuations.

### ***Public Company Risk - Risks related to the Issuer's shares being listed on a stock exchange***

#### **Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. This can be especially true of companies in the cannabis sector where there are little criteria upon which to base a valuation and prices can be subject to intense speculation. If the Issuer's Common Shares become listed to trade on a stock exchange, there can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Issuer in creating revenues, cash flows or earnings. The value of the Issuer's Common Shares if listed for trading will be affected by such volatility.

There is no public market for the Issuer's Common Shares. An active public market for the Common Shares might not develop or be sustained. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the share price may decline below the initial price shareholders paid for their shares.

## **The Issuer is at Risk of Securities Class Action Litigation**

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for the Issuer because cannabis, biotechnology, specialty pharmaceutical and biopharmaceutical companies have experienced significant stock price volatility in recent years. If the Issuer faces such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm the Issuer's business.

## **Legal and Regulatory Changes**

Achievement of the Issuer's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada is currently undergoing significant proposed changes and the Issuer cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Issuer cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Issuer. The Issuer will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Issuer's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

## **No History of Paying Dividends**

An increase in the market price of the Issuer's Common Shares, which is uncertain and unpredictable, may be an investor's sole source of gain from an investment in the Issuer's Common Shares. An investment in the Issuer's Common Shares may not be appropriate for investors who require dividend income.

No dividends have been paid on the Issuer's Common Shares since inception and there is no assurance that such dividends will be earned or paid in the future. For the foreseeable future, the Issuer expects to re-invest in its operations all cash flow that might otherwise be available for distribution to shareholders in the form of cash dividends. While the payment of stock dividends is an alternative, there is no assurance that these will be paid in the foreseeable future. The Issuer does not anticipate paying any dividends on the Shares in the foreseeable future. As a result, capital appreciation, if any, of the Issuer's Common Shares will be the shareholder's sole source of gain for the foreseeable future.

## **Dilution**

To date the Issuer's sources of cash have been limited primarily to proceeds from the founders, their friends and family and angel investors. It is likely that the Issuer will enter into more agreements to issue Common Shares and warrants and options to purchase Common Shares.

The impact of the issuance of a significant number of Common Shares from the exercise of the Issuer's outstanding warrants and options could place downward pressure on the market price of the Common Shares.

The Issuer cannot be certain that additional funding will be available on acceptable terms, or at all. To the extent that the Issuer raises additional funds by issuing equity securities, its shareholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants, such as limitations on the Issuer's ability to incur additional indebtedness, limitations on its ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact its ability to conduct business.

### **Influence of Currently Outstanding Shares**

Future sales of the Issuer's currently outstanding Shares could cause the market price of the Issuer's Common Shares to decrease significantly, even if its business is doing well. As at the date of this Prospectus, the Issuer's current public shareholders will hold approximately 8,388,651 of the Issuer's Common Shares, representing a fully-diluted interest of approximately 75.69%. If any shareholder sells a substantial number of the Issuer's Common Shares in the public market, the market price of the Common Shares could fall. The perception among the public that such sales may occur could have the same effect.

### **PROMOTERS**

Douglas H. Unwin is considered to be the Promoter within the meaning of the *Securities Act* (British Columbia) for his role in substantially organizing the Issuer. The Issuer has never acquired any assets from or entered into contractual relations with Mr. Unwin, except for subscription agreements for Shares entered into by him with the Issuer and his employment agreement as the Issuer's President and Chief Executive Officer. Mr. Unwin, in combination with his spouse has acquired 894,614 Common Shares of the Issuer pursuant to the Plan of Arrangement and subscription agreements at prices ranging from \$0.00 (shares issued from the Plan of Arrangement) to \$0.25 per Common Share representing 8.07% of the issued and outstanding Common Shares as at the date of this Prospectus.

See "*Directors and Officers*" for information concerning the number of securities of the Issuer held by Mr. Unwin and his experience. No assets have been acquired or are to be acquired by the Issuer from Mr. Unwin. Other than as described in this Prospectus, Mr. Unwin has not received or will not receive anything of value, including money, property, contracts, options or rights of any kind from the Issuer in respect of acting as a promoter of the Issuer. Please see "*Executive Compensation*" for additional information concerning compensation paid to Mr. Unwin.

Mr. Unwin has been granted options to purchase 320,000 shares of the Issuer at a price of \$0.10 per share. Please see "Options to Purchase Securities".

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Issuer is not currently a party to any legal proceedings or regulatory actions, nor is the Issuer currently contemplating any legal proceedings or regulatory actions. Management of the Issuer is currently not aware of any legal proceedings or regulatory actions contemplated against the Issuer.

### **AUDITOR, REGISTRAR AND TRANSFER AGENT**

The auditor of the Issuer is Sam S. Mah Inc., Chartered Professional Accountant, located at 2001 – 1177 West Hastings St. Vancouver, BC, V6E 2K3. The registrar and transfer agent of the Common Shares of

the Issuer is Computershare Investor Services Inc. located at 300 510 Burrard St. Vancouver, BC, V6C 3B9.

### **MATERIAL CONTRACTS**

The following are the material contracts of the Issuer entered since October 3, 2016 and still in effect:

- (a) Employment Agreement with the CEO dated May 18, 2018.
- (b) Consulting Agreement with the CFO dated May 18, 2018
- (c) LOI With Rod Saddleback of the Samson First Nation dated February 21, 2018
- (d) Agreement with Rod Saddleback of the Samson First Nation dated May 25, 2018
- (e) Agreement with Rod Saddleback and Myron Sparklingeyes dated September 10, 2018
- (f) Asset Purchase Agreement between Tower One and ForwoRx dated July 23, 2015
- (g) Consulting agreement with Cannabis Compliance Inc., dated June 4, 2018
- (h) The issuers Stock Option Plan approved, July 13, 2017

Copies of the material contracts set out above will be available under the Company's profile on SEDAR at <http://www.sedar.com>.

### **EXPERTS**

No person or company whose profession or business who is named as having prepared or certified a report, valuation, statement or opinion described or included in the Prospectus, or whose profession or business gives authority to a report, valuation, statement or opinion described or included in the Prospectus, holds any registered or beneficial interest, direct or indirect, in any of the Issuer's securities or other property of the Issuer or one of the Issuer's associates or affiliates and no such person or company, or a director, officer or employee of such person or company, is expected to be elected, appointed or employed as one of the Issuer's directors, officers or employees or as a director, officer or employee of any of the Issuer's associates or affiliates and no such person is one of the Issuer's promoters or the promoter of one of our associates or affiliates.

Sam S. Mah Inc., Chartered Professional Accountant, the Issuer's current auditors, who have prepared an audit report in respect of the Issuer's financial statements with accompanying notes as at and for the fiscal years ended December 31, 2017 and December 31, 2016, report that they are independent of the Issuer in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

### **OTHER MATERIAL FACTS**

To management's knowledge, there are no other material facts relating to the Issuer that are not otherwise disclosed in this Prospectus or are necessary in order for the Prospectus to contain full, true and plain disclosure of all material facts relating to the Issuer.

### **FINANCIAL STATEMENTS**

Attached to and forming a part of this Prospectus as Schedule "A" are the unaudited financial statements for the period ended June 30, 2018 and the audited financial statements of the Issuer for the fiscal years ended December 31, 2017, and for the period from incorporation to December 31, 2016.



**SCHEDULE "A"**  
**FINANCIAL STATEMENTS AND MD&A**

**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
<b>ASSETS</b>		
Current		
Cash	\$ 49,752	\$ 88
Advances	3,053	-
Subscriptions receivable (Note 9)	200	-
	<u>53,005</u>	<u>88</u>
Non-Current		
Other receivable (Note 5)	1	1
Property, plant and equipment (Note 6)	1,408	-
	<u>54,414</u>	<u>89</u>
<b>LIABILITIES</b>		
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
	<u>65,838</u>	<u>441,187</u>
Non-Current		
Loans payable (Note 7)	56,000	-
Due to related parties (Note 8)	95,203	-
	<u>217,041</u>	<u>441,187</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 9)	442,041	1,000
Equity reserve (Note 8, Note 9)	54,918	5
Deficit	(659,586)	(442,103)
Total equity	<u>(162,627)</u>	<u>(441,098)</u>
	<u>\$ 54,414</u>	<u>\$ 89</u>

**Nature and continuance of operations (Note 1)****Subsequent events (Note 14)****Approved by the directors:**

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*"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
<b>Operating Activities</b>		
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	-
	<u>(193,953)</u>	<u>(442,098)</u>
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	<u>(181,845)</u>	<u>(435,702)</u>
<b>Investing Activities</b>		
Acquisition of property, plant and equipment	(1,942)	-
Purchase of agreement (Note 5)	-	(1)
	<u>(1,942)</u>	<u>(1)</u>
<b>Financing Activities</b>		
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	<u>233,451</u>	<u>435,791</u>
<b>Increase in cash during the year</b>	<u>49,664</u>	<u>88</u>
<b>Cash, beginning of the year</b>	88	-
<b>Cash, end of the year</b>	<u>\$ 49,752</u>	<u>\$ 88</u>

**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)

# Cabbay Holdings Corp.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

## 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.

# **Cabbay Holdings Corp.**

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

## **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.

## **Cabbay Holdings Corp.**

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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



## **Cabbay Holdings Corp.**

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

### **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.

## **Cabbay Holdings Corp.**

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

### **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.

## **Cabbay Holdings Corp.**

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

### **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**

## **Cabbay Holdings Corp.**

### Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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 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.

## **5. Asset Purchase Agreement**

## Cabbay Holdings Corp.

### Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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. 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

## Cabbay Holdings Corp.

### Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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	-
	<u>\$ 62,975</u>	<u>\$ 4,000</u>

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)

## **Cabbay Holdings Corp.**

### Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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)**

## Cabbay Holdings Corp.

### Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>31-Dec-17</b>
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)**



## Cabbay Holdings Corp.

### Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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
<b>Balance, December 31, 2016</b>	<b>100,000</b>	<b>0.10</b>
Issued	25,000	0.10
Issued	340,000	0.10
Issued	220,000	0.10
<b>Balance, December 31, 2017</b>	<b>685,000</b>	<b>0.10</b>

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.

## 9. Share Capital (continued)

## Cabbay Holdings Corp.

### Notes to Financial Statements

For the years ended December 31, 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
<b>Balance, December 31, 2016 and 2017</b>	<b>362,333</b>	<b>\$3.00</b>

## 10. Income Taxes

## Cabbay Holdings Corp.

### Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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

## **Cabbay Holdings Corp.**

### Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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 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.

#### 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)**

## Cabbay Holdings Corp.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

	Level 1	Level 2	Total
	\$	\$	\$
<b>December 31, 2016</b>			
Cash	88	-	88
Loans payable	-	-	-
Due to related parties	-	-	-
	88	-	88
<b>December 31, 2017</b>			
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

## **Cabbay Holdings Corp.**

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

### **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.

**CABBAY HOLDINGS CORP.**

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED June 30, 2018 and 2017  
(Unaudited – Prepared by Management)

**Cabbay Holdings Corp.**  
**Consolidated Interim Financial Statements**  
**Period ended June 30, 2018 and 2017**  
(Unaudited - prepared by management)

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.



**CABBAY HOLDINGS CORP.**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars- Unaudited)

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current		
Cash	\$ 383,172	\$ 49,752
Advances	2,933	3,053
Accounts receivable	8,855	-
Prepays (Note 11)	107,455	-
Subscriptions receivable (Note 8)	-	200
	<u>502,415</u>	<u>53,005</u>
Non-Current		
Other receivable (Note 4)	1	1
Property, plant and equipment (Note 5)	874	1,408
	<u>503,290</u>	<u>54,414</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	34,734	21,758
Loans payable (Note 6)	37,639	37,639
Due to related parties (Note 7)	2,647	6,441
	<u>75,020</u>	<u>65,838</u>
Non-Current		
Loans payable (Note 6)	56,000	56,000
Due to related parties (Note 7)	-	95,203
	<u>131,020</u>	<u>217,041</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (Note 8)	1,184,675	442,041
Subscriptions received (Note 8)	1,000	-
Contributed surplus (Note 7, Note 8)	93,963	54,918
Deficit	(907,368)	(659,586)
Total equity	<u>372,270</u>	<u>(162,627)</u>
	<u>\$ 503,290</u>	<u>\$ 54,414</u>

**Nature and continuance of operations (Note 1)****Commitment (Note 12)****Approved by the directors:**

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*"Doug Unwin"*

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*"Derick Sinclair"*

**CABBAY HOLDINGS CORP.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars- Unaudited)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Expenses:				
Accounting fees and audit (Note 7)	\$ 6,000	\$ 7,250	\$ 22,000	\$ 11,250
Consulting fees (Note 7)	73,099	6,300	100,849	10,800
Depreciation (Note 5)	267	-	534	-
Interest and Bank charges (Note 6)	2,660	126	7,360	162
Legal fees	14,894	-	15,952	-
Management fees (Note 7)	24,000	-	46,850	-
Office and administration	5,365	1,584	10,188	2,555
Share-based compensation (Note 8)	-	-	-	335
Transfer agent and filing fees	5,497	2,845	6,820	5,871
Travel	3,546	-	7,969	-
Wages (Note 7)	3,750	-	3,750	-
Total expenses	(139,078)	(18,105)	(222,272)	(30,973)
Forgiveness of loans payable (Note 6)	-	-	-	10,750
Assumption of debt (Note 6)	(4,179)	(5,929)	(4,179)	(5,929)
Loss on conversion of long-term debt (Note 7, Note 8)	(17,268)	-	(17,268)	-
Loss on repayment of long-term debt (Note 7)	(4,063)	-	(4,063)	-
Net loss and comprehensive loss for the period	\$ (164,588)	\$ (24,034)	\$ (247,782)	\$ (26,152)
Earnings (loss) per share – Basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding	10,688,719	2,785,371	9,271,672	2,112,502

**CABBAY HOLDINGS CORP.**

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars – Unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
<b>Operating Activities</b>		
Net loss for the period	\$ (247,782)	\$ (26,152)
Items not involving cash:		
Depreciation	534	-
Accretion of long-term loans	3,466	-
Share-based compensation	-	335
Forgiveness of loan payable	-	(10,750)
Assumption of debt	4,179	5,929
Loss on repayment of long-term debt	4,063	-
Loss on conversion of long-term debt	17,268	-
	(218,272)	(30,638)
Changes in non-cash working capital item related to operations:		
Advances	121	(1,222)
Accounts receivable	(8,855)	-
Prepaid expenses	(107,455)	(1,452)
Accounts payable and accrued liabilities	14,065	6,771
Subscriptions receivable	200	-
Cash from operating activities	(320,196)	(26,541)
<b>Financing Activities</b>		
Proceeds from issuance of Common Shares	681,411	1
Share subscriptions received	1,000	-
Payment of loans payable	(3,466)	-
Change in due to related parties	(25,329)	-
Cash provided by financing activities	653,616	69,866
<b>Increase in cash during the period</b>	<b>333,420</b>	<b>40</b>
<b>Cash, beginning of the period</b>	<b>49,752</b>	<b>88</b>
<b>Cash, end of the period</b>	<b>\$ 383,172</b>	<b>\$ 43,413</b>

**Supplemental cash flow information (Note 13)**

**CABBAY HOLDINGS CORP.**

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Expressed in Canadian dollars – Unaudited)

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	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Subscriptions Received \$</b>	<b>Equity Reserve \$</b>	<b>Deficit \$</b>	<b>Total \$</b>
Balance, December 31, 2017	7,854,624	442,041	-	54,918	(659,586)	(162,627)
Units issued for cash (note 8)	2,827,641	672,715	-	34,195	-	706,910
Conversion of debt to units (Note 6, Note 7, Note 8)	401,075	95,419	-	4,850	-	100,269
Less: Share issuance costs (Note 8)	-	(25,500)	-	-	-	(25,500)
Subscriptions received (Note 8)	-	-	1,000	-	-	1,000
Loss for the period	-	-	-	-	(247,782)	(247,782)
Balance, June 30, 2018	11,083,340	1,184,675	1,000	93,963	(907,368)	372,270

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	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Subscriptions Received \$</b>	<b>Equity Reserve \$</b>	<b>Deficit \$</b>	<b>Total \$</b>
Balance, December 31, 2016	1,379,887	1,000	-	5	(442,103)	(441,098)
Common shares issued for cash (note 8)	2,174,517	73,510	-	-	-	73,510
Conversion of debt to shares (Note 6, Note 7, Note 8)	2,705,360	208,045	-	-	-	208,045
Share-based compensation (Note 8)	-	-	-	335	-	335
Loss for the period	-	-	-	-	(26,152)	(26,152)
Balance, June 30, 2017	6,259,764	282,555	-	340	(468,255)	(185,360)

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# **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

## **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

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.

From the completion of the Plan of Arrangement the Company has been engaged in improving its balance sheet and seeking additional business opportunities, primarily related to the cultivation, marketing and/or distribution of medical cannabis and, when legal, cannabis products for recreational purposes.

On March 26, 2018, the Issuer incorporated a British Columbia corporation Alta-Sun Samson Holdings Corp. (Alta-Sun). Alta-Sun is the developer and future operator of the Samson Facility. Alta-Sun will pursue the licensing, construction and operation of a cannabis growing facility in partnership with Samson First Nation (Note 11).

These unaudited consolidated interim 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 June 30, 2018, 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 June 30, 2018 of \$247,782 (December 31, 2017: \$217,483) and an accumulated deficit at June 30, 2018 of \$907,368 (December 31, 2017: \$659,586).

# **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

## **1. Nature of Operations (continued)**

The Company is subject to risks and uncertainties common to development stage cannabis cultivation companies, such as the ability to finance its business plan, 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 unaudited consolidated interim 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 consolidated interim financial statements have been prepared in accordance with International accounting standard (IAS) 34, Interim Financial Reporting, 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 consolidated 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, 2017.

### **(b) Use of Estimates**

The preparation of the unaudited consolidated interim 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.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### **2. Statement of Compliance and Basis of Presentation (continued)**

#### (c) Principles of consolidation

The unaudited consolidated interim financial statements include the financial statements of the Company and the following subsidiary:

Alta-Sun Samson Holdings Corp. (100% owned)

All intercompany transactions, balances, revenue and expenses are eliminated on consolidation.

### **3. Significant accounting policies**

#### ***New accounting standards and interpretations***

At the date of authorization of these unaudited consolidated interim financial statements, the IASB and International Financial Reporting Committee ("IFRIC") have issued the following revised and new standards, amendments and interpretations which became effective during the period ended June 30, 2018:

#### **Became 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 replaces 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. This standard has been adopted without material effect to these unaudited consolidated interim financial statements.

- **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*. This standard has been adopted without material effect to these unaudited consolidated interim financial statements.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### 3. Significant accounting policies (continued)

At the date of authorization of these unaudited consolidated interim 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 June 30, 2018:

#### 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*

### 4. Asset Purchase Agreement

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.

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.



## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### 5. Equipment

Costs		
	Computers	Total
Balance December 31, 2016	\$ -	\$ -
Additions	1,942	1,942
Balance December 31, 2017	1,942	1,942
Additions	-	-
<b>Balance June 30, 2018</b>	<b>\$ 1,942</b>	<b>\$ 1,942</b>

  

Accumulated Depreciation		
	Computers	Total
Balance December 31, 2016	\$ -	\$ -
Depreciation	534	534
Balance December 31, 2017	534	534
Depreciation	534	534
<b>Balance, June 30, 2018</b>	<b>\$ 1,068</b>	<b>\$ 1,068</b>

  

Net Carrying Amount		
	Computers	Total
Balance December 31, 2017	\$ 1,408	\$ 1,408
<b>Balance June 30, 2018</b>	<b>\$ 874</b>	<b>\$ 874</b>

### 6. 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.

Debt settlements – Payson Unwin

On April 4, 2018 the Company assumed an additional debt balance of \$4,179 from PT. On April 12, 2017, the entire balance was converted into 16,716 units at a conversion rate of \$0.25 per unit pursuant to a private placement (Note 8).

On February 23, 2018 the CEO assigned \$50,000 of long-term debt to two arm's-length parties. The debt was due on December 31, 2019 and did not bear interest. The initial fair value of the debt was recorded at \$40,655 using a discount rate of 12%. On April 12, 2018 the entire balance was converted to 200,000 units at a conversion rate of \$0.25 per unit pursuant to a private placement (Note 8). The Company recorded a loss \$9,345 on the conversion relating to the unamortized discount on the long-term debt.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### 6. Loans Payable (continued)

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 expense for the period ended June 30, 2018 was \$3,360. Interest accrued at June 30, 2018, is \$2,016 (December 31, 2017: \$2,016)

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

Transactions with related parties are as follows:

	June 30, 2018	June 30, 2017
Accounting fees to a Company controlled by a director	\$ 9,500	\$ 2,000
Consulting fees to a Company controlled by a director	2,000	-
Management fees to the CEO and director	46,850	-
Wages to the CEO and director	3,750	-
	<u>\$ 57,100</u>	<u>\$ 2,000</u>

As of June 30, 2018 the Company has \$1,061 (December 31, 2016: \$(19,950)) due from the CEO and director of the Company included in due to related parties and \$3,750 (December 31, 2016: Nil) due to the CEO and director of the Company in accrued liabilities. The balances have no set terms of repayment and do not bear interest.

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 was due January 1, 2020 and did 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.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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

On February 23, 2018 the CEO and director assigned \$50,000 of the long-term debt to arm's-length parties (Note 6).

On April 12, 2018 \$25,000 of the long-term debt was converted to units at a conversion rate of \$0.25 per unit pursuant to a private placement (Note 8). The Company recorded a loss \$4,673 on the conversion related to the unamortized discount.

During the quarter ended June 30, 2018 the remaining long-term debt balance was paid off. The Company recorded a loss \$4,063 on repayment relating to the unamortized discount.

As of June 30, 2018, the Company has \$nil (December 31, 2017: \$16,262) 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 was due on September 30, 2019 and did 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. On April 12, 2018 the entire balance was converted to 80,000 units at a conversion rate of \$0.25 per unit pursuant to a private placement (Note 8). The Company recorded a loss \$3,250 on the conversion relating to the unamortized discount on the long-term debt.

As of June 30, 2018, the Company has \$3,607 (December 31, 2016: \$nil) in due to related parties and \$7,000 (December 31, 2016: \$4,000) in accrued liabilities due to a company controlled by a director. The amounts do not bear interest and have no set terms of repayment.

As of June 30, 2018, the Company has \$100 (December 31, 2017: \$100) owing to a former director of the Company. The amount does not bear interest and has 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.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### **8. Share Capital**

The Company has authorized an unlimited amount of Class A common shares without par value. As at June 30, 2018 the Company has 11,083,340 common shares issued and outstanding.

*During the period ended June 30, 2018:*

On April 12, 2018 the Company closed a private placement and issued 3,228,716 units at \$0.25 per unit for gross proceeds of \$807,179. Of that amount \$706,910 was cash proceeds and \$100,269 was debt converted. Each unit consists of one share and on-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.35 per share for a period of two years from the date of issue. The warrants were assigned a value of \$39,045 using the residual value method. The Company incurred share issuance costs of \$25,500 in connection with the private placement.

The Company collected share subscriptions totalling \$1,000. No common shares have been issued for these subscriptions as at June 30, 2018.

*During the period ended March 31, 2018:*

The Company collected share subscriptions totaling \$163,000.

*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.

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 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 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 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.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### 8. Share Capital (continued)

#### Stock options and share based payments

As at June 30, 2018 the following stock options were outstanding and exercisable:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>31-Dec-17</b>
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 June 30, 2018:*

There was no stock option activity during the period ended June 30, 2018.

*During the period ended March 31, 2018:*

There was no stock option activity during the period ended March 31, 2018.

*During 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.

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.

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 outstanding and exercisable as at June 30, 2018 have a remaining contractual life of 3.98 years. Stock option activity was as follows:

	<b>Options outstanding</b>	<b>Exercise Price \$</b>
<b>Balance, December 31, 2016</b>	100,000	0.10
Issued	25,000	0.10
Issued	340,000	0.10
Issued	220,000	0.10
<b>Balance, December 31, 2017 and June 30, 2018</b>	685,000	0.10

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### 8. Share Capital (continued)

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 2018 and 2017. The assumptions used in the black-scholes pricing model were:

	June 30, 2018	December 31, 2017
Expected volatility	-	100%
Risk free interest rate	-	1.10% - 1.81%
Expected life in years	-	5 years
Grant date fair value per share	-	\$0.025 - \$0.10
Forfeiture rate	-	0.00%

### Warrants

As at June 30, 2018 the following share purchase warrants were issued and outstanding:

Expiry Date	Exercise Price \$	31-Mar-18
08-Oct-19	3.00	72,000
18-Oct-19	3.00	66,000
05-Nov-19	3.00	224,333
12-Apr-20	0.35	1,614,358
		1,976,691

*During the period ended June 30, 2018:*

Pursuant to the private placement on April 12, 2017, the Company issued 1,614,358 share purchase warrants. Each whole warrant entitles the holder to purchase one common share at a price of \$0.35 per share for a period of two years from the date of issue. The warrants were assigned a value of \$39,045 using the residual value method.

*During the period ended March 31, 2018:*

There was no warrant activity during the period ended March 31, 2018.

*During the year ended December 31, 2017:*

There was no warrant activity during the year ended December 31, 2017.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### 8. Share Capital (continued)

The warrants outstanding and exercisable as at June 30, 2018 have a weighted average remaining contractual life of 1.70 years. Warrant activity was as follows:

	Options outstanding	Exercise Price \$
Balance, March 6, 2016 (incorporation)	-	-
Issued	362,333	3.00
Balance December 31, 2017	362,333	3.00
Issued	1,614,358	0.35
<b>Balance, June 30, 2018</b>	<b>1,976,961</b>	<b>0.84</b>

The fair value of warrants was determined using the Black-Scholes Option Pricing Model as the warrants were the more easily valued component. The model utilizes certain subjective assumptions including the expected life of the warrant and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's warrants. The Company used the Black-Scholes Option Pricing Model for its warrant grant in 2018. The assumptions used in the black-scholes pricing model were:

	June 30, 2018	December 31, 2017
Expected volatility	<b>100%</b>	-
Risk free interest rate	<b>1.88%</b>	-
Expected life in years	<b>2 years</b>	-
Grant date fair value per share	<b>\$0.10</b>	-
Forfeiture rate	<b>0.00%</b>	-

### 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.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### **10. Financial Instruments and Risk**

As at June 30, 2018, the Company's financial instruments consist of cash, advances, accounts receivable, 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.

#### *Liquidity Risk*

The Company's financial liabilities consist of \$34,734 (December 31, 2017: \$21,578) in accounts payable and accrued liabilities, \$37,639 (December 31, 2017: \$37,639) in short-term loans payable, \$56,000 (December 31, 2017: \$56,000) in long-term loans payable, \$2,647 (December 31, 2017: \$6,441) in short-term due to related parties, and \$nil (December 31, 2017: \$95,203) in long-term 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.

#### *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.



## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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

	Level 1	Level 2	Total
	\$	\$	\$
<b>December 31, 2017</b>			
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
<b>June 30, 2018</b>			
Cash	383,172	-	383,172
Loans payable	-	56,000	56,000
	383,172	56,000	439,172

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 June 30, 2018, the Company believes that the carrying values of its cash, advances, accounts receivable, 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.

### 11. Agreement

On February 21, 2018, the Issuer entered into a letter of intent with Rod Saddleback of the Samson First Nation on the development of a 200,000 sq. ft. green house to cultivate cannabis. On May 25, 2018 the Issuer and Alta-Sun Samson Holdings Corp. entered into a new agreement with Myron Sparklingeyes and Rod Saddleback of the Samson Cree First Nation on the development of a larger 250,000 sq. ft. green house. Under the agreement the Company has committed to making an initial lease payment of \$40,000 on signing of the lease. The lease has not been signed.

### 12. Commitment

On June 4, 2018 the Company entered into a binding agreement with Cannabis Compliance Inc. Cannabis Compliance Inc. will provide the Company with consulting services related to an Access to Cannabis for Medical Purposes ("ACMPR") license application and construction of the Samson facility. The Company must make the following payments pursuant to the agreement:

- \$62,500 prior to commencement of the project (paid)
- \$31,250 60 days after commencement of the project
- \$31,250 120 days after commencement of the project

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

### 13. Supplemental cash flow information

	June 30, 2018	June 30, 2017
Cash paid for interest	\$3,360	-
Cash paid for income taxes	-	-

Significant non-cash investing and financing transactions for the period ended June 30, 2018 are as follows:

- Converted due to related parties totaling \$40,655 to loans payable (Note 6, Note 7).
- Converted loans payable totaling \$44,834 into 216,716 common shares (Note 6, Note 8).
- Converted due to related parties totaling \$40,655 into 180,000 common shares (Note 7, Note 8).
- Converted accounts payable totaling \$1,090 into 4,359 common shares (Note 8)

Significant non-cash investing and financing transactions for the period ended June 30, 2017 are as follows:

- Included \$7,250 in subscriptions receivable related to issuance of 145,000 shares.
- Converted loans payable totaling \$152,117 into 670,817 common shares (Note 6, Note 7)
- Converted due to related parties totaling \$55,928 into 318,560 common shares (note 7, Note 8).

## CABBAY HOLDINGS CORP.

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

For the Year Ended December 31, 2017

#### Overview

This MD&A has been prepared as of September 25, 2018 and the following information should be read in conjunction with the Issuer's audited financial statements for the period ended December 31, 2017 and the period from incorporation March 6, 2016 ended December 31, 2016 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*

Cabbay Holdings Corp. (the "Issuer" or "Company" or "Cabbay") was incorporated on March 6, 2016 under the BC Business Corporations Act as a wholly-owned subsidiary of Pacific Therapeutics Ltd. ("PT"), a public company, the common shares of which trade on the Canadian Securities Exchange ("CSE"). The Issuer began as a holding company; its major holding is an agreement with ForwoRx Therapeutics Inc. (the "ForwoRx Agreement") for the further development of a combination therapy for Fibrosis. The Issuer with the ForwoRx Agreement were spun out of PT under a plan of arrangement which closed on October 3, 2016 (the "Arrangement").

On closing of the Arrangement the Issuer was a holding company. It's major holding, an agreement with ForwoRx Therapeutics Inc. (the "ForwoRx Agreement") regarding the development of therapies to treat fibrosis and pulmonary arterial hypertension. The ForwoRx Agreement covers the lead compound for

Fibrosis, PTL-202, a combination of already approved drugs which have well established safety profiles. PTL-202 has completed a phase 1 drug/ drug interaction clinical trial. In addition, the agreement covers the development of a sublingual formulation of sildenafil citrate for use as a treatment for erectile dysfunction and pulmonary arterial hypertension.

On March 26, 2018 the Issuer incorporated a British Columbia incorporated, wholly owned subsidiary Alta-Sun Samson Holdings Ltd. (“Samson Ltd.”). Samson Ltd. is the General partner of the Alta-Sun Samson Limited Partnership (“Samson Partnership”). The Samson Partnership is the developer and future operator of the 200,000 sq. ft. greenhouse facility on the Samson first nations lands. This development is the first step in the Issuer’s strategy to enter the cannabis cultivation space.

### ***Overall Performance***

The Issuer is focused on Cannabis production in Alberta, Canada in partnership with First Nations leaders and communities. These partnerships will develop greenhouses and utilize low cost inputs into cannabis cultivation with the goal of being a low-cost producer in the cannabis industry.

The Issuer, through its subsidiaries and partnerships with indigenous peoples, will apply for a cannabis production licenses on First Nations lands in Alberta beginning with the Samson Cree First Nation.

The issuer plans to build 200,000 sq. ft. greenhouses at Samson.

### **Corporate Highlights**

During the period ended, December 31, 2017 the Issuer accomplished the following:

- On February 20, 2018 the Issuer signed a letter of intent with Rod Saddleback of the Samson Cree First Nation to develop a 200,000 sq. ft. greenhouse for the cultivation of cannabis on 25 acres of land located on the Samson Cree First Nation lands.
- 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 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.
- 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, 2017, the Board approved the issuance of 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.
- On March 26, 2018 the company incorporated a wholly owned subsidiary, Alta-Sun Samson Holdings Corp.

### **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 audited financial data for the annual operations of the Issuer for the period ended December 31, 2017 and the period from incorporation March 6, 2016 to December 31, 2016:

#### ***Selected Statement of Operations Data***

<b>Period ended</b>	<b>Year Ended December, 31 2017</b>	<b>From Incorporation March 6, 2016 to December 31, 2016</b>
Total revenues	\$Nil	\$Nil
Expenses	(\$222,304)	(\$12,403)
Net Income / (Loss)	(\$217,483)	(\$442,103)
Basic and Diluted loss per share (Audited)	(\$0.05)	(\$1.08)
Weighted average shares	4,782,894	409,367

#### ***Selected Balance Sheet Data***

<b>Period ended</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Cash & Equivalents	49,752	\$88
Current Assets	53,005	\$88
Total Assets	54,414	\$89
Current liabilities	65,838	\$441,187
Non-Current liabilities	151,203	\$Nil

Total liabilities	217,041	\$441,187
Working Capital (Deficit)	(12,833)	\$(441,099)

### ***Revenues***

The Issuer had no revenues for the year ended December 31, 2017 or for the period from incorporation on March 6, 2016 to December 31, 2016. The Issuer does not expect any revenues during the next fiscal year.

The Issuer is a development stage company focused on Cannabis cultivation and holds an agreement with ForwoRx Therapeutics Inc. for further commercialization of 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. A condition of the agreement is 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.

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

The company does not conduct any research or development. Any research or development on the therapeutics technology is conducted by ForwoRx.

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

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

The General and administrative costs for the year ended December 31, 2018 were \$222,304 and for the period from incorporation March 6, 2016 to December 31, 2016 was \$12,403. This expense for the period from incorporation March 6, 2016 to December 31, 2016 was offset by reimbursement of \$5,659 of audit expense paid by Pacific Therapeutics Ltd., the Company's former parent company. Expenses increased in all categories from 2016 to 2017 as the Issuer developed from having a single holding, the ForwoRx Agreement to actively seeking additional business opportunities.

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

The company has no costs associated with the maintenance of patents or intellectual property under the ForwoRx Agreement.

### ***Interest Expense/(Income) and Bank Charges***

The interest expense and bank charges for the year ended December 31, 2017 was \$4,778 and in the period from incorporation to December 31, 2016 was \$113. This increase was due to interest accrued on the loan from an arms-length party of \$56,000.

### ***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 ForwoRx 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 year ended December 31, 2017 stock based compensation was \$27,817 and for the period from incorporation March 6, 2016 ended December 31, 2016 stock based compensation was \$5. The increase in stock based compensation was due to the issuance of 585,000 option to purchase shares issued to directors and consultants. Only 100,000 options to purchase shares were issued to directors and consultants for the period from incorporation March 6, 2016 ended December 31, 2016

### **Selected Quarterly Information**

	Three Months Ended December 31, 2017	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 Incorporation March 6, 2016 to March 31, 2016,
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Revenues</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net Income (Loss)</b>	(85,462)	(105,869)	(24,034)	(2,118)	(441,998)	5,626	(53)	(5,678)
<b>Income (Loss) per Share basic and diluted</b>	\$0.01	\$0.02	(0.01)	Nil	Nil	5,626	(53)	(5,678)
<b>Cash</b>	49,752	111,994	43,413	3,885	88	7	40	93
<b>Total Assets</b>	54,414	115,662	53,538	4,286	89	7	40	93
<b>Current Liabilities</b>	65,838	63,923	238,898	315,430	441,187	111	5,770	5,770

### ***Liquidity and Capital Resources***

At December 31, 2017, the Issuer had cash and cash equivalents of \$49,752 (December 31, 2016, \$88). At December 31, 2017, the Issuer had a working capital deficit of \$12,833 (December 31, 2016, \$441,099) Working capital is defined as current assets less current liabilities. The improvement in working capital over the year was due to the Issuer’s cash flows from financing activities during the period ended December 31, 2017 consisting of issuance of common shares of \$218,510, assumption of loans payable \$2,039 and advances from related parties \$12,902 for a total of \$233,451 resulting in an increase of cash of \$49,664.

Cash utilized in operating activities during the period ended December 31, 2017 was \$181,845 and from incorporation March 6, 2016 to December 31, 2016 was \$435,702. The improvement in cash utilization

was mainly due to a reduction in net loss for the period ended December 31, 2017 to \$217,483 from \$442,103 for the period from incorporation March 6, 2016 to December 31, 2016. In addition, an increase in accounts payable and accrued liabilities to \$15,362 for the period ended December 31, 2017 from \$6,396 for the period from incorporation March 6, 2016 to December 31, 2016 improved liquidity.

At December 31, 2017 share capital was \$442,041 comprising of 7,854,624 issued and outstanding Common Shares (December 31, 2016, \$1,000 - 1,379,887 common shares),

Warrant and Option Reserves at December 31, 2017 was \$54,918 (December 31, 2016, \$5). The increase in option reserves was due to an increase in options to consultants and directors of 585,000 options to purchase common shares.

As a result of the expenses for the period ended December 31, 2017 of \$222,304 less forgiveness of loans payable of \$10,750 and the assumption of debt of \$5,929 the deficit at December 31, 2017 increased to \$659,586 from \$442,103 at December 31, 2016.

As a result of the expenses for the period from incorporation March 6, 2016 ending December 31, 2016 of \$12,403 less reimbursement of \$5,659 and the arrangement financing fee of \$435,359 the deficit at December 31, 2016 increased to \$442,103 from \$Nil at incorporation on March 6, 2016.

At present, the Issuer's operations do not generate cash inflows and its financial success after December 31, 2017 is dependent on the asset purchase agreement with ForwoRx Therapeutics Inc. and the development of the Issuers cannabis cultivation operations. 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 may 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. and progress in the development of the Issuers cannabis cultivation operations. 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 Company.

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

- 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.
- 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) 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) 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.

### *Fourth Quarter*

The table below sets out the unaudited quarterly results for the fourth quarter ending December 31, 2017, and December 31, 2016.

<b>Unaudited</b>	<b>Three Months Ended December 31, 2017</b>	<b>Three Months Ended December 31, 2016</b>
	\$	\$
<b>Total Revenues</b>	Nil	Nil
<b>Net Income (Loss)</b>	(85,462)	(441,998)
<b>Income (Loss) per Share basic and diluted</b>	\$0.01	Nil
<b>Cash</b>	49,752	88
<b>Total Assets</b>	54,414	89
<b>Current Liabilities</b>	65,838	441,187

The net loss in the fourth quarter of 2017 of \$85,462 decreased compared to the fourth quarter of 2016, \$441,998. The decrease in net loss in the fourth quarter ended December 31, 2017 was due to a decrease in the arrangement finance fee of \$435,359. The arrangement finance fee was a one time cost related to the assumption of debt from the former parent company Pacific Therapeutics Ltd. The Issuer does not anticipate earning any revenue in the foreseeable future. Net loss, quarter over quarter is influenced by a number of factors including the scope and stage of project development. Consequently, expenses may vary from quarter to quarter. General and administrative expenses are dependent on the infrastructure required to support the business development activities of the Issuer. A material increase in general and administrative costs is anticipated over the short term, as the Issuer's business development, ACMPR application and potential construction activities increase. During the fourth quarter the Issuer, issued Nil common shares for total proceeds of \$Nil (Q4 2016 - \$1,379,887 and cancelled 1 share).

During the fourth quarter there were no dispositions of business segments, in addition the Issuer's business is not influenced by seasonal fluctuations.

### *Other MD&A Requirements*

Additional Information relating to the Issuer may be found in the Issuer's audited financial statements for the fiscal year ended December 31, 2017, and the period from Incorporation March 6, 2016 to December 31, 2016.

### ***Additional Disclosure for Venture Issuers Without Significant Revenue***

The following table sets forth material cost for the Issuer, which has been derived from the Issuer's financial statements for the year ended December 31, 2017, and from incorporation March 6, 2016 to December 31, 2016. This summary should be read in conjunction with the Issuer's audited financial statements for the year ended December 31, 2017, and from incorporation March 6, 2016 to December 31, 2016:

Material Costs	Year ended December 31, 2017	Period from incorporation on March 6, 2016 to December 31, 2016
Consulting fees	\$58,050	\$Nil
Legal fees	29,014	Nil
Management fees	47,250	Nil
Share-based compensation	27,817	5
Total Expenses	(222,304)	(12,403)
Arrangement financing fee	Nil	(435,359)
Net loss and comprehensive loss for the year	\$(217,483)	\$(442,103)

### ***Subsequent Events***

There are no subsequent events to the date of this Management Discussion and Analysis, other than:

- The Issuer 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 to purchase one additional common share in the capital of the Issuer 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 Issuer on the listing exchange equals or exceeds \$0.60 for a period of not less than 10 consecutive trading days, the Issuer may force conversion in 30 days at the purchase price of \$0.35 per share.

- The Issuer 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.
- On March 26, 2018, the Issuer incorporated a wholly owned subsidiary Alta-Sun Samson Corp.

### ***Proposed Transactions***

As at the date of this Management Discussion and Analysis there are no transactions currently contemplated by the Issuer, other than:

- On February 20, 2018 the Issuer signed a letter of intent with Rod Saddleback of the Samson Cree First Nation to develop a 200,000 sq. ft. greenhouse for the cultivation of cannabis on 25 acres of land located on the Samson Cree First Nation lands.

### ***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 December 31, 2017, the Issuer had an unlimited number of authorized common shares with 7,854,624 common shares issued and outstanding (December 31, 2017 - 1,379,887).

As at December 31, 2017 the issuer had 685,000 options outstanding (December 31, 2016 – 100,000)

As at December 31, 2017 and December 31, 2016 the Issuer had 362,333 warrants outstanding.

The following table shows the details for the outstanding warrants and options:

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Warrants 1 whole warrant exercisable at \$3.00 up until October 8, 2019	72,000	72,000
Warrants 1 whole warrant exercisable at \$3.00 up until October 18, 2019	66,000	66,000
Warrants 1 whole warrant exercisable at \$3.00 up until November 5, 2019	224,333	224,333
Options expiring October 31, 2021 with an exercise price of \$0.10	100,000	100,000
Options expiring January 18, 2022 with an exercise price of	25,000	25,000

\$0.10		
Options expiring July 10, 2022 with an exercise price of \$0.10	340,000	340,000
Options expiring September 21, 2022 with an exercise price of \$0.10	220,000	220,000

## **CABBAY HOLDINGS CORP.**

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

**For the Three and Six Months Ended June 30, 2018**

#### **Overview**

This MD&A has been prepared as of September 25, 2018 and the following information should be read in conjunction with the Issuer's un-audited financial statements for the three and six months ended June 30, 2018 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***

As a result of a Plan of Arrangement with its parent company Tower One Wireless Corp., the Issuer became a reporting issuer in British Columbia, and Ontario on October 3, 2016. From the completion of the Plan of Arrangement the Issuer has been engaged in improving its balance sheet and seeking additional business opportunities, primarily related to the cultivation, marketing and/or distribution of medical cannabis and, when legal, cannabis products for recreational purposes.

Also, as part of the plan of arrangement, the Issuer holds an agreement with ForwoRx Therapeutics Inc. regarding the sale and purchase of therapies to treat fibrosis and pulmonary arterial hypertension. The agreement covers the lead compound for Fibrosis PTL-202. 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***

On February 21, 2018 the Issuer signed a letter of intent to lease land on the Samson Cree First Nations (“Samson FN”) land in Maskwacis Alberta to establish a greenhouse for the cultivation of cannabis. An additional agreement was signed on May 25, 2018 to further the land acquisition at Samson FN.

On March 26, 2018 the Issuer incorporated a British Columbia incorporated, wholly owned subsidiary Alta-Sun Samson Holdings Corp. (“Samson Corp.”). Samson Corp. is the future operator of the 250,000 sq. ft. greenhouse facility on the Samson FN lands. This development is the first step in the Issuer’s strategy to enter the cannabis cultivation space.

## **Corporate Highlights**

During the six month period ended June 30, 2018 the Issuer accomplished the following:

- On February 21, 2018 the Issuer signed a letter of intent to lease land on the Samson Cree First Nations (“Samson FN”) land in Maskwacis Alberta to establish a 250,000 sq. ft. greenhouse for the cultivation of cannabis;
- On April 4, 2018, the Company assumed \$4,179 of debt from Pacific Therapeutics Ltd., the amount is non-interest bearing and has no set terms of repayment;
- On April 12, 2018, the Company issued 3,228,716 units for total proceeds of \$807,179. Each unit consists of one common share of the Company and one half of one purchase warrant. Each whole warrant grants the holder the right to purchase one share for \$0.35 for up to two years following the issuance date. \$163,000 of the proceed relates to subscriptions received during the period ended March 31, 2018.
- On May 25, 2018 the Issuer signed an additional agreement with Rod Saddleback and Myron Sparkelingeeyes on the lease and use of the Samson FN land.
- On June 18, 2018 the Company announced that it’s subsidiary Alta-Sun Samson Holdings Corp. (“Samson”) had entered into an agreement with Cannabis Compliance Inc. to assist Samson with its application under the Access to Cannabis for Medical Purpose Regulations (“ACMPR”) respecting the licensing of a 250,000 sq. ft. greenhouse for the cultivation of cannabis to be built on Samson Cree First Nations lands in Alberta.
- Subsequent to July 31, 2018 the Company welcomed Harold H. Forzley CPA, CA to it’s board of directors.
- Mr. Harold Forzley, also known as Hardy, is a Chartered Accountant and holds a Bachelor of Arts degree in Commerce from Simon Fraser University and has been involved in the building of numerous companies in the mining sector for 20 years. Mr. Forzley is on the Board of Directors at Pacific Cascade Minerals, Inc. Mr. Forzley was previously employed as an Independent Director by Canada Strategic Metals, Inc., Chief Financial Officer, by TransAct Energy Corp., Chief Financial Officer & Director by Grande Portage Resources Ltd., an Independent Director by Canada Gold Corp.

## **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 three months and six months ended June 30, 2017 and for the three months and six months ended June 30, 2018 are presented:

### *Selected Statement of Operations Data*

<b>Period ended</b>	<b>Three Months Ended June 30, 2018</b>	<b>Three Months Ended June 30, 2017</b>	<b>Six Months Ended June 30, 2018</b>	<b>Six Months Ended June 30, 2017</b>
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net Income / (Loss)	\$(164,588)	\$(24,034)	\$(247,782)	\$(26,152)
Basic Income/(loss) per share	\$(0.02)	\$(0.01)	\$(0.03)	\$(0.01)
Diluted loss per share (Unaudited)	\$(0.02)	(0.01)	\$(0.03)	\$(0.01)
Weighted average shares	10,668,719	2,785,371	9,271,672	2,112,502

### *Selected Balance Sheet Data*

<b>Period ended</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Cash & Equivalents	\$383,172	\$49,752
Current Assets	\$502,415	\$53,005
Total Assets	\$503,290	\$54,414
Current liabilities	\$75,020	\$65,838
Non-Current liabilities	\$56,000	\$151,203
Total liabilities	\$131,020	\$217,041
Working Capital	\$427,395	\$(12,833)

### **Comparison of the Quarters ending June 30, 2018 and June 30, 2017**

#### *Revenues*

The Issuer does not expect to receive revenue if any from the potential cannabis greenhouse operation on the Samson Cree First Nations ("Samson FN") land until the first quarter of 2020.

The Issuer holds 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. This fee for 2016 and 2017 has not been paid and the company will not recognize it as revenue until such time that management is confident of its payment. A further payment of \$50,00 is due in the third quarter of 2018.

#### *Expenses*

For the three months ended June 30, 2018 expenses totaled \$164,588 compared to expenses of \$24,034 for the three month period ended June 30, 2017. Expenses increased in all categories except accounting and audit fees for the three months ended June 30, 2018 when compared to the three months ended June 30,



2017. During the three month period ended June 30, 2017 the Issuer had minimal expenses to maintain the companies reporting status and investigate future business opportunities. During the three month period ended June 30, 2018 the Issuer pursued its plan of developing a greenhouse to grow cannabis on Samson FN lands and prepared a preliminary prospectus for submission to the British Columbia Securities Commission, causing increased expenses when compared to the three month period ended June 30, 2017; Consulting fees increased from \$6,300 to \$73,099 as consultants were hired to provide assistance in finance, land acquisition, indigenous relations, ACMPR application, as well as greenhouse design and financial analysis and modeling; Interest and bank charges increased as the \$56,000 non-interest bearing short term loan was converted to a long-term interest bearing loan with an interest rate of 1% per month, the principal is due September 30, 2019; management fees increased as the President and CEO became a fulltime employee and a new CFO was added to the management team; office and administration costs increased to reflect the Issuers increased activity in pursuing its business plan; an increase in financing activity caused an increase in filling fees; travel increased as the Issuers operation are now focused in Alberta away from the head office in Vancouver, BC.

During the three month period ended June 30, 2018 the issuer assumed debt of \$4,179 (2017 - \$5,929) in relation the plan of arrangement with Tower One. During the three month period ended June 30, 2018, the Issuer had a loss on the conversion of long term debt of \$17,268 (2017 - \$Nil). This loss is attributed to the unamortized discounts on long-term debt balances that were converted to common shares. Long-term debts totaling \$95,000 were converted to 380,000 common shares. The \$4,063 loss on repayment of long-term debt relates to the unamortized discount on a long-term debt balance due to a related party that was paid off early.

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

The company does not incur any expense associated with research and development under the asset purchase agreement with ForwoRx Therapeutics Inc.

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

General and administrative costs consist primarily of consulting fees, management fees, accounting costs and other professional and administrative costs associated with maintenance of the Issuer's reporting status and general corporate activities such as pursuing the development of the greenhouse to grow cannabis on the Samson FN lands.

The General and administrative costs for the 3 month period ended June 30, 2018 was \$139,078. The General and administrative costs for the three months ended June 30, 2017 was \$18,105. For additional discussion of the expenses please *see "Expenses"*.

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

The company 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 six month period ended June 30, 2018 was \$3,360 (June 30, 2017, \$Nil). 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 expense for the six month period ended June 30, 2018 was \$3,360. Interest accrued at June 30, 2018, is \$2,016 (December 31, 2017: \$2,016)

### *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 3 month period ended June 30, 2018 stock based compensation was \$Nil (June 30, 2017, \$Nil).

### **Selected Quarterly Information**

	Three Months Ended June 30, 2018	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	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
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Revenues</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net Income (Loss)</b>	(164,588)	(83,193)	(85,462)	(105,869)	(24,034)	(2,118)	(441,998)	5,626
<b>Income (Loss) per Share basic and diluted</b>	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	Nil	Nil	5,626
<b>Cash</b>	383,172	119,806	49,752	111,994	43,413	3,885	88	7
<b>Total Assets</b>	503,290	147,574	54,414	115,662	53,538	4,286	89	7
<b>Current Liabilities</b>	75,020	76,335	65,838	63,923	238,898	315,430	441,187	111

### *Liquidity and Capital Resources*

At June 30, 2018, the Issuer had cash and cash equivalents of \$383,172 and working capital of \$427,395. Working capital improved by \$440,228 when compared to the year ended December 31, 2017. This

improvement was mostly due to the issuance of 3,228,716 common shares for proceeds of \$681,411 and the settlement of \$100,269 in liabilities. Working capital is defined as current assets less current liabilities.

The Issuer's Cash flows from financing activities for the six months ended June 30, 2018 consisted of the issuance of 3,228,716 common shares for proceeds of \$681,411 and the settlement of \$100,269 in liabilities.

Cash utilized in operating activities during the six months ended June 30, 2018 was \$320,196 (June 30, 2017: \$26,541). The increase in cash utilized in operations was mainly due to an increase in the net loss for the six month period ending June 30, 2018 of \$247,782 from a net loss of \$26,152 for the six month period ended June 30, 2017. During the six month period ended June 30, 2018 the issuer assumed debt of \$4,179 (2017 - \$5,929) in relation the plan of arrangement with Tower One. During the six month period ended June 30, 2018, the Issuer had a loss on the conversion of long term debt of \$17,268 (2017 - \$Nil). This loss is attributed to the unamortized discounts on long-term debt balances that were converted to common shares. Long-term debts totaling \$95,000 were converted to 380,000 common shares. The \$4,063 loss on repayment of long-term debt relates to the unamortized discount on a long-term debt balance due to a related party that was paid off early.

At June 30, 2018 share capital was \$1,184,675 comprised of 11,083,340 issued and outstanding Common Share (December 31, 2017: \$442,041 comprised of 7,854,624 shares).

Warrant and Option Reserves at June 30, 2018, was \$93,963, an increase of \$39,045 as compared to the year ended December 31, 2017. Pursuant to the private placement on April 12, 2017, the Company issued 1,614,358 share purchase warrants. Each whole warrant entitles the holder to purchase one common share at a price of \$0.35 per share for a period of two years from the date of issue. The warrants were assigned a value of \$39,045 using the residual value method.

As a result of the net loss for the six months ended June 30, 2018 of \$164,588 the deficit at June 30, 2018 increased to \$907,368 from \$659,586 for the year ended December 31, 2017.

At present, the Issuer's operations do not generate cash inflows and its financial success after June 30, 2018 is dependent on Issuers ability to generate revenues from its proposed cannabis greenhouse operations and the asset purchase agreement with ForwoRx Therapeutics Inc. Neither of these operations may ever generate any revenues for the Issuer.

In order to finance the Issuer's future development plans, administrative and overhead expenses in the coming years the Issuer may 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 the Issuer's ACMPR application, issuance of permits and licenses from governments, approval from first nations band councils, construction of facilities, the Issuers ability to grow sell cannabis profitably and 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 Company.

### *Transactions with Related Parties*

- On February 23, 2018 the Mr. Douglas Unwin the Issuer's CEO and a director assigned \$50,000 of the long-term debt to arm's-length parties.
- On April 12, 2018 \$25,000 of long-term debt owed to Douglas Unwin the Issuer's CEO and a director was converted to units at a conversion rate of \$0.25 per unit pursuant to a private placement. The Company recorded a loss \$4,673 on the conversion related to the unamortized discount.
- During the quarter ended June 30, 2018 the remaining long-term debt balance owed to Mr. Douglas Unwin the Issuer's CEO and a director was paid off. The Company recorded a loss \$4,063 on repayment relating to the unamortized discount.
- As of June 30, 2018, the Company has \$nil (December 31, 2017: \$16,262) of long-term debt owing to a Payson Unwin son 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 was due on September 30, 2019 and did 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. On April 12, 2018 the entire balance was converted to 80,000 units at a conversion rate of \$0.25 per unit pursuant to a private placement. The Company recorded a loss \$3,250 on the conversion relating to the unamortized discount on the long-term debt.
- As of June 30, 2018, the Company has \$3,607 (December 31, 2016: \$nil) in due to Robert Charlton the Issuers CFO and a director and \$7,000 (December 31, 2016: \$4,000) in accrued liabilities due to a company controlled by Robert Charlton the Issuers CFO and a director. The amounts do not bear interest and have no set terms of repayment. And are for services rendered.
- As of June 30, 2018, the Company has \$100 (December 31, 2017: \$100) owing to a Nick Horsley a former director of the Company. The amount does not bear interest and has no set terms of repayment. The \$100 dollars was deposited to the Issuers bank account upon opening of the account.
- The Issuer also issued 144,860 common shares at a deemed price of \$0.10 per share to settle \$14,486 of debt. \$4,486 of the debt was converted by Douglas Unwin and \$10,000 was converted by Derick Sinclair both directors of the Issuer. All of the debt had been transferred to the Issuer from Tower One.
- 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. The debt was converted by Douglas Unwin, Derick Sinclair and Robert Charlton all directors of the Company. Of the \$50,000 of debt converted to shares \$37,500 was debt that had been transferred to the Issuer from Tower One, \$12,500 was for accounts payable for accounting services owed to a firm controlled by Robert Charlton.
- 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. The \$5,928 was converted by Douglas Unwin and Derick Sinclair, both directors of the Issuer. All of the debt had been transferred to the Issuer from Tower One.

### ***Proposed Transactions***

As at the date of this Management Discussion and Analysis there are no transactions currently contemplated by the Issuer, other than the proposed greenhouse facility on the Samson First Nations land. See “*Business Overview and Strategy*”

### ***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 18, 2018, the Issuer had an unlimited number of authorized common shares with 11,083,340 common shares issued and outstanding.

As at September 18, 2018 the issuer had 685,000 options outstanding. Each option has an exercise price of \$0.10.

As at September 18, 2018 the Issuer had 1,976,691 warrants outstanding. Pursuant to the private placement on April 12, 2017, the Company issued 1,614,358 share purchase warrants. Each whole warrant entitles the holder to purchase one common share at a price of \$0.35 per share for a period of two years from the date of issue. The warrants were assigned a value of \$39,045 using the residual value method.

The following table shows the details for the outstanding warrants and options:

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Warrants 1 whole warrant exercisable at \$3.00 up until October 8, 2019	72,000	72,000
Warrants 1 whole warrant exercisable at \$3.00 up until October 18, 2019	66,000	66,000
Warrants 1 whole warrant exercisable at \$3.00 up until November 5, 2019	224,333	224,333
Warrants 1 whole warrant exercisable at \$0.35 up until April 12, 2020	1,614,358	1,614,358
Options expiring October 31, 2021 with an exercise price of \$0.10	100,000	100,000

Options expiring January 18, 2022 with an exercise price of \$0.10	25,000	25,000
Options expiring July 10, 2022 with an exercise price of \$0.10	340,000	340,000
Options expiring September 21, 2022 with an exercise price of \$0.10	220,000	220,000

## **SCHEDULE B**

### **AUDIT COMMITTEE CHARTER**

**CABBAY HOLDINGS CORP.**  
(the “Company”)

#### General

Primary responsibility for the Company’s financial reporting obligations, information systems, financial information disclosure, risk management and internal controls is vested in management and overseen by the Board.

The Audit Committee is a standing committee of the Board, the primary function of which is to assist the Board in fulfilling its financial oversight responsibilities, which will include monitoring the quality and integrity of the Company’s financial statements and the independence and performance of the Company’s external auditor, acting as a liaison between the Board and the Company’s auditor, reviewing the financial information that will be publicly disclosed and reviewing all audit processes and the systems of internal controls management and the Board have established.

#### Composition and Process

- The Audit Committee will be comprised of a minimum of three directors. All of the members of the Audit Committee will be independent, as that term is defined in National Instrument 52 – 110 Audit Committees, unless otherwise exempted by NI 52 - 110.
- Audit Committee members will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms, which are encouraged to ensure continuity of experience.
- All members of the Audit Committee will be financially literate, with financial literacy being the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.
- The Chair of the Audit Committee will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms. The Audit Committee Chair will arrange for an alternate chair if he or she is planning to be absent.
- The Audit Committee Chair will, in consultation with management, the external auditor and internal auditor (if any), establish the agenda for Audit Committee meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for review prior to the meeting. The external auditor will also receive notice of all meetings of the Audit Committee. The external auditor will be entitled to attend and speak at each meeting of the Audit Committee concerning the Company’s annual audited financial statements, and any other meeting at which the Audit Committee

feels it is necessary or appropriate. The Audit Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.

- The Audit Committee will meet a minimum of four times per year, at least once per quarter, and may call special meetings as required. A quorum at meetings of the Audit Committee will be a majority of its members if comprised of an odd number of members and one half of its members if comprised of an even number of members. The Audit Committee may hold its meetings, and members of the Audit Committee may attend meetings, by telephone or video conference call.
- At all meetings of the Audit Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Audit Committee Chair will not be entitled to a casting vote.
- The minutes of Audit Committee meetings will accurately record the decisions reached and will be distributed to Audit Committee members with copies to the Board, the CEO, the CFO and the external auditor.
- The CEO, CFO, any other director or any other person may attend and participate in meetings of the Audit Committee, if invited.

#### Authority

- The Audit Committee will have unrestricted access to the Company's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
- The Audit Committee will have direct communication channels with the external auditor and internal auditor (if any).
- The Audit Committee will have the authority to retain (or terminate) any outside counsel, advisors or consultants it determines necessary to assist it in discharging its functions, independently of the Board, Chair or CEO. The Audit Committee will be provided with the necessary funding to compensate any counsel, advisors or consultants it retains.
- The Audit Committee will enquire about potential claims, assessments and other contingent liabilities.
- The Audit Committee will periodically review with management depreciation and amortisation policies, loss provisions and other accounting policies for appropriateness and consistency.
- The Audit Committee will, through the Audit Committee Chair, report to the Board following each meeting on the major discussions and decisions made by the Audit Committee and will report annually to the Board on the Audit Committee's responsibilities and how it has discharged them.

#### Relationship with External Auditor

- The Audit Committee will establish effective communication processes with



management and the external auditor, so it can objectively monitor the quality and effectiveness of the external auditor's relationship with the Audit Committee and management.

- The Audit Committee will review and discuss with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor and, if necessary, obtain a formal written statement from the external auditor setting forth all relationships between the external auditor and the Company.
- The Audit Committee will take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor.
- The Company's external auditor must report directly to the Audit Committee.
- The Audit Committee must recommend to the Board:
  - (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
  - (b) the compensation of the external auditor.
- Unless otherwise permitted by NI 52-110, the Audit Committee must pre-approve all non-audit services to be provided by the external auditor, together with estimated fees, and consider the impact, if any, on the independence of the external auditor. The Audit Committee may delegate to one or more of its independent members the authority to pre-approve non-audit services, but no such delegation may be made to management of the Company. The pre-approval of non-audit services by any independent member of the Audit Committee to whom such authority has been granted must be presented to the Audit Committee at its first scheduled meeting following such pre-approval. Non-audit services will include, without limitation, the following:
  - a) Bookkeeping or other services related to the Company's accounting records or financial statements.
  - b) Financial information systems design and implementation.
  - c) Appraisal or valuation services, fairness opinions or contributions-in-kind reports.
  - d) Actuarial services.
  - e) Internal audit outsourcing services.
  - f) Management functions.
  - g) Human resources.
  - h) Broker or dealer, investment adviser or investment banking services.
  - i) Legal services.

- j) Expert services unrelated to the audit, including tax planning and consulting.
- The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- The Audit Committee will implement structures and procedures as it deems necessary to ensure that it meets with the external auditor on a regular basis independent of management.

#### Relationship with Internal Auditor (if such position exists)

1. The Audit Committee will review:
  - The internal auditor's terms of reference.
  - The plan and budget for preparation of the internal audit, including financial and operational activities.
  - Material reports issued by the internal auditor and management's response to those reports.
  - The Audit Committee will approve the reporting relationship of the internal auditor to ensure appropriate segregation of duties is maintained and the internal auditor has direct access to the Audit Committee.
  - The Audit Committee will ensure the internal auditor's involvement with financial reporting is co-ordinated with the activities of the external auditor.
  - If no internal audit function exists, the Audit Committee will regularly review the need for such a function.

#### **Accounting Systems, Internal Controls and Procedures**

1. The Audit Committee will obtain reasonable assurance from discussions with and/or reports from management and reports from the external auditor that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Company, its subsidiaries and affiliates. The Audit Committee will review and consider any recommendations made by the external auditor, together with management's response, and the extent to which recommendations made by the external auditor have been implemented.
2. The Audit Committee will ensure that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and will periodically assess the adequacy of those procedures.
3. The Audit Committee will review and discuss with management and the external auditor the clarity and completeness of the Company's financial and non-financial disclosures made pursuant to applicable continuous disclosure requirements.

4. The Audit Committee will review and discuss with management and the external auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
5. The Audit Committee will review and discuss with management and the external auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
6. The Audit Committee will review with the external auditor the quality of the Company's generally accepted accounting principles and direct the external auditor's examinations to particular areas.
7. The Audit Committee will discuss with management and the external auditor the Company's underlying accounting policies and key estimates and judgments to ensure they are considered to be the most appropriate in the circumstances, within the range of acceptable options and alternatives.
8. The Audit Committee will review the procedures of the internal and external auditors to ensure the combined evaluating and testing of the Company's controls are comprehensive, well co-ordinated, cost effective and appropriate to relevant risks and business activities.
9. The Audit Committee will review all control weaknesses and deviations identified by management, the internal auditor or the external auditor together with management's response, and review with the external auditor their opinion of the qualifications and performance of the key financial and accounting executives.
10. The Audit Committee will review and discuss with management and the external auditor any proposed changes in major accounting policies and the financial impact thereof, and will from time to time benchmark the Company's accounting policies to those followed in its industry.
11. The Audit Committee will review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, which will include without limitation a review of:
  - (a) The appetite for financial risk as set forth by management and the Board.
  - (b) The Company's policies for the management of significant financial risk.
  - (c) Management's assessment of the significant financial risks facing the Company.Management's plans, processes and programs to manage and control financial risk.
12. The Audit Committee will establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
13. The Audit Committee will review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

14. The Audit Committee will review the Company's insurance policies, including directors' and officers' coverage, and make recommendations to the Board.
15. The Audit Committee will establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under National Instrument 52 – 108 *Auditor Oversight*.

### **Financial Disclosure Responsibilities**

The Audit Committee will review and make recommendations on, prior to presentation to the Board for approval and the Company's dissemination to the public, all material financial information required to be disclosed by securities regulations. In fulfilling this responsibility, the Audit Committee will, without limitation, review:

- The Company's annual and quarterly financial statements (including those of any subsidiaries and affiliates of the Company), management discussion and analysis and news releases, disclosing financial results and any Prospectus, annual information form, offering memorandum or other disclosure documents containing financial information extracted or derived from its financial statements.
- The Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
- Disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

### **Other Responsibilities**

Review with the external auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements.

### **Investigate fraud, illegal acts or conflicts of interest.**

- Discuss selected issues with legal counsel, the external auditor or management, or conduct special reviews or other assignments from time to time as requested by the Board, or by management with the Board's approval.
- Review loans made by the Company to its directors, officers, employees and consultants.

- The Audit Committee will review and assess its effectiveness, contribution and these Terms of Reference annually and recommend any proposed changes thereto to the Board.

#### Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters

The Audit Committee will inform all employees, at least annually, of the Complaints Officer designated from time to time by the Audit Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters. The Audit Committee Chairman shall act as the Complaints Officer.

The Complaints Officer will keep any complaints or submissions received and the identity of employees making complaints or submissions confidential and only communicate same to the Audit Committee or the Chair of the Audit Committee.

The Complaints Officer will report to the Audit Committee as frequently as he or she deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Audit Committee called to approve interim and annual financial statements of the Company.

Upon receipt of a report from the Complaints Officer, the Audit Committee will discuss the report and take such steps as the Audit Committee may deem appropriate.

The Complaints Officer will retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

**SCHEDULE B**  
**CERTIFICATES**

**CERTIFICATE OF CABBAY HOLDINGS CORP.**

Date: September 25, 2018

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of British Columbia

*(signed) Doug Unwin*

\_\_\_\_\_  
**Douglas H. Unwin**

President

*(signed) Robert Charlton*

\_\_\_\_\_  
**Robert Charlton**

Chief Financial Officer

**ON BEHALF OF THE  
BOARD**

*(Signed) Derick Sinclair*

\_\_\_\_\_  
**Derick G. Sinclair**

Director

*(Signed) Mark van der Horst*

\_\_\_\_\_  
**Mark A. van der Horst**

Director

## **CERTIFICATE OF THE PROMOTER**

Date: September 25, 2018

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of British Columbia

*(signed) Doug Unwin*

**Douglas H. Unwin**  
Promoter