

CABBAY HOLDINGS CORP.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED September 30, 2018 and 2017

(Unaudited – Prepared by Management)

Cabbay Holdings Corp.

Consolidated Interim Financial Statements

Period ended September 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)

	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 234,471	\$ 49,752
Advances	3,197	3,053
Accounts receivable	16,897	-
Prepays	22,000	-
Subscriptions receivable (Note 9)	-	200
	<u>276,565</u>	<u>53,005</u>
Non-Current		
Other receivable (Note 4)	1	1
Property, plant and equipment (Note 5)	607	1,408
Intangible assets (Note 6)	179,211	-
	<u>456,384</u>	<u>54,414</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	92,351	21,758
Loans payable (Note 7)	93,639	37,639
Due to related parties (Note 8)	3,281	6,441
	<u>189,271</u>	<u>65,838</u>
Non-Current		
Loans payable (Note 7)	-	56,000
Due to related parties (Note 8)	-	95,203
	<u>189,271</u>	<u>217,041</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 9)	1,184,675	442,041
Subscriptions received (Note 9)	1,000	-
Contributed surplus (Note 8, Note 9)	93,963	54,918
Deficit	(1,012,525)	(659,586)
Total equity	<u>267,113</u>	<u>(162,627)</u>
	<u>\$ 456,384</u>	<u>\$ 54,414</u>

Nature and continuance of operations (Note 1)

Commitment (Note 13)

Subsequent event (Note 15)

Approved by the directors:

“Doug Unwin”“Derick Sinclair”

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

(Expressed in Canadian Dollars- Unaudited)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Expenses:				
Accounting fees and audit (Note 8)	\$ 3,000	\$ 2,200	\$ 25,000	\$ 13,450
Consulting fees (Note 8)	35,414	26,250	136,263	37,050
Depreciation (Note 5)	267	267	801	267
Interest and Bank charges (Note 7)	2,133	199	9,493	361
Legal fees	59	10,580	16,011	10,580
Management fees (Note 8)	24,000	23,625	70,850	23,625
Office and administration	2,653	4,068	12,841	6,623
Share-based compensation (Note 9)	-	27,482	-	27,817
Transfer agent and filing fees	5,771	6,226	12,591	12,097
Travel	5,009	-	11,829	-
Wages (Note 8)	7,500	4,972	11,250	4,972
Total expenses	(85,806)	(105,869)	(306,929)	(136,842)
Forgiveness of loans payable (Note 7)	-	-	-	10,750
Assumption of debt (Note 7)	-	-	(4,179)	(5,929)
Loss on conversion of long-term debt (Note 7, Note 8, Note 9)	-	-	(17,268)	-
Loss on repayment of long-term debt (Note 8)	-	-	(4,063)	-
Write-off of deposit (Note 12)	(20,500)	-	(20,500)	-
Net loss and comprehensive loss for the period	\$ (106,306)	\$ (105,869)	\$ (352,939)	\$ (132,021)
Earnings (loss) per share – Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.04)
Weighted average number of common shares outstanding	11,083,340	6,943,275	9,884,442	3,743,927

CABBAY HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars – Unaudited)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating Activities		
Net loss for the period	\$ (352,939)	\$ (132,021)
Items not involving cash:		
Depreciation	801	267
Accretion of long-term loans	3,466	
Share-based compensation	-	27,817
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	
Write-off of deposit	20,500	
	(302,662)	(108,758)
Changes in non-cash working capital item related to operations:		
Advances	(144)	(1,792)
Accounts receivable	(16,897)	-
Prepaid expenses	(42,500)	-
Accounts payable and accrued liabilities	71,683	339
Subscriptions receivable	200	-
Cash from operating activities	(290,320)	(110,211)
Investing Activities		
Investment in ACMPR license	(179,211)	-
Cash used in investing activities	(179,211)	-
Financing Activities		
Proceeds from issuance of Common Shares	681,411	218,310
Share subscriptions received	1,000	-
Payment of loans payable	(3,466)	-
Change in due to related parties	(24,695)	5,749
Cash provided by financing activities	654,250	224,059
Increase in cash during the period	184,719	111,906
Cash, beginning of the period	49,752	88
Cash, end of the period	\$ 234,471	\$ 111,994

Supplemental cash flow information (Note 14)

CABBAY HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Expressed in Canadian dollars – Unaudited)

	Number of Shares	Share Capital \$	Subscriptions Received \$	Equity Reserve \$	Deficit \$	Total \$
Balance, December 31, 2017	7,854,624	442,041	-	54,918	(659,586)	(162,627)
Units issued for cash (note 9)	2,827,641	672,715	-	34,195	-	706,910
Conversion of debt to units (Note 7, Note 8, Note 9)	401,075	95,419	-	4,850	-	100,269
Less: Share issuance costs (Note 9)	-	(25,500)	-	-	-	(25,500)
Subscriptions received (Note 9)	-	-	1,000	-	-	1,000
Loss for the period	-	-	-	-	(352,939)	(352,939)
Balance, September 30, 2018	11,083,340	1,184,675	1,000	93,963	(1,012,525)	267,113

	Number of Shares	Share Capital \$	Subscriptions Received \$	Equity Reserve \$	Deficit \$	Total \$
Balance, December 31, 2016	1,379,887	1,000	-	5	(442,103)	(441,098)
Common shares issued for cash (Note 9)	3,624,517	218,510	-	-	-	218,510
Conversion of debt to shares (Note 7, Note 8, Note 9)	2,580,220	222,531	-	-	-	222,531
Share-based compensation (Note 9)	-	-	-	27,817	-	27,817
Interest benefit in related party loan	-	-	-	23,358	-	23,358
Loss for the period	-	-	-	-	(132,021)	(132,021)
Balance, September 30, 2017	7,854,624	442,041	-	51,180	(574,124)	(80,903)

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 will pursue the licensing, construction and operation of a cannabis growing facility.

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 September 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 September 30, 2018 of \$352,939 (December 31, 2017: \$217,483) and an accumulated deficit at September 30, 2018 of \$1,012,525 (December 31, 2017: \$659,586).

1. Nature of Operations (continued)

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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.

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

(c) Principles of consolidation

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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 September 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.

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 September 30, 2018:

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

Effective for periods beginning on or after January 1, 2019

- **IFRS 16, Leases**

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

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

4. Asset Purchase Agreement

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

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

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

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

5. Equipment

	Costs	
	Computers	Total
Balance December 31, 2016	\$ -	\$ -

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

Additions	1,942	1,942
Balance December 31, 2017	1,942	1,942
Additions	-	-
Balance September 30, 2018	\$ 1,942	\$ 1,942

Accumulated Depreciation

	Computers	Total
Balance December 31, 2016	\$ -	\$ -
Depreciation	534	534
Balance December 31, 2017	534	534
Depreciation	801	801
Balance, September 30, 2018	\$ 1,335	\$ 1,335

Net Carrying Amount

	Computers	Total
Balance December 31, 2017	\$ 1,408	\$ 1,408
Balance September 30, 2018	\$ 607	\$ 607

6. Intangible Assets

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")/ Cannabis Act license application and construction of a cannabis cultivation facility. The costs incurred to complete the license application have been capitalized as an intangible asset. The Company also classified certain consulting charges associated with obtaining the ACMPR license.

Costs incurred to obtain the ACMPR License are listed below:

	September 30, 2018
Application costs	\$ 96,875
Other capitalized charges	82,336
Total	\$ 179,211

7. 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.

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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 9).

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 9). The Company recorded a loss \$9,345 on the conversion relating to the unamortized discount on the long-term debt.

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 nine months ended September 30, 2018 was \$5,040. Interest accrued at September 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.

8. Related Party Transactions

Transactions with related parties are as follows:

September 30, 2018	September 30, 2017
-----------------------	-----------------------

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

Accounting fees to a Company controlled by a director	\$	12,500	\$	2,100
Consulting fees to a Company controlled by a director		5,000		-
Management fees to the CEO and director		70,850		23,625
Wages to the CEO and director		11,250		-
	\$	99,600	\$	25,725

As of September 30, 2018 the Company has \$3,180 (December 31, 2016: \$(19,950)) due from the CEO and director of the Company included in due to related parties and \$7,250 (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.

On February 23, 2018 the CEO and director assigned \$50,000 of the long-term debt to arm's-length parties (Note 7).

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 9). 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 September 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 9). The Company recorded a loss \$3,250 on the conversion relating to the unamortized discount on the long-term debt.

8. Related Party Transactions (continued)

As of September 30, 2018, the Company has \$4,482 (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.

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

As of September 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.

9. Share Capital

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

During the period ended September 30, 2018:

There was no share capital activity during the period ended September 30, 2018.

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.

9. Share Capital (continued)

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.

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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.

Stock options and share based payments

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

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

During the period ended September 30, 2018:

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

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.

9. Share Capital (continued)

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.

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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 September 30, 2018 have a remaining contractual life of 3.72 years. Stock option activity was as follows:

	Options outstanding	Exercise Price \$
Balance, December 31, 2016	100,000	0.10
Issued	25,000	0.10
Issued	340,000	0.10
Issued	220,000	0.10
Balance, December 31, 2017 and September 30, 2018	685,000	0.10

The fair value of share based awards is determined using the Black-Scholes Option Pricing Model. The model utilizes certain subjective assumptions including the expected life of the option and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's stock options. The Company used the Black-Scholes Option Pricing Model for its stock option grants in 2018 and 2017. The assumptions used in the black-scholes pricing model were:

	September 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%

9. Share Capital (continued)

Warrants

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

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

Expiry Date	Exercise Price \$	30-Sep-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 September 30, 2018:

There was no warrant activity during the period ended September 30, 2018.

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.

The warrants outstanding and exercisable as at September 30, 2018 have a weighted average remaining contractual life of 1.45 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
Balance, September 30, 2018	1,976,961	0.84

9. Share Capital (continued)

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.

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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:

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

10. 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.

11. Financial Instruments and Risk

As at September 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 \$92,351 (December 31, 2017: \$21,578) in accounts payable and accrued liabilities, \$93,639 (December 31, 2017: \$37,639) in short-term loans payable, \$nil (December 31, 2017: \$56,000) in long-term loans payable, \$3,281 (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.

11. Financial Instruments and Risk (continued)

Foreign Exchange Risk

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

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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.

	Level 1	Level 2	Total
	\$	\$	\$
December 31, 2017			
Cash	49,472	-	49,742
Loans payable	-	56,000	56,000
Due to related parties	-	95,203	95,203
	49,472	151,203	200,945
September 30, 2018			
Cash	234,471	-	234,471
Loans payable	-	-	-
	234,471	-	234,471

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 September 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.

12. 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

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

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.

Subsequent to the period ended September 30, 2018, the Company was no longer pursuing the agreement. The Company wrote-off deposits in the amount of \$20,500 made towards the lease.

13. 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 a cannabis cultivation 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

14. Supplemental cash flow information

	September 30, 2018	September 30, 2017
Cash paid for interest	\$5,040	-
Cash paid for income taxes	-	-

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

- Converted due to related parties totaling \$40,655 to loans payable (Note 7, Note 8).
- Converted loans payable totaling \$44,834 into 216,716 common shares (Note 7, Note 9).
- Converted due to related parties totaling \$40,655 into 180,000 common shares (Note 8, Note 9).
- Converted accounts payable totaling \$1,090 into 4,359 common shares (Note 9).

14. Supplemental cash flow information

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

- Converted loans payable totaling \$152,117 into 670,817 common shares (Note 7, Note 9)

Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

Period ended June 30, 2018 and 2017

- Converted due to related parties totaling \$70,414 into 463,240 common shares (Note 8, Note 9).
- Recorded an interest benefit on conversion of a related party loan to long-term debt in the amount of \$23,358 (Note 8).

15. Subsequent events

On October 18, 2018, the Company issued 340,000 options to purchase common shares to directors and consultants of the Company. The options have an exercise price of \$0.25 per share and are exercisable for a period of five years from the date of grant.

On November 16, 2018 the Company leased 5 acres of land at \$200 per acre per year for 2 years on the Enoch first Nation lands near Edmonton to establish an outdoor cannabis growing facility.